GOVERNMENT PERFORMANCE
AND
RESULTS ACT (GPRA)

2004 ANNUAL PERFORMANCE PLAN
AND
2002 ANNUAL PERFORMANCE REPORT

March 2003

Message from the Commission Chairman

I am pleased to transmit the Commission's Government Performance and Results Act fiscal 2002 report and fiscal 2004 plan. I understand that this document is consistent with the Commission's current five-year strategic plan adopted in September 2000 and supports the fiscal 2004 budget request. The results for fiscal 2002 reflect the agency's results in meeting previously established performance goals. However, given my recent arrival at the Commission, I must note that there will be significant changes in our programs and operations in the coming year. These changes will be reflected appropriately in future strategic planning documents.

This report demonstrates that the agency will continue to work tirelessly to restore investor confidence in our securities markets. I share that vision and will work with the staff to develop new strategies to assure its achievement.

Sincerely,

William H. Donaldson
Chairman

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Introduction

This document combines the U.S. Securities and Exchange Commission's (Commission or SEC) annual performance plan (plan or performance plan) for fiscal 2004 and performance report for fiscal 2002. The annual performance plan describes the steps that the SEC proposes to take in fiscal 2004 to achieve the goals and objectives contained in the agency's Government Performance and Results Act (GPRA) strategic plan for the 2000-2005 period, as approved by the Commission in September 2000. The performance plan includes a number of modifications to reflect program and policy changes of the past year. As required by the Government Performance and Results Act, the Commission will review and revise its strategic plan this year. As part of the revision, we will further integrate into the plan policy changes arising from the Sarbanes-Oxley legislation.

The performance plan should be used in conjunction with the SEC's budget estimate for fiscal 2004 to link the GPRA performance goals and measures with more detailed agency resource and workload levels. This plan includes a "crosswalk" to show the relationship between the budget estimate and resource levels devoted to the level of activity for each of the strategic plan's goals.

The performance report for fiscal 2002 compares results for the fiscal year with previously planned performance levels. As required by law, it explains variances from performance targets, as well as any proposed corrective actions for future years.

The "Investor and Capital Markets Fee Relief Act" authorized the Commission to establish a system of pay parity with other federal financial service regulators. The Act directs the Commission to include in its annual performance plan an analysis of the effects of implementing the pay parity program. This analysis is provided in Goal #4, Sustain and Improve Organizational Excellence.

SEC Environment: Restoring Investor Confidence

One of the Commission's primary concerns is restoring investor confidence in the integrity of our capital markets and in public company disclosure. Today we are operating in a time of significant change and disquiet in the United States' securities markets. Recent events and long-standing problems that have come to light are causing uncertainty in the securities markets and raising questions in the minds of investors concerning the integrity of corporate financial reporting. Investors are questioning the quality of the information provided to them as they make their investment decisions. Corporate management abuses and failures or apparent failures of auditors, audit committees, analysts and other checks and balances have resulted in significant restatements of issuers' financial statements. These, in turn, have led to numerous on-going civil and criminal proceedings and have sparked legislative and regulatory changes.

The integrity of financial reporting is a fundamental building block of the full and fair disclosure that gives investors confidence and trust in our markets. Concerns about the adequacy of accounting standards and the quality of independent audits led to a flurry of Congressional and Commission actions directed toward making necessary improvements. On July 30, 2002, President Bush signed into law the Sarbanes-Oxley Act (Pub. L. No. 107-204) prescribing a series of financial and corporate disclosure reforms. In particular, Sarbanes-Oxley establishes a new system for regulating the accounting profession and mandates a new Public Company Accounting Oversight Board (PCAOB) that is overseen by the Commission. The Act also directs the Commission to undertake rulemaking in a variety of areas, including imposing new standards for auditor independence, requiring certification of financial statements by CEOs and CFOs of public companies, and accelerating filing deadlines for reports of insiders' transactions in their company's stock.

From the outset of fiscal 2002, the Commission launched several bold initiatives to address--and restore--eroding investor confidence. Some of these were later amended and codified in the Sarbanes-Oxley Act. Highlights of the Commission's initiatives include:

- Streamlining investigations and expediting enforcement actions
- Developing a risk-based inspections program for advisory firms and investment companies
- Requiring and reviewing certified financial statements
- Conducting in-depth disclosure reviews of the filings of Fortune 500 firms
- Revising the Commission's fee structure to minimize impact on capital formation in the securities markets
- Adopting rules implementing the provisions of the Sarbanes-Oxley Act

Real-Time Enforcement: Through its real-time enforcement initiative, the Commission seeks to prevent dissipation of investor assets whenever possible by learning of violations quickly, publicizing the misconduct where appropriate in order to alert investors to the possible wrongdoing, and, where investor interests are being disserved or abused, taking immediate action to reverse or halt the effects of misconduct. Through the Division of Enforcement's initiative to streamline investigations and expedite enforcement actions, in fiscal 2002 an estimated 479 investigations were opened and 578 were closed, and 317 civil proceedings, as well as 281 administrative proceedings, were instituted.

The Division of Enforcement also continues to maintain a presence in the major core areas of enforcement concern including financial fraud, Internet fraud, cases involving regulated entities, insider trading, and offering fraud. As demonstrated during fiscal 2002, financial fraud cases are particularly challenging, involve intricate fact-finding, and are extremely resource intensive. The Commission is focusing on ways to expedite these investigations and is directing more staff resources to financial fraud investigations in fiscal 2003 as well as requesting additional resources in 2004.

Risk-based Examinations: Market forces also are altering the landscape of the securities industry, causing the SEC to revamp its inspection and examination program for investment companies and investment advisers. Today, there is an increasing concentration of assets controlled by investment management firms in the largest 100 firms. If a major fraud occurred at one of these large firms, substantial adverse impact on investor confidence in the investment management industry and securities markets in general could occur. The organization of a large number of investment management industry firms within a bank or financial services holding company also requires Commission attention.

As a result, the Commission is altering its examination and inspection program to be significantly more focused on the relative risks inherent in advisers and funds. The risks we will focus on relate to the probability of the existence of undisclosed, uncontrolled activities within these firms that are likely to cause material harm to investors. With this new focus on risk, the frequency of inspections is being adjusted to reflect the risk profile of each firm. The focus on risk also will be evident in the work we perform during inspections. Ten activities of advisers and funds appear to account, historically, for most of the enforcement actions brought by the SEC against these firms. During inspections, we will evaluate the effectiveness of risk management processes, including internal control and compliance procedures, in these areas of activities.

In-depth Disclosure Reviews: A vigorous filing review program and strictly enforced requirements for broad and timely dissemination of material information are essential ingredients in maintaining a fair and orderly market system. They provide assurance to investors that issuers are fully and accurately describing their business and financial condition and that important non-public information, such as earnings results, is not disclosed to securities analysts or selected institutional investors before full disclosure of the same information to the general public.

In response to an unprecedented number of companies issuing large earnings restatements, major public companies allegedly perpetrating financial fraud, and the demise of a “Big Five” accounting firm, the Commission instituted new requirements for financial certifications and conducted numerous in-depth reviews of selected filings. In 2002, Commission staff reviewed the nearly 1,000 letters that companies’ chief executive and financial officers submitted, attesting to the adequacy and accuracy of their filings. Staff also monitored the filings of the Fortune 500 companies to determine whether they should be reviewed and subsequently reviewed a significant majority of these companies. Many of these reviews, which were continuing at the end of the year, presented complex disclosure and financial statement issues that take a substantial amount of time to evaluate.

Rulemaking: The recently adopted Sarbanes-Oxley Act of 2002 provides the SEC with additional significant review and rulemaking responsibilities. Commission staff identified over 20 rulemakings that the Commission is required to complete on specific and tight timetables, and some 20 other regulatory actions that are not expressly required, but that may be necessary to implement the Act. Most of the directed rulemakings and other Commission actions to implement the Act will be complete by the start of fiscal year 2004.

The markets also continue to move and react more quickly than ever before. To meet the challenges these developments pose, issuers are using new and complex financial instruments. Through rulemaking activities, the Commission is addressing the risk posed to the markets and investing public and responding to the need for investors to be fully informed about these financial vehicles and the risks associated with their use.

Revised Fee Structure: On January 16, 2002, P.L. 107-123, the Investor and Capital Markets Fee Relief Act (Fee Relief Act) was enacted. This law significantly reduces the Commission's fee structure. In general, the Fee Relief Act ties fee collections to target offsetting collection amounts, and requires the Commission to adjust fee rates periodically to yield these target offsetting collection amounts. The reduced fee rate structure, a lower volume of market transactions, and decreased merger activity resulted in the SEC's fee collections decreasing in fiscal 2002 to $1,013 million, down from $2,061 million collected in fiscal 2001.

SEC fee revenue is collected from three basic sources: securities registered under Section 6(b) of the Securities Act of 1933 (32%); securities traded under Section 31 of the Securities Exchange Act of 1934 (67%); and tender offer, merger, and other filings (1%). In consultation with the Office of Management and Budget and the Congressional Budget Office, the Commission will publish its fee rates for fiscal 2004 in the Federal Register no later than April 30, 2003.

Advances in the Securities Markets

Advances in technology have fundamentally changed the way markets and market participants operate, impacting regulatory and enforcement areas. These advances now permit a variety and combination of services that blur the distinction between markets, intermediaries, and service providers.

Technological advances also have made it possible to display and execute orders in volumes that were unimaginable only a few years ago. In the past five years, the New York Stock Exchange (NYSE) average daily trading volume surged from 524 million shares to over 1.4 billion, an increase of 172%. On Nasdaq, average daily share volume also increased over this period from 646 million shares to almost 1.6 billion shares – an increase of 147%. Advances in technology enabled NYSE and Nasdaq average daily share volumes to expand by 809% and 1,113% since 1990.

Technology has allowed new segments of the securities industry, such as Alternative Trading Systems (ATS), to grow significantly. For example, in 2002, Electronic Communication Networks (one type of ATS) accounted for approximately 40 percent of the daily share volume and 50 percent of the transaction volume in Nasdaq securities.

In addition, the range of products and volume of transactions in the derivatives market continue to increase, driven by the changing needs of the financial sector and broader business community. During 2002, for example, events occurring in the markets focused attention on credit risk. As a result, credit derivatives, along with related products, became a significant business activity for the larger securities firms. While many financial derivatives trade over-the-counter and beyond the direct authority of the Commission, many entities regulated by the Commission are heavily involved with these products. The points of interaction between the over-the-counter derivatives markets and entities registered with the Commission place significant demands on certain highly specialized staff resources.

Other market data show that:

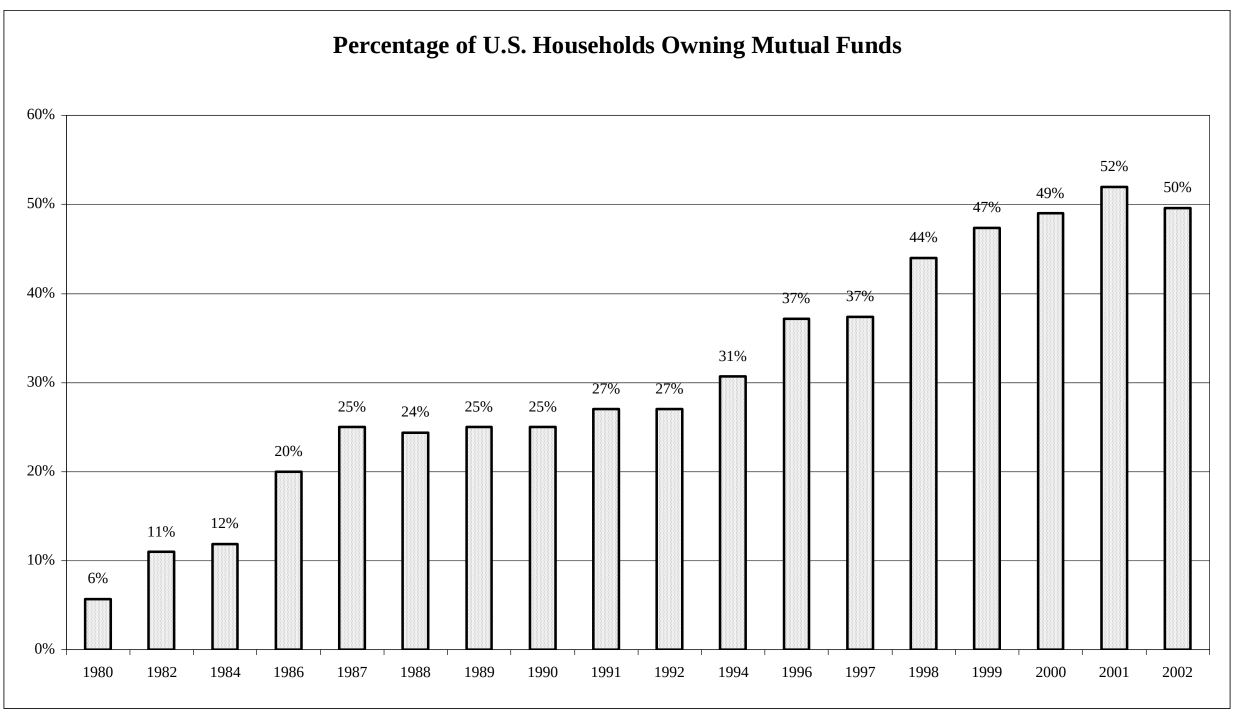
- Assets in mutual fund portfolios increased from $1.1 trillion to $6.1 trillion between 1990 and 2002.

- The assets that investment advisers manage quadrupled between 1990 and 2002 from $4.9 trillion to $21 trillion.

- The dollar amount of securities filed for registration with the Commission increased more than five-fold between 1990 and 2002, rising from $379 billion to $2 trillion.

- The number of foreign companies registered with the Commission tripled between 1990 and 2002 from 434 to over 1,300.

Investment companies remain one of America's favorite savings and investment vehicles. At the end of fiscal 2002, 32,674 investment company portfolios were managed or sponsored by 966 investment company complexes or families. The $6.3 trillion in assets under management by investment companies significantly exceeds the $3.7 trillion on deposit at commercial banks. Investment companies currently have approximately 250 million shareholder accounts. Over 54 million U.S. households, representing about 50% of total households, own mutual funds.



Globalization

The growing globalization of the securities markets provides new avenues of access for investment and capital formation, but it also presents new challenges for securities regulators. In 1990, 434 foreign companies were filing periodic reports in the United States. At the end of 2002, over 1,300 foreign companies from 59 countries were filing reports with the Commission. In addition, U.S. and foreign securities markets increasingly are forming joint ventures and other alliances to position themselves in the global marketplace.

To maintain the integrity of our domestic securities markets, the SEC cooperates with foreign authorities in enforcement and regulatory matters to prevent and detect securities fraud, facilitate cross-border offerings, and assist regulators of emerging markets in developing systems that enable them to protect investors. The SEC works to improve global transparency and disclosure, to strengthen the supervision of global firms and markets, to reinforce regulatory standards, and to further cross-border enforcement cooperation.

The Commission has established over 30 formal arrangements with foreign counterparts for information sharing and cooperation in investigating and prosecuting securities law violations. The Commission also confers regularly with its foreign regulatory counterparts with regard to regulatory initiatives that have an impact on cross-border securities activity. In addition, the Commission receives funding from the U.S. Agency for International Development to provide technical assistance for Russia, the Newly Independent States, Central and Eastern Europe, India, and emerging markets throughout the world.

Growing internationalization of the securities markets has spurred Commission involvement in initiatives to reduce the disparities between different countries' accounting and auditing standards. Commission involvement is critical because of the significant independence issues related to the non-audit services that accounting firms offer to audit clients, the globalization of the network of affiliates using a single firm name, and the pattern of accounting firms merging with each other and with corporate entities.

Public-Private Partnerships

Under a regulatory structure set out by Congress, the Commission relies heavily upon public-private partnerships to oversee our nation's securities markets. The Commission sets standards for market participants and market structure. Much of the direct, day-to-day regulation of securities market participants is done by the market participants themselves and by industry Self Regulatory Organizations (SROs) under SEC oversight. The SROs include the exchanges, the National Association of Securities Dealers (NASD), the Municipal Securities Rulemaking Board (MSRB), and the clearing agencies.

In 2002, the Public Company Accounting Oversight Board was established by statute. The Board is charged with establishing standards and rules relating to auditing, quality control, ethics, and independence. It will set standards for auditor conduct and independence, discipline auditors, and perform regular quality control reviews to make sure firms are functioning at the highest professional levels. The Board will complement the Commission's efforts and focus on ethical and competence requirements.

The Commission also takes advantage of the expertise of the securities industry to obtain input and recommendations for securities regulation and capital formation through informal and more formal methods. For example, industry-represented roundtables and advisory groups such as the Committee on Capital Formation have been used to develop recommendations to eliminate or modify rules and other reforms that have been adopted by the Commission. In addition, the Commission receives input from the public and the securities industry through investor education presentations, small business town meetings, and other educational events. During fiscal 2002, senior SEC officials participated in 60 such educational events. In addition, as part of the investors town meeting program, the SEC and its partners held an additional 12 educational seminars.

The Commission also continues to work in partnership with numerous federal and state agencies, financial industry associations, consumer groups, and educational organizations to help individuals get the facts they need to save, invest, and avoid fraud. For example, the SEC has worked in partnership with the Alliance Against Fraud in Telemarketing and Electronic Commerce, the Jump$tart Coalition for Personal Financial Literacy, the American Savings Education Council, the North American Securities Administrators Association, and federal banking regulators. In addition, the SEC works with national and regional media to assure that as many Americans as possible hear the Commission's investor protection messages.

State Partnerships

The Commission coordinates closely with state securities regulators. Perhaps the most well known recent example of this is the coordinated investigation of research analyst conflicts at Wall Street firms. Coordination with states has become even more important in the last several years as a result of the passage of the National Securities Markets Improvement Act of 1996. This law eliminated redundant regulation of mutual funds by the states, preempted state blue-sky registration of "covered securities," retained state securities registration of certain securities such as small-cap Nasdaq and regional exchange offerings, and generally reserved to the states regulation of investment advisers that manage less than $25 million provided that they do not manage a registered investment company. The SEC generally retains regulatory authority over advisers above this threshold, and federal and state regulators both retain authority to investigate allegations of fraud involving any investment adviser.

The development of the Investment Adviser Registration Depository (IARD), an electronic filing system for investment advisers, is another example of cooperative activity between the SEC and state securities regulators. The IARD, which began operations in January 2001, was developed as a "one-stop" registration system to satisfy both SEC and state filing requirements for investment advisers. The second phase of the system, the Investment Adviser Public Disclosure system, began operations in September 2001 and permits the public to view, free of charge on the Internet, information filed by SEC- and state-registered advisers.

Partnerships with Federal Agencies

Due to the considerable scope of the type of law enforcement actions that may be undertaken by the Commission and to leverage available resources, substantial coordination takes place with other federal agencies. The SEC coordinates its enforcement efforts with other law enforcement authorities, including the Department of Justice, the Federal Bureau of Investigation, the Federal Trade Commission, the Secret Service, and a range of other civil and criminal law enforcement authorities. SEC staff members regularly assist the Justice Department in a broad range of criminal investigations and prosecutions of securities violations. During fiscal year 2002, at least 20 staff members around the country participated as Special U.S. Attorneys in the prosecution of criminal securities actions. Further, the SEC is aware of indictments, informations, or contempts filed against 259 individuals or entities in SEC-related criminal cases during fiscal year 2002. The SEC is a participant, along with the Justice and Treasury Departments, the Federal Trade Commission, Federal Energy Regulatory Commission, and Federal Communications Commission, in the inter-agency Corporate Fraud Task Force established by the President in July 2002.

In response to the rapid pace of innovation in securities products, and recent legislation such as the Commodity Futures Modernization Act, the Commission also is cooperating with other agencies such as the Federal Reserve System, the Treasury Department, and the Commodity Futures Trading Commission. Cooperation with other federal agencies also is essential for the implementation of the Gramm-Leach-Bliley Act, which lifted many of the restrictions on the banking industry's involvement with securities that have been in place since the 1930s. In addition, the Commission works with other federal agencies on numerous international, educational, and other initiatives.

External Factors Affecting the Annual Plan

Various external factors can affect each goal, objective, and performance measure contained in the Commission's strategic and annual performance plans. The direct impact of these external factors is difficult to measure since they are based on conditions outside the SEC's control. These external factors may lead the Commission to adjust specific objectives and performance measures in the agency's GPRA annual performance plans and, in some cases, may limit the SEC's ability to meet annual performance targets. Some of the major factors affecting the annual plan include:

- The advancement in technology that has brought about online trading and other innovations, which themselves present new challenges in applying the securities laws.

- The trading and dollar volume of stocks on exchanges and Nasdaq, as well as the volume of purchase and redemption activity in mutual funds.

- The number and market sophistication of investors, including the increasing number of small investors who are investing in the securities markets. This includes small investors who invest in mutual funds through retirement plans.

- The increasing use of derivatives and other complex financial products.

- The increasing number of regulated entities, as well as the complexity and volatility of the financial markets.

- The resources and priorities of other organizations, such as the SROs, the Department of Justice, the Federal Bureau of Investigation, other federal financial regulatory agencies, and state securities agencies.

- The success in development of cooperative regulatory relationships with banking regulators to oversee consolidated financial service providers under provisions of the Gramm-Leach-Bliley Act.

- The increasing globalization of the securities markets that promotes investment opportunities here and abroad, but also presents new challenges for enforcement and cooperation efforts.

Statutory Authority

The Commission was created by the Securities Exchange Act of 1934 (1934 Act) as an independent, quasi-judicial agency. The presidentially appointed, bipartisan Commission is headed by a Chairman and up to four other Commissioners. An organizational chart is included as Attachment A and a position and cost data chart for 2002-2004 is included as Attachment B. The major laws administered by the Commission include:

• Securities Act of 1933

The 1933 Act requires issuers of securities to provide investors with financial and other information concerning new and outstanding issues of securities that are offered for public sale. The law also prohibits misrepresentation, deceit, and other fraudulent acts and practices in the offer and sale of securities.

• Securities Exchange Act of 1934

The 1934 Act requires certain issuers of publicly-traded securities to file registration applications, proxy materials, and annual reports with national securities exchanges and with the Commission. The 1934 Act also establishes the regulatory scheme for the professionals in the securities markets, including brokers, dealers, transfer agents, clearing agencies, municipal securities dealers, and government securities dealers. Furthermore, the 1934 Act establishes the framework for trading on securities exchanges, the over-the-counter (OTC) market, and for self-regulation of the securities industry through creation of SROs. Amendments to the Act over the years have authorized the Commission to seek civil penalties of up to three times the profit or loss avoided as a result of insider trading transactions, expanded the Commission's authority to bring administrative proceedings and to enter cease and desist orders, and increased monetary penalties.

• Investment Company Act of 1940

This law requires investment companies, such as mutual funds, to register with the Commission and subjects their activities to regulation and inspection by the Commission. Regulation of these entities includes oversight of the composition of boards of directors, capital structures, and transactions with affiliated persons.

• Investment Advisers Act of 1940

This law requires that persons who, for compensation, engage in the business of advising others with respect to their securities transactions generally must register with the Commission. The Act prohibits certain kinds of fee arrangements, prohibits fraud, and requires disclosure of conflicts of interest on the part of the adviser. It also authorizes the Commission to require investment advisers to keep books and records; to provide for regular and periodic inspections; to deny or revoke registration of investment advisers; and to prohibit fraudulent, deceptive, and manipulative practices. Amendments to the Act generally limit Commission regulation to advisers with assets under management of $25 million or more.

• Sarbanes-Oxley Act of 2002

The Sarbanes-Oxley Act creates the Public Company Accounting Oversight Board ("Board") to oversee auditing, quality control, ethics, independence, and other standards and rules relating to the preparation of audit reports on publicly-held companies and gives the Board authority, subject to supervision by the SEC, to enforce those standards. The Act also authorizes the SEC to adopt rules regulating the ethical standards of professionals in the securities marketplace and requiring more comprehensive corporate disclosures.

Other legislative mandates include the:

- Public Utility Holding Company Act of 1935
- Trust Indenture Act of 1939
- Chapter 11 of the Bankruptcy Code (which gives the SEC a limited role in the reorganization of financially distressed companies)
- Securities Investor Protection Act of 1970

Resources Required to Meet the Plan's Performance Goals

The budget request for fiscal 2004 of $841.5 million would support an estimated 3,730 staff years (FTE). The Commission's fiscal 2003 appropriation was enacted in late February 2003 resulting in an operating budget of $711.7 million that utilizes 3,160 FTE. The enacted budget was significantly larger than the President's proposed budget of $592.1 million, and due to the late change in the funding level, the fiscal 2003 performance measures in this plan reflect the lower funding amount.

During fiscal 2002, the Commission's initial appropriation of $437.9 million was increased to $514 million. The increase of $76.1 million included $20.7 million from the emergency supplemental bill for September 11th response and recovery and $24.8 million from available balances to implement the pay parity program. The Commission also received a supplemental appropriation of $30.6 million to hire 125 new attorneys and accountants and to address critical information technology needs. Based on fiscal 2002 data, the staff composition is: 40% attorneys; 17% accountants/financial analysts; 6% investigators/examiners; 31% other professional, technical, and administrative; and 6% clerical.

Legislation enacted in January 2002 exempted the SEC from the pay and benefits provisions of Title V of the U.S. Code. The pay parity adjustments began in May 2002 and the increase arrived in paychecks in August 2002. Employees' anticipation of a pay parity program and its subsequent implementation, together with the establishment of a variety of work-life programs and a downturn in the economy, resulted in staff turnover being less than had been anticipated. Despite the slowing attrition rate, it is still too early to gauge the long-term effectiveness of pay parity. For this reason, the Commission's ability to recruit and retain a highly skilled workforce still remains a critical issue.

Despite operating under a series of continuing resolutions, the SEC began actively recruiting attorneys and accountants in anticipation of its budget significantly increasing in fiscal years 2003 and 2004. To streamline staffing procedures, automated application and screening processes have been implemented, advertising multiple attorney and accountant vacancies continues, and recruitment actions are completed to the point of a formal job offer in anticipation of budget increases.

As required by the legislation, the SEC will keep Congress apprised of the Commission's progress in implementing pay parity in its GPRA annual reports.

Administrative Management Initiatives

The Commission, as an independent agency, seeks to actively address the President's Management Agenda (PMA) in the performance of its mission. This plan reflects the Commission's efforts in achieving the President's Management Agenda (PMA) through its planning and operations.

Strategic Management of Human Capital: The Commission recognizes that employee satisfaction with the work environment plays a major role in recruitment and retention, as well as in the daily performance of employees. For years, the SEC's attrition rate has been extremely high, particularly among senior professionals who leave the SEC for higher pay elsewhere in the securities industry. In 2002, the Commission was exempted from the pay and benefits provisions of Title V of the U.S. Code and subsequently implemented a pay parity program that set compensation at levels comparable to the other federal financial regulators.

While the Commission cannot match the salaries paid in the private sector, pay parity has narrowed the gap and is expected to have a positive effect on its ability to recruit and retain qualified staff and thereby fulfill its mission. In addition, the Commission seeks to incorporate balanced agency-wide measures linking incentive and performance awards to the achievement of the Commission's strategic and performance goals as a means of recognizing employees for their contributions to achieving the mission of the SEC.

In 2002, negotiations were completed and the SEC signed a contract with the National Treasury Employees Union (NTEU). NTEU was elected to act as the exclusive representative of SEC bargaining unit employees. With the Collective Bargaining Agreement in place, the Commission now can initiate some new work/life programs such as telework, subsidizing childcare, and repayment of student loans.

Competitive Sourcing: The Commission continues an effort begun several years ago to actively contract out much of its support functions for its information technology programs using performance-based contracting. Contractor personnel, under the direction of federal employees, now handle virtually all day-to-day IT operational activity, as well as application development and system maintenance support.

In late fiscal 2001, the SEC awarded a major performance-based contract (award-fee) for IT helpdesk and facilities management services. The contract is for seven years and is administered through GSA-FEDSIM. An inter-agency agreement through the Department of Transportation also provides extensive contract support for a wide spectrum of services ranging from system security monitoring to application design.

The SEC contracts out its building security, cleaning, photography, shuttle, moving, and other administrative services including a contract with the Department of Interior for payroll processing. The Commission also intends to contract for almost all of the services it must finance for preparation of its new headquarters building, such as architectural services, phone services, and construction.

Improving Financial Performance: The Accountability of Tax Dollars Act of 2002 requires small agencies that were previously exempt to begin preparing and submitting financial statements and Performance and Accountability Reports. In anticipation of the Act's passage, SEC undertook an extensive management review of its automated and manual financial, administrative and program management controls and information system security controls.

SEC management and the Commission's Office of Inspector General have identified specific areas that need to be resolved before the Commission can prepare financial statements and undergo audits successfully. Multi-divisional task forces have been established to formulate and implement plans to improve financial performance elements of selected programs through changes to systems, policies, and procedures.

In FY2002, the SEC also completed an extensive overhaul of its financial accounting system and made significant changes to its EDGAR system for the electronic transfer between systems of information related to specific filing fees and the recording of payment of filing fees.

Expanded Electronic Government: One of the Commission's major efforts in this area is to expand the receipt and dissemination of electronic information, which helps companies raise capital and assists investors to make informed investment decisions. For the past several years, the Commission has been reevaluating the current securities registration system in the context of the Internet and methods of offering and selling securities electronically. Current and expected Commission proposals in this area would allow greater use of emerging technologies and provide flexibility to adapt to ongoing changes in the capital markets.

The results of a comprehensive review of the Commission's filing and disclosure process is expected to lead to significant business process changes that will result in the elimination of selected filing forms; enhancements to EDGAR that will streamline the amount of data required from filers; and improvements that will allow staff to conduct more rigorous financial, industry-specific, and comparative analyses.

The SEC's public web site, www.sec.gov, continues to be one of the most popular government sites and routinely receives over one million hits each business day. In 2002 the Commission began providing the public with free, real-time access to its EDGAR database of corporate filings via the SEC website and removed the 24-hour delay that had previously been in place.

A number of changes to the web site are responsible for improving the Commission's ability to respond to requests from the public including the presentation and organization of information targeted to specific audiences, for example, accountants, broker-dealers, EDGAR filers, funds and advisers; and the implementation of interactive software that allows visitors to more quickly locate answers to questions in an on-line format. The popularity of the interactive software has grown dramatically since its introduction in 2001 with nearly a 50 percent growth in the monthly number of "instant answers" provided to the public.

The Commission's EDGAR system receives, processes, and disseminates to the public between 12 and 16 million pages of information annually from over 28,000 corporate, investment companies, and individual filers. As one of the federal government's earliest e-government successes, EDGAR continues to be enhanced to assist the filing community and investing public. Recent enhancements include the addition of mandated foreign filings, and in 2003 the electronic collection and dissemination of highly sought after Ownership Reports. Additional enhancements to EDGAR being explored include implementing creative real-time solutions, such as Internet chat room support for visitors to the electronic public reference site.

The movement away from the Commission's reliance on paper also extends into internal operations with the expansion of a pilot document management program to provide for agency-wide electronic capture, search, and retrieval of all investigative and examination materials. This effort will help the Commission meet the demand of document-intensive litigation, and assist examination staff in analyzing the content of documents more effectively.

Budget and Performance Integration and Performance Evaluations: The Commission's revised strategic plan for 2000-2005 establishes a five-year mission statement, goals, objectives, strategies, and performance measures that are the basis for this annual performance plan for 2004. In the coming months, the Commission will review and consider appropriate revisions to the strategic plan as required by law. The SEC's ability to meet some of the performance measures in the annual plans can be influenced significantly by the multiple external factors previously identified in this plan, as well as the changing budget resources and priorities of the Commission. Given the dramatic changes in the industry during 2002 and the projected increases in Commission resources proposed for fiscal years 2003 and 2004, significant changes to the Commission's GPRA Strategic Plan and Annual Performance Plan are likely to result.

The Office of the Executive Director and Office of Financial Management monitor the SEC's performance measurement data under GPRA, while SEC divisions and offices monitor the data for on-going management purposes.

The Commission also has a long history of gathering data on, and seeking independent assessment of, various programs and policy proposals through a number of mechanisms, such as expert advisory panels, roundtables, studies and reports, focus groups, and town meetings. Industry groups, former staff, and other experts are often consulted for advice and input on a broad variety of issues, including program effectiveness.

The General Accounting Office (GAO) conducts program evaluations, many of which focus on areas addressed in the strategic plan. When appropriate, the results of these audits are considered in revising strategic and annual performance plans.

In addition, five Commission performance measures contained in this plan are specifically tied to achieving expanded electronic government and strategic management of human capital.

Expanded Electronic Government
Goal #1 – Protect Investors:

Measure #2 – Number/percent increase in hits on the SEC's Office of Investor Education and Assistance Internet web pages.

Measure #8 – Average number of pages downloaded per day on the SEC web site.

Measure #9 – Number/percentage increase in public access to foreign issuers filing information through EDGAR.

Strategic Management of Human Capital
Goal #4 – Sustain and Improve Organizational Excellence:

Measure #1 – Milestones related to the achievement, implementation, and evaluation of the Pay Parity System and other solutions that seek to narrow the pay gap between the Commission, other financial regulators, and private sector employees.

Measure #2 – Reduce the yearly attrition rate of SEC staff.

SECURITIES AND EXCHANGE COMMISSION

STRATEGIC PLAN GOALS AND OBJECTIVES

ANNUAL PERFORMANCE MEASURES

SEC MISSION

The Securities and Exchange Commission is a law enforcement agency. Its mission is to administer and enforce the federal securities laws in order to protect investors, and to maintain fair, honest, and efficient markets.

GOALS

1. ***Protect Investors***
2. ***Maintain Fair, Honest, and Efficient Markets***
3. ***Facilitate Capital Formation***
4. ***Sustain and Improve Organizational Excellence***

The following pages contain the objectives, strategies, five-year performance goals, and annual performance measures for each of the four mission goals above. The goals, objectives, and strategies are those contained in the SEC's Strategic Plan as approved by the Commission in September 2000. In the coming months, the Commission will review and consider appropriate revisions to the strategic plan as required by law.

GOAL #1--Protect Investors

Objective

1. *Deter fraud and require compliance with the federal securities laws.*

The Commission enforces laws that regulate offerings of securities, periodic reporting by companies with registered securities, mergers and acquisitions, securities trading, and the activities of exchanges, clearing agencies, broker-dealers, transfer agents, investment companies, investment advisers, and public utility holding companies. The Commission plays a vital role in protecting our markets from fraud, manipulation, and other practices that continually threaten to undermine their integrity. Expanding trading volume, increasingly sophisticated and volatile markets, and increasing numbers of individual investors entering the market present extraordinary challenges to the SEC's law enforcement program.

Many different factors play a role in attempts to measure performance in the law enforcement area that make it very difficult to develop outcome-oriented quantifiable measures. In particular, the success of the Commission's enforcement program, which is meant to deter fraud, cannot be determined on the basis of a preset quota. As a result, the Commission currently has adopted an approach that reports on prior-year actual data for enforcement cases.

To promote compliance with securities laws and deter and detect violative conduct through effective compliance examinations of regulated entities, including broker-dealers, investment companies, investment advisers, transfer agents, and SROs, the Commission adopted an approach to examine these entities within certain time frames or cycles. During 2003, we are implementing substantial changes to both the basis we use to select fund complexes and investment advisers for inspection and the work examiners perform during inspections. These changes are being implemented to better reflect the relative risks inherent in advisers and funds.

The risks we will focus on relate to the probability of the existence of undisclosed, uncontrolled activities within these firms that are likely to cause material harm to investors. With this new focus on risk, we intend to adjust the frequency of our inspections to reflect our risk profile of each firm. Firms that represent the highest level of risk will be inspected every two years. Those firms that represent the lowest degree of risk will be inspected every fourth year.

Our increased focus on risk will also be evident in the work we perform during inspections where the focus will be on evaluating the effectiveness of risk management processes, including internal control and compliance procedures. We will also rate the overall effectiveness of each firm's control and compliance procedures. These ratings will be used as a major component in our formulation of each firm's risk profile and the frequency of inspections.

As activity overseas increasingly affects domestic securities markets, the number of cases with international issues continues to grow. To maintain the integrity of our domestic securities markets, the SEC has developed a network of formal and informal relationships with foreign regulators and law enforcement authorities that promotes international cooperation and consultation.

Strategies

a. Address illegal activities in all segments of the securities markets, including both traditional and developing areas of concern, by conducting investigations and filing enforcement actions.

b. Promote compliance with securities laws and deter and detect violative conduct through effective compliance examinations of regulated entities including broker dealers, investment companies, investment advisers, transfer agents, and SROs.

c. Promote compliance with securities laws and deter violative conduct by adopting and administering targeted SEC rules and overseeing rule changes by SROs.

d. Make effective use of evolving technology, including the Internet, to manage data for examination and oversight of regulated entities and to conduct enforcement investigations and litigation.

e. Leverage resources with other law enforcement and financial regulatory agencies to maximize the effectiveness of crosscutting enforcement responsibilities.

f. Develop techniques for pursuing cross-border securities fraud, as well as formal and informal relationships with foreign regulators to meet increasing demands for cross-border regulatory information-sharing and foreign-based investigative information and evidence to enhance the SEC's oversight and enforcement capabilities.

Objective

2. ***Promote informed investment decisions by requiring full and fair disclosure of material information to investors.***

We are now operating in a time of significant change and disquiet in the United States' securities markets. Investors are questioning the quality of the information provided to them as they make their investment decisions. Corporate management abuses and failures or apparent failures of auditors, audit committees, analysts and other checks and balances have resulted in significant restatements of issuers' financial statements and numerous on-going civil, regulatory, and criminal proceedings. These events serve to reinforce the paramount importance of high quality accounting standards that are rigorously interpreted and applied by an independent accounting profession. They also reemphasize the need for regular periodic reviews of filings by public companies.

The Commission's primary authority in this area is the Securities Act of 1933, the Securities Exchange Act of 1934 and the Sarbanes-Oxley Act of 2002. The 1933 Act requires issuers to disclose business and financial information when publicly offering their securities. The 1934 Act requires public companies to file periodic reports with the Commission and to make certain disclosures in proxy solicitations, tender offers, and ownership reports.

The Sarbanes-Oxley Act establishes a new system for regulating the accounting profession, mandates that the Commission oversee a new Public Company Accounting Oversight Board, and imposes new standards for auditor independence. This is legislative recognition of the fact that transparency, reliability and objectivity in financial reporting that come with high quality accounting standards are essential to restoring investor confidence in the quality and integrity of the marketplace and to facilitating capital formation. The Act also provides the Commission with additional significant review and rulemaking responsibilities, including the requirement to refine its review process in light of specified criteria and to review each reporting issuer at least once every three years.

To address concerns about the quality of information that exists in the marketplace, our Corporation Finance Division is reviewing a majority of the annual reports filed with the Commission by the Fortune 500 companies in 2002. The Division is focusing on disclosure that appears to be critical to an understanding of each company's financial position and results, but which, at least on its face, seems to conflict significantly with generally accepted accounting principles or Commission rules, or to be materially deficient in explanation or clarity. In addition, the Commission has adopted, or is considering adoption of, rules that will accelerate filings by most companies of their quarterly and annual reports; accelerate reporting of transactions by company officials; require more prominent disclosure of critical accounting policies in annual reports; and strengthen other reporting requirements.

Strategies

a. Monitor and enhance compliance with disclosure requirements by policing the integrity of corporate and investment company disclosures and by selectively reviewing corporate and investment company filings made with the Commission.

b. Adapt disclosure requirements to reflect new market developments, the increasing complexity of securities offered to investors, the need for enforcement safeguards, and the continued globalization of securities markets.

c. Continue to require shorter, simpler disclosure documents that are written in plain English.

d. Encourage the improvement of investor protection and disclosure in the municipal bond market.

e. Continue to develop technology, including the Commission's electronic filing system (EDGAR), to make the filing, storage, retrieval, and analysis of disclosure documents more efficient and user-friendly.

Objective

3. Promote the prevention and detection of securities fraud through the education of investors.

The best defense against any securities scam is an informed and alert investing public. In recent years the Commission has undertaken initiatives to help investors detect and avoid potential fraudulent schemes and to make informed investment decisions. Among these initiatives are:

- An investor information page on the SEC web site that features a searchable database of answers to frequently asked questions, interactive quizzes and calculators, information about online investing, education materials, and investor alerts;
- Educational events held throughout the U.S., including elder fraud programs, visits to high schools and colleges, investors town meetings and seminars, and other educational events;
- Free publications that educate investors;
- A toll-free investor assistance telephone line; and
- Internet forums to reach targeted audiences.

Through the Internet, investors have more information available today than ever before. The Internet allows investors to trade online, as well as to tap into web sites to get stock quotes, historical price and volume information, company press releases, quarterly and annual reports, earnings reports, analyst reports, and a host of other financial data. Along with these benefits, however, the Internet presents dangers to the unwary investor. During fiscal year 2002, the SEC's Office of Internet Enforcement received 145,821 e-mails, including forwarded spams and tips from wary investors.

Strategies

a. Develop and encourage programs to educate investors on the risks and rewards of investing in the securities markets and specific financial instruments, including programs conducted with other governmental entities, educational institutions, consumer groups, the industry itself, and other organizations.

b. Provide information directly to investors through educational forums and meetings, and the distribution of brochures, speeches, and media outreach.

c. Increase access by investors to Commission information through the Internet and other online electronic transmission services.

Objective

4. Promote high standards of corporate/fund governance.

Particularly in light of recent financial reporting failures and corporate bankruptcies, it is increasingly recognized that strong corporate governance is critical to promoting resilient and vibrant capital markets. Investors, as well as regulators, expect companies to promote strong, independent oversight to head off financial reporting failures and other questionable activities before they occur. A strong and effective corporate governance mandate is the foundation upon which this relationship is based. The effectiveness of corporate governance is measured by the quality of relationships between companies and directors; between directors and auditors; between auditors and financial management; and ultimately, the quality of information provided by companies to investors. The dissemination of high quality information is a cornerstone of the fundamental relationship between companies and their investors.

The following strategies from the SEC's September 2000 strategic plan will be reviewed and revised during the current consideration of actions to strengthen corporate governance, disclosure and accounting oversight.

Strategies

a. Promote corporate and mutual fund accountability through encouragement of active and independent board of directors.

b. Promote public confidence in the quality of audits.

c. Improve disclosure to investors of potential broker and investment adviser conflicts of interest.

d. Maintain high standards of integrity and financial responsibility by promoting the development of appropriate internal controls, supervisory procedures, and recordkeeping and reporting by securities firms and corporations.

FIVE-YEAR PERFORMANCE GOALS

The items listed below are the long-term (five-year) performance goals for this mission goal, Protect Investors. Five-year performance goals also are described in later sections for each of the other three mission goals—Maintain Fair, Honest, and Efficient Markets; Facilitate Capital Formation; and Sustain and Improve Organizational Excellence. Following each section addressing the Commission's five-year performance goals is a discussion of the annual performance measures and the results for fiscal 2002.

1. Maintain investor confidence in the integrity of the U.S. securities markets, as indicated by the percent of all U.S. households that own equity securities and/or other environmental indicators.

2. Improve corporate and fund governance through the encouragement of voluntary action by industry, enhanced disclosure, and when necessary, through regulation.

3. Improve the financial literacy of the investing public.

4. Undertake investigations and enforcement actions in various program areas to deter securities fraud and promote compliance with the federal securities laws.

5. Pursue the collection of disgorgement orders on a timely basis.

6. Examine investment company complexes and investment advisers within two or four-year cycles as proscribed by their risk rating.

7. Improve access by investors to company financial information at lower cost through the Internet.

8. Review a sufficient percentage of issuers' filings to ensure that investors are provided with information necessary to make informed investment decisions and that emerging and novel issues are fully and fairly disclosed.

9. Review a substantial percentage of new mutual fund portfolios and new insurance product filings to ensure that they meet applicable disclosure requirements.

10. Increase the cooperation and technical assistance between the SEC and foreign regulators in connection with regulatory initiatives, investigations, and enforcement-related actions.

ANNUAL PERFORMANCE MEASURES

1. Percent of all U.S. households that own equity securities.

> *Equity ownership can be viewed as one indicator of the level of investor confidence in the integrity of the U.S. securities markets. Investors commit capital because they have a basic confidence in the quality and integrity of America's markets. This measure may offer a limited proxy for the health or effectiveness of the regulatory environment promoted by the Commission and is being included in the Plan on a pilot basis. While the Commission's programs encourage broad ownership of securities, at the same time, the SEC's investor education program educates the public on the benefits and risks of various products and investing strategies.*
>
> *Research statistics from a survey completed by the Investment Company Institute/Securities Industry Association indicate that the percent of U.S. households owning equities increased from 32% in 1989 to 48% in 1999, and reached 50% by the start of calendar 2002. The measure includes ownership of individual stocks, mutual funds, and equity-based employer-sponsored retirement funds.*
>
> *The Commission does not have a policy or goal on the percent of households that should own equity securities. In addition, changes in economic conditions and other external factors that the Commission does not control make it difficult to predict the level of ownership through 2003 and 2004. As they become available, actual data will be reported in future performance plans.*

	1999	2002
Percent of households with equity securities	48	50

2. Number/percent increase in hits on the SEC's Office of Investor Education and Assistance Internet web pages.

> *A substantial number of Americans continue to invest in the securities markets, with the Internet providing many new and inexperienced investors the opportunity to enter the markets. This has resulted in an increase in the number and complexity of fraudulent schemes victimizing investors. We aim to combat fraud by better education of investors, as well as increased enforcement efforts. In April 1999, the SEC launched a new investor education page on its web site. In February 2001, the page was updated and renamed www.sec.gov/investor.shtml. In April 2001, the SEC began a pilot program using new interactive software to answer common questions. This new service dramatically increased the number of hits the SEC received on its "Investor Information" and "Fast Answers" web pages. In addition to these pages, the investor section of the SEC's web site features interactive quizzes and calculators,*

information about online investing, publications and alerts, and a special section for students and teachers. The number of hits on these web pages may be an indicator of the quality of the information and the level of interest of investors.

	2000	2001	2002	2003	2004
Projected hits	575,000	690,000	1,500,000	3,500,000	3,500,000
Actual	575,000	1,428,410	3,148,055		

Note: This was a new measure in the 2002 performance plan. While we recognize that hits do not provide the best indication of web site traffic, that is the only quantifiable measure available for these pages.

2002 Analysis of Results: Results in 2002 far exceeded projected levels and projections for future years have been adjusted accordingly. We believe that the very positive results can be attributed to the continuing popularity of the interactive software described above.

3. Number of Instant Answers Provided Using Interactive Software.

The interactive software described in Measure Number 2 above allows the public to receive instant answers to frequently asked questions by matching an incoming question against a pre-loaded database of questions and answers. In addition to providing fast answers on a 24/7 basis, this service saves the SEC's investor assistance staff from manually responding to duplicative questions from different people.

	2000	2001	2002	2003	2004
Projected # of instant answers	N/A			210,000	210,000
Actual	N/A	68,581	205,799		

2002 Analysis of Results: This is a new performance measure in the 2004 performance plan. The SEC launched the interactive software in April 2001 resulting in only a partial year measure for 2001. During fiscal year 2002, the interactive software provided an average of 17,150 instant answers per month, compared with a monthly average of approximately 11,500 during the second half of fiscal year 2001. We anticipate that in the future investors and other members of the public will continue to use this tool at a similar rate. The software's reporting capabilities allow us to track the most frequently asked questions as well as the most popular instant answers.

4. Number of investor education events.

To improve public awareness and educate investors, senior Commission staff participated in educational events. In addition, SEC staff organized investor seminars, participated in school visits and workplace seminars, and disseminated information on investing wisely and avoiding fraud to the public.

	2000	2001	2002	2003	2004
Projected # of education events	53	45	45	75	75
Actual	53	73	72		

2002 Analysis of Results: The actual number of projected education events in 2002 greatly exceeded the number we initially projected. This occurred in large part because several of the SEC's regional and district offices actively engaged in investor initiatives, including elder fraud programs, outreach to high school and college students, and participation in investor fairs and personal finance workshops organized by non-profit, non-governmental organizations. We have adjusted our projections for 2003 and 2004 accordingly.

5. Number/percent of enforcement actions in each of various program areas (for example, offering cases, broker-dealer cases, financial cases, insider trading cases, and market manipulation cases.)

This measure is an indicator of the types of cases the Commission brings in order to achieve the goal of protecting investors. Priorities in the outyears may change as new securities products, new technologies, and new opportunities for fraud and abuse enter the market.

	2000	2001	2002	2003	2004
Securities Offering	125 25%	95 20%	119 20%	xxx xx%	xxx xx%
Broker-dealer	72 14%	65 13%	82 14%	xxx xx%	xxx xx%
Issuer Financial Statement & Rpting	103 20%	112 23%	163 27%	xxx xx%	xxx xx%
Other Regulated Entity	46 9%	45 9%	54 9%	xxx xx%	xxx xx%
Contempt Proceedings	36 7%	31 6%	47 8%	xxx x%	xxx x%

	2000	2001	2002	2003	2004
Insider Trading	40	57	59	xx	xx
	8%	12%	10%	x%	x%
Delinquent Filing	8	14	10	xx	xx
	2%	3%	2%	x%	x%
Market Manipulation	55	40	42	xx	xx
	10%	8%	7%	x%	x%
Corporate Control	1	1	2	x	x
	1%	1%	<1%	x%	x%
Miscellaneous	17	24	20	x	x
	3%	5%	3%	x%	x%
TOTALS					
Actual	503	484	598		
Projected				575	600
	100%	100%	100%		

Note: In order to avoid any perception that the SEC's enforcement actions are quota driven, measurement projections are not made in the various subcategories, e.g. insider trading, for future years. Reporting on past performance provides a level of accountability, while not promoting a numbers-driven approach to enforcement.

<u>2002 Analysis of Results:</u> The actual number of enforcement actions in fiscal 2002 increased by 24% from 2001, from 484 to 598. While the percentage gain for various types of actions remained fairly even across the board in fiscal 2002, financial disclosure actions achieved the largest percentage gain (4%), representing a 46% increase in the number of these enforcement actions. These cases remain one of the Commission's highest enforcement priorities and are extremely complex and resource intensive.

6. Number/percent of defendants/respondents subject to delinquent disgorgement orders due during the fiscal year for which the staff did not formulate a judgment recovery plan within 60 days after the debt became delinquent.

This measure is an indicator of the timeliness of staff efforts to collect ordered amounts of disgorgement.

Defendants/respondents ordered to pay disgorgement.

2001	2002	2003	2004	2005
		xxx	xxx	xxx

Defendants/respondents subject to delinquent disgorgement orders due during the fiscal year for which the staff did not formulate a judgment recovery plan within 60 days after the debt became delinquent.

2001	2002	2003	2004	2005
		xxx	xxx	xxx

% Defendants/respondents subject to delinquent disgorgement orders, due during the fiscal year, for which the staff did not formulate a judgment recovery plan within 60 days after the debt became delinquent.

2001	2002	2003	2004	2005
		xxx	xxx	xxx

2002 Analysis of Results: This is a new measure. Data will be collected starting 2003.

7. Percent of investment company complexes and investment advisers examined since the beginning of the current five-year cycle.

> *The objective of the investment company/investment adviser inspection program has been to conduct at least one inspection of every investment company complex and every registered investment adviser every five years (20% of funds and advisers inspected annually). This measure combines data on both investment company complexes and investment advisers that were previously reported in separate measures.*

	2000	2001	2002
Investment companies			
1998 OCIE			
Plan	66%	87%	100%
Actual	69%	86%	100%
1999 OCIE			
Plan	42%	57%	79%
Actual	41%	61%	82%
Investment advisers:			
1998 OCIE			
Plan	66%	81%	100%
Actual	59%	81%	100%

1999 OCIE			
Plan	41%	61%	81%
Actual	43%	65%	87%

<u>2002 Analysis of Results:</u> 2002 was the final year in our 1998 GPRA five-year plans for investment company complexes and investment advisers. We accomplished our objectives. By the end of 2002, all investment company complexes and investment advisers that were registered at the beginning of 1998 and remained registered throughout the five-year period, had been inspected at least once. By the end of 2002, which was the fourth year in our 1999 five-year plans, we had conducted inspections of at least the planned number of firms and were on target for successfully completing the 1999 plans as well. As explained in the next section, we no longer plan to conduct an inspection of investment management industry firms registered with the SEC on a "one size fits all" five-year cycle. As a result, we will no longer construct five-year plans or report on completion of five-year plans created for periods subsequent to 1998.

Our inspection plan for the next two years, which we consider to be a transitional period to our new program, is shown in the following table. Because of the extremely large concentration of assets under management by the largest 20 advisory firms, these firms will be inspected every two years. Other high-risk firms also will be inspected every second year. Those firms that represent the lowest degree of risk will be inspected every fourth year.

The work performed during an inspection also will be different. In those areas where control and compliance procedures are found to be effective in reducing risk, we will normally not request and analyze most of the books, records and other documents related to these areas that we have traditionally reviewed during our inspections. On the other hand, if we find that control and compliance procedures are ineffective, we will expand our review to include all documentation we have traditionally worked with.

		2003		2004	
	Inspection Frequency	Inspections of Advisers	Funds	Inspections of Advisers	Funds
Largest 100 Firms:					
Largest 20	2 years	10	9	10	9
Remaining high risk firms	2 years	5	4	5	4
Remaining firms	4 years	15	13	15	14
Other high risk firms	2 years	200	30	200	30
Other low risk firms	4 years	1280	197	1030	156
High risk new firms	1 year	40	2	40	2
Total number of inspections completed		1550	255	1300	215

8. Average number of pages downloaded per day on the SEC web site.

The SEC's Internet web site is a popular source for all EDGAR filings, SEC announcements, and releases containing proposed and adopted rule changes and other matters of interest to the investing public. The greater availability of market-sensitive information provides investors with the ability to make more informed investment decisions. This measure was changed to number of "pages" downloaded from number of "files" downloaded for the 2002 performance plan. This will more accurately reflect activity on the web site.

	2000	2001	2002	2003	2004
Projected Pages	196,325	215,957	237,553	430,431	473,474

	2000	2001	2002	2003	2004
Actual	201,850	215,246	391,534		

2002 Analysis of Results: In 2002 actual demand significantly exceeded projected levels. This increase was due to the investors and other members of the public seeking information during particularly volatile periods in the securities market. In addition, the Commission's elimination of the 24-hour delay in posting filling data to the SEC website spurred additional demand for data. The addition of ownership reports to the website in 2003 is expected to further generate demand.

9. Number/percentage increase in public access to foreign issuers filing information through EDGAR.

The securities markets continue to undergo fundamental changes spurred by the increasing use of the Internet, the emergence of complex financial instruments, and greater foreign company participation. As SEC program divisions address globalization issues and adopt rulemaking for disclosure purposes, technological changes will allow the capture and reporting of access statistics for foreign issuer filings. During fiscal 2002, the number of foreign filings voluntarily submitted electronically through the EDGAR system in lieu of the paper filing process increased by 14% to 29%. On November 4, 2002, rules requiring electronic filing for foreign registrant became effective. As anticipated, the rapid transition from paper filing to electronic is underway. Dramatic improvements in the dissemination of EDGAR filing information through the SEC's web site and private dissemination contractors will continue to improve the availability of foreign and other filings at little or no cost to investors.

	2000	2001	2002	2003	2004
Projected Number/percentage of foreign filings by:					
Paper	15,034 88%	14,347 84%	13,299 70%	950 5%	950 5%
Through EDGAR	2,045 12%	2,733 16%	5,699 30%	18,048 95%	18,048 95%
Actual:					
Paper	15,034 88%	16,050 85%	11,940 71%		
Through EDGAR	2,045 12%	2,948 15%	4,771 29%		

2002 Analysis of Results: With the effective date for mandatory filing through EDGAR occurring on November 4, 2002, the number of foreign filings voluntarily filed electronically increased. The projected percentage of electronic filings was achieved as anticipated.

10. Number of new and reporting issuers' financial statements reviewed to enable investors to make informed investment decisions and that full and fair disclosure takes place.

> *The performance goal is to review the year-end financial statements of as many total issuers (new and reporting issuers) as possible to encourage and enhance compliance with disclosure and accounting requirements. New filings by issuers, including initial public offering (IPOs) under the1933 Act and registration statements under the1934 Act, are generally reviewed since they represent the issuers' first entry into the federal reporting system. The financial statements of reporting issuers' under the 1934 Act are reviewed selectively through the review of issuers' annual reports or transactional filings, such as merger proxy statements. The Sarbanes-Oxley Act requires the staff to review each reporting issuer at least once every three years.*

	2000	2001	2002	2003	2004
Projected	4,335	5,485	5,150	4,075	5,825
Actual Reviews					
New Issuers	2,435	1,195	950		
Repeat Issuers	1,535	2,400	2,570		
Total	3,970	3,595	3,520		

<u>2002 Analysis of Results</u>: The difference between projected total filing reviews and actual reviews is attributable to a decline in new issuer filing reviews that was not sufficiently offset by the increase in reporting issuer reviews. The decline in the number of new issuer filing reviews is attributable to the overall economic weakness in the marketplace that caused a decline in the number of new issuer filings received. The less than anticipated increase in reporting issuer reviews is attributable to our focus on a substantial number of Fortune 500 issuers that had not been recently reviewed. Many of these filing reviews presented complex disclosure and financial statement issues that took a substantial amount of time to evaluate.

11. Number and percent of new mutual fund and closed-end portfolios, and separately, of new insurance contracts reviewed.

> *The staff reviews prospectuses of newly formed mutual funds, closed-end funds, and certain insurance products that provide a means of investing in an annuity or life insurance contract with benefits tied to mutual fund performance. The review process seeks to ensure that the entity's policies, procedures, and risks are disclosed fully and fairly and that the proposed activities are consistent with the law.*

New portfolio disclosures reviewed--mutual funds and closed-end funds:

	2000	2001	2002	2003	2004
Projected					
# of Filings	950	1100	720	420	700
% Reviewed	96%	96%	95%	95%	99%
Actual					
# of Filings	1183	741	278		
% Reviewed	98%	95%	99%		

<u>2002 Analysis of Results:</u> Investment management firms registered increased numbers of mutual funds and closed-end fund portfolios during the 1990s as a strong stock market, a robust American economy, and increased use of defined contribution retirement plans provided a favorable environment for growth. The environment has been less favorable in the 2000s. Economic growth slowed in 2000, turned negative in 2001, and began to recover in 2002. Leading stock market indices declined for three consecutive years, the first time this has happened since the 1970s. The technology-oriented Nasdaq Composite Index closed at 1,172.06 on September 30, 2002, down more than 75 percent from its March 10, 2000 peak of 5,048.62. Retirement plans and mutual funds saw declines in the number of investors. As market and economic conditions remained weak, fund sponsors registered fewer new portfolios.

As a result of these trends, the number of new mutual fund and closed-end fund portfolios filed and reviewed decreased by more than 60 percent in 2002. The staff responded to the decline in new portfolios by redirecting resources to conduct an increased number of integrated reviews. The staff conducted 1,012 integrated reviews. An integrated review focuses on whether a fund is investing in accordance with its stated objectives and policies. The staff compares a fund's stated investment objectives and policies (what a fund is permitted to do) with actual investments made (what a fund has actually done) by examining the fund's annual report and financial statements along with its prospectus. Funds that appear to be acting in a manner inconsistent with their investment policies or taking positions that are not disclosed in accordance with applicable risks are given comments detailing the staff's questions or, in appropriate circumstances, referred to the inspection staff for possible on-site review.

New insurance contracts reviewed:

	2000	2001	2002	2003	2004
Projected Registrations Reviewed	245	220	160	170	180
Actual Registrations Reviewed	210	160	164		
Percent Reviewed	100%	100%	100%		

2002 Analysis of Results: The staff continued to meet its goal of reviewing all registration statements for new insurance contracts. One hundred sixty-five new contracts were filed in fiscal year 2002 – 2.5 percent more than in 2001.

12. Number of requests by the SEC to foreign regulators for assistance in SEC investigations and enforcement-related actions and the number of requests to the SEC by foreign regulators for assistance in foreign investigation and enforcement-related actions.

The growing internationalization of the securities markets increasingly affects U.S. markets. Cooperation with foreign regulators aims to minimize the extent to which international borders can be used to escape detection and prosecution of fraudulent securities activities.

	2000	2001	2002	2003	2004
Projected SEC Requests	320	320	330	450	500
Actual	345	364	447		

2002 Analysis of Results: The number of requests for enforcement assistance made to foreign regulators was 35% higher than the number estimated due to a continuing increase in the number of SEC investigations containing international components, a growth in the number of cooperative jurisdictions (as a result of the SEC's efforts in numerous international initiatives), as well as a one-time increase relating to requests for enforcement assistance arising from the events of September 11th that carried over into FY 2002.

	2000	2001	2002	2003	2004
Projected Responses to Foreign Requests	545	545	470	340	345
Actual	519	483	350		

2002 Analysis of Results: The staff made formal responses to 350 foreign requests for SEC enforcement assistance in fiscal year 2002, 25% less than planned. The decrease may be attributed to stronger than expected positive response to the SEC's efforts to direct foreign regulators to public sources of requested information where available, including online resources, such as the recently redesigned SEC website and the NASD's online databases of securities dealer and investment adviser registration information. The number of foreign requests is expected to continue to decline, as the amount of information regarding registration and enforcement actions is increasingly made publicly available over the Internet. This development allows SEC staff to devote themselves to the growing number of time - intensive and increasingly sophisticated requests for enforcement assistance from foreign authorities.

GOAL #2--Maintain Fair, Honest, and Efficient Markets

Objective

1. Promote and enhance self-regulation of the securities markets as a means of assuring compliance with securities laws.

Although the Commission directly regulates some areas of the securities industry, in many other areas the Commission relies primarily on self-regulation to protect investors and to create an environment of fair dealing. Self-regulation is conducted by SROs, which currently consist of 12 registered exchanges, the National Association of Securities Dealers, the National Futures Association, 12 registered clearing agencies, and the MSRB.

Strategies

a. Maintain effective oversight of securities SROs by 1) conducting routine inspections of SRO functions and oversight examinations of member firms; 2) undertaking prompt and effective review of SRO enforcement actions, SRO rule proposals, and new product developments; and 3) providing appropriate oversight of proprietary trading systems.

b. Review the changing functions and structure of SROs to ensure they continue effective oversight of the market.

Objective

2. Promote improvements in market structures and operations.

New technological advances driving our economy, particularly those fueling the growth of the Internet, are transforming traditional markets and making it imperative that the Commission remain proactive in overseeing the markets and in adapting its methods to a changing environment. New electronic markets are leveraging technology to challenge traditional exchanges, using computers rather than humans to match buyers and sellers. A fast-expanding web of connections between customers, brokers, and markets has brought diverse markets together, challenging existing institutions, and making a true national market system a possibility.

The Commission approved rules allowing Nasdaq Supermontage to begin operation. Supermontage adds a limit order book that is electronically displayed and executed through automatic execution. The Commission also approved the NASD's Alternative Display Facility to provide an additional venue to publicly disseminate quotations and report securities transactions in securities listed on Nasdaq.

Additionally, the Commission abrogated proposals by several markets to extend rebates of market data revenues to market participants. The Commission was concerned that the availability of large market data revenue rebates in certain markets may be creating incentives for traders to engage in transactions with no economic purpose other than to receive market data fees. The Commission believes that such trades may be distorting the actual volume of trading in these securities. Moreover, the Commission was concerned that the structure and size of market data revenue rebates may be distorting the reporting of trades, and that these rebate programs may reduce the regulatory resources of the markets and reallocate the funding of regulation among participants.

The Commission recently concluded hearings on market structure, which illuminated the need to address multiple issues relating to the structure of the equity markets. Among these issues are the need for standards for orders sent from one market or ECN to another ("access standards"); the definition of best execution; changes to trade-through rules and the Intermarket Trading System ("ITS"); changes to the manner in which market data is collected and sold; the application of Nasdaq to register as an exchange; and the fragmentation of the surveillance of trading among multiple markets.

Strategies

a. Consistent with its oversight responsibilities, respond quickly and effectively to market emergencies and new or evolving products.

b. Encourage market structures that are designed to increase competition and provide protection to investors.

c. Work with industry to streamline the clearance and settlement process (e.g., straight-through processing, immobilization of physical certificates, direct registration system, and expeditious settlement).

d. Revise SEC transfer agent rules to account for changes in technology, the method of processing, and the increasing role of foreign transfer agents.

e. Encourage the adoption of high standards, fairness, and transparency in foreign markets by increasing international cooperation and providing technical assistance and broad-based training programs to developing markets.

Objective

3. Oversee the financial and operational condition, promote financial responsibility, and compliance with investor protection rules by broker-dealers, transfer agents, and SROs.

In 2002, the Commission supervised over 8,000 active broker-dealers with 92,296 branch offices and over 675,500 registered representatives. Broker-dealers filing FOCUS reports with the Commission had approximately $3.4 trillion in total assets and $214 billion in total capital for fiscal 2002. In addition, the average daily trading volume reached 1.4 billion shares on the New York Stock Exchange and over 1.7 billion shares on the Nasdaq Stock Market as of September 30, 2002.

SEC staff monitor for sales practice and other potential abuses. The Commission also is concerned that broker-dealers meet their duty of "best execution" for customers' orders. In addition, technology has added new regulatory challenges requiring the commitment of staff resources to monitor Internet securities trading and after-hours trading. The mergers of large broker-dealers also has increased the need to monitor the consolidation of record keeping systems and internal controls. Additional regulatory issues are posed by the increasing use of private automated trading systems. Finally, the Commission must monitor the operational systems integrity and reliability of the market infrastructure.

Strategies

a. Monitor the activities and conduct regular inspections of broker-dealers, transfer agents, SROs, and other market participants to protect investors and the financial marketplace.

b. Review and analyze the use of derivatives and other complex products by broker-dealers and their affiliates, and encourage appropriate controls or guidelines to preserve the integrity of the securities markets.

c. Closely monitor compliance of regulated entities, including broker-dealers, investment companies, investment advisers, transfer agents, and SROs for compliance with sales practice, financial responsibility, record keeping, and reporting requirements to protect investors.

Objective

4. Enhance relationships with federal, state, and foreign authorities to promote compliance with the securities laws.

In today's world financial markets, modern technology allows traders to move money anywhere in the world at lightning speed. With markets around the world more interconnected than ever before, investors and companies increasingly are seeking opportunities beyond their own borders. A crisis in one area of the world can shake investor confidence and participation in the global marketplace. The Commission has entered into over 30 formal information-sharing arrangements with foreign counterparts that promote international cooperation and consultation. The global marketplace also has highlighted the importance of high quality, internationally accepted accounting standards that provide transparency, consistency, and comparability in the way companies report their financial position.

Strategies

a. Increase the use of federal-state partnerships to leverage the resources of all regulators and to minimize duplicative or conflicting regulation.

b. Work bilaterally and through multilateral organizations to promote international cooperation and assistance, encourage the growth of sound, fair securities markets, increase the knowledge of and familiarity with foreign regulatory systems, and develop the means for enhancing domestic regulatory programs.

c. Promote the development of high quality international accounting standards to provide transparency, consistency, and comparability in the way companies report in a global capital market.

FIVE-YEAR PERFORMANCE GOALS

1. Promote more efficient and effective national market system operations through free market mechanisms, the encouragement of changes by the industry itself, disclosure, and by regulation where necessary.

2. Assure continued SRO oversight responsibilities in an environment of changing SRO functions and structure.

3. Maintain oversight of market operations and structures through Commission and SRO rules that govern the operation of registered national securities exchanges, clearing agencies, the NASD, the MSRB and transfer agents.

4. Monitor broker-dealer filings, as required by the risk assessment rules, and consolidated risk reports provided voluntarily by the largest securities firms, to enable the agency to better understand the risk profile of firms and their affiliates.

5. Perform examinations of broker-dealers, transfer agents, limited-purpose OTC derivatives dealers, and SROs that result in a deficiency letter, an enforcement referral, or focus on significant market issues.

6. Meet with foreign financial supervisory authorities to share information, and respond to requests by foreign regulators for non-enforcement related technical assistance.

7. Commence all SRO regulatory inspections within established cycles.

8. Examine transfer agents and clearing agents within established examination cycles.

9. Encourage oversight of OTC derivatives products and activities in affiliates of broker-dealers by providing SEC staff assistance to entities considering registration as OTC derivatives dealers and investment bank holding companies.

ANNUAL PERFORMANCE MEASURES

1. Maintain effective oversight of market operations and structures by promptly reviewing proposed SRO investor protection and market structure rules.

SRO rule changes are reviewed for consistency with investor protection and market operation and structure rules that govern the operation of registered national securities exchanges, clearing agencies, and the automated quotation systems operated by the NASD and MSRB. The figures below represent the number of SRO rules changes projected to be received compared with the number actually received. In addition, data "reviewed" is provided on the total number of rules "approved effective", withdrawn, or disapproved for that specific year. This "reviewed" number reflects rules changes acted upon in that fiscal year, whether the proposed rules were received that year or a previous year.

	2000	2001	2002	2003	2004
Projected	540	600	600	700	700
Received	555	638	732		
Reviewed	480	638	712		

2002 Analysis of Results: Projected levels of review were achieved. Based upon the increased number of filings received in FY 2002, projected levels for 2003 have been revised. The increase in filings received may be attributable to greater competition among the markets. As exchanges respond to competition from other exchanges and ATSs, they change their rules and introduce new products, which require filings with the Commission.

2. Maintain effective oversight of alternative trading systems by reviewing ATS filings.

The Commission adopted Regulation ATS in 1998 to establish a regulatory framework for alternative trading systems. By December 2002, 73 ATSs had filed reports with the SEC. A sub-set of alternative trading systems known as Electronic Communications Networks (ECNs), allow market makers to comply with the Commission's Order Handling Rules by transmitting the best prices displayed on the ECN to a registered exchange or Nasdaq. There are currently ten ECNs in operation. ECNs have provided increased competition to the established securities exchanges and the Nasdaq, with ECNs accounting for approximately 40% of total *share volume and 50% of the transaction volume traded in Nasdaq securities by the year 2002. The projected and actual percentage of ATS filings reviewed is shown below.*

	2000	2001	2002	2003	2004
Projected number of filings	200	250	280	240	240
Actual number received	204	231	238		
Percentage reviewed	100%	100%	100%		

2002 Analysis of Results: Projected levels of review were achieved. The overall number of ATS filings reviewed by the staff has remained relatively unchanged during the past year. This reflects a significant consolidation in the industry as trading firms have merged to form new entities or ceased operations entirely. We expect this trend to continue into fiscal years 2003 and 2004 and have revised our projections accordingly.

3. Percent of risk assessment reports reviewed for which staff surveillance procedures resulted in follow-ups to determine whether a broker-dealer and its customers were exposed to significant risk.

The risk assessment program is designed to assess the risks to registered broker-dealers resulting from the activities of their affiliates. Of the approximately 175 largest securities firms that file risk assessment reports (which represents approximately 86% of $3.4 trillion or all broker-dealer assets), the percentage of firms that required additional follow-up is shown below.

	2000	2001	2002	2003	2004
Projected % Follow-up	40%	40%	40%	40%	40%
	2000	2001	2002	2003	2004
Actual	40%	40%	30%		

2002 Analysis of Results: Of the approximately 175 risk assessment firms filing risk assessment reports received in fiscal 2002, 30% received additional follow-up. This is lower than the projected amount, and in some cases follow-up was unable to be performed due to resource constraints. The risk assessment staff must balance the need for follow-up on risk assessment filings with competing priorities, including regulation of OTC derivatives dealers, new regulatory initiatives, and providing assistance to foreign regulators.

4. Percentage of cause, oversight, and surveillance examinations of broker-dealers and routine and cause examinations of transfer agents that result in significant findings, a deficiency letter, enforcement referral, or referral to other regulatory authorities.

Beginning in fiscal 1997, broker-dealer examination guidelines emphasize risk-based selection and concentration on those firms, and those areas within firms, most likely to have problems. As a result, it is expected that a larger percentage of the cause and surveillance examinations will uncover findings warranting a deficiency letter or an enforcement referral. The transfer agent inspection program historically has identified a lower percentage of problems.

	2000	2001	2002	2003	2004
Projected					
Broker Dealers	85%	87%	87%	87%	87%
Transfer Agents	75%	80%	80%	80%	80%
Actual					
Broker Dealers	89%	90%	89%		
Transfer Agents	83%	80%	80%		

<u>2002 Analysis of Results</u>: Projected levels for fiscal 2002 were met.

5. Number of requests by foreign regulators to the SEC for non-enforcement related technical assistance.

In addition to the state and federal partnerships described on page 8, Commission staff provide technical assistance to emerging markets, maintain communication with foreign market regulators, address issues concerning international investment and access to capital, and promote harmonization of regulations to increase investor protection and market transparency.

	2000	2001	2002	2003	2004
Projected	250	250	245	245	245
Actual	222	266	239		

<u>2002 Analysis of Results</u>: The number of formal responses to requests from foreign regulators for non-enforcement technical assistance met projections.

6. Commence all SRO regulatory program inspections that should be initiated in the fiscal year pursuant to established cycles.

SEC staff inspect certain SRO regulatory programs pursuant to established cycles. These program areas include: arbitration, listings, broker-dealer examinations, sales practice enforcement, specialist/market maker/options trader financial surveillance and examinations, and trading surveillance, investigation, and enforcement. The cycle ranges from one to four years from the date the Commission approved the previous inspection report, depending on the program area. This measure does not include SROs that are clearing agencies

	2000	2001	2002	2003	2004
Projected	100%	100%	100%	100%	100%
Actual	100%	100%	100%		

2002 Analysis of Results: Projected levels for fiscal 2002 were met.

7. Number of transfer agents and clearing agencies examined within established examination cycles.

Transfer Agents

Transfer agents are examined every 2, 5,or 7 years depending on the number of security holders of record maintained by the transfer agent. OCIE established the cycles ranging from two years for large, professional agents to seven years for small, federally regulated banks based on the risk to the public and industry.

	2000	2001	2002	2003	2004
Projected	181	137	135	181	207
Actual	183	152	138		

2002 Analysis of Results: Projected levels for 2002 were met.

Clearing Agencies

Five clearing agencies are each examined every two to four years. Three other clearing agencies, which are affiliated with regional stock exchanges, are inspected as part of the routine inspection of the exchange and are included in this measure. Three inactive clearing agencies are not examined.

	2000	2001	2002	2003	2004
Projected	2	2	3	3	4
Actual	2	2	3		

<u>2002 Analysis of Results</u>: Projected levels for 2002 were met.

8. Staff time spent to assist entities to register as OTC derivatives dealers and investment bank holding companies and to perform ongoing surveillance of those entities.

The OTC derivatives dealer program allows securities firms to establish a U.S. registered broker-dealer to transact OTC derivatives activities in a regulated entity. Applications under this program are subjected to an extensive review, focusing on all aspects of the entity and its risk management infrastructure. Following approval, SEC staff remains involved in the ongoing supervision of these OTC derivatives dealers, because there is no SRO that oversees the activities of these regulated entities. The Gramm-Leach-Bliley Act allows securities holding companies to voluntarily agree to be recognized as investment bank holding companies and be regulated by the Commission on a consolidated basis. At present, the staff is active in rulemaking related to this program. In the future, the staff will be involved in application reviews, and following approval, ongoing supervision.

	2000	2001	2002	2003	2004
Staff years Projected	4	7	9	9	9
Staff years Actual	4	7	9		

<u>2002 Analysis of Results:</u> Projected levels for 2002 were met.

9. Staff time spent to assist entities to register as exchanges, and to assist registered exchanges and national securities associations to establish rules governing major trading facilities.

Regulation ATS expanded the types of entities that could apply for registration as national securities exchanges on Form 1. In addition, in response to competitive pressures from new exchanges, alternative trading systems, and foreign markets, registered exchanges and national securities associations have expanded the number of proposed new trading facilities. Staff time for review and oversight of new exchange applications and significant trading facilities is measured by the number of staff years devoted to these activities.

	2000	2001	2002	2003	2004
Projected staff years	7	8	9	10	14
Actual staff years	7	7	8		

2002 Analysis of Results: Currently, only eight staff years are available to work in this program area. While the work activity continues to increase in this area our staffing levels are decreasing because of competing priorities, such as working on rule filings, addressing securities issues on the Internet, restructuring rules by which foreign broker-dealers conduct business with U.S. customers, as well as several other issues.

10. Staff time spent to review and assess the risk profiles of the large and complex securities firms that comprise the Derivatives Policy Group ("DPG").

> *Risk assessment program staff meet on a monthly basis with the senior risk managers at the five firms participating fully in the DPG. Additional firms that are active in the derivatives markets will be added to this program in FY 2003 and FY 2004. The purpose of these meetings is to review the internal risk reports prepared for firm management, with an emphasis on identifying significant changes in firm risk profiles and assessing the capacity of the risk management infrastructure to deal with market developments. Broad trends in risk-taking by DPG firms, as well as firm-specific risk management issues that warrant tracking or follow-up, are reported to Division management in a regular monthly memorandum.*

	2000	2001	2002	2003	2004
Projected staff years	1	1	1.4	2.0	2.5
Actual staff years	1	1	1.4		

2002 Analysis of Results: Projected levels for 2002 were met.

11. Maintain effective market surveillance through the MarketWatch Program.

> *The MarketWatch program is responsible for planning the Commission's contingency preparedness efforts, including responses to severe market declines. The program provides the Commission with real-time information concerning fast-breaking developments in the U.S. and international stock, bond, and currency markets, and coordinates responses with other regulatory agencies and SROs.*

	2000	2001	2002	2003	2004
Projected staff years	4	4	5	5.5	6.0
Actual staff years	4	4	5		

2002 Analysis of Results: Projected levels for fiscal 2002 were met.

GOAL #3--Facilitate Capital Formation

Objective

1. Develop regulatory initiatives to help make U.S. markets more accessible to foreign issuers and market professionals, while maintaining protections for investors.

Large numbers of foreign companies continue to access the U.S. securities markets. In 2002, approximately 80 foreign companies from 19 countries entered the U.S. securities markets for the first time. Public offerings filed by foreign companies totaled over $250 billion. At the end of fiscal year 2002, approximately 1,300 foreign companies from 59 countries were filing periodic reports with the Commission. The Commission has several long-standing formal and informal initiatives designed to accommodate foreign companies registering with the SEC. New initiatives to improve disclosures submitted by foreign issuers will be considered by the Commission.

Strategies

a. Facilitate foreign issuer access to U.S. capital markets by working with the International Accounting Standards Board to improve the quality of their international accounting standards.

b. Provide assistance and information to foreign issuers, advisers, and market professionals on U.S. registration requirements.

c. Facilitate access for U.S. investors to foreign markets while maintaining requirements consistent with the protection of investors, by reviewing and adapting U.S. registration and other requirements for foreign markets and market intermediaries, and by engaging in dialogue with foreign regulatory counterparts.

d. Represent interests of U.S. investors in trade matters involving financial services issues by working with other U.S. government agencies and by utilizing the SEC's experience in international regulatory issues.

Objective

2*. *Facilitate competition and the use of innovative financial instruments to meet the needs of investors and securities issuers, while maintaining safeguards for investors.

The Commission's role is to establish, monitor, and strengthen a regulatory environment that permits competition to flourish, while at the same time protecting investors. To achieve this, anticompetitive exchange rules and obstacles must be eliminated and new market entrants must be free to compete with traditional markets, while ensuring regulatory oversight to protect the investors' interests. Examples might include broadening access to listed stocks, eliminating fees that stifle competition, and linking of market centers.

Strategies

a. Continue to reform the 1933 Act registration and capital formation process.

b. Explore ways to expedite the process through which SRO trading rules become effective to allow for market innovation without sacrificing market integrity or investor protection.

c. Encourage the integration of alternative trading systems into the quote and linkage mechanisms for listed securities.

Objective

3. Facilitate the continued development of an effective, flexible regulatory environment for small businesses, investment companies, advisers, and others involved in capital raising activities, including venture capital, while maintaining protections for investors.

Recent developments brought on by competitive pressures and rapid technological changes have resulted in the development of new financial products, such as derivative instruments, exchange-traded funds, and closed-end funds that invest in hedge funds and other alternative investments. These new products pose challenges to the Commission to both protect investors and encourage the new formation of capital.

Strategies

a. Promote the full and fair disclosure to potential investors of risks associated with diverse and complex financial instruments.

b. Continue to address the needs and interests of small companies by providing information and forms on the Commission's web site.

c. Promote a regulatory environment that allows new products and structures to flourish, while maintaining investor protections.

FIVE-YEAR PERFORMANCE GOALS

1. Promote competition and innovation in the securities markets by removing anti-competitive obstacles and through other means.

2. Promote foreign private issuer offerings under the 1933 Act and reporting under the 1934 Act.

3. Promote a flexible and modernized regulatory environment that allows for expeditious introduction of new securities products, consistent with adequate investor protection.

4. Continue to review and eliminate unnecessary impediments to small business capital formation.

ANNUAL PERFORMANCE MEASURES

1. Number of foreign private issuers that register under the 1933 and 1934 Acts for the first time and the dollar amount of securities registered for sale under the 1933 Act by all foreign private issuers.

> *The number of foreign companies registering stocks in the U.S. and the amount of money they bring to the public markets are an indicator of the integrity, liquidity, and fairness of the U.S. markets.*

	2000	2001	2002	2003	2004
Projected					
Number	160	110	110	110	110
$(bil)	120	120	120	120	120
Actual					
Number	200	130	70		
$ (bil)	211	267	147		

2002 Analysis of Results: The number of new issuer filings received by the Commission depends on market and economic conditions in the U.S. and foreign countries. The decrease in the number of new foreign private issuers entering the U.S. securities markets from 2001 to 2002 was consistent with the decline in public offerings by domestic issuers.

2. Number of new derivative securities products proposed by SROs.

> *The SROs file proposed rule changes related to new derivative securities products with the Commission that are reviewed by the Division of Market Regulation. This measure captures proposed rule changes filed under standard statutory procedures, as well as "notices filed" under new streamlined procedures under Rule 19b-4(e),*

which are added in the chart below beginning in 2001. The new streamlined rule applies where existing standards apply to the proposed derivative securities products, thereby reducing the SROs regulatory burden and maintaining their competitive balance with the overseas and OTC derivatives markets.

	2000	2001	2002	2003	2004
Projected # Rule Changes	60	50	50	50	50
Actual	55	55	58		
Projected # Notices Filed		100	100	15	15
Actual		85	15		

2002 Analysis of Results: The SEC staff reviewed 58 proposed SRO and NASD rules seeking to trade new securities products in fiscal 2002, 8 more (or 16%) than the projected amount. Notices filed under the new Rule 19b-4(e) are now counted beginning in fiscal year 2001. SROs filed 15 notices under Rule 19b-4(e), an 85% reduction from the projected amount. The decline in the notices filed under Rule 19b-4(e) may be attributable to the market downturn.

3. Number of rule proposals and adoptions to allow for introduction of innovative products and services related to mutual funds, as is consistent with our mission of investor protection.

The adoption of rules to allow for introduction of innovative products and services helps promote capital formation. Examples include, but are not limited to, the adoption of rules for new mutual fund products and the rules that provide flexibility under the affiliated transactions prohibitions.

	2000	2001	2002	2003	2004
Projected					
Proposals	16	15	12	14	12
Adoptions	15	16	12	16	15
Actual					
Proposals	6	3	11		
Adoptions	7	8	5		

2002 Analysis of Results: Because rulemaking activity is highly responsive to new events and changes in priorities, actual results often vary considerably from long-term estimates. Two large-scale projects – mutual fund governance and after tax return—were completed in fiscal year 2001, enabling the staff to focus on additional proposals in 2002. High staff turnover continued to reduce the number and average experience of available staff.

4. Dollar value of small business registration statements filed with the Commission.

The dollar amount registered by small businesses is an indicator of their ability to raise capital, including reduced costs and requirements for registration.

	2000	2001	2002	2003	2004
Projected $(bil)	5	5	5	5	5
Actual $(bil)	6.7	4	4		

2002 Analysis of Results: The number of small business registration statement filings received by the Commission depends on market and economic conditions. The decline in this measure is attributable primarily to the slowdown in the U.S. economy and the market for the securities of new, unseasoned small businesses.

5. Number and percent of formal responses to requests for interpretive advice or exemptive relief.

The Division of Market Regulation provides interpretative advice and exemptive relief regarding the Commission's authority under the 1933 Act. For example, requests are made to determine whether a new product falls within the definition of "security" or which new service providers must be registered and regulated as broker-dealers. In addition, relief is sought in the areas of municipal securities and sales practice rules, broker-dealer soft dollar practices, and margin requirements. The Division of Investment Management provides investment companies and investment advisers interpretive advice about or exemptive relief from statutory provisions under the 1940 Act in order to allow for the introduction of innovative products and services, reduce burdens and costs to the financial service industry, and respond to the need to adapt the regulatory structure due to changing circumstances. The Division of Corporation Finance provides written and telephone interpretations of legal and accounting matters under the1933 Act and the 1934 Act.

In fiscal year 2002, the Division of Market Regulation's Office of Interpretation and Guidance responded to over 15,100 telephone and e-mail inquiries, nearly double *the number in 2001. Staff in the Division of Investment Management's Office of Chief Counsel responded to about 6,200 telephone inquiries during FY2002.*

	2000	2001	2002	2003	2004
Projected Market Reg Div Interp & Exempt	800	805	830	850	900
Actual	828	830	830		
% Received Reviewed	100%	100%	100%		

<u>2002 Analysis of Results:</u> Projected levels for fiscal 2002 were met. In addition, 100% of the inquiries received were reviewed and responses provided to securities professionals, issuers, and other regulators.

	2000	2001	2002	2003	2004
Projected IM-Interp Adv	410	560	800	1,490	1,560
Actual	555	775	1,417		
% of Responses Completed	100%	100%	100%		

Note: Method of calculating number of interpretive responses changed in 2001.

<u>2002 Analysis of Results:</u> The Division of Investment Management handled 1,417 formal and informal legal guidance matters in FY 2002. This represents an increase of over 80% from the prior fiscal year's workload. This significant increase may be explained in part by more accurate data collection, and in part by actual increases in externally driven workload.

	2000	2001	2002	2003	2004
Projected IM-Exempt Relief	425	435	430	450	450
Actual	440	425	450		
% of Aps Completed	100%	98%	100%		

<u>2002 Analysis of Results:</u> The Investment Management staff responded to 450 requests for exemptive relief in fiscal year 2002, a 6 percent increase from 2001. The staff anticipates that it will continue to reduce the number of "in-process" applications.

Projected CF-Interp Adv	2000	2001	2002	2003	2004
Telephone Calls	55,400	55,000	55,000	45,600	46,000
Actual	55,400	45,185	45,600		
Correspondence	2,420	2,000	2,000	2,000	2,000
Actual	2,420	2,085	2,040		

2002 Analysis of Results: Telephone requests for interpretive advice by the Division of Corporation Finance did not reach projected levels in 2002 due to, in large part, the availability on the Commission's Internet website of substantial additional information regarding the rules and regulation administered by the Division. The shortfall also is attributable to the adoption in 2000 of rules that eliminated the need to seek interpretive advice concerning requirements for financial information of subsidiaries.

GOAL #4—Sustain and Improve Organizational Excellence

Objective

1. Utilize the Pay Parity System along with other strategies to recruit and retain a high-quality and diverse staff to carry out the work of the Commission. Higher salaries under the Pay Parity System should help in attaining this objective.

Pay parity legislation was enacted in January 2002 for all employees, except administrative law judges and commissioners. The Commission implemented the new Pay Parity System in record time. The pay parity adjustment began in May 2002 and the increase arrived in employees' paychecks in August 2002. The Commission will continue to evaluate pay parity to see if adjustments are needed or if additional benefits can enhance the system. The Commission strongly believes that pay parity will help the SEC to recruit and retain a high-quality professional staff. Both the General Accounting Office (GAO) and the Office of Personnel Management (OPM) acknowledged pay parity as the key factor in reducing the Commission's high attrition rate. While the Commission cannot match the salaries paid in the private sector, pay parity will narrow the gap.

Strategies

a. Determine the effectiveness of new pay rates on the annual attrition rates for professional staff.

b. Expand successful recruitment strategies and fully implement a coordinated Commission-wide recruitment program for major occupations -- attorneys, accountants, and securities compliance examiners.

c. Continue to collect and evaluate data on the effectiveness of recruitment efforts through the use of employee surveys and focus groups.

d. Continue to track the Commission's progress in recruiting a more diverse workforce.

e. Develop a succession plan for the recruitment and retention of employees.

Objective

2. Enhance employee performance and satisfaction.

The Commission recognizes that employee satisfaction with the work environment plays a major role in recruitment and retention, as well as in the daily performance of employees. The Commission continues to focus more attention and resources on “work/life” issues, including the hiring of a work/life coordinator. The Commission also is redesigning its Intranet site to enhance customer service to its employees. With a contract ratified with NTEU in the Collective Bargaining Agreement, the Commission now can initiate some new work/life programs such as telework, subsidizing childcare, and repayment of student loans.

Strategies

a. Promote increased training opportunities, such as on-line “E-Learning”, to meet organizational needs and individual career goals.

b. Incorporate balanced agency-wide measures, linking incentive and performance awards to the achievement of the Commission’s strategic and performance goals.

c. Conduct employee survey and focus groups to determine the effect of new work/life program on job satisfaction and morale. Continue to monitor exit surveys.

d. Develop ways to foster effective communication and cooperation with employees, including through the use of the Intranet.

Objective

3. Provide a supportive and quality information technology infrastructure.

Advances in information technology, most notably through electronic media such as the Internet, present important opportunities for rapid, widespread dissemination of information to investors. The Commission receives and processes more than 12 million pages of information annually from over 28,000 corporate, investment company, and individual filers. The Commission’s EDGAR system automates the receipt and dissemination of this information. Over the coming years, the Commission is committed to continue the development of the most efficient and effective dissemination of this time-sensitive information, including enhancement of transmission methods, and search and index functionality. Internally, business operations must continue to be improved and enhanced, resulting in the evolution of the SEC to an electronic workplace. The technology available to employees must be continuously reviewed and upgraded to maintain the Commission’s enforcement and review capabilities in today’s rapidly changing technology environment.

Strategies

a. Ensure that the infrastructure and systems are responsive and secure from unauthorized access or disruption.

b. Ensure that the information technology infrastructure and systems meet employee and user needs.

c. Provide accurate, timely, and reliable filing information to investors.

d. Provide quality and timely assistance to users in need of help.

Five-Year Performance Goals

1. Evaluate the effect of the Pay Parity System on overall attrition rates and within each of the major occupations (see Objective 1 (a)).

2. Reduce the attrition rate of SEC staff by 50 percent and maintain it at this level.

ANNUAL PERFORMANCE MEASURES

1. Milestones related to the achievement, implementation, and evaluation of the Pay Parity System and other solutions that seek to narrow the pay gap between the Commission and other financial regulators and private sector employers.

To date, yearly milestones have highlighted the actions taken to achieve enactment of pay parity legislation. The Commission's focus now will be to chart milestones that reflect its efforts to implement fully the Pay Parity System and additional benefits that assist with the recruitment and retention of employees and to assess the effectiveness of these measures.

<u>2000</u>
Requested funds and authority for special pay for attorneys, accountants, and securities compliance examiners and developed legislative proposals for pay parity with bank regulators.

<u>2001</u>
Obtained authority for increased special pay rates for attorneys, accountants, and securities compliance examiners. Continued legislative efforts with Congress and the Administration to achieve pay parity with bank regulators.

<u>2002</u>
Pay parity signed into law. Continue efforts to implement pay parity.

<u>2003</u>
Evaluate the Pay Parity System and explore the possibility of providing additional benefits to employees to enhance the system. Implement the Pay for Performance System. Evaluate the effectiveness of pay parity and other benefits on attrition rates.

2004

Evaluate the effectiveness of the Pay Parity System on attrition rates and continue to explore ways to enhance the system.

2002 Analysis of Results: Pay parity legislation was enacted in January 2002. Since the FY02 appropriation did not include funding to implement the legislation, reprogrammed FY01 funds were used to initiate the pay parity program. Because employees did not begin receiving the increase in pay until August 2002 it is still too early to gauge the long-term effectiveness of pay parity.

2. Maintain the yearly attrition rate of SEC staff at approximately 7 percent.

The goal of the Commission was to reduce by 50 percent the overall employee attrition rate of 14 percent in FY2000 to 7 percent by FY2005. The Commission surpassed this goal in FY2002. The Commission's goal now is to ensure that attrition rates stay at approximately this level.

	2000	2001	2002	2003	2004
Projected yearly attrition rate (%)	14	12.5	9	7	7
Actual	14	8.5	6		

2002 Analysis of Results: The reduction in the Commission's attrition rate exceeded expectations in FY2002 and surpassed the 50 percent reduction goal set for FY2005. Many factors contributed – particularly the progress made toward better compensating employees. Pay parity was anticipated by the staff for some time and caused some to stay with the Commission with the hope of obtaining higher pay. Combined with the changes in the economy, staff turnover was less than had been anticipated. At this time, it is too soon to evaluate the effectiveness of the Pay Parity System in reducing staff attrition rates over the long-term.

3. Reduce the number of enterprise-level databases in use within the SEC.

The SEC has embarked on an effort to consolidate all databases into an Enterprise Data Repository that uses standard database management system software. This will help ensure that information is created once and shared among applications, and is managed effectively. The goal is to reduce the extensive number of databases in use within the Commission.

	2000	2001	2002	2003	2004
Projected # of Databases in use	52	46	16	18	15
Actual	52	50	21		

2002 Analysis of Results: In 2002 the SEC retired its mainframe computer. The migration effort resulted in the consolidation and elimination of a number of databases. A number of new commercial-off-the-shelf applications also were implemented in the Commission during 2002 that utilized their own databases. This resulted in a higher number for the year than originally planned.

Environmental Indicators

Introduction

The Commission has attempted to identify a number of environmental indicators that reflect the health of the industry regulated by the Commission. However, any relationship between the industry's condition and the effectiveness of Commission efforts must be indirect because the results of major activities such as investor protection, enforcement, market efficiency, and capital formation are not translated directly into industry statistics.

As with other regulatory agencies, the Commission has had difficulties developing result-oriented program performance measures. Some of the factors that adversely affect our development of outcome measures include:

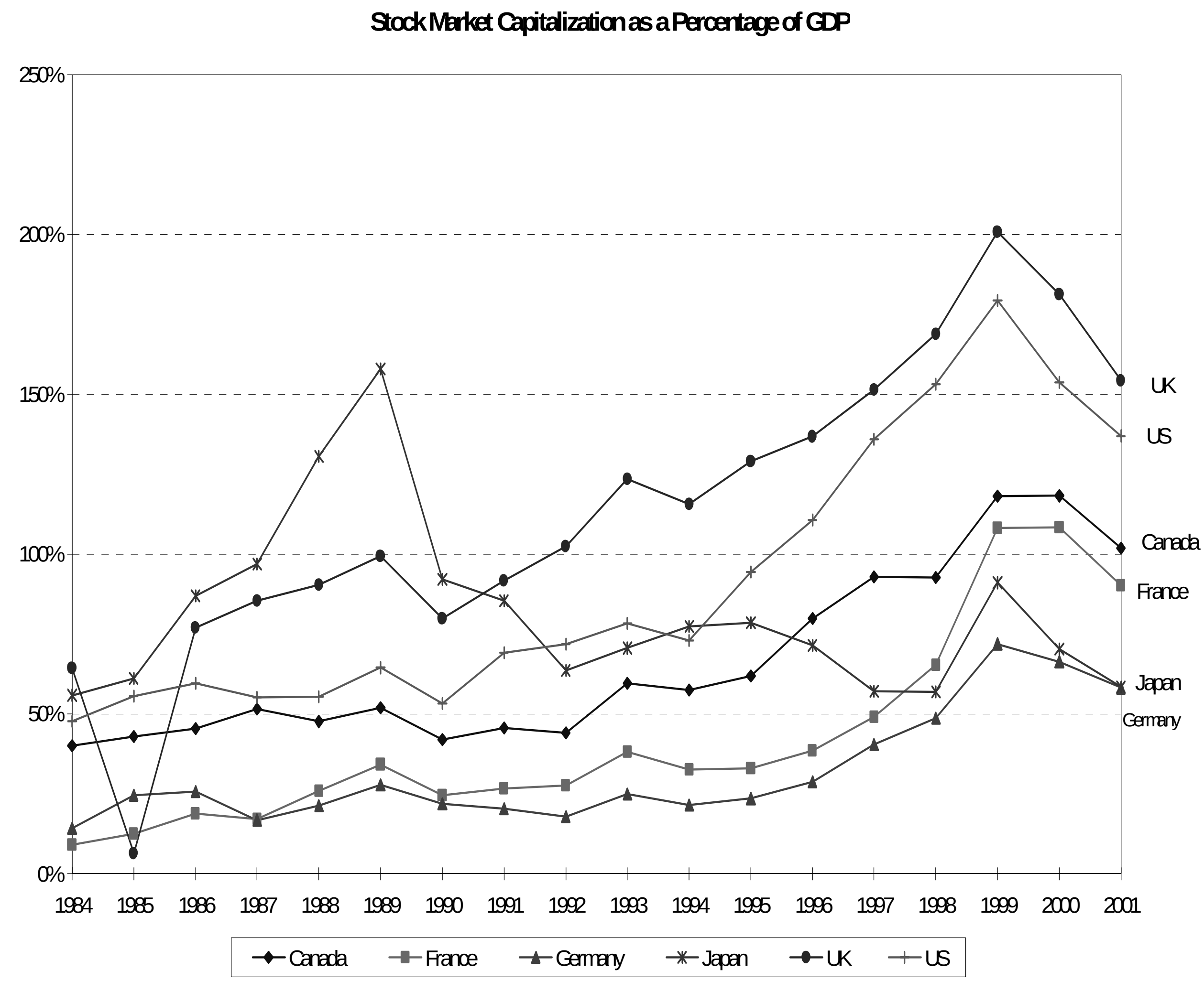
- the diverse and complex factors that affect agencies' results,
- the lack of control over some of those factors, and
- the long time frames sometimes needed to see results of agencies' actions.

With this in mind, the following data may provide an indication of the health or effectiveness of the regulatory environment promoted by the Commission, but year-to-year changes must be sensitive to general economic conditions.

1. Stock Market Capitalization as a Percentage of Gross Domestic Product (GDP)

One indicator of the size and vigor of a country's securities markets is stock market capitalization as a percent of gross domestic product (GDP). This measure compares the U.S. to other developed countries with respect to this indicator. It can be argued that a "good" regulatory environment leads to growing and prosperous capital markets.

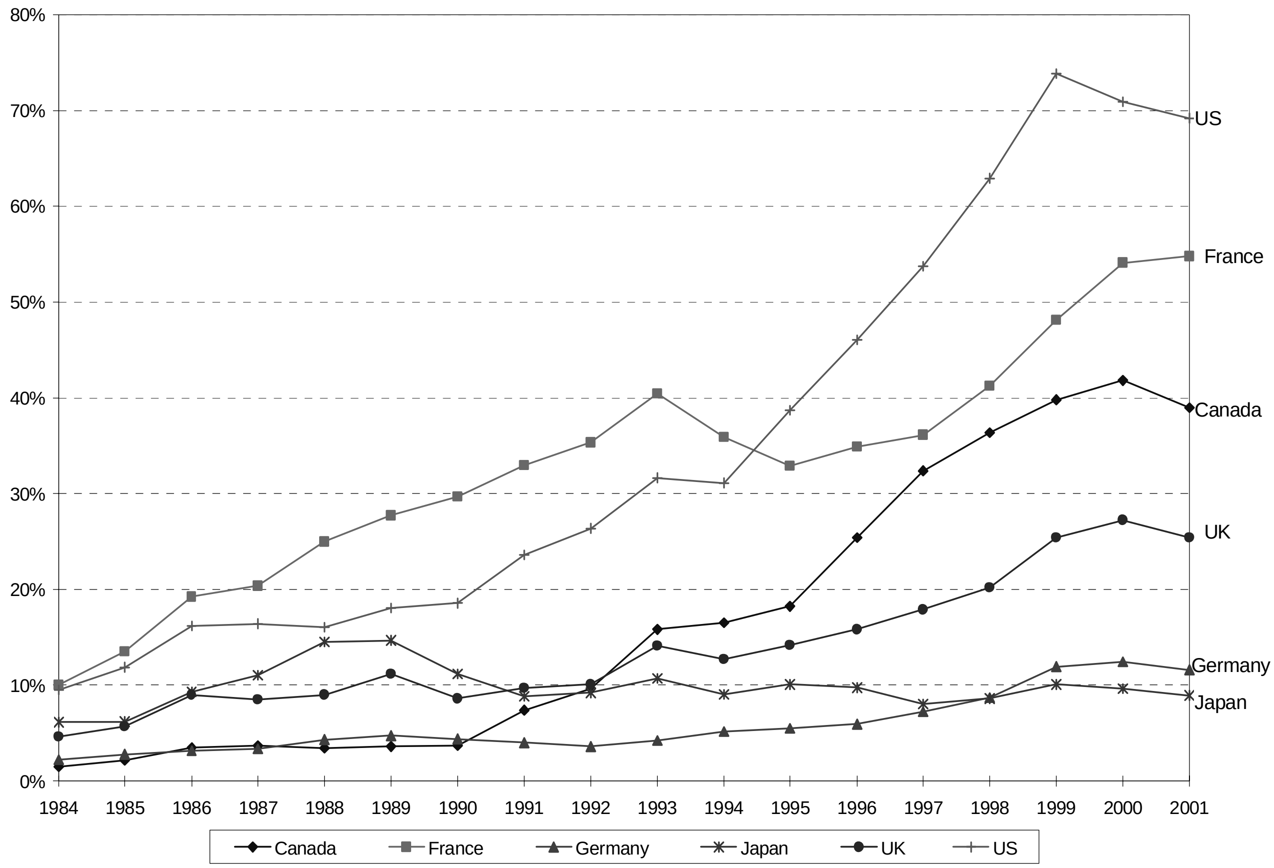
Stock market capitalization is defined as the total value of securities listed on a nation's securities exchanges and over-the-counter markets. Gross domestic product is defined as the total value of goods and services produced in a country. Stock market capitalization is divided by GDP because, when other factors are held constant, the size of a country's securities markets is positively correlated with the size of its economy.



2. Mutual Fund Assets as a Percentage of GDP

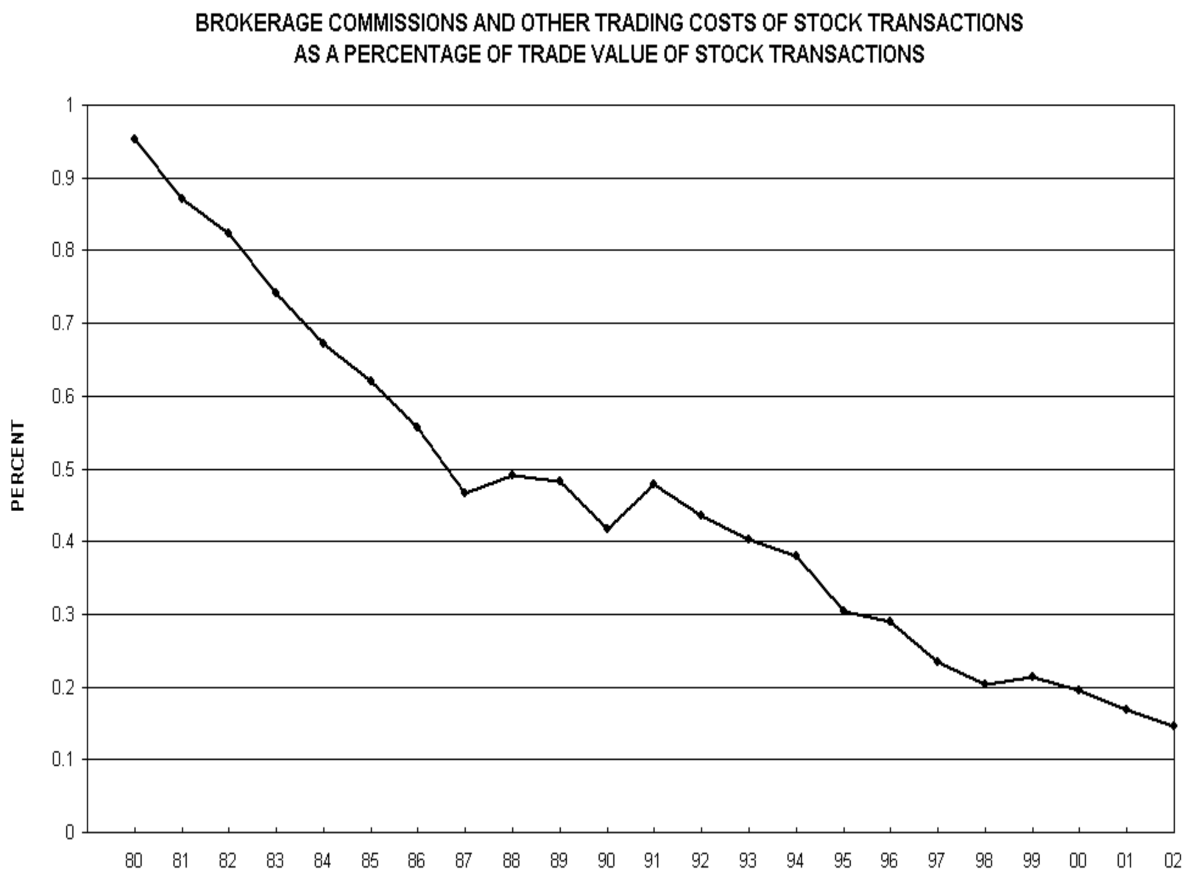
Total mutual fund assets is used as an indicator of the size and vigor of a country's mutual fund industry. As with measure #1, measure #2 compares the U.S. to other developed countries. Mutual fund assets are defined as the total value of open-end stock, bond, and money market fund assets in the U.S. and the total value of equivalent vehicles in other developed countries. Mutual fund assets are divided by GDP because, when other factors are held constant, larger economies have more money available for saving and investment than do smaller economies.

Mutual Fund Assets as a Percentage of GDP



3. Investors' Trading Costs

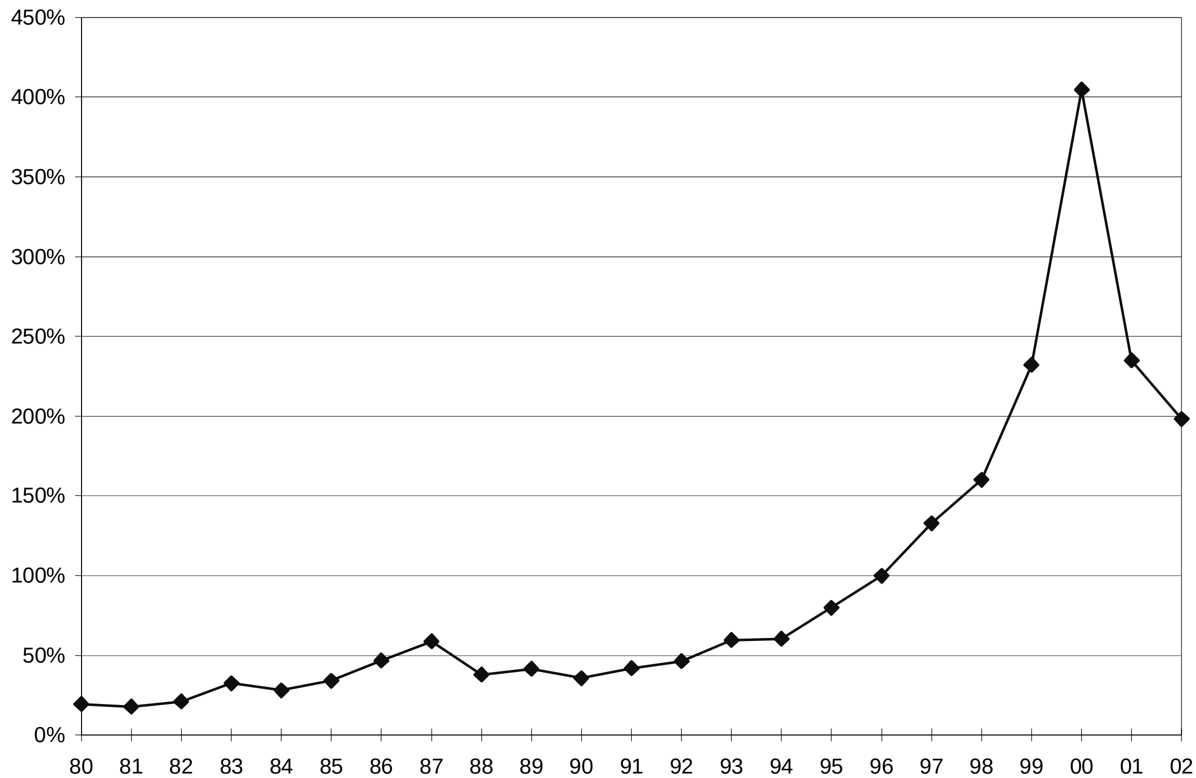
The Commission seeks to foster a market environment that protects investors and encourages competition in the provision of securities services. The Commission has contributed to the downward trend in investors' trading costs by eliminating anti-competitive practices (e.g. fixed commission rates) and, when necessary, promoting competition through regulatory initiatives (e.g. requiring that customers' limit orders be displayed in the national best bid and offer prices and requiring that stock prices by displayed in dollars and cents). The aggregate amount of brokerage commissions and other transaction costs (e.g., bid-ask spread) borne by investors relative to the dollar value of their trading declined from about 1% in 1980 to 0.15% in 2002. Investors would have paid more than six times as much in transaction costs in 2002 if trading costs had remained at their 1980 level.



4. Investors' Confidence in Securities Markets

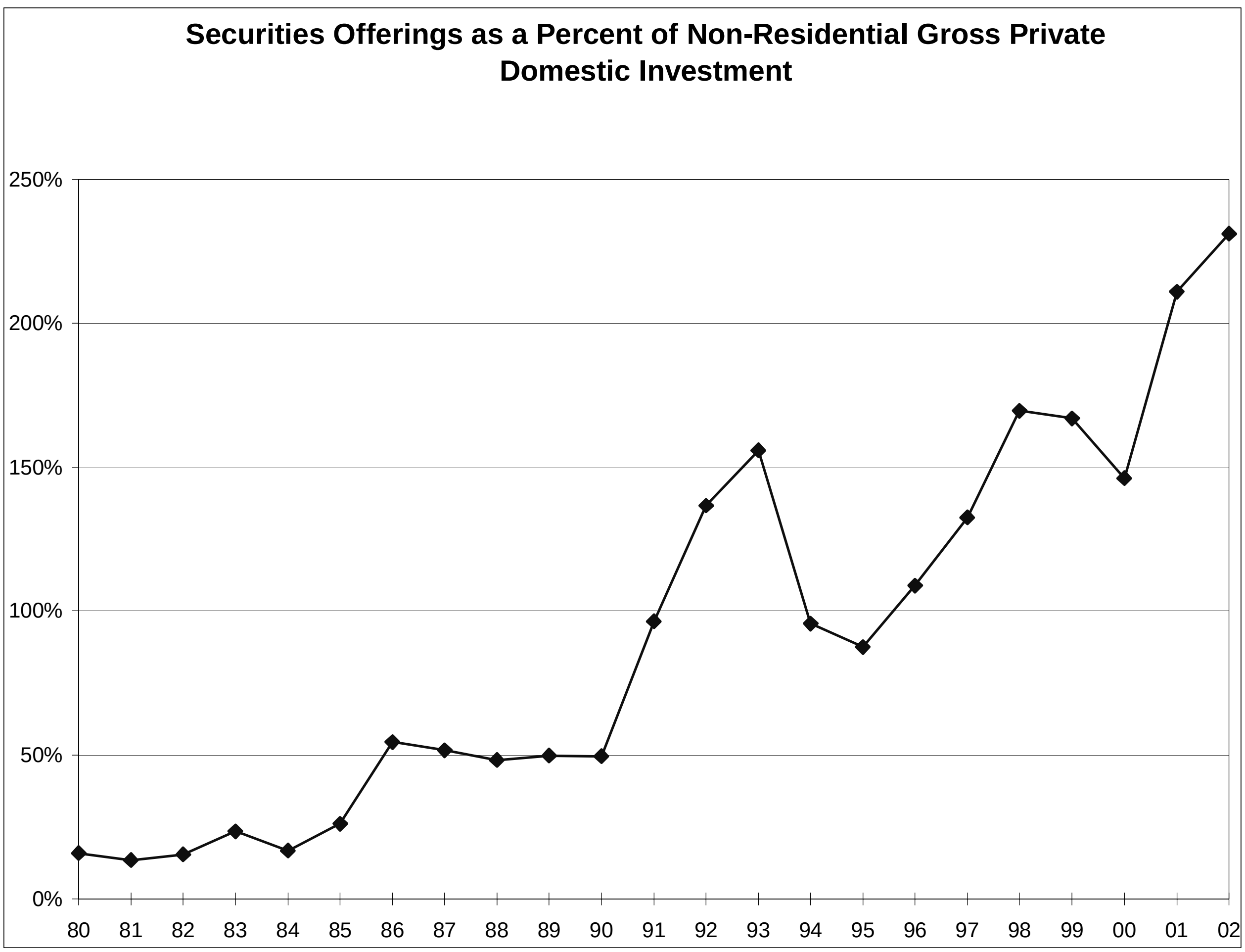
The Commission seeks to promote investor protection and the efficiency, transparency, integrity, and liquidity of the securities markets. The trend in the dollar value of trading on our nation's stock markets is a sign of its vigor and investors' confidence in its integrity and fairness. Over the long term, one would expect the dollar value of stock transactions to keep pace with the U.S. economy's growth. The last twenty years has been a period of phenomenal growth for the securities markets. The annual dollar volume of trading on U.S. stock exchanges and Nasdaq was one-fifth of our nation's GDP in 1980. By 1996, the dollar value of stock transactions equaled U.S. GDP and by 2000 it was 3.4 times GDP.

Stock Market Trading Volume as a Percent of Gross Domestic Product

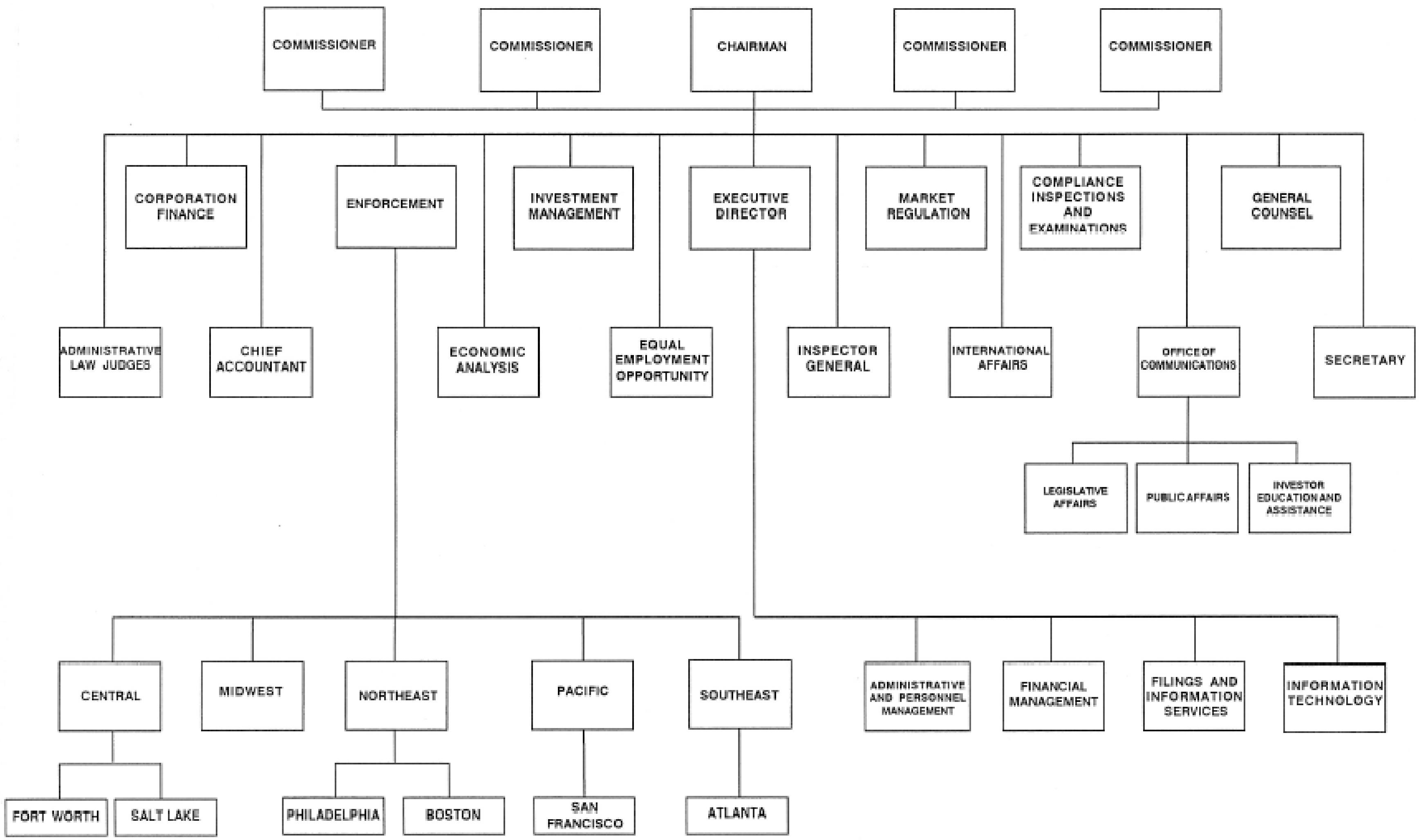


5. Capital Raised Through the Securities Markets

The Commission seeks to foster a market environment that protects investors, promotes the integrity of the markets, and fosters capital formation. If our securities markets maintain their relative attractiveness as a capital-raising mechanism, one would expect the amount of capital raised through public securities offerings to keep pace with the long-term growth total investments by U.S. businesses (non-residential gross private domestic investment). Over the last twenty years, our nation's securities markets have come to play an increasingly important role as a source of capital for U.S. business investment. In 1980, the annual dollar value of securities offered to the public was only 1/5 the size of total investments by U.S. businesses. Since 1991, the annual dollar value of securities offerings has exceeded business investment in seven out of ten years. Year-to-year changes in this relationship have been (and likely will continue to be) sensitive to general economic conditions.



U.S. Securities and Exchange Commission



Position and Cost Data for 2002 - 2004

	FY 2002 Actual			FY 2003 Estimated			FY 2004 Request		
	FTEs	Positions	Cost	FTEs	Positions	Cost	FTEs	Positions	Cost
Full Disclosure									
Corporation Finance	329	369		380	438		497	520	
Chief Accountant	28	43		50	63		62	63	
Filings & Information Services/FOIA	96	96		88	88		88	88	
Subtotal	453	508		518	589		647	671	
Prevention and Suppression of Fraud									
Enforcement	353	377		370	398		422	438	
International Affairs	22	23		23	23		24	25	
Secretary	3	3		3	3		3	3	
Investor Education and Assistance	29	31		31	33		35	36	
Regional Offices	592	603		607	634		664	693	
Subtotal	999	1,037		1,034	1,091		1,148	1,195	
Regulation of Securities Markets									
Market Regulation	148	150		147	158		172	180	
Compliance Inspections and Exams	70	73		73	77		102	103	
Filings & Information Services	11	11		11	11		11	11	
Regional Offices	226	231		233	247		321	337	
Subtotal	455	465		464	493		606	631	
Investment Management Regulation									
Investment Management	167	173		167	175		176	184	
Compliance Inspections and Exams	32	34		32	34		47	47	
Filings & Information Services	23	23		21	21		21	21	
Regional Offices	356	363		362	384		490	515	
Subtotal	578	593		582	614		734	767	
Legal and Economic Services									
General Counsel	117	126		124	129		133	137	
Administrative Law Judges	11	12		12	12		12	12	
Economic Analysis	23	24		26	32		34	35	
Regional Offices	13	13		13	13		13	13	
Subtotal	164	175		175	186		192	197	
Program Direction									
Executive Staff	27	37		37	38		37	38	
Secretary	27	27		26	27		26	27	
Public Affairs	7	9		9	9		9	9	
Executive Director	6	6		6	6		6	6	
Equal Employment Opportunity	12	13		13	13		13	13	
Administrative & Personnel Mgmt.	147	149		146	149		147	149	
Financial Management	29	34		30	31		33	34	
Information Technology	97	104		101	116		123	129	
Inspector General	8	8		8	8		9	9	
Subtotal	360	387		376	397		403	414	
Headquarters Total	1,822	1,955		1,934	2,092		2,242	2,317	
Regional Office Total	1,187	1,210		1,215	1,278		1,488	1,558	
Staff Salaries			$263,892,600			$326,358,300			$430,064,300
Personnel Benefits			$64,933,500			$81,451,600			$108,893,000
Other Personnel Compensation			$6,028,400			$5,323,100			$7,350,200
Total Cost of Salaries	3,009	3,165	$334,854,500	3,149	3,370	$413,133,000	3,730	3,875	$546,307,500
Other Expenses									
Benefits for Former Personnel			$60,400			$47,800			$61,700
Travel and Transportation of Persons			$9,267,900			$9,731,300			$11,652,600
Transportation of Things			$134,800			$65,200			$137,700
Communications and Rental			$43,354,700			$64,479,300			$85,465,500
Printing and Reproduction			$3,526,100			$8,024,800			$25,291,700
Other Services			$66,558,200			$75,091,500			$129,697,500
Supplies and Materials			$4,153,200			$3,805,300			$4,690,700
Equipment			$12,374,900			$15,986,400			$33,202,300
Building Alterations			$12,896,400			$1,696,300			$5,000,000
Claims and Indemnities			$164,000			$0			$0
Subtotal, Other Expenses			$152,490,600			$178,927,900			$295,199,700
Total, Salaries and Expenses 1/ 2/			$487,345,100			$592,060,900			$841,507,200

1/ Fiscal years 2002 includes $20.7 million of the Emergency Supplemental for disaster recovery.

2/ Fiscal years 2002 and 2003 exclude funds ($417.7 and $705.2 thousand, respectively) associated with EDGAR Modernization.

SEC GPRA/BUDGET CROSSWALK SUMMARY

Dollars

Agency Programs	Goal #1-- Protect Investors			Goal #2--Fair, Honest, Efficient Markets			Goal #3--Facilitate Capital Formation			Goal #4--Organizational Excellence			Totals		
Direct:	FY 02 $/Mill	FY 03 $/Mill	FY 04 $/Mill	FY 02 $/Mill	FY 03 $/Mill	FY 04 $/Mill	FY 02 $/Mill	FY 03 $/Mill	FY 04 $/Mill	FY 02 $/Mill	FY 03 $/Mill	FY 04 $/Mill	FY 02 $/Mill	FY 03 $/Mill	FY 04 $/Mill
Full Disclosure	$53	$67	$101	$0	$0	$0	$15	$19	$29	$0	$0	$0	$68	$86	$130
Prevention and Suppression of Fraud	$163	$203	$281	$1	$1	$1	$0	$0	$0	$0	$0	$0	$164	$204	$282
Supervision and Regulation of Securities Markets	$8	$10	$14	$60	$68	$101	$10	$12	$17	$0	$0	$0	$78	$90	$132
Investment Management	$83	$96	$136	$0	$0	$0	$17	$20	$28	$0	$0	$0	$100	$116	$164
Subtotal Direct	$307	$376	$532	$61	$69	$102	$42	$51	$74	$0	$0	$0	$410	$496	$708
Indirect:***															
Legal and Economic Services	$21	$26	$34	$4	$5	$7	$3	$3	$5	$0	$0	$0	$28	$34	$46
Program Direction	$37	$31	$42	$7	$6	$8	$5	$4	$6	$17	$21	$33	$49	$62	$88
Subtotal Indirect	$58	$57	$76	$11	$11	$15	$8	$7	$11	$17	$21	$33	$77	$96	$134
Total Programs	$365	$433	$608	$72	$80	$117	$50	$58	$85	$17	$21	$33	$487	$592	$842

Staff Years

Agency Programs	Goal #1-- Protect Investors			Goal #2--Fair, Honest, Efficient Markets			Goal #3--Facilitate Capital Formation			Goal #4--Organizational Excellence			Totals		
Direct:	FY 02 FTE	FY 03 FTE	FY 04 FTE	FY 02 FTE	FY 03 FTE	FY 04 FTE	FY 02 FTE	FY 03 FTE	FY 04 FTE	FY 02 FTE	FY 03 FTE	FY 04 FTE	FY 02 FTE	FY 03 FTE	FY 04 FTE
Full Disclosure	353	404	504	0	0	0	100	114	143	0	0	0	453	518	647
Prevention and Suppression of Fraud	994	1029	1142	5	5	6	0	0	0	0	0	0	999	1034	1,148
Supervision and Regulation of Securities Markets	48	49	64	347	354	463	60	61	79	0	0	0	455	464	606
Investment Management	480	484	610	0	0	0	98	98	124	0	0	0	578	582	734
Subtotal Direct	1,875	1,966	2,320	352	359	469	258	273	346	0	0	0	2485	2598	3135
Indirect:															
Legal and Economic Services	124	133	142	23	24	29	17	18	21	0	0	0	164	175	192
Program Direction	272	188	188	51	34	38	37	26	28	123	128	149	360	376	403
Subtotal Indirect	396	321	330	74	58	67	54	44	49	123	128	149	524	551	595
Total Programs	2,271	2,287	2,650	426	417	536	312	317	395	123	128	149	3,009	3,149	3,730