



U.S. SECURITIES AND
EXCHANGE COMMISSION

Summary of Performance and Financial Information

FISCAL YEAR 2016



The U.S. Securities and Exchange Commission at a Glance

Each year, the SEC produces an Agency Financial Report (AFR) that primarily focuses on financial results, and an Annual Performance Report (APR) that reviews strategic goals and performance results, in lieu of a combined Performance and Accountability Report. The fiscal year (FY) 2016 APR will be included in the SEC's FY 2018 Congressional Budget Justification available in 2017.

In addition, the SEC also publishes this Summary of Performance and Financial Information, which is an overview of the AFR.

Electronic copies of SEC's reports are available at www.sec.gov/about/secreports.shtml. To comment on these reports, email SECAFR@sec.gov.

About the SEC

The SEC is an independent federal agency established pursuant to the Securities Exchange Act of 1934 (Exchange Act).¹ The SEC consists of five presidentially-appointed Commissioners—one of whom is designated as the Chair of the Commission—with staggered five-year terms. By law, no more than three of the Commissioners may belong to the same political party.

The SEC is responsible for overseeing the nation's securities markets and certain primary participants, including broker-dealers, investment companies, investment advisers, clearing agencies, transfer agents, credit rating agencies, and securities exchanges, as well as organizations such as the Financial Industry Regulatory Authority (FINRA), Municipal Securities Rulemaking Board, and the Public Company Accounting Oversight Board. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010² (Dodd-Frank Act), the agency's jurisdiction was expanded to include certain participants in the derivatives markets, private fund advisers, and municipal advisors.

The SEC's headquarters are in Washington, DC, and the agency has 11 regional offices located throughout the country. The agency's functional responsibilities are organized into five divisions and 24 offices, and the regional offices are primarily responsible for investigat-

ing and litigating potential violations of the securities laws. The offices also have examination staff to inspect regulated entities such as investment advisers (IA), investment companies, and broker-dealers.

In FY 2016, the SEC employed 4,554 full-time equivalents (FTE), including 4,404 permanent and 150 other than permanent FTEs.

Mission		
The mission of the SEC is to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation.		
Vision		
The SEC strives to promote a securities market environment that is worthy of the public's trust and characterized by:		
<ul style="list-style-type: none"> • Transparent disclosure to investors of the risks of particular investments; • Oversight of key market participants, including exchanges, brokers and dealers, investment advisers, and others; • Focus on strengthening market structure and systems; • Promotion of disclosure of market-related information; • Protection against fraud and abuse; and • Evaluation, development, and maintenance of appropriate rules and regulations. 		
Values		
Integrity	Excellence	Accountability
Effectiveness	Teamwork	Fairness

Date issued: January 19, 2017

¹ More information about the Securities Exchange Act of 1934 can be found at www.sec.gov/about/laws/sea34.pdf

² More information about the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 can be found at www.sec.gov/about/laws/wallstreetreform-cpa.pdf

Fiscal Year 2016 in Review

FY 2016 was another year of significant accomplishments for the SEC under the leadership of Chair Mary Jo White.

The SEC rose to the challenges of a growing mandate and increasingly complex marketplace through innovative strategies for vigorous enforcement; strong and effective rulemakings; enhanced examinations and oversight; a deepened oversight of the most complex and rapidly-evolving corners of the financial markets; a focus on enhancing traditional priorities including investor education and international cooperation; and more efficient operations by the agency itself.

Ensuring Safer, Stronger Markets

FOCUSED RULEMAKING

The SEC made advancements toward the adoption and/or completion of major rulemakings that will help to protect investors, facilitate capital formation, and build stronger markets. Specifically, the Commission made efforts to comply with the following Acts:

Dodd-Frank Act

- Completed all of its mandatory rulemaking in six of the eight most significant areas targeted for SEC action:
 - Regulation of private fund advisers
 - Restrictions on proprietary trading
 - Enhanced standards for clearing agencies
 - A new regulatory framework for municipal advisors
 - Enhanced protections for investors in asset-backed securities
 - Stronger regulation of credit rating agencies and credit ratings

- Continued its process of completing final rules in the remaining two areas: security-based swaps and executive compensation rules, as required;
- Adopted disclosure rules for resource extraction issuers; and
- Issued a staff report on the “accredited investor” definition.

Jumpstart Our Business Startups (JOBS) Act

- Completed all of its mandatory rulemaking, adopting rules to permit companies to offer and sell securities through crowdfunding.
 - These rules, which allow companies to raise up to \$1 million in a 12-month period through crowdfunding offerings, are designed to assist smaller companies with capital formation and provide investors with important protections.

Fixing America's Surface Transportation (FAST) Act of 2010

- Adopted amendments to reporting forms for emerging growth companies and smaller reporting companies.

The SEC also continued to propose and adopt rules as part of its agenda to address the increasing complexity of the asset management industry, including the risks that arise from current portfolio compositions and fund operations. Specifically, the agency:

- Proposed a rule to modernize the regulation of funds’ use of derivatives in December 2015;
- Proposed a rule that would require registered IAs to adopt and implement written business continuity and transition plans in June 2016;

- Adopted final amendments to Reporting and Dissemination of Security-Based Swap Information in July 2016, thereby completing its core rules on security-based swap transaction reporting and dissemination, and setting the stage for reporting to commence in FY 2017;
 - Adopted the first set of reforms designed to enhance the reporting and disclosure of information provided by IAs in August 2016; and
 - Adopted final rules regarding the access of regulators to data obtained by the security-based swap data repositories that will stand at the center of the reporting regime in August 2016.
- Collaboratively, the agency also continued its efforts to:
 - Strengthen the operational integrity of the securities markets with the full implementation of Regulation Systems Compliance and Integrity on November 3, 2015;
 - » To complement this effort, the Commission approved rules from the national securities exchanges and the FINRA designed to address specific areas in which the robustness and resilience of critical market infrastructure can be improved for the equity and options markets.
 - Enhance oversight and operation of the markets, as well as the transparency of key market operations for investors;
 - Advance its consideration of broader market structure changes, including those raised in meetings of the Equity Market Structure Advisory Committee that provides a formal mechanism through which the Commission can receive advice and recommendations specifically related to equity market structure issues; and
 - Implement statutory mandates designed to enhance and facilitate securities offerings, in addition to undertaking discretionary measures to further promote capital formation, especially for smaller issuers.

Rooting out financial and disclosure fraud must be a priority for Enforcement—and FY 2016 was no exception.

Transformative Policy Initiatives

The SEC made significant progress in its disclosure effectiveness initiative, which is a broad-based review of the presentation and delivery of disclosures that public companies make to investors to make them better and more meaningful for investors and more cost effective for companies, in addition to addressing products and practices that contributed directly to the financial crisis.

- Through its annual review program of the filings of over 4,800 public companies, the Division of Corporation Finance (Corporation Finance) issued focused comments on periodic reports and offering documents, including the registration statements for approximately 400 initial public offerings.
- The Division of Investment Management’s (IM) Disclosure Office also reviewed and commented on disclosures in more than 4,800 filings relating to more than 12,000 registered investment companies, business development companies, and insurance contracts.

Impact and Innovation in Enforcement

Comprehensive, accurate, and reliable financial reporting is the bedrock upon which our markets are based. Because of this, rooting out financial and disclosure fraud must be a priority for the Division of Enforcement (Enforcement)—and FY 2016 was no exception.

Enforcement continued to prioritize market structure issues—particularly those involving Alternative Trading Systems, abusive trading, cyber issues, and the dissemination of false information to the market—in addition to pursuing corporate insiders, employees of regulated

The SEC
ended the
fiscal year with

548

STAND-ALONE
enforcement
actions

195

FOLLOW-ON
proceedings

125

DELINQUENT
FILING
proceedings

868

TOTAL
ENFORCEMENT
ACTIONS

entities, and other individuals who misappropriate or trade unlawfully on material, nonpublic information.

Through Enforcement, the SEC:

- Ended the fiscal year with a record 548 stand-alone enforcement actions, plus 195 follow-on proceedings and 125 delinquent filing proceedings, for a total of 868 enforcement actions;
- Obtained judgments and orders for over \$4 billion in penalties and disgorgement;
- Charged 78 parties in insider trading actions, which brings wrongdoers to account and sends a strong message of deterrence to would-be violators;
- Continued to prioritize cases against gatekeepers;
- Brought innovative and path-breaking actions in the municipal securities market, including actions against 14 municipal underwriting firms and 71 municipal issuers and others for violations in municipal bond offerings as part of the Municipalities Continuing Disclosure Cooperation Initiative, a voluntary self-reporting program targeting material misstatements and omissions in municipal bond offering documents;
- Brought the most-ever cases involving investment advisers or investment companies (160);
- Reached new heights in the enforcement of anti-bribery and anticorruption laws in by bringing the most-ever Foreign Corrupt Practices Act-related enforcement actions (21);
- Succeeded in bringing a number of first-of-its-kind actions involving complex financial instruments;
- Took strong action to combat the scourge of stock manipulation using a technology- and data-driven approach, targeting a variety of manipulation schemes—particularly those involving online intrusions, false statements via social media, and false regulatory filings;
- Broadened its efforts to combat microcap fraud to encompass significant actions involving gatekeepers and professionals associated with microcap frauds;
- Continued to protect investors by filing a number of actions targeting securities offerings that included registration violations and offering frauds, and by thwarting Pyramid and Ponzi schemes;
- Awarded over \$57 million to 13 whistleblowers through its whistleblower award program, which is more than all previous years combined; and
- Harnessed data through innovative analytical tools.
 - Enforcement’s Center for Risk and Quantitative Analytics supported, coordinated, and enhanced the division’s risk-identification, risk assessment, and data analytic activities in over 75 matters, including actions against 67 entities. The matters involved, among other things, insider trading, hedge funds, municipal issuers, and complex financial instruments.

Excellence in the Examination Program

The population of IAs has grown rapidly in recent years: More than 2,000 new advisers have registered with the SEC over the past two years, and the Office of Compliance Inspections and Examinations (OCIE) continued to identify and prevent fraud and other misconduct through examinations. When OCIE uncovers information in an examination that establishes or suggests misconduct, examiners refer the matter to Enforcement for investigation and potential enforcement actions. In FY 2016, OCIE:

- Conducted more than 2,400 examinations of regulated entities, which is an increase of more than 20 percent over FY 2015, and is the highest number of examinations in the preceding seven fiscal years;
 - OCIE’s examinations resulted in the voluntary return of more than \$60 million to investors.
- Completed more than 1,600 exams through its Investment Adviser/Investment Company examination program (IA/IC), an increase of 20 percent over FY 2015;

The Division of Economic and Risk Analysis (DERA) continued to expand the critical role that it plays within the SEC by producing high-quality, data-driven analyses.

- Took steps to increase staff in the IA/IC examination program by approximately 20 percent through targeted hiring and redeployment of staff from other examination program areas;
 - These changes became effective at the beginning of FY 2017.
- Created the Office of Risk and Strategy (ORS) to consolidate the various teams that perform risk assessment, monitoring, and surveillance of regulated entities;
 - ORS creates synergies from these teams' varying expertise, and allows for closer collaboration, including with examiners.
- Conducted over 150 outreach conferences with the industry and securities regulators both regionally and nationally;
- Made approximately 200 referrals to Enforcement; and
- Appeared at more than 150 events in order to promote transparent communication and coordination among industry participants and regulators.

Economic and Risk Analysis

The Division of Economic and Risk Analysis (DERA) continued to expand the critical role that it plays within the SEC by producing high-quality, data-driven analyses that address the economic issues associated with the regulation of the financial markets and the enforcement of federal securities laws.

DERA's support for the SEC's programs fell into three main categories: informing policymaking; supporting inspections and enforcement; and enhancing access to, and usability of, data.

- DERA's analytic tools and analyses enable the proactive detection of market risks indicative of possible violations of the federal securities laws.
- DERA directly supports Enforcement in investigating and prosecuting wrongdoing through rigorous, quantitative analyses that help identify violations of securities laws and measure harm to investors.
- DERA worked to develop solutions that help make information accurate, timely, useful, and accessible.
 - Structured data reporting provides easier access for the Commission and users to key information about registrants, their practices, and their offerings.
- DERA worked closely with other offices and divisions to design data structuring approaches for required disclosures, and supported the SEC's data collections and data usage by designing taxonomies, validation rules, data quality assessments, and data dissemination tools to facilitate high-quality data analyses.
 - Evaluating the appropriateness of machine-readable structured data formats is now a routine part of the rulemaking process.
- DERA was instrumental in the ongoing development of Inline XBRL, which has the potential to provide a number of benefits to filers and users of structured financial information.

Protecting Investors through Education

The Office of Investor Education and Advocacy (OIEA) continued to support the Commission's investor protection mission by:

- Launching the SEC's first-ever nationwide public service campaign;
- Modernizing the Investor.gov website, which now serves as the SEC's primary landing page for retail investors who wish to conduct an investment professional background search; and
- Publishing a variety of important investor alerts and bulletins warning investors of possible fraudulent schemes, and educating them on investment-related matters, handling investment-related complaints and questions from individual investors, and participating

in over 100 in-person events focused primarily on senior citizens, military personnel, millennials, and affinity groups.

International Collaboration

The Office of Investor Advocacy (OIA) used its expertise to provide guidance to Enforcement on foreign practice and procedure and to raise enforcement cooperation standards and best practices worldwide.

In FY 2016, OIA continued to:

- Work with international counterparts bilaterally and through the International Organization of Securities Commissions, the Financial Stability Board, and other international bodies to coordinate international approaches in key regulatory areas and advance SEC policy objectives;
- Support the cross-border supervisory efforts of other SEC divisions and offices by coordinating on-site visits to SEC-regulated firms located outside the U.S., helping examinations staff obtain access to records held in foreign jurisdictions, and assisting with asset verification requests to offshore banks, custodians, and fund administrators; and
- Help foreign authorities with their investigations by securing information located in the U.S., including obtaining formal orders to compel testimony.
 - OIA's enforcement cooperation and assistance team handled 1,027 requests from Enforcement for international assistance and 636 requests for assistance from foreign regulatory and law enforcement authorities.
 - The SEC's international technical assistance program provided training on enforcement, examinations, and market development to approximately 2,145 persons from the SEC's international regulatory and law enforcement counterparts.

Operational Support

Collectively, the offices and functions that comprise the Office of the Chief Operating Officer (OCOO) organization continued to provide strategic leadership, oversight, and stewardship of the SEC's human, financial, technological, and administrative resources, thus ensuring that key infrastructure and operational activities enable the agency to accomplish its mission.

- The Office of Acquisitions (OA) returned more than \$40 million to the SEC by de-obligating funds from existing and expired contracts, and obligated contracts in excess of \$470 million.
 - OA also awarded enterprise agreements, creating long-term strategic partnerships with vendors and reducing lead time to contract award.
- The Office of Human Resources (OHR) continued to implement a comprehensive talent management approach for the agency in order to attract, develop, motivate, and retain productive, engaged employees.
- The Office of Information Technology (OIT) achieved significant operational efficiencies through streamlined operations and by leveraging existing assets.
- The Office of Financial Management (OFM) advanced several technology initiatives to improve financial operations, internal controls, and service to registrants and internal customers.
- In October 2015, OCOO established the Office of Strategic Initiatives (OSI) with the purpose of managing specific agency-wide functions and key strategic programs.
- The Office of Support Operations (OSO) implemented numerous requirements of the Freedom of Information Improvement Act of 2016 and adopted the "Capstone approach" in compliance with Presidential Management Directive (M-12-18), which ensures that emails sent or received by high-level officials will be permanently retained.

Fiscal Year 2016 Performance Highlights

The SEC's performance data provides a foundation for both programmatic and organizational decision-making and is critical for gauging the agency's success in meeting its objectives. The SEC is committed to using performance management best practices to promote greater accountability.

The SEC's FY 2016 APR will be issued with the agency's FY 2018 Congressional Budget Justification, and will provide a complete discussion of all of the agency's strategic goals, including a description of performance goals and objectives, data sources, performance results and trends, and information about internal reviews and evaluations.

The SEC's FY 2016 strategic and performance planning framework is based on the FY 2014 – FY 2018 Strategic Plan, available at www.sec.gov/about/sec-strategic-plan-2014-2018.pdf.

The Strategic Plan outlines the agency's mission, vision, values, strategic goals, and strategic objectives. The SEC's work is structured around four strategic goals and the 12 strategic objectives the agency plans to achieve in support of those four goals. The SEC's goals and priorities in the Strategic Plan are influenced by several external environmental factors, including global, complex, and constantly evolving securities markets.

The following is a list of the SEC's strategic goals and objectives and a summary of the agency's FY 2016 results for its key performance goals.

Strategic Goals and Strategic Objectives

STRATEGIC GOAL 1: Establish and maintain an effective regulatory environment

STRATEGIC OBJECTIVE 1.1: The SEC establishes and maintains a regulatory environment that promotes high-quality disclosure, financial reporting, and governance, and that prevents abusive practices by registrants, financial intermediaries, and other market participants.

STRATEGIC OBJECTIVE 1.2: The SEC promotes capital markets that operate in a fair, efficient, transparent, and competitive manner, fostering capital formation and useful innovation.

STRATEGIC OBJECTIVE 1.3: The SEC adopts and administers regulations and rules that are informed by robust economic analysis and public comment and that enable market participants to understand clearly their obligations under the securities laws.

STRATEGIC OBJECTIVE 1.4: The SEC engages with a multitude of stakeholders to inform and enhance regulatory activities domestically and internationally.

STRATEGIC GOAL 2: Foster and enforce compliance with the federal securities laws

STRATEGIC OBJECTIVE 2.1: The SEC fosters compliance with the federal securities laws.

STRATEGIC OBJECTIVE 2.2: The SEC promptly detects and deters violations of the federal securities laws.

STRATEGIC OBJECTIVE 2.3: The SEC prosecutes violations of federal securities laws and holds violators accountable through appropriate sanctions and remedies.

STRATEGIC GOAL 3: Facilitate access to the information investors need to make informed investment decisions

STRATEGIC OBJECTIVE 3.1: The SEC works to ensure that investors have access to high-quality disclosure materials that facilitate informed investment decision-making.

STRATEGIC OBJECTIVE 3.2: The SEC works to understand investor needs and educate investors so they are better prepared to make informed investment decisions.

STRATEGIC GOAL 4: Enhance the Commission's performance through effective alignment and management of human, information, and financial capital

STRATEGIC OBJECTIVE 4.1: The SEC promotes a results-oriented work environment that attracts, engages, and retains a technically proficient and diverse workforce, including leaders who provide motivation and strategic direction.

STRATEGIC OBJECTIVE 4.2: The SEC encourages a collaborative environment across divisions and offices and leverages technology and data to fulfill its mission more effectively and efficiently.

STRATEGIC OBJECTIVE 4.3: The SEC maximizes the use of agency resources by continually improving agency operations and bolstering internal controls.



Key Performance Achievements

One of the agency's primary objectives is to maintain a regulatory framework that enables market participants to understand their obligations (Strategic Objective 1.3). The SEC devotes resources from the Divisions of Trading and Markets (TM), Investment Management (IM), and Corporation Finance to respond to no-action letters, exemptive applications, and interpretive and other requests from regulated entities, public companies, and other outside parties. In FY 2016, TM, IM, and Corporation Finance met or exceeded their response rate targets (Performance Goal 1.3.1).

PERFORMANCE GOAL 1.3.1—Length of time to respond to written requests for no-action letters (NAL), exemptive applications, and written interpretive requests

Description: The SEC staff responds to requests for guidance from individuals and market participants about specific provisions of the federal securities laws. These queries may seek interpretations of the securities laws or regulations, or assurances that no enforcement action will be taken if the individual or market participant engages in a specified activity. The staff also reviews applications for exemptions from the securities laws. Written responses to such requests for guidance, when provided, generally are publicly available, as are applications and related notices and orders, when issued. This metric gauges the timeliness of initial comments issued by the Divisions of Trading and Markets, Investment Management, and Corporation Finance.

Fiscal Year	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016 Plan	FY 2016 Actual	FY 2016 Results
Division of Trading and Markets								
Percentage within required timeframe	98.5%	89%	93%	83%	88%	80%	81%	Exceeded
Responsible Division/Office: Division of Trading and Markets								
Data Source: TM Request Tracking Log								
Division of Investment Management								
Exemptive applications	100%	100%	99%	99%	100%	80%	100%	Exceeded
Responsible Division/Office: Division of Investment Management								
Data Source: Microsoft Office Suite Tools								
Division of Corporation Finance								
No-action letters and interpretive requests	97%	98%	98%	97%	94%	90%	93%	Exceeded
Shareholder proposals	100%	100%	100%	100%	100%	100%	100%	Met
Responsible Division/Office: Division of Corporation Finance								
Data Source: Division NAL database and Division Shareholder Proposal database								

Building and maintaining examination coverage of the industry helps the Commission promptly detect violations of federal securities laws and promote compliance with such laws (Strategic Objective 2.2). Overall, the agency's National Examination Program (NEP) met expectations and continued to increase examination levels (Performance Goal 2.2.1).

PERFORMANCE GOAL 2.2.1—Percentage of investment advisers, investment companies, and broker-dealers examined during the year

Description: This metric indicates the number of registrants examined by the SEC or an SRO as a percentage of the total number of registrants. This metric includes all types of examinations: risk priority examinations, cause inspections to follow up on tips and complaints, limited-scope special inspections to probe emerging risk areas, and oversight examinations of broker-dealers to test compliance and the quality of examinations by FINRA.

Fiscal Year	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016 Plan	FY 2016 Actual	FY 2016 Results
Investment advisers	8%	8%	9%	10%	10%	11%	11%	Met
Investment companies	13%	12%	11%	10%	15%	15%	17%	Exceeded
Broker-Dealers (exams by SEC and SROs)	58%	49%	46%	49%	51%	50%	50%	Met
Responsible Division/Office: Office of Compliance Inspections and Examinations								
Data Source: Tracking and Reporting Exam National Documentation System (TRENDS) (investment adviser [IA], investment company [IC], and broker-dealer [BD] SEC data) and SRO Databases (BD self-regulatory organization [SRO] Data)								

Key parts of investor protection are to quickly and appropriately sanction those who prey on investors and to successfully litigate cases (Strategic Objective 2.3). Enforcement strives to obtain swift and strong judgment orders, consistent with fairness and due process. The SEC has implemented controls and strategies to resolve actions quickly and on a favorable basis, while at the same time, it does not hesitate to file matters on a contested basis where a favorable settlement was unavailable before filing (Performance Goal 2.3.1).

PERFORMANCE GOAL 2.3.1
Percentage of enforcement actions in which the Commission obtained relief on one or more claims

Description: This metric identifies, as to all parties to enforcement actions that were resolved in the fiscal year, the percentage against whom the Commission obtained a judgment or order entered on consent, a default judgment, a judgment of liability on one or more charges, and/or the imposition of monetary or other relief.

Fiscal Year	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016 Plan	FY 2016 Actual	FY 2016 Results
Percentage	93%	89%	93%	94%	95%	92%	97%	Exceeded
Responsible Division/Office: Division of Enforcement								
Data Source: HUB case management and tracking system for the Division of Enforcement								

The federal securities laws place great emphasis on assuring that corporations, investments companies, and other entities provide investors with timely, clear, complete, and accurate financial and non-financial information, allowing investors to make wise investment decisions (Strategic Objective 3.1). Consistent with Section 408 of the Sarbanes Oxley-Act of 2002, the SEC completed its review of disclosures made by certain public issuers, including issuers' financial statements, no less frequently than once every three years (Performance Goal 3.1.1).

PERFORMANCE GOAL 3.1.1
Percentage of public companies and investment companies with disclosures reviewed each year

Description: The Sarbanes-Oxley Act requires that the SEC review, at least once every three years, the disclosures of all companies and investment company portfolios reporting under the Exchange Act. These reviews help improve the information available to investors and may identify possible violations of the federal securities laws. This metric gauges the number of public companies and investment companies reviewed each year.

Fiscal Year	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016 Plan	FY 2016 Actual	FY 2016 Results
Division of Investment Management								
Investment Company Portfolios	33%	36%	34%	35%	35%	33%	36%	Exceeded
Responsible Division/Office: Division of Investment Management								
Data Source: Microsoft Office Suite Tools								
Division of Corporation Finance								
Corporations	48%	48%	52%	52%	51%	33%	56%	Exceeded
Responsible Division/Office: Division of Corporation Finance								
Data Source: Electronic, Data Gathering, Analysis, and Retrieval (EDGAR)/Filing Activity Tracking System								

Management Assurances and Compliance with Laws

In FY 2016, the SEC demonstrated its continued commitment to maintaining strong internal controls. Internal control is an integral component of effective agency management, providing reasonable assurance that the following objectives are being achieved: effectiveness and efficiency of operations; reliability of reporting; and compliance with laws and regulations.

The Federal Managers' Financial Integrity Act of 1982 (FMFIA) establishes management's responsibility to assess and report on internal accounting and administrative controls. Section 963 of the Dodd-Frank Act describes the responsibility of SEC management to establish and maintain adequate internal controls and procedures for financial reporting.

In FY 2016, the SEC demonstrated its continued commitment to maintaining strong internal controls.

ASSURANCE STATEMENT ON INTERNAL CONTROL OVER OPERATIONS: The SEC's management is responsible for establishing and maintaining effective internal controls that meet the objectives of the FMFIA. In accordance with Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, the SEC conducted its annual assessment of the effec-

tiveness of internal controls. Based on the results of the assessment for the period ending September 30, 2016, the SEC is able to provide reasonable assurance that the internal controls for the agency meet the objectives of the FMFIA. No material weaknesses were found in the design or operation of the internal controls for the fiscal year ended September 30, 2016.

ASSURANCE STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING: In accordance with OMB Circular A-123 Appendix A, *Internal Control Over Reporting*, the SEC conducted its assessment of the effectiveness of internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations. Based on the results of the assessment, the SEC is able to provide reasonable assurance that internal controls over financial reporting, both for the agency as a whole and for the Investor Protection Fund, met the objectives of FMFIA and were operating effectively as of September 30, 2016. No material weaknesses were found in the design or operation of controls.

The SEC also conducted reviews of its financial management systems in accordance with OMB Circular A-123 Appendix D, *Compliance with the Federal Financial Management Improvement Act (FFMIA)*. Based on the results of these reviews, the SEC can provide reasonable assurance that its financial management systems substantially comply with the requirements of the FFMIA as of September 30, 2016.

Summary of Financial Statement Audit

AUDIT OPINION: Unmodified

RESTATEMENT: No

Independent Auditor's Internal Control Findings

Category	FY 2016 Audit Finding
Material Weaknesses	None
Significant Deficiencies	None

Category	FY 2015 Audit Finding
Material Weaknesses	None
Significant Deficiencies	None

For FY 2016, the independent auditor, the U.S. Government Accountability Office (GAO), released an unmodified opinion of our financial statements and internal controls, in which no significant issues were identified.

The SEC successfully maintained a strong internal control posture through the hard work and dedication of staff in OFM, OIT, and the agency as a whole.

While the agency is pleased with these results, the SEC nevertheless remains committed to making further improvements to its internal controls environment. A key ongoing priority for OFM is to build out its in-house internal controls program, aimed toward the early identification and resolution of internal control issues. The SEC will also continue to formalize its enterprise risk management program in response to updated guidance from GAO and OMB.

In addition, the SEC will continue to focus its energies on modernizing the technology systems supporting key areas of our finances.

Inspector General's Statement on Management and Performance Challenges

The Reports Consolidation Act of 2000 requires the SEC OIG to identify and report annually on the most serious management challenges that the SEC faces.

To varying degrees, the management and performance challenges include:

- Meeting Expanded Regulatory Oversight Responsibilities
- Ensuring an Effective Information Security Program
- Improving Contract Management
- Ensuring Effective Human Capital Management

Details of the challenges and corresponding audit, evaluation, investigation, or review work is discussed in *The Inspector General's Statement on the SEC's Management and Performance Challenges, October 2016*.³

In prior years, the OIG reported that Financial Management also posed a management and performance challenge for the agency primarily due to significant deficiencies and other financial reporting internal control weaknesses that were identified through GAO's annual financial statement audit. During FY 2015, the SEC made progress in addressing those deficiencies, specifically in the agency's accounting for disgorgement and penalty transactions, such that GAO no longer considers the remaining control deficiencies in this area to represent a significant deficiency as of September 30, 2015. Accordingly, the OIG removed Financial Management from this year's statement.

Management's Response to the Inspector General's Statement

The SEC remains committed to enhancing the programmatic and operational effectiveness of the agency and appreciates the OIG's role in this effort. The SEC has actions—both taken and planning to be taken—that will address each of the challenges identified in the statement.

³ The Inspector General's Statement on the SEC's Management and Performance Challenges, October 2016, can be found at <https://www.sec.gov/oig/reportspubs/Inspector-Generals-Statement-on-the-SECs-Management-and-Performance-Challenges.pdf>

Fiscal Year 2016—Financial Highlights

Selected Financial Data for FY 2016 and FY 2015

(DOLLARS IN MILLIONS)	2016	2015
Total Assets	\$ 11,652	\$ 11,456
Total Liabilities	\$ 4,015	\$ 3,773
Net Position	\$ 7,637	\$ 7,683
Annual Net Position Change	0%	0%
Total Program Costs	\$ 1,736	\$ 1,584
Revenues	\$ 1,975	\$ 2,070
Net (Income) Cost from Operations	\$ (239)	\$ (486)
Total Budgetary Resources	\$ 1,879	\$ 1,713
Actual FTEs at FY End	4,554	4,301

Sequestration Order for FY 2016

On March 1, 2013, the President issued the Sequestration Order for FY 2013 that reduced budget authority. As determined by OMB, for FY 2016, the Sequestration Order was applicable to mandatory appropriations, which included the Securities and Exchange Commission Reserve Fund (Reserve Fund) and the Investor Protection Fund.

For example, in FY 2016 the Reserve Fund's budget authority of \$75 million was reduced by 6.8 percent, or \$5.1 million.

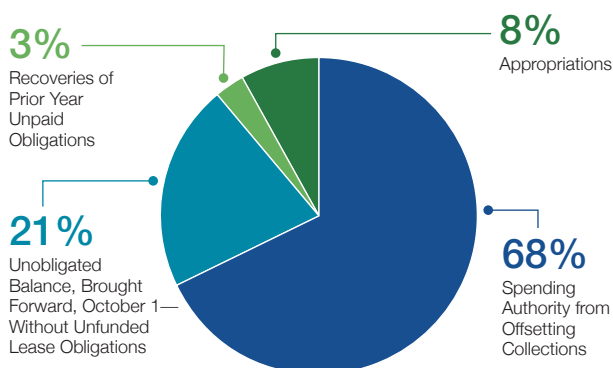
Reserve Fund

Section 991(e) of the Dodd-Frank Act authorized the creation of a Reserve Fund. Funded from filing fee collections, the SEC can deposit up to \$50 million per fiscal year, and the fund cannot hold more than \$100 million in total. Excess filing fees are deposited to the U.S. Treasury General Fund.

For the year ended September 30, 2016, filing fee revenues totaled \$489 million. Fifty million dollars was deposited into the Reserve Fund, of which \$5 million was sequestered. The remainder of \$439 million was earned on behalf of the U.S. Treasury General Fund.

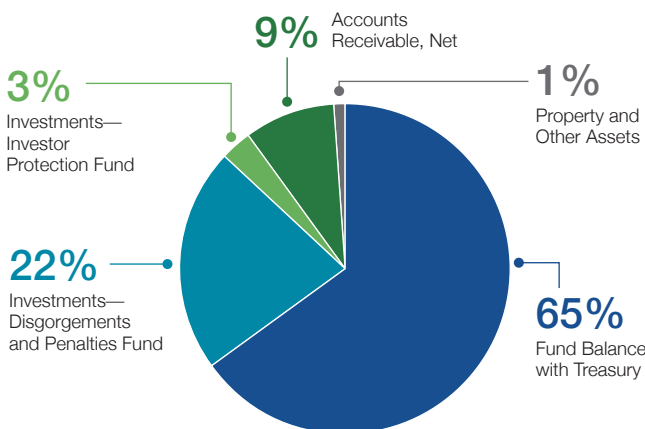
Filing fees deposited to the Reserve Fund can be used to fund the SEC's operations, create budgetary authority, and are reported as a component of Appropriations (Discretionary and Mandatory) on the SEC's Statement of Budgetary Resources. Filing fees deposited in the U.S. Treasury General Fund cannot be used to fund the SEC's operations. These amounts do not create budgetary authority, and are reported as a component of Other Financing Sources: Other on the SEC's Statement of Changes in Net Position.

FY 2016 Sources of Funds

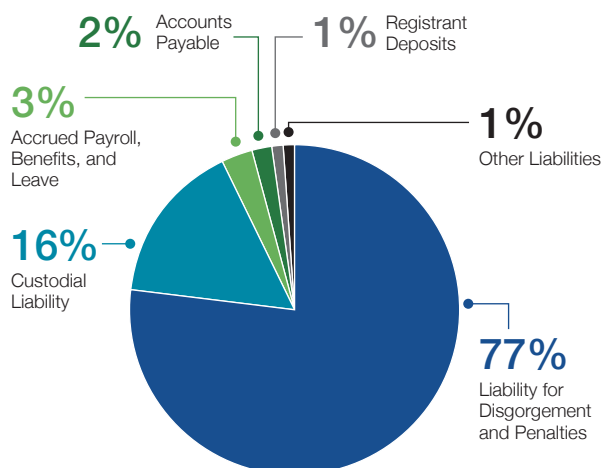


Percentages do not include the Unobligated Balance Brought Forward, October 1—Interpretation for Lease Obligations

FY 2016 Assets by Type



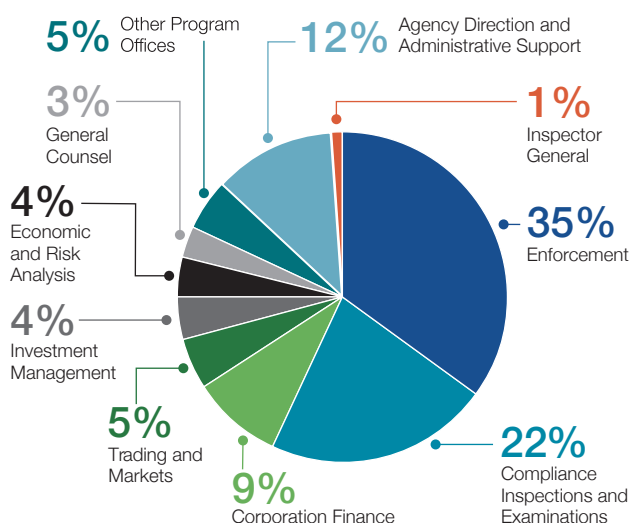
FY 2016 Liabilities by Type



FY 2016 Program Costs

Total Program Costs were \$1.7 billion for the period ended September 30, 2016—an increase of \$152 million, or 10 percent, compared to FY 2015. Salary and Benefit Expenses increased more than \$115 million as a result of increased staffing, compensation, and benefits. Other Expenses increased more than \$37 million, which includes \$27 million in accrued expenses for whistleblower award payments from the SEC’s Investor Protection Fund, and \$29 million in additional expenses for contractual services.

FY 2016 Program Costs



The SEC had increased expenses in the areas of personnel compensation and benefits as a result of an increase in the hiring of FTEs; IT service contracts and licensing; capitalized and non-capitalized information systems software and hardware; and whistleblower award payments.

Investor Protection Fund

The SEC prepares stand alone financial statements for the Investor Protection Fund, as required by the Dodd-Frank Act. The fund was established in FY 2010 to provide funding for a whistleblower award program and to finance the operations of the SEC OIG’s Employee Suggestion Program. Sanctions collected by the Commission payable either to the SEC or the U.S. Treasury General Fund will be transferred to the Investor Protection Fund if the balance in that fund is less than \$300 million on the day of collection.

Investor Protection Fund Activity

For the years ended September 30, 2016 and 2015

(DOLLARS IN THOUSANDS)	2016	2015
Balance of fund at beginning of fiscal year, October 1	\$ 387,111	\$ 414,660
Amount of earnings on investments during the fiscal year	2,413	867
Amount paid from the fund during the fiscal year to whistleblowers	(55,122)	(28,397)
Amount paid from the fund during the fiscal year for expenses incurred by Employee Suggestion Program	(44)	(19)
Balance of the fund at the end of the reporting period	\$ 334,358	\$ 387,111

Note: Table is presented as “Dollars in Thousands” in order to detail Investor Protection Fund activity.