

CEP Magazine – August 2020 Uptick in fraud leads to increased whistleblower complaints in US

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The United States Securities and Exchange Commission (SEC) reported a 35% increase in complaints from mid-March to mid-May compared with last year. The increase is due to two distinct factors^[1]: the widespread fraud due to COVID-19 and the willingness of now-unemployed workers to come forward with complaints.

The complaints cover a wide range of activities, from loan fraud and price gouging to substandard medical goods and COVID-19-related scams. A new group within the SEC is closely monitoring the market for anything that might interfere with free trade and thereby trigger liability. In May, the SEC charged two companies, Applied BioSciences Corp. and Turbo Global Partners Inc., for allegedly publishing misleading information on the status of their COVID-19 screening offerings.^[2]

“We are actively monitoring the markets to detect potential fraudsters who seek to use the COVID-19 crisis as a basis for investment scams,” said Stephanie Avakian, co-director of the SEC’s Division of Enforcement. “As alleged in these complaints, Applied BioSciences and Turbo Global sought to take advantage of the COVID-19 crisis by misleading investors about their ability to provide solutions.”

¹ Katanga Johnson, “Armed with whistleblower tips, U.S. SEC cracks down on coronavirus misconduct,” *Reuters*, May 26, 2020, <https://reut.rs/3eMPw1T>.

² Securities and Exchange Commission, “SEC Charges Companies and CEO for Misleading COVID-19 Claims,” news release, May 14, 2020, <https://bit.ly/2XShYIJ>.

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