



**U.S. SECURITIES AND EXCHANGE COMMISSION**

FY 2015 CONGRESSIONAL BUDGET JUSTIFICATION

FY 2015 ANNUAL PERFORMANCE PLAN

FY 2013 ANNUAL PERFORMANCE REPORT

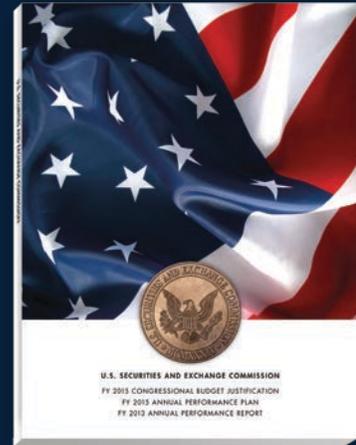
## About This Report

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The Congressional Budget Justification (CBJ) is the annual presentation to the Congress that justifies the U.S. Securities and Exchange Commission's (SEC) budget request and reflects the continuing process to provide improved strategic focus, data quality, and information to Congress and the public. This report also includes the Annual Performance Plan (APP) for fiscal year (FY) 2015 and the Annual Performance Report (APR) for FY 2013, focusing on the agency's strategic goals and performance results. This report provides information that satisfies requirements contained in the following laws and regulations:

- GPRA Modernization Act of 2010
- Office of Management and Budget Circular A-11, *Preparation, Submission and Execution of the Budget*
- Government Management Reform Act of 1994
- Reports Consolidation Act of 2000
- Office of Management and Budget Circular A-136, *Financial Reporting Requirements*

An electronic version of this document and its components is available at [www.sec.gov/about/offices/ofm/ofm-documents.htm](http://www.sec.gov/about/offices/ofm/ofm-documents.htm). To comment on the SEC's FY 2015 CBJ and APP and FY 2013 APR, email [PerformancePlanning@sec.gov](mailto:PerformancePlanning@sec.gov).



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## **AGENCY AND MISSION INFORMATION**

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## Executive Summary

The U.S. Securities and Exchange Commission (SEC or Commission) is pleased to submit its budget request for fiscal year (FY) 2015. The SEC is requesting \$1.7 billion in support of 5,183 positions and 4,688 FTE for FY 2015. This requested budget level would allow the SEC to hire an additional 639 positions to accomplish several key priorities, including:

- Remedying inadequate examination coverage for investment advisers and other key aspects of the agency's jurisdiction;
- Strengthening our core investigative, litigation, and analytical enforcement functions;
- Continuing the agency's investments in the technologies needed to keep pace with today's high-tech, high-speed markets; and
- Hiring additional staff experts to enhance the agency's oversight of the rapidly changing markets and increased regulatory responsibilities.

In FY 2013, the SEC made substantial progress in a number of mission-critical areas. It continued to build upon an already strong enforcement program, bringing a wide variety of complex and high-impact actions that yielded orders to return \$3.4 billion in disgorgement and civil penalties. By way of comparison, the SEC's appropriation for FY 2013 was \$1.321 billion. The agency also began to insist on admissions in certain cases and employ cutting-edge analytics to identify potentially fraudulent conduct. In addition, the SEC made significant progress in fulfilling an aggressive rulemaking agenda, including acting on a number of important mandates required by the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) and the Jumpstart Our Business Startups (JOBS) Act. It also continued to improve its efficiency and effectiveness by enhancing its technology and data analytics capabilities.

Despite these gains, the SEC needs significant additional resources to keep pace with the growing size and complexity of the securities markets and the agency's broad responsibilities. The agency currently oversees over 11,000 investment advisers, almost 10,000 mutual funds, 4,450 broker-dealers, 450 transfer agents, as well as the Public Company Accounting Oversight Board (PCAOB), Financial Industry Regulatory Authority (FINRA), Municipal Securities Rulemaking Board

(MSRB), the Securities Investor Protection Corporation (SIPC), and the Financial Accounting Standards Board (FASB). The SEC also has responsibility for reviewing the disclosures and financial statements of approximately 9,000 reporting companies, and has new or expanded responsibilities over the derivatives markets, an additional 2,500 exempt reporting advisers to hedge fund and other private funds, more than 1,000 municipal advisors, 10 registered credit rating agencies, and 7 registered clearing agencies. And, between the Dodd-Frank and the JOBS Acts, the SEC has been given nearly 100 new rulemaking responsibilities.

Stated simply, the SEC's jurisdiction is vast and its mission is critically important. The SEC needs substantially more in the way of resources to fulfill its mission to investors, companies, and the markets. This budget request focuses on addressing these resource challenges by increasing funding in the following areas:

- Expanding oversight of investment advisers and strengthening compliance;
- Bolstering enforcement;
- Leveraging technology;
- Building oversight of market infrastructure, derivatives and clearing agencies;
- Supporting implementation of the JOBS Act and enhancing reviews of corporate disclosures;
- Focusing on economic and risk analysis to support rulemaking and oversight; and
- Enhancing training and development of SEC staff.

The following provides a brief description of these key components; a more detailed description of our FY 2015 budget needs by division and office are described later in this request.

### Expanding Oversight of Investment Advisers and Strengthening Compliance

During FY 2013, due to significant resource constraints, the SEC examined only about nine percent of registered investment advisers. The number of registered advisers has increased by

more than 40 percent over the last decade, while the assets under management by these advisers have increased more than two-fold, to almost \$55 trillion. At the same time, the industry has been increasing its use of new and complex products, including derivatives and certain structured products; employing technologies that facilitate high-frequency and algorithmic trading; and developing complex “families” of financial services companies with integrated operations that include both broker-dealer and investment adviser affiliates. In an effort to use its funds to the highest and best purpose, the SEC has focused its limited examination staff on those areas posing the greatest risk to investors. Additional resources, however, are sorely needed to permit the SEC to increase its examination coverage of investment advisers. The status quo does not provide sufficient protection for investors who increasingly turn to investment advisers for assistance navigating the securities markets and investing for retirement and family needs.

Therefore, under the FY 2015 request one of the SEC’s top priorities is to add an additional 316 positions to the examination program in its Office of Compliance Inspections and Examinations (OCIE). Additional staff will allow the agency to examine more registered firms, particularly in the investment management industry, continue implementation of certain legislative changes, and more effectively risk target and monitor market participants. Additionally, OCIE would also be able to continue ongoing efforts to enhance its risk assessment and surveillance through the development of new technologies in the areas of text analytics, visualization, search, and predictive analytics.

## Bolstering Enforcement

The Division of Enforcement faces several key challenges in preserving its ability to vigorously pursue wrongdoing across the securities markets:

- Constantly evolving equity markets, including the growth of automated trading, “dark pools”, and other factors require additional resources to uncover unlawful trading strategies.
- The Division’s whistleblower office takes in thousands of tips per year, generating a fresh stream of case leads that deserve investigation.
- In today’s society wrongdoers have an ever-expanding array of options for concealment and encryption, and the Division requires additional resources to stay on top of this changing technology landscape.

- Enforcement’s Financial Reporting and Audit Task Force, created in the fall of 2013, will focus on violations relating to the preparation of financial statements, issuer reporting and disclosure, and audit failures. These investigations often require a significant investment of staff time, and absent additional funds, those resources will have to be drawn from other priority areas.
- Enforcement is working to identify and address any securities law violations or issues related to the SEC’s new rules implemented under the JOBS Act. The Division requires additional resources to devote appropriate attention to this new field while also maintaining its focus on existing priorities.
- The Division will utilize its Microcap Fraud Task Force to investigate fraud in the issuance, marketing, and trading of micro-cap securities and to develop long term strategies for combatting abuses in that market. Although the SEC is committed to pursuing these violations, the Division requires additional resources to ensure that these types of violations continue to be aggressively pursued.

In FY 2015, the SEC’s Enforcement Division will continue to enhance its core investigative, litigation, and analytical functions to address increasingly complex financial products and transactions. Enforcement will seek to hire 126 new staff, including additional legal, accounting, and industry staff experts, primarily for investigations and litigation. In addition, the Division will continue to invest in technology that enables the staff to work more efficiently and effectively in its policing of the markets.

As in prior years, Enforcement will continue to collaborate with external stakeholders including market participants, other federal agencies, foreign regulators and law enforcement agencies who play an important role in the Division’s identification, investigation, and litigation of securities law violations, including wrongdoing that crosses borders.

## Leveraging Technology

The SEC has committed to leveraging technology to streamline operations and increase the effectiveness of its programs. While the agency has made significant progress over the past few years in modernizing its technological systems, both internal and external constituents have urged that it continue to fund those efforts and to make new investments if it is to keep pace with the complex and rapidly changing markets it

regulates. The SEC's FY 2015 budget request, which includes full use of the SEC Reserve Fund, would support a number of key Information Technology (IT) initiatives, including:

- **EDGAR modernization**, a multi-year effort to simplify the financial reporting process to promote automation and reduce filer burden. With a more modern EDGAR, both the investing public and SEC staff will benefit from having access to cleaner, better data.
- **Tips, Complaints, and Referral (TCR) system**, to bolster the flexibility, configurability, and adaptability of the system. TCR enhancements will provide automated triage of the tips and complaints the agency receives, as well as improved intake, resolution tracking, searching, and reporting functionalities.
- **Enterprise Data Warehouse**, a centralized repository for Commission to organize the disparate sources of data in our space and help the public gain easier access to more usable market data. The EDW is the SEC's primary effort to bring together data from different divisions and offices, so the data is not "stovepiped" and can be more easily analyzed across the agency.
- **Data Analytics Tools**, to assist in the integration and analysis of large amounts of data, allowing for computations, algorithms and quantitative models that can lead to earlier detection of fraud or suspicious behavior.
- **Examination improvements**, aimed toward improving risk assessment and surveillance tools and datasets that will help the staff monitor for trends and emerging fraud risks, as well as improving the workflow system supporting SEC examinations.
- **Enforcement investigation and litigation tracking**, to support Enforcement teams with the receipt and loading of materials produced during investigations and litigation. The SEC also would build the capability to permit the electronic transmittal of data instead of the current practice of receiving content via the mail for manual tracking and loading; implement a document management system for Enforcement's internal case files; and revamp the tools used to collect trading data from market participants.
- **SEC.gov modernization**, to make one of the most widely used Federal Government websites more flexible,

informative, easier to navigate and secure for investors, public companies, registrants and the general public.

- **Information Security**, to upgrade security tools and processes and to develop and train analytical staff to monitor, respond to, and remediate risks ever-increasing security threats. Rather than conduct only periodic assessments of security, OIT will focus on continuous risk monitoring.
- **Business Process Automation and Improvement**, to improve the efficiency and effectiveness of the agency in serving the public.

## Building Oversight of the Securities Markets and Infrastructure

Our markets are high-speed and constantly evolving. Trading and Markets will need to enhance its effort to address market structure and technology developments in order to effectively assess market activity across a wide range of complex trading venues. The Division will continue its work with self-regulatory organizations (SROs) to enhance critical market infrastructure, and also, in conjunction with the Commission's Division of Economic Risk and Analysis (DERA), will continue to enhance recently implemented tools and systems that facilitate the analysis of trade and order data from both standard public market and commercially available proprietary market feeds. The Division also plans to expand its oversight of clearing agencies and other critical market infrastructure.

In FY 2015, the Division of Trading and Markets will also face significant entirely new challenges in its regulation and supervision of the U.S. securities markets, securities market infrastructure, securities intermediaries, and other market participants. The Division expects a significant number of new registrants under the Dodd-Frank Act and the JOBS Act once registration requirements under those laws go into effect, including security-based swap execution facilities, security-based swap data repositories, security-based swap dealers, major security-based swap participants, and crowdfunding portals. Additional staff will be needed to undertake these new market-related responsibilities, including staff focused on market supervision, analytics and research, and derivatives policy and trading practices.

Accordingly, in the FY 2015 budget request the SEC proposes to add 25 positions in its Division of Trading and Markets.

## Enhancing Reviews of Corporate Disclosures

For FY 2015, the SEC also requests 25 new positions for its Division of Corporation Finance. With additional resources, Corporation Finance plans to continue its multi-year effort to enhance its disclosure review program for large or financially significant companies; provide increased interpretive guidance; and evaluate trends in the increasingly complex offerings of asset-backed securities and other structured financial products. During FY 2015, Corporation Finance also will continue to implement the rulemakings required by the Dodd-Frank and JOBS Acts. The Division will implement these improvements while meeting the review cycle requirements of the Sarbanes-Oxley Act.

## Focusing on Economic and Risk Analysis to Support Rulemaking and Oversight

The SEC's Division of Economic and Risk Analysis (DERA) works to integrate analysis of economic, financial, and legal disciplines with data analytics and quantitative methodologies in support of the SEC's mission. For FY 2015, the SEC seeks to add 14 positions in DERA, primarily to hire financial economists to perform analyses and research in support of Commission activities. Specifically, DERA plans to hire experts who can assist with:

- the rulemaking process by providing the Commission and staff with economic analysis and technical advice;
- data analysis for risk-based selection of firms and issues for inquiries, investigations and examinations;
- improving structured data initiatives in order to allow a better view into market developments; and
- leveraging additional high-quality financial market data.

DERA also plans to hire computer scientists with mathematical and statistical programming experience to support risk assessment and risk metrics, analytics, rulemaking, and economic analysis.

## Enhancing Monitoring of the Investment Management Industry

In the past ten years, the number of portfolios of mutual funds, ETFs, and closed-end funds has increased by 17 percent and assets under management increased by 123 percent. Perhaps more significantly, during that period,

the complexity in the investment management industry increased dramatically, reflecting growing sophistication in product design and portfolio strategies.

For FY 2015, the SEC requests 25 new positions for its Division of Investment Management. With additional resources, IM plans to:

- Improve the reporting of information about fund operations and portfolio holdings by mutual funds, closed-end funds and exchange traded funds;
- Continue to build capacity to manage and analyze data filed by hedge funds and other private funds;
- Bolster the technical expertise of the IM disclosure review program to, among other things, identify trends and monitor the risks related to the growth and increased product sophistication in the asset management industry; and
- Enhance the ability of IM's Risk and Examinations Office to manage, monitor and analyze industry data IM gathers, provide ongoing financial analysis of the asset management industry, including in particular the risk-taking activities of investment advisers and investment companies, and gather and analyze through its examination function operational information directly from participants in the asset management industry.

## Enhancing Training and Development of SEC Staff

The SEC's staff is the most important driver of the agency's success, and providing robust and up-to-date training is critical in order for the staff to maintain and enhance its expertise over our constantly changing markets. The agency is requesting to increase its staff training budget in FY 2015 in order to provide high-quality and meaningful training. Increased funding for training will principally support training and development for employees directly involved in examinations, investigations, fraud detection, litigation, and other core mission responsibilities of the SEC. The training will consist of specialized in-depth training concerning new trends in the securities industry and changing market conditions, as well as analytics and forensics. The investment in training also will allow the SEC to provide continuing education courses that staff are required to take to maintain necessary legal and financial credentials.

## Vision, Mission, Values and Goals

### Vision

The SEC strives to promote a market environment that is worthy of the public's trust and characterized by transparency and integrity.

### Mission

The mission of the SEC is to protect investors; maintain fair, orderly, and efficient markets; and facilitate capital formation.

### Values

Integrity

Effectiveness

Fairness

Accountability

Teamwork

Commitment to Excellence

## Strategic Goals and Objectives of the FY 2014 – FY 2018 Strategic Plan

### Goal 1: Establish and maintain an effective regulatory environment

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

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

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

**Strategic Objective 1.4:** The SEC engages with a multitude of stakeholders to inform and enhance regulatory activities domestically and internationally.

### Goal 2: Foster and enforce compliance with the Federal securities laws

**Strategic Objective 2.1:** The SEC fosters compliance with the Federal securities laws.

**Strategic Objective 2.2:** The SEC promptly detects and deters violations of the Federal securities laws.

**Strategic Objective 2.3:** The SEC prosecutes violations of Federal securities laws and holds violators accountable through appropriate sanctions and remedies.

### Goal 3: Facilitate access to the information investors need to make informed investment decisions

**Strategic Objective 3.1:** The SEC works to ensure that investors have access to high-quality disclosure materials that facilitate investment decision-making.

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

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

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

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

**Strategic Objective 4.3:** The SEC maximizes the use of agency resources by continually improving agency operations and bolstering internal controls.

## History and Purpose

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During the peak of the Depression, Congress passed the Securities Act of 1933. This law, along with the Securities Exchange Act of 1934 (Exchange Act), which created the SEC, was designed to restore investor confidence in our capital markets by providing investors and the markets with more reliable information and clear rules of honest dealing. The main purposes of these laws were to ensure that:

- Companies publicly offering securities for investment dollars must tell the public the truth about their businesses, the securities they are selling, and the risks involved in investing.
- People who sell and trade securities – brokers, dealers and exchanges – must treat investors fairly and honestly, putting investors' interests first.

The SEC is responsible for overseeing the nation's securities markets and certain primary participants, including broker-dealers, investment companies, investment advisers, clearing agencies, transfer agents, credit rating agencies, and securities exchanges, as well as organizations such as the Financial Industry Regulatory Authority (FINRA), Municipal Securities Rulemaking Board (MSRB), and Public Company Accounting Oversight Board (PCAOB). Under the Dodd-Frank Wall Street Reform and Consumer Protection Act<sup>1</sup> (Dodd-Frank Act), the agency's jurisdiction was expanded to include certain participants in the derivatives markets, private fund advisers, and municipal advisers among other changes.

The SEC consists of five presidentially appointed Commissioners, with staggered five-year terms. One of the Commissioners is designated by the President as Chair of the Commission.

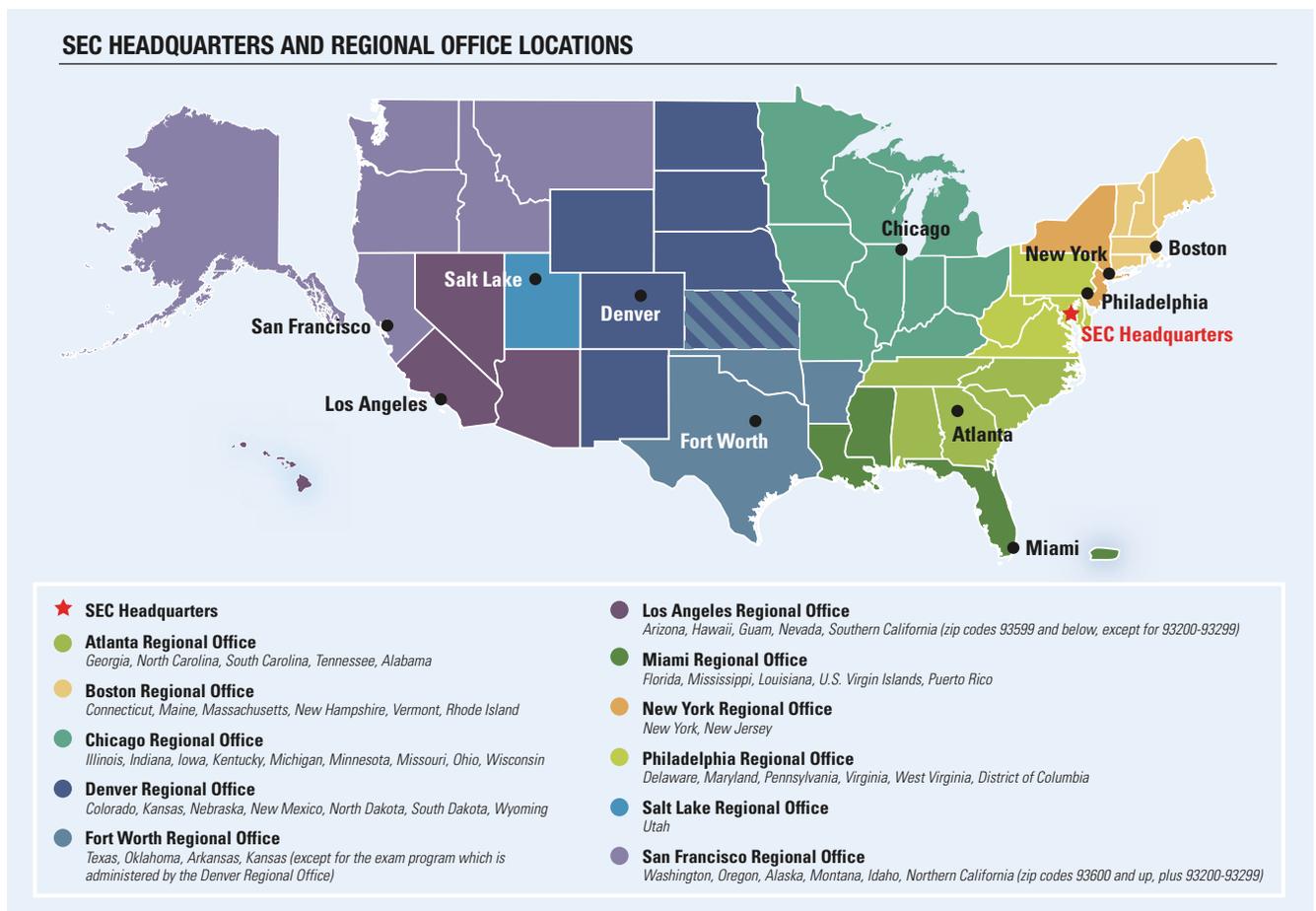
By law, no more than three of the Commissioners may belong to the same political party. The Commission convenes regularly at meetings that are open to the public and the news media unless the discussion pertains to confidential subjects, such as whether to begin an enforcement investigation.

Each year, the SEC brings hundreds of civil enforcement actions against individuals and companies for violation of securities laws. Examples of infractions include insider trading, accounting fraud, and providing false or misleading information about securities or the companies that issue them. One of the major sources of information that the SEC relies on to bring enforcement action is investors themselves – another reason that educated and careful investors are critical to the functioning of efficient markets. To help inform investors, the SEC offers the public a wealth of educational information on the website [www.investor.gov](http://www.investor.gov), as well as an online database of disclosure documents at [www.sec.gov/edgar/searchedgar/companysearch.html](http://www.sec.gov/edgar/searchedgar/companysearch.html) that public companies and other market participants are required to file with the SEC.

## Organizational Structure and Resources

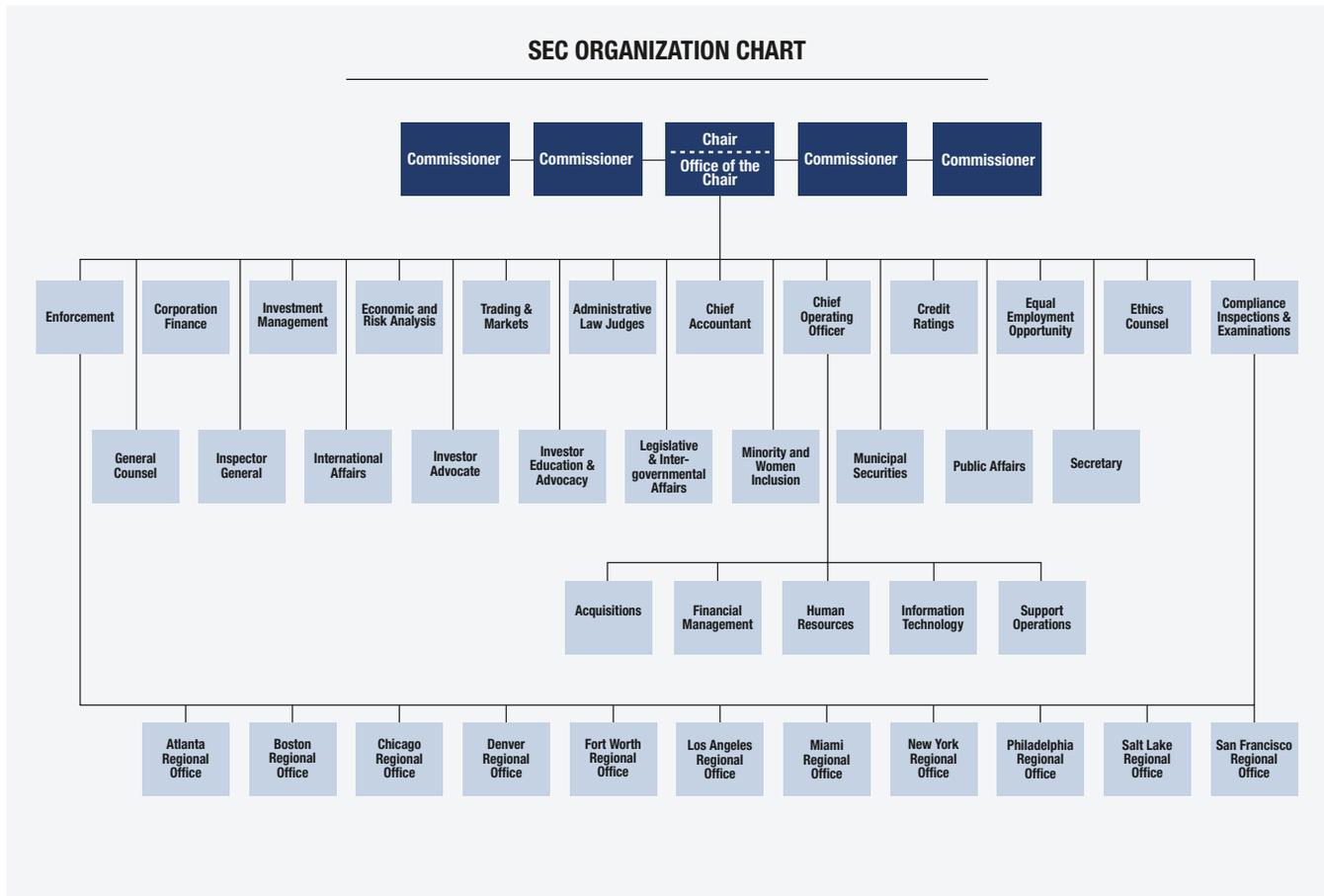
### SEC Office Locations

The SEC’s headquarters are in Washington, D.C., and the agency has 11 regional offices located throughout the country. The regional offices are responsible for investigating and litigating potential violations of the securities laws. The offices also have examination staff, who inspect regulated entities such as investment advisers, investment companies and broker-dealers. The map below shows the locations of the regional offices, and the states that are included in each region.



## SEC Organization Structure

The SEC is an independent Federal agency established pursuant to the Exchange Act. It is headed by a bipartisan five-member Commission, comprised of the Chair and four Commissioners, who are appointed by the President and confirmed by the Senate. The Chair serves as the Chief Executive Officer. The SEC is organized into five main divisions: Enforcement; Corporation Finance; Investment Management; Economic and Risk Analysis; and Trading and Markets. In fiscal year (FY) 2013, the agency employed 4,023 full-time equivalents (FTE), including 3,903 permanent and 120 temporary FTEs. The SEC organization chart below is as of September 30, 2013.



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**FY 2015  
BUDGET REQUEST TABLES**

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## FTE and Positions by Program

	FY 2013 Actual		FY 2014 Enacted		FY 2015 Request	
	FTE	On-Board Employees	FTE	Budgeted Positions	FTE	Budgeted Positions
<b>Enforcement</b>	1,267	1,292	1,294	1,355	1,374	1,481
<b>Compliance Inspections and Examinations</b>	887	901	914	967	1,099	1,283
<b>Corporation Finance</b>	455	482	474	499	493	524
<b>Trading and Markets</b>	247	259	258	284	284	309
<b>Investment Management</b>	155	170	178	194	197	219
<b>Economic Risk and Analysis</b>	44	89	103	149	142	163
<b>General Counsel</b>	123	131	129	140	136	147
<b>Other Program Offices</b>						
Chief Accountant	30	45	46	48	50	52
Investor Education and Advocacy	41	45	42	44	44	49
International Affairs	40	46	47	52	51	56
Administrative Law Judges	8	8	11	13	13	13
Investor Advocate	0	0	1	5	4	5
Credit Ratings	25	33	39	44	46	50
Municipal Securities	2	4	6	7	7	7
Total	146	181	192	213	215	232
<b>Agency Direction and Administrative Support</b>						
Executive Staff	25	33	30	36	29	36
Public Affairs	8	9	10	11	12	12
Secretary	29	29	29	31	32	32
Chief Operating Officer	10	15	16	16	17	19
Financial Management	80	83	87	95	91	97
Information Technology	150	148	156	181	177	201
Human Resources	93	103	112	116	132	148
Acquisitions <sup>1</sup>	42	41	48	54	50	54
Operations Support <sup>1</sup>	96	95	95	100	98	104
Ethics Counsel	13	14	14	15	15	17
Minority and Women Inclusion	8	9	8	8	10	13
Equal Employment Opportunity	7	8	10	11	12	13
Total	561	587	615	674	675	746
<b>Inspector General</b>	18	21	24	29	33	39
Total FTE and Positions	4,023	4,138	4,221	4,544	4,688	5,183
Permanent	3,903	4,113	4,181	4,504	4,648	5,143
Temporary	120	25	40	40	40	40

<sup>1</sup> These figures have been corrected from the FY 2014 Congressional Justification to show the correct figures resulting from the FY 2012 reorganization of the Office of Administrative Services into the Office of Acquisitions and the Office of Support Operations.

## Obligations by Object Class

(DOLLARS IN THOUSANDS)	FY 2013 Actual	FY 2014 Enacted <sup>2</sup>	FY 2015 Request
<b>Personnel Compensation &amp; Benefits</b>			
Total Personnel Compensation (11.9)	\$ 635,415	\$ 711,608	\$ 824,882
Civilian Personnel Benefits (12.1)	189,305	215,350	265,934
<b>Subtotal Cost of Salaries</b>	<b>\$ 824,720</b>	<b>\$ 926,958</b>	<b>\$ 1,090,816</b>
<b>Other Expenses</b>			
Benefits for Former Personnel (13.0)	1,499	1,760	1,790
Travel and Transportation of Persons (21.0)	11,207	12,396	15,661
Transportation of Things (22.0)	51	188	191
Rent, Communications & Utilities (23.0) <sup>1</sup>	106,371	112,743	118,424
Printing and Reproduction (24.0)	4,713	10,290	10,465
Other Contractual Services (25.0)	281,383	346,603	398,593
Supplies and Materials (26.0)	2,891	3,628	4,015
Equipment (31.0)	34,182	37,288	47,528
Building Alterations (32.0)	8,397	11,205	11,907
Claims and Indemnities (42.0)	744	600	610
Refunds (44.0)	—	—	—
Undistributed (92.0)	—	—	—
<b>Subtotal Cost of Other Expenses</b>	<b>\$ 451,438</b>	<b>\$ 536,701</b>	<b>\$ 609,184</b>
<b>Spending Authority</b>	<b>\$ 1,276,158</b>	<b>\$ 1,463,659</b>	<b>\$ 1,700,000</b>

<sup>1</sup> These figures include funding of obligations (actual or planned) for real property leases found to be anti-deficient under an October 3, 2011 report from the Comptroller General, as well as obligations (actual or planned) for non-deficient leases. The President's Budget Appendix reports activity on the anti-deficient leases in a separate schedule.

<sup>2</sup> The FY 2014 total includes the FY 2014 appropriation plus carryover and recoveries from prior years. The President's Budget Appendix displays the enacted appropriation only.

## FY 2015 Request by Strategic Goal and Program

(DOLLARS IN THOUSANDS)

SEC Program	FY 2013 Actual	FY 2014 Enacted	FY 2015 Request					Change over FY 2013 Actual		Change over FY 2014 Enacted	
			Goal 1 Enforce Securities Laws	Goal 2 Effective Regulatory Environ.	Goal 3 Facilitate Access To Info.	Goal 4 Align & Manage Resources	FY 2015 Request	\$	%	\$	%
<b>FY 2013 Actual</b>			<b>\$ 752,788</b>	<b>\$ 126,456</b>	<b>\$ 204,263</b>	<b>\$ 192,653</b>					
<b>FY 2014 Enacted</b>			<b>\$ 800,790</b>	<b>\$ 153,802</b>	<b>\$ 240,284</b>	<b>\$ 268,783</b>					
Enforcement	\$ 449,350	\$ 447,378	\$ 473,099	\$ 4,980	\$ 4,980	\$ 14,939	\$ 497,998	\$ 48,648	11	\$ 50,620	11
Compliance Inspections and Examinations	270,566	300,672	332,355	—	—	41,078	373,433	102,867	38	72,761	24
Corporation Finance	136,070	142,120	3,159	26,855	121,638	6,319	157,971	21,901	16	15,851	11
Trading and Markets	73,390	76,473	22,261	42,741	24,042	—	89,044	15,654	21	12,571	16
Investment Management	49,623	53,791	17,751	24,724	19,652	1,268	63,395	13,772	28	9,604	18
Economic and Risk Analysis	29,804	45,224	21,350	38,568	6,199	2,755	68,872	39,068	131	23,648	52
General Counsel	39,975	42,938	28,285	8,957	1,414	8,486	47,142	7,167	18	4,204	10
Other Program Offices	49,167	62,064	30,391	18,844	20,904	1,857	71,996	22,829	46	9,932	16
Agency Direction and Administrative Support	172,304	285,419	8,637	14,505	23,712	272,651	319,505	147,201	85	34,086	12
Inspector General	5,909	7,580	—	—	106	10,538	10,644	4,735	80	3,064	40
<b>Total SEC Funding</b>	<b>\$1,276,158</b>	<b>\$1,463,659</b>	<b>\$ 937,288</b>	<b>\$ 180,174</b>	<b>\$ 222,647</b>	<b>\$ 359,891</b>	<b>\$1,700,000</b>	<b>\$ 423,842</b>	<b>33%</b>	<b>\$ 236,341</b>	<b>16%</b>
Percent Increase over Prior Year			17%	17%	-7%	34%					

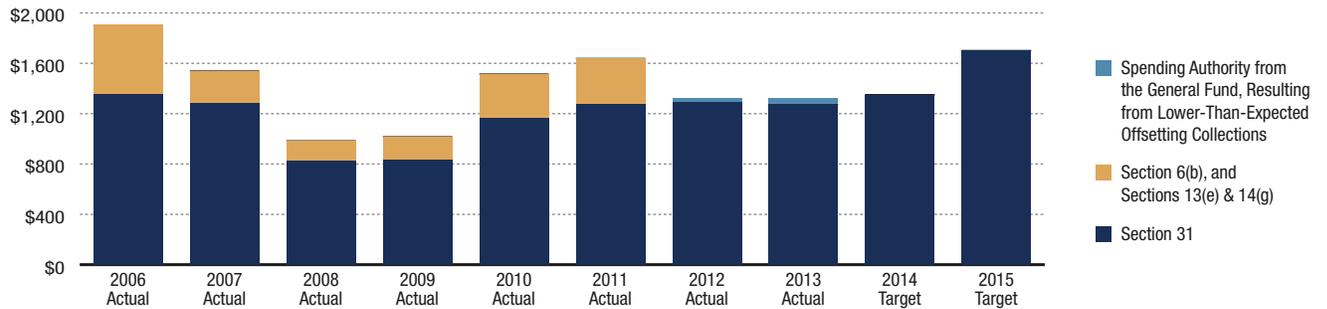
## FY 2015 Congressional Justification Summary of Changes

	FY 2014 Enacted	FY 2015 Request	Net Change
Spending Authority	\$ 1,463,659	\$ 1,700,000	+236,341
Full-time Equivalents	4,221	4,688	+467
Positions	4,544	5,183	+639
<b>FY 2015 Base Changes</b>			
	<b>Positions</b>	<b>FTE</b>	<b>Amount</b>
Annualization of FY 2014 staffing increases	—	147	+34,293
FY 2015 Pay Raise, 1.0% effective January 2015	—	—	+9,269
Merit pay and other increases for eligible staff	—	—	+43,276
Non-compensation inflation (1.7%)	—	—	+9,124
Rent increases	—	—	+2,400
Increase in agency contributions to the Federal Employee Retirement System (1.3%)	—	—	+8,808
<b>Subtotal, Base Changes</b>	<b>—</b>	<b>147</b>	<b>+107,170</b>
<b>Current Services Level</b>	<b>4,544</b>	<b>4,368</b>	<b>\$ 1,570,829</b>
<b>Program Increases:</b>			
Information Technology Enhancements	—	—	+15,418
Additional Contracting needs including Enforcement litigation support, risk and data analysis, and asset verification for exams	—	—	+17,000
Staff Training	—	—	+9,000
Employee awards to address OIG Audit Report No. 492	—	—	+3,000
Staffing increase of 639 positions (320 FTE)	—	—	
Enforcement	126	63	
Compliance Inspections and Examinations	316	158	
Corporate Finance	25	13	
Trading and Markets	25	12	
Investment Management	25	12	
Economic and Risk Analysis	14	7	
General Counsel	7	4	
Other Program Offices	19	10	
Agency Direction & Admin. Support	72	36	
Inspector General	10	5	
<b>Subtotal, Staffing Increases</b>	<b>639</b>	<b>320</b>	<b>+84,753</b>
<b>Subtotal, Program Changes</b>	<b>639</b>	<b>320</b>	<b>+129,171</b>
<b>Total FY 2015 Request</b>	<b>5,183</b>	<b>4,688</b>	<b>\$1,700,000</b>

## Offsetting Collections and Spending Authority

### OFFSETTING COLLECTIONS AND SPENDING AUTHORITY

(DOLLARS IN MILLIONS)



### SOURCE OF OFFSETTING COLLECTIONS

(DOLLARS IN THOUSANDS)	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
Securities Transaction Fees under the Securities Exchange Act of 1934 (Section 31)	\$ 1,273,359	\$ 1,350,000	\$ 1,700,000
<b>Total Offsetting Collections</b>	<b>\$ 1,273,359</b>	<b>\$ 1,350,000</b>	<b>\$ 1,700,000</b>

### SPENDING AUTHORITY

(DOLLARS IN THOUSANDS)	FY 2013 Actual <sup>1</sup>	FY 2014 Enacted	FY 2015 Request
Current Year Appropriated Offsetting Collections	\$ 1,273,359	\$ 1,350,000	\$ 1,700,000
Available Balances from Prior Years	—	113,659	—
Spending Authority from the General Fund, Resulting from Lower-Than-Expected Offsetting Collections	47,641	—	—
<b>Total Authority</b>	<b>\$ 1,321,000</b>	<b>\$ 1,463,659</b>	<b>\$ 1,700,000</b>

<sup>1</sup> The SEC's new budget authority of \$1,321 million was reduced by \$66 million as a result of the sequestration for FY 2013.



**FY 2015  
APPROPRIATIONS LANGUAGE**

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## FY 2015 Appropriations Language

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For necessary expenses for the Securities and Exchange Commission, including services as authorized by 5 U.S.C. 3109, the rental of space (to include multiple year leases) in the District of Columbia and elsewhere, and not to exceed \$3,500 for official reception and representation expenses, \$1,700,000,000, to remain available until expended; of which not less than \$9,238,954 shall be for the Office of Inspector General; of which not to exceed \$50,000 shall be available for a permanent secretariat for the International Organization of Securities Commissions; of which not to exceed \$100,000 shall be available for expenses for consultations and meetings hosted by the Commission with foreign governmental and other regulatory officials, members of their delegations and staffs to exchange views concerning securities matters, such expenses to include necessary logistic and administrative

expenses and the expenses of Commission staff and foreign invitees in attendance including: (1) incidental expenses such as meals; (2) travel and transportation; and (3) related lodging or subsistence: *Provided*, That fees and charges authorized by section 31 of the Securities Exchange Act of 1934 (15 U.S.C. 78ee) shall be credited to this account as offsetting collections: *Provided further*, That not to exceed \$1,700,000,000 of such offsetting collections shall be available until expended for necessary expenses of this account: *Provided further*, That the total amount appropriated under this heading from the general fund for fiscal year 2015 shall be reduced as such offsetting fees are received so as to result in a final total fiscal year 2015 appropriation from the general fund estimated at not more than \$0.



**FY 2015 ANNUAL  
PERFORMANCE PLAN**

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## FY 2015 APP Summary

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The SEC focuses its resources on (1) establishing and maintaining an effective regulatory environment, (2) fostering and enforcing compliance with the federal securities laws, (3) facilitating access to the information investors need to make informed investment decisions, and (4) enhancing the agency's performance through effective alignment and management of human, information, and financial capital.

The budget request for FY 2015 totals \$1.7 billion, an increase of about \$236.3 million (16.1 percent) over the agency's FY 2014 Continuing Resolution funding amount. The FY 2015 budget funds 4,688 full-time equivalents (FTE), an increase of about 467 FTE (11.1 percent) over the FY 2014 level, and increases the number of positions by 639 to a total of 5,183.

The additional resources requested for FY 2015 would bolster the SEC's efforts to achieve each of its four strategic goals, and allow the agency to begin overseeing the new markets and market participants that have been added to the SEC's jurisdiction. Resources that directly support establishing and maintaining an effective regulatory environment would increase approximately 17 percent from FY 2014 to FY 2015; resources utilized in fostering and enforcing compliance with the

securities laws would increase by approximately 17 percent compared to FY 2014; resources that support activities that aim to facilitate access to the information investors need to make informed investment decisions would decrease about 7 percent.

The agency is mindful that significantly increasing staffing in the program areas requires a commensurate increase in staff and funding for support offices. Additionally, refinements to the tracking of resources devoted to the effective management of human, information, and financial capital has led the program offices to devote more staff time to these duties. The requested funding will provide necessary resources for investments in information technology that will improve the agency's technology security; tips, complaints, and referrals (TCR) system; technology infrastructure; and workflow processes.

To complement the FY 2015 performance budget, the agency also presents its FY 2015 budget by program (beginning on page 47). Each program chapter provides detailed information on program priorities, initiatives, and workload figures for the relevant divisions and offices.

## A Reader's Guide to the SEC's Performance Information

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The following chapters comprise the agency's FY 2013 Annual Performance Report (APR) and FY 2015 Annual Performance Plan (APP), which explains how the SEC uses resources to achieve each of its four strategic goals. As part of the SEC Strategic Plan process for FY 2014-2018, the agency has developed a new set of Strategic Goals, Objectives, and Performance Goals and Indicators. The APR reports on the set of measures from the prior, FY 2010-2015, Strategic Plan, while the APP projects performance using the new set of measures.

The following outlines a brief description of each of the major components of the performance section:

**Strategic Goal Summary:** Each strategic goal section opens by reviewing the purpose of the goal, followed by information identifying the resources allocated toward achieving the goal.

**Budgeting for the Future (FY 2015):** A brief discussion of how the SEC plans to use resources requested in FY 2015 to achieve the strategic goal.

**Strategic Objective:** This section provides a description of the SEC's strategic objectives that gauge the agency's performance within each strategic goal.

**Performance Goals and Indicators:** Each strategic goal section includes a presentation of performance measures and performance indicators by outcome, comparing planned and actual performance levels for FY 2013. Four years of historical data is provided for performance measures and performance indicators where available. The APP will include an analysis of performance expectations for each goal.

## Verification and Validation of Performance Data

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The SEC's programs require accurate data to properly assess program performance and to make good management decisions. Data verification and validation is used to evaluate whether data has been generated according to specifications, satisfy acceptance criteria, and are appropriate and consistent with their intended use. Data verification is a systematic process for evaluating performance and compliance of a set of data when compared to a set of standards to ascertain its completeness, correctness, and consistency using the methods and criteria defined in the project documentation. Data validation follows the data verification process and uses information from the project documentation to ascertain the usability of the data in light of its measurement quality objectives and to ensure that results obtained are scientifically defensible.

The SEC ensures that the performance data presented in this report is complete, reliable and accurate based upon the following assessment steps:

- (1) The agency develops performance measures through its strategic planning process.
- (2) The SEC's divisions and offices perform the following steps to ensure that data used in the calculation of performance measures is accurate and reliable including adequately documenting:
  - ◆ the sources of the underlying data elements, and the procedures used to gather the data;
  - ◆ the procedures used to obtain assurance as to the accuracy and reliability of the data;
  - ◆ the data definitions for reference; documenting and explaining the measure calculations.
- (3) The divisions and offices calculate and report the performance measures to the Office of Financial Management, and the measures are approved by division directors and office heads. This process ensures that the data used in the calculation of performance measures is accurate and reliable and that internal control is maintained through the approval process.

## Performance Summary by Strategic Goal

### Strategic Goal 1: Establish and Maintain an Effective Regulatory Environment

During FY 2015, the SEC plans to pursue a vigorous investor-focused rulemaking agenda that will help protect investors and ensure that markets operate fairly. In FY 2015, the agency is requesting a total of \$937.3 million and 2,668 FTEs toward achieving results in establishing an effective regulatory environment.

#### Budgeting for the Future (FY 2015)

In FY 2014 and FY 2015, SEC staff will continue implementing new rules required under the Dodd-Frank Act and the Jumpstart Our Business Startups (JOBS) Act, designed by Congress to give entrepreneurs greater access to early-stage capital.

SEC's rulemaking agenda places priority on investor protection, market stability, and capital formation.

In FY 2014 and FY 2015, TM will continue significant rulemaking efforts to implement key areas of the Dodd-Frank Act, including (1) creation of a new regulatory structure for over-the-counter (OTC) derivatives, (2) the substantially expanded regulation of NRSROs, (3) the regulation and examination of new clearing agencies and new clearing agency activities, including interagency coordination with respect to those agencies deemed to be systemically significant, (4) implementation of a new regulatory regime for municipal advisors, (5) restrictions on

certain conflicts of interest arising in connection with activities involving asset-backed securities (ABS), and (6) new rules relating to the cross-border implementation of rules under Title VII of the Dodd-Frank Act.

CF plans to devote significant staff resources to rulemaking and interpretive guidance, including to prepare any remaining rules to implement the Dodd-Frank Act and JOBS Act, consider the impact of SEC rules and regulations on small business capital formation, review the accredited investor definition in Regulation D, and continue efforts to modernize and simplify disclosure requirements.

In FY 2014 and FY 2015, IM also will undertake several rulemaking initiatives. The SEC plans to continue work to evaluate options on money market fund reform and develop a recommendation to the Commission for final rule amendments that were proposed in FY 2013. In addition, IM expects to recommend that the Commission issue a proposal to improve the reporting of information about fund operations and portfolio holdings and adopt rule and form changes regarding the general solicitation of hedge and other private funds.

TM, IM and CF remain committed to exceeding timeliness goals in responding to written requests for no-action letters, exemptive applications, and written interpretive requests (**Performance Goal 1.3.1**).

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

**Goal Leader(s):** Director, Office of Investor Education and Advocacy

#### PERFORMANCE INDICATOR (PROCESS) 1.1.1 Number of investor testing research projects

**Description:** This metric tracks the number of research initiatives used to gather feedback from investors on the usefulness of disclosures and other input on SEC rulemaking.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Actual
Number of projects	1	0	0	2	2	0

**Responsible Division/Office:** Office of Investor Education and Advocacy

**Data Source:** Microsoft Office Suite Tools

**Strategic Objective 1.2: The SEC promotes capital markets that operate in a fair, efficient, transparent, and competitive manner, fostering capital formation and innovation.**

**Goal Leader(s):** Director, Division of Trading and Markets

**PERFORMANCE GOAL 1.2.1**  
**Time to complete SEC review of SRO rules that are subject to SEC approval**

**Description:** The SEC reviews SRO rule proposals for consistency with the Exchange Act standards of investor protection, fair and orderly operation of the markets and market structure, as well as other statutory requirements. This metric gauges the timeliness of those reviews.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
Within 45 days	Prior-year data not available		99%	82%	75%	70%	74%	70%	70%

**Responsible Division/Office:** Division of Trading and Markets

**Data Source:** SRO Rule Tracking System (SRTS)

**PERFORMANCE INDICATOR (PROCESS) 1.2.1**  
**Percentage of SRO rule filings that are submitted for immediate effectiveness**

**Description:** This indicator gauges the proportion of SRO rule proposals that can be submitted for immediate effectiveness, without Commission approval.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Actual
Percentage	Prior-year data not available		69%	77%	72%	78%

**Responsible Division/Office:** Division of Trading and Markets

**Data Source:** SRO Rule Tracking System (SRTS)

**PERFORMANCE INDICATOR (PROCESS) 1.2.2**  
**Percentage of transaction dollars settled on time each year**

**Description:** This indicator measures the efficiency of the U.S. clearance and settlement system for equity securities.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Actual
Percentage	99%	99%	99%	99%	99%	98%

**Responsible Division/Office:** Division of Trading and Markets

**Data Source:** National Securities Clearing Corporation

**PERFORMANCE INDICATOR (PROCESS) 1.2.3**  
**Percentage of market outages at SROs and electronic communications networks (ECNs)**  
**that are corrected within targeted timeframes**

**Description:** Market outages reflect problems in the systems underlying the securities markets that could have an adverse effect on the markets' ability to function as required. The SEC assesses the reliability and resiliency of these systems to minimize the number and duration of outages. This metric gauges how quickly outages are resolved, so that market activity can resume.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Actual
Within 2 hours	84%	87%	74%	88%	71%	80%
Within 4 hours	96%	98%	85%	94%	89%	86%
Within 24 hours	100%	98%	100%	100%	100%	98%

**Responsible Division/Office:** Division of Trading and Markets

**Data Source:** ECN outage data is derived from SROs

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

**Goal Leader(s):** Director, Division of Trading and Markets; Director, Division of Corporation Finance; Director, Division of Investment Management

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

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

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
Trading and Markets: No-action letters, exemptive applications, and written interpretive requests (combined figure)									
Percentage within required timeframe	63%	70%	91%	98.5%	89%	85%	93%	85%	85%

**Responsible Division/Office:** Division of Corporation Finance

**Data Source:** TM Request Tracking Log

Investment Management									
No-action letters and interpretive requests	98%	100%	100%	100%	100%	90%	100%	90%	90%
Exemptive applications	81%	95%	100%	100%	100%	80%	99%	80%	80%

**Responsible Division/Office:** Division of Investment Management

**Data Source:** OCC Letter Log, OICR and OIP Applications Tracking Systems (Access), Excel spreadsheet

Corporation Finance									
No-action letters and interpretive requests	66%	85%	97%	97%	98%	90%	98%	90%	90%
Shareholder proposals	100%	100%	100%	100%	100%	100%	100%	100%	100%

**Responsible Division/Office:** Division of Corporation Finance

**Data Source:** Division No-Action Letter database and Division Shareholder Proposal database

**PERFORMANCE GOAL 1.3.2**

**Timeliness of responses to requests for informal guidance received by the Trading and Markets dedicated hotline or email box**

**Description:** The Division of Trading and Markets maintains a dedicated phone line and an email account to provide market participants with avenues to request information and informal guidance regarding the Exchange Act and rules thereunder. This metric will reflect the timeliness of the staff's responses to these requests.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
Respond to or refer inquiries within 2 weeks		Prior-year data not available				N/A	N/A	95%	95%

**Responsible Division/Office:** Division of Trading and Markets

**Data Source:** Division of Trading and Markets Office of Interpretation and Guidance (OIG) Log and email box

**PERFORMANCE INDICATOR (CONTEXTUAL) 1.3.1**

**Number of published economic reports**

**Description:** This indicator gauges the number of economic reports that staff of the Division of Economic and Risk Analysis publishes annually on the SEC's website.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Actual
Number of reports	N/A	N/A	N/A	N/A	N/A	11

**Responsible Division/Office:** Division of Economic Research and Analysis

**Data Source:** DERA economists produce research for publication in leading academic journals, including the top accounting and finance journals, such as the Journal of Accounting and Economics, the Journal of Financial Economics, and the Review of Financial Studies. DERA's site on SEC.gov includes citations of all published and forthcoming research written by DERA staff.

**PERFORMANCE INDICATOR (PROCESS) 1.3.2**

**Number of amendments to national securities exchange registrations (Form 1)**

**Description:** This indicator provides information about the volume of material filed with the SEC that involves amendments to exchange registrations.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Actual
Number of amendments		Prior-year data not available				N/A

**Responsible Division/Office:** Division of Trading and Markets

**Data Source:** Manual spreadsheets

**PERFORMANCE INDICATOR (PROCESS) 1.3.3**

**Number of Alternative Trading System registrations (Form ATS)**

**Description:** This indicator provides information about the volume of material filed with the SEC that involves filings related to ATS registrations.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Actual
Number of registrations		Prior-year data not available				N/A

**Responsible Division/Office:** Division of Trading and Markets

**Data Source:** Manual spreadsheets

**PERFORMANCE INDICATOR (PROCESS) 1.3.4**  
**Number of new investment product submissions**

**Description:** This indicator provides information about the volume of material filed with the SEC that involves new product submissions pursuant to Rule 19b-4(e) of the Exchange Act.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Actual
Number of submissions						Prior-year data not available
<b>Responsible Division/Office:</b> Division of Trading and Markets						
<b>Data Source:</b> Manual spreadsheets						

**Strategic Objective 1.4: The SEC engages with a multitude of stakeholders to inform and enhance regulatory activities domestically and internationally.**

**Goal Leader(s):** Director, Office of International Affairs

**PERFORMANCE GOAL 1.4.1**  
**Supervisory cooperation requests from foreign authorities for SEC assistance and SEC requests for assistance on supervisory cooperation from foreign authorities**

**Description:** The SEC makes requests to foreign authorities for supervisory cooperation assistance and responds to such requests from foreign regulators through both formal mechanisms, such as supervisory memoranda of understanding, and on an ad hoc basis.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
Supervisory cooperation requests from foreign authorities						N/A	118	N/A	N/A
SEC requests for assistance on supervisory cooperation from foreign authorities						N/A	25	N/A	N/A
<b>Responsible Division/Office:</b> Office of International Affairs									
<b>Data Source:</b> International Program Oversight Database and Business Objects reports									

**PERFORMANCE GOAL 1.4.2**  
**Number of non-U.S. regulators trained**

**Description:** This metric shows the reach of the SEC’s technical assistance programs for regulators around the world. The SEC conducts these training sessions to assist countries in developing and maintaining robust protections for investors and promoting cross-border enforcement and supervisory assistance.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
Number of non-U.S. regulators									
	Prior-year data not available		1,997	1,765	1,785	1,370	1,716	1,400	1,400
<b>Responsible Division/Office:</b> Office of International Affairs									
<b>Data Source:</b> International Program Oversight Database and Business Objects reports									

## Strategic Goal 2: Foster and Enforce Compliance with the Federal Securities Laws

In FY 2015, the agency is requesting a total of 502 FTE for Goal 2. The additional resources will allow the SEC to continue building out the agency's new responsibility areas, and begin addressing the disparity between the number of exam staff and the growing number and complexity of registered firms. Additionally, the Commission will be able to take prompt action to halt misconduct, sanction wrongdoers effectively, and return funds to harmed investors. In all, the agency plans to devote approximately \$180.2 million to enforcing compliance with the federal securities laws.

### Budgeting for the Future (FY 2015)

In FY 2015, the SEC will continue to make improvements to its National Examination and Enforcement programs. These improvements include hiring staff with new skill sets, enhancing their technologies, streamlining processes, expanding the SEC's training programs, improving the processing of the thousands of tips the agency receives annually, and improving risk assessment techniques. These and other significant efforts contribute to the agency's objective of creating an enduring structure for improved protection of investors and markets.

In FY 2015, the National Examination program will continue its focus on high-risk entities and activities. Additional staff will, among other things, improve risk assessment and surveillance functions and continue to address the disparity between the number of staff and the size and complexity of regulated entities. The staff will perform targeted, sweep, and cause examinations, including examinations over new or expanded areas of the agency's jurisdiction.

The Enforcement program plans to build on significant changes implemented in prior fiscal years, and will work to meet new challenges expected in FY 2015. In order to effectively meet these challenges, the Enforcement program is aggressively adopting new methods, initiatives, and organizational reforms to ensure the best possible use of available resources to strengthen investor confidence in the U.S. financial markets and to send a strong message of deterrence to would-be violators of the securities laws.

To improve the quality and efficiency of its investigations, the SEC has put seasoned investigators on the front lines, created specialized units focused on specific programmatic priorities, enhanced case management systems, and increased coordination efforts with other offices and divisions in the agency and other regulators. In FY 2015, the SEC plans to obtain relief on one or more claims from approximately 92 percent of enforcement actions (**Performance Goal 2.3.1**). The SEC has implemented controls and strategies to resolve actions on a favorable basis, while at the same time, it will not hesitate to file matters on a contested basis where a favorable settlement was unavailable before filing. The agency also plans to reduce in FY 2015 the average number months between the opening of an investigation and the commencement of an enforcement action arising out of that investigation (**Performance Goal 2.3.3**).

Under the Sarbanes-Oxley Act of 2002, the SEC can use Fair Funds to redirect penalties collected from securities law violators to the victims of their wrongdoing. The SEC is committed to the timely collection and distribution of penalties and disgorgement funds and has adopted a variety of new measures for monitoring its progress (**Performance Goal 2.3.5**).

**Strategic Objective 2.1: The SEC fosters compliance with the federal securities laws.**

**Goal Leader(s):** Director, Office of Compliance Inspections and Examinations

<b>PERFORMANCE GOAL 2.1.1</b>									
<b>Number of industry outreach and education programs targeted to areas identified as raising particular compliance risks</b>									
<b>Description:</b> Targeted communication with industry participants on topics shaping the examination program is intended to enhance compliance practices and prevent violations before they occur. This metric identifies the number of major outreach efforts conducted including the SEC's national and regional compliance outreach events, published risk alerts, and other educational programs and initiatives.									
<b>Fiscal Year</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013 Plan</b>	<b>FY 2013 Actual</b>	<b>FY 2014 Estimate</b>	<b>FY 2015 Request</b>
Number of major outreach efforts	Prior-year data not available		6	5	12	14	15	16	17
<b>Responsible Division/Office:</b> Office of Compliance Inspections and Examinations									
<b>Data Source:</b> Internal tracking, although the events noted above are referenced in the SEC's website									

<b>PERFORMANCE GOAL 2.1.2</b>									
<b>Percentage of firms receiving deficiency letters that take corrective action in response to all exam findings</b>									
<b>Description:</b> At the conclusion of examinations, the staff communicates identified deficiencies to registrants in the form of a deficiency letter. Registrants are then given a chance to respond to staff findings and often take action to remedy any problems and potential risks, including monetary compensation to clients and enhancements to disclosures, policies and procedures. Most often, registrants respond that they have corrected the deficiencies and implemented measures to prevent recurrence.									
<b>Fiscal Year</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013 Plan</b>	<b>FY 2013 Actual</b>	<b>FY 2014 Estimate</b>	<b>FY 2015 Request</b>
Percentage	93%	94%	90%	93%	92%	93%	86%	87%	88%
<b>Responsible Division/Office:</b> Office of Compliance Inspections and Examinations									
<b>Data Source:</b> Tracking and Reporting Exam National Documentation System (TRENDS)									

**Strategic Objective 2.2: The SEC promptly detects and deters violations of the federal securities laws.**

**Goal Leader(s):** Director, Office of Compliance Inspections and Examinations

<b>PERFORMANCE GOAL 2.2.1</b>									
<b>Percentage of investment advisers, investment companies, and broker-dealers examined during the year</b>									
<b>Description:</b> This metric indicates the number of registrants examined by the SEC or an SRO as a percentage of the total number of registrants. This metric includes all types of examinations: risk priority examinations, cause inspections to follow up on tips and complaints, limited-scope special inspections to probe emerging risk areas, oversight examinations of broker-dealers to test compliance and the quality of examinations by FINRA.									
<b>Fiscal Year</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013 Plan</b>	<b>FY 2013 Actual</b>	<b>FY 2014 Estimate</b>	<b>FY 2015 Request</b>
Investment advisers	14%	10%	9%	8%	8%	10%	9%	9%	12%
Investment companies	23%	29%	10%	13%	12%	14%	11%	12%	15%
Broker-dealers (exams by SEC and SROs)	57%	54%	44%	58%	49%	50%	46%	48%	50%
<b>Responsible Division/Office:</b> Office of Compliance Inspections and Examinations									
<b>Data Source:</b> Tracking and Reporting Exam National Documentation System (TRENDS) (IA, IC, and BD SEC data) and SRO Databases (BD SRO Data)									

**PERFORMANCE GOAL 2.2.2**  
**Percentage of compliance exams that are timely concluded in accordance with the Office of Compliance Inspections and Examination's (OCIE) statutory deadline**

**Description:** The staff conducts examinations each year of registered entities, including investment advisers, investment company complexes, transfer agents, and broker-dealers. The staff strives to complete its examinations and communicate findings in the most efficient and effective manner and within its statutory deadline. This metric reflects the percentage of examinations concluded within the statutory deadline.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
Percentage	Prior-year data not available		N/A	N/A	N/A	100%	100%	100%	100%

**Responsible Division/Office:** Office of Compliance Inspections and Examinations

**Data Source:** Tracking and Reporting Exam National Documentation System (TRENDS)

**PERFORMANCE GOAL 2.2.3**  
**Number of joint exams, information sharing agreements, and formal meetings with other regulators**

**Description:** The SEC attempts to coordinate and collaborate with other regulators on areas of mutual interest. This helps to ensure that all regulators are informed of on-going risks and issues related to broad market practices as well as specific entities of mutual interest. This cooperation is critical to the exam program to ensure that certain higher risk firms and activities are addressed in the most efficient and effective manner. This metric tracks critical cooperation activities that are occurring between the SEC's exam program and other regulators.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
Number of joint exams, active sharing agreements, and formal meetings	Prior-year data not available					N/A	N/A	85	100

**Responsible Division/Office:** Office of Compliance Inspections and Examinations

**Data Source:** Various (including internal tracking and TRENDS)

**PERFORMANCE INDICATOR (CONTEXTUAL) 2.2.1**  
**Percentage of exams that identify deficiencies, the percentage that result in a "significant finding," and the percentage referred to the Division of Enforcement**

**Description:** Examiners find a wide range of deficiencies during examinations. Some of the deficiencies are more technical in nature, such as failing to include all information that is required to be in a record. However, other deficiencies may cause harm to customers or clients of a firm, have a high potential to cause harm, or reflect recidivist misconduct. The latter deficiencies are among those categorized as "significant." This indicator identifies the percentage of exams that identified deficiencies, that resulted in significant deficiency findings, and that were referred to Enforcement.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Actual
Percentage that identify deficiencies	Prior-year data not available		72%	82%	80%	80%
Percentage that result in a "significant finding"	Prior-year data not available		42%	42%	42%	35%
Percentage referred to the Division of Enforcement	Prior-year data not available					13%

**Responsible Division/Office:** Office of Compliance Inspections and Examinations

**Data Source:** Tracking and Reporting Exam National Documentation System (TRENDS)

<b>PERFORMANCE INDICATOR (OUTPUT) 2.2.2</b>						
<b>Number of cause exams that result from tips, complaints and referrals</b>						
<b>Description:</b> Analysis of a tip can support the request for a cause exam. This indicator would identify the number of SEC cause exams that result from tips collected through outreach efforts.						
<b>Fiscal Year</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013 Actual</b>
Number of cause exams	Prior-year data not available		N/A	N/A	N/A	222
<b>Responsible Division/Office:</b> Office of Compliance Inspections and Examinations						
<b>Data Source:</b> Tracking and Reporting Exam National Documentation System (TRENDS)						

<b>PERFORMANCE INDICATOR (OUTPUT) 2.2.3</b>						
<b>Number of rule-making initiatives assisted by the National Exam Program</b>						
<b>Description:</b> The examination program interacts with registrants on a regular basis and this work provides critical feedback to ensuring effective and practical rulemaking and policy efforts. This indicator tracks how frequently the examination program assists with rulemaking initiatives.						
<b>Fiscal Year</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013 Actual</b>
Number of rule-making initiatives assisted by the NEP	Prior-year data not available					N/A
<b>Responsible Division/Office:</b> Office of Compliance Inspections and Examinations						
<b>Data Source:</b> Internal tracking						

<b>PERFORMANCE INDICATOR (OUTPUT) 2.2.4</b>						
<b>Number of investigations or inquiries originating from a tip or complaint</b>						
<b>Description:</b> Analysis of a tip or complaint can result in the need for further enforcement investigation. The indicator identifies the volume of SEC investigations that result from tips and complaints received by the SEC.						
<b>Fiscal Year</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013 Actual</b>
Number of investigations	Prior-year data not available		303	349	296	289
<b>Responsible Division/Office:</b> Division of Enforcement						
<b>Data Source:</b> HUB case management and tracking system for the Division of Enforcement						

<b>PERFORMANCE INDICATOR (OUTPUT) 2.2.5</b>						
<b>SEC investigations in which requests for access to information were granted by the SEC to other authorities, such as SROs or other state, federal, and foreign enforcement authorities</b>						
<b>Description:</b> The SEC works closely with other regulators and authorities. This measure identifies the number of investigations in which the SEC granted one or more authorities access to information concerning an investigation during the fiscal year. This may include requests for access to SEC investigative files concerning investigations that the SEC continues to pursue, as well as those in which the SEC has completed its investigation.						
<b>Fiscal Year</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013 Actual</b>
Number of investigations	Prior-year data not available		492	586	515	504
<b>Responsible Division/Office:</b> Division of Enforcement						
<b>Data Source:</b> HUB case management and tracking system for the Division of Enforcement						

**PERFORMANCE INDICATOR (OUTPUT) 2.2.6**

**Requests from foreign authorities for SEC assistance and SEC requests for assistance from foreign authorities**

**Description:** Each year, the SEC makes hundreds of requests for enforcement assistance to foreign regulators, while responding to hundreds of such requests from other nations. To facilitate this type of assistance, and encourage other countries to enact laws necessary to allow regulators to cooperate with their foreign counterparts, the SEC has entered into bilateral information sharing arrangements, as well as the Multilateral Memorandum of Understanding, an information-sharing arrangement negotiated through the International Organization of Securities Commissions (IOSCO).

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Actual
Number of requests from foreign authorities	414	408	457	492	450	508
Number of SEC requests	594	774	605	772	718	717

**Responsible Division/Office:** Office of International Affairs

**Data Source:** International Program Oversight Database and Business Objects reports

**Strategic Objective 2.3: The SEC prosecutes violations of federal securities laws and holds violators accountable through appropriate sanctions and remedies.**

**Goal Leader(s):** Director, Division of Enforcement

**PERFORMANCE GOAL 2.3.1**

**Percentage of enforcement actions in which the Commission obtained relief on one or more claims**

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

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
Percentage	92%	92%	92%	93%	89%	92%	93%	92%	92%

**Responsible Division/Office:** Division of Enforcement

**Data Source:** HUB case management and tracking system for the Division of Enforcement

**PERFORMANCE GOAL 2.3.2**

**Percentage of first enforcement actions filed within two years of the opening of an investigation**

**Description:** This metric concerns the pace of investigations that lead to the filing of enforcement actions. Specifically, this metric captures the rate at which the first enforcement action arising out of an investigation was filed within two years of the opening of the investigation. If the investigation was preceded by a matter under inquiry, the metric draws on the date of the opening of the matter under inquiry. In conducting investigations, the Enforcement program continually strives to balance the need for complete, effective and fair investigations with the need to file enforcement actions in as timely a manner as possible.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
Percentage	62%	70%	67%	61%	63%	65%	58%	65%	65%

**Responsible Division/Office:** Division of Enforcement

**Data Source:** HUB case management and tracking system for the Division of Enforcement

**PERFORMANCE GOAL 2.3.3**  
**Average months between opening a matter under inquiry or an investigation and commencing an enforcement action**

**Description:** This metric captures the average number of months between the opening of an investigation and the filing of the first enforcement action arising out of that investigation. If the investigation was preceded by a matter under inquiry, the metric draws on the date of opening of the matter inquiry. In conducting investigations, the enforcement program continually strives to balance the need for complete, effective, and fair investigation with the need to file enforcement actions in as timely a manner as possible. While not all investigations result in the filing of enforcement actions, this metric provides information concerning the pace of investigations that do lead to such actions and supplements the previous goal, which measures the percentage of first enforcement actions filed within two years.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
Months	Prior-year data not available			22	21	20	21	20	20

**Responsible Division/Office:** Division of Enforcement

**Data Source:** HUB case management and tracking system for the Division of Enforcement

**PERFORMANCE GOAL 2.3.4**  
**Percentage of debts where either a payment has been made or a collection activity has been initiated within 180 days of the due date of the debt**

**Description:** The SEC can seek a wide range of remedies for failure to comply with the securities laws. These remedies include civil monetary penalties and disgorgement. When the remedies are imposed by the SEC or the Federal district court, payments must be made by a certain date. This metric identifies the percentage of debts where debtors have made payments or the SEC has initiated a collection activity within 180 days of the due date. Such collection activities include, among other things, demand letters, negotiation of payment plans, enforcing the payment of the debt through the courts, or other judicial remedies.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
Percentage	88%	90%	86%	91%	92%	92%	95%	95%	95%

**Responsible Division/Office:** Division of Enforcement

**Data Source:** DELPHI

**PERFORMANCE GOAL 2.3.5**  
**Percentage of Fair Fund and disgorgement fund plans that have distributed 80 percent of the available funds for distribution within twenty four (24) months of the approval of the distribution plan**

**Description:** In addition to other types of relief, the SEC may seek orders requiring parties to disgorge any money obtained through wrongdoing. The SEC also is empowered to seek civil penalties for violations of the securities laws. Where appropriate, the SEC has sought to return disgorged funds to harmed investors and, as a result of the Fair Funds provisions of the Sarbanes-Oxley Act and the Dodd-Frank Act, to combine amounts paid as penalties with disgorged funds, or to create a Fair Fund from penalties only, to reduce losses to injured parties and to maximize funds available for distribution. This metric identifies the percentage of distribution plans that reached a critical mass during the fiscal year and within twenty four (24) months of the approval of the distribution plan. The distribution plan includes the timeline and procedures required to return the funds to injured investors. This reflects Commission-wide efforts to implement plans to return money to investors quickly. Any funds not returned to investors are sent to the U.S. Treasury or the Investor Protection Fund established pursuant to Section 21F(g) of the Securities Exchange Act of 1934. Neither disgorgement nor penalties are used for the SEC's own expenses.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
Percentage	Prior-year data not available				80%	80%	73%	78%	82%

**Responsible Division/Office:** Division of Enforcement

**Data Source:** HUB case management and tracking system for the Division of Enforcement and Distributions Management System

**PERFORMANCE INDICATOR (CONTEXTUAL) 2.3.1**

**Percentage of filed enforcement actions reflecting characteristics that present enhanced risk to investors and markets, as measured by the nature of the investigation, conduct, parties and impact**

**Description:** This indicator assesses the quality of the cases filed by the Division of Enforcement. The indicator focuses on cases filed by the SEC that involve factors reflecting enhanced risk to investors and markets. Such cases may involve: (i) those identified through risk analytics and cross-disciplinary initiatives to reveal difficult-to-detect or early stage misconduct, thus minimizing investor loss and preventing the spread of unlawful conduct and practices; (ii) particularly egregious or widespread misconduct and investor harm; (iii) vulnerable victims; (iv) a high degree of scienter; (v) involvement of individuals occupying substantial positions of authority, or having fiduciary obligations or other special responsibilities to investors; (vi) involvement of recidivists; (vii) high amount of investor loss prevented; (viii) misconduct that is difficult to detect due to the complexity of products, transactions, and practices; (ix) use of innovative investigative or analytical techniques; (x) effective coordination with other law enforcement partners; and/or (xi) whether the matter involves markets, transactions or practices identified as an enforcement priority, or that advances the programmatic priorities of other SEC Divisions or Offices.

<b>Fiscal Year</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013 Actual</b>
Percentage	Prior-year data not available				N/A	N/A

**Responsible Division/Office:** Division of Enforcement

**Data Source:** HUB case management and tracking system for the Division of Enforcement

**PERFORMANCE INDICATOR (CONTEXTUAL) 2.3.2**

**Total amount distributed within the fiscal year, and the number of Fair Funds from which those distributions came**

**Description:** In its enforcement actions, the SEC may seek to return funds to harmed investors through disgorgement of ill-gotten gains or through the Fair Funds provision of the Sarbanes-Oxley Act. This provision permits the SEC to combine amounts paid as penalties with disgorged funds, or to create a Fair Fund from penalties only, to reduce losses to injured parties. This reflects the SEC's efforts to return funds to injured investors. This indicator identifies the total amount distributed within the fiscal year, and the number of Fair Funds from which those distributions came. This indicator may increase or decrease in dollar amount and number of distribution funds based on the number of SEC enforcement actions brought involving distributions, amounts ordered and paid in those actions, and other factors. Due to the variation in reporting timelines established for each individual distribution, reported amounts are based on the agency's best available information. Reported amounts do not include those funds distributed through receiverships. Any funds not returned to investors are sent to the U.S. Treasury or the Investor Protection Fund established pursuant to Section 21F(g) of the Securities Exchange Act of 1934. Neither disgorgement nor penalties are used for the Commission's own expenses.

<b>Fiscal Year</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013 Actual</b>
Amount distributed (in millions)	Prior-year data not available				815	251
Number of Fair Funds	Prior-year data not available				31	22

**Responsible Division/Office:** Division of Enforcement

**Data Source:** HUB case management and tracking system for the Division of Enforcement Distributions Management System

**PERFORMANCE INDICATOR (OUTPUT) 2.3.3**  
**Percent of enforcement actions filed that arose out of national priority investigations**

**Description:** The Division of Enforcement conducts many enforcement actions each year that can be characterized as high impact and of national priority. High impact or national priority investigations include those investigations which are significant for one or more of the following reasons –the matter: (i) presents an opportunity to send a particularly strong and effective message of deterrence, including with respect to markets, products and transactions that are newly developing, or that are long established but which by their nature present limited opportunities to detect wrongdoing and thus to deter misconduct; (ii) involves particularly egregious or extensive misconduct; (iii) involves potentially widespread and extensive harm to investors; (iv) involves misconduct by persons occupying positions of substantial authority or responsibility, or who owe fiduciary or other enhanced duties and obligations to a broad group of investors or others; (v) involves potential wrongdoing as prohibited under newly-enacted legislation or regulatory rules; (vi) concerns potential misconduct that occurred in connection with products, markets, transactions or practices that pose particularly significant risks for investors or a systemically important sector of the market; (vii) involves a substantial number of potential victims and/or particularly vulnerable victims; (viii) involves products, markets, transactions or practices that the Enforcement Division has identified as priority areas (i.e., conduct relating to the financial crisis; fraud in connection with mortgage-related securities; financial fraud involving public companies whose stock is widely held; misconduct by investment advisers; and matters involving priorities established by particular regional offices or the specialized units); and/or (ix) provides an opportunity to pursue priority interests shared by other law enforcement agencies on a coordinated basis.

<b>Fiscal Year</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013 Actual</b>
Percentage	Prior-year data not available			10%	20%	15%
<b>Responsible Division/Office:</b> Division of Enforcement						
<b>Data Source:</b> HUB case management and tracking system for the Division of Enforcement						

**PERFORMANCE INDICATOR (CONTEXTUAL) 2.3.4**  
**Criminal actions related to conduct under investigation by the SEC**

**Description:** In some instances, conduct may involve both civil and criminal violations and may be investigated by both the SEC and the criminal authorities. This indicator identifies the number of criminal actions that are related to conduct under investigation by the SEC.

<b>Fiscal Year</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013 Actual</b>
Number of criminal investigations	Prior-year data not available		139	134	126	126
<b>Responsible Division/Office:</b> Division of Enforcement						
<b>Data Source:</b> HUB case management and tracking system for the Division of Enforcement						

**PERFORMANCE INDICATOR (OUTPUT) 2.3.5**  
**Disgorgement and penalties ordered and the amounts collected**

**Description:** In addition to other types of relief, the SEC may seek orders requiring parties to disgorge any money obtained through wrongdoing. The SEC is also empowered to seek civil penalties for violations of the securities laws. In some cases, the SEC will seek to obtain large monetary sanctions even in instances where the prospects of collecting on a judgment are slight. The rationale for seeking monetary relief in these circumstances is that such relief, even when likely uncollectible, might become collectible in the future based on the defendant's changed circumstances, and also because such relief can serve to deter others from violating the securities laws. Where appropriate, the SEC has sought to return disgorged funds to harmed investors. Funds not returned to investors are sent to the Treasury or the Investor Protection Fund established pursuant to Section 21F(g) of the Securities Exchange Act of 1934. This indicator lists disgorgement and penalties ordered as a result of SEC cases and the amounts collected in those actions. This indicator could increase or decrease based on various factors.

<b>Fiscal Year</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013 Actual</b>
Ordered amounts (in millions)	1,030	2,442	2,846	2,806	3,104	3,424
Collected amounts (in millions)	521	1,694	1,775	1,281	1,048	1,603
<b>Responsible Division/Office:</b> Division of Enforcement						
<b>Data Source:</b> DELPHI						

### Strategic Goal 3: Facilitate Access to the Information Investors Need to Make Informed Investment Decisions

The agency is requesting in FY 2015 a total of \$222.6 million and 651 FTEs towards achieving results in Strategic Goal 3.

#### Budgeting for the Future (FY 2015)

An educated investing public ultimately provides the best defense against fraud and costly mistakes. The federal securities laws place great emphasis on assuring that corporations, investments companies, and other entities provide investors with timely, clear, complete and accurate financial and non-financial information, allowing investors to make wise investment decisions. As part of its disclosure program, CF and IM will continue in FY 2015 to meet the requirements of the Sarbanes-Oxley Act (**Performance Goal 3.1.1**). Accordingly, CF and IM strive to review disclosures made by certain public issuers, including issuers’ financial statements, no less frequently than once every three years. Additionally, CF staff will strive to issue comments on a timely basis, allowing companies seeking to raise capital by building offering schedules around the 30-day standard. (**Performance Goal 3.1.2**), and IM will aim to exceed timeliness targets for

reviewing investment company disclosures (**Performance Goal 3.1.3**). Also, in FY 2015, CF will continue to improve the quality of information provided to investors by focusing on disclosure by companies of the information most material to investment decision-making.

OIEA responds to investment-related complaints and questions from tens of thousands of investors each year. In FY 2015, staff is expected to close approximately 60 percent of complaints and inquiries within seven days and about 90 percent within 30 days (**Performance Goal 3.2.2**). The seven-day target has been adjusted to reflect new workload demands. In FY 2015, OIEA will continue to refine internal processes and promote staff training to resolve matters. OIEA expects to increase of the number of visitors to its investor education web pages by using social media technologies and partnering with the SEC’s regional offices, other federal and state agencies, financial industry associations, consumer groups, and educational organizations on investor education programs. OIEA also will continue to participate in a significant number of in-person outreach events in FY 2015 (**Performance Goal 3.2.1**).

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

**Goal Leader(s):** Director, Division of Trading and Markets; Director, Division of Corporation Finance; Director, Division of Investment Management

PERFORMANCE GOAL 3.1.1									
Percentage of public companies and investment companies with disclosures reviewed each year									
<b>Description:</b> The Sarbanes-Oxley Act requires that the SEC review, at least once every three years, the disclosures of all companies and investment company portfolios reporting under the Exchange Act. These reviews help improve the information available to investors and may identify possible violations of the federal securities laws. This metric gauges the number of public companies and investment companies reviewed each year.									
Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
Division of Corporation Finance									
Corporations	39%	40%	44%	48%	48%	33%	52%	33%	33%
<b>Responsible Division/Office:</b> Division of Corporation Finance									
<b>Data Source:</b> Electronic, Data Gathering, Analysis, and Retrieval (EDGAR)/Filing Activity Tracking System (FACTS)									
Division of Investment Management									
Investment Company Portfolios	36%	35%	35%	33%	36%	33%	34%	33%	33%
<b>Responsible Division/Office:</b> Division of Investment Management									
<b>Data Source:</b> Microsoft Office Suite Tools									

**PERFORMANCE GOAL 3.1.2**  
**Time to issue initial comments on Securities Act filings**

**Description:** The target of 30 days or less has become a de facto industry standard for the maximum time to receive initial comments.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
Days	25.2 days	25.3 days	24.1 days	24.4 days	24.9 days	<30 days	25.6 days	<30 days	<30 days

**Responsible Division/Office:** Division of Corporation Finance

**Data Source:** FACTS

**PERFORMANCE GOAL 3.1.3**  
**Percentage of investment company disclosure reviews for which initial comments are completed within timeliness goals**

**Description:** For initial registration statements, the SEC's goal is to issue initial comments within 30 days after they are filed (60 days for registration statements of insurance product separate accounts and related mutual funds). The SEC also aims to comment on post-effective amendments within 45 days and preliminary proxy statements within 10 days after they are filed.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
Initial registration statements	95%	95%	93%	92%	96%	85%	98%	85%	85%
Post-effective amendments	97%	97%	94%	94%	95%	90%	99%	90%	90%
Preliminary proxy statements	99%	99%	99%	98%	100%	99%	98%	99%	99%

**Responsible Division/Office:** Division of Investment Management

**Data Source:** Electronic, Data Gathering, Analysis, and Retrieval (EDGAR)

**PERFORMANCE INDICATOR (CONTEXTUAL) 3.1.1**  
**Total digital audience including website, social media and mobile media**

**Description:** Digital media has become the dominant channel for investors seeking to access information. These statistics will help evaluate the extent to which investors are turning to the SEC, identify the channels they use, and quantify the amount of information they receive.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Actual
SEC.gov page views						3.72B
Social media followers	0	1,608	83,141	193,837	236,700	258,733
Total email/mobile subscriptions					519,602	740,318
Total email bulletins sent	N/A	875,518	12.80M	23.97M	33.44M	40.85M
Total mobile bulletins sent	N/A	6,001	62,324	107,848	150,303	238,815

**Responsible Division/Office:** Office of Public Affairs

**Data Source:** Akamai Technologies, Google Analytics, GovDelivery, Hootsuite, Social Media Channels

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

**Goal Leader(s):** Director, Office of Investor Education and Advocacy

**PERFORMANCE GOAL 3.2.1  
Number of page views of online investor education content, and number of in-person events, including those with specifically targeted communities and organizations**

**Description:** The Office of Investor Education and Advocacy (OIEA) initiates investor education campaigns on key strategies for making informed investment decisions, including publicizing online resources for researching investment professionals and investments, understanding fees, and identifying fraud. OIEA staff also participates in in-person events for investors generally and those targeted to specific investors, such as seniors, service members, and other affinity groups. This metric tracks page views of SEC online investor education materials and the number of investor events in which OIEA staff participated.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
Number of page views		Prior-year data not available				15	12.1	15	20
Number of "in-person" events		Prior-year data not available				50	52	50	50
<b>Responsible Division/Office:</b> Office of Investor Education and Advocacy									
<b>Data Source:</b> Microsoft Office Suite Tools									

**PERFORMANCE GOAL 3.2.2  
Timeliness of responses to investor contacts**

**Description:** OIEA serves the tens of thousands of investors each year who contact the SEC with investment-related complaints and questions. The staff aims to close out as many new investor assistance matters as possible within seven and thirty business days.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
Closed within 7 days	78%	70%	72%	67%	54%	50%	62%	60%	60%
Closed within 30 days	88%	90%	93%	92%	93%	90%	93%	90%	90%
<b>Responsible Division/Office:</b> Office of Investor Education and Advocacy									
<b>Data Source:</b> Internal log using IRIS data									

**PERFORMANCE GOAL 3.2.3  
Customer satisfaction rating of OIEA's online investor education resources**

**Description:** This metric gauges the effectiveness, helpfulness, and usability of OIEA's online investor education resources.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
Satisfaction index		Prior-year data not available				N/A	81	Benchmark score for federal government websites	Benchmark score for federal government websites
<b>Responsible Division/Office:</b> Office of Investor Education and Advocacy									
<b>Data Source:</b> ForeSee results online portal									

**PERFORMANCE GOAL 3.2.4**  
**Number of new investor education materials designed specifically to help investors protect themselves from fraud**

**Description:** Through OIEA, and often in conjunction with other organizations, the staff issues Investor Alerts and other forms of educational material that inform investors about different permutations of fraud, new investment products, and other topical issues. This metric measures the number of new investor education materials issued by OIEA.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
Number of education materials	Prior-year data not available		16	24	24	26	26	26	26

**Responsible Division/Office:** Office of Investor Education and Advocacy

**Data Source:** *www.sec.gov* and *www.investor.gov*

**PERFORMANCE INDICATOR (PROCESS) 3.2.1**  
**Number of investor testing research projects**

**Description:** This indicator tracks the number of research initiatives used to gather feedback from investors on the usefulness of disclosures and other input on SEC rulemaking.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Actual
Number of projects	1	0	0	2	2	0

**Responsible Division/Office:** Office of Investor Education and Advocacy

**Data Source:** Microsoft Office Suite Tools

**PERFORMANCE INDICATOR (PROCESS) 3.2.2**  
**Number of sets of recommendations prepared by the investor advisory committee**

**Description:** This indicator tracks the recommendations from the Investor Advisory Committee regarding investors' perspectives and priorities.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Actual
Number of sets of recommendations	Prior-year data not available				0	4

**Responsible Division/Office:** Office of Investor Education and Advocacy

**Data Source:** *www.sec.gov*

## Strategic Goal 4: Enhance the Commission's Performance through Effective Alignment and Management of Human, Information, and Financial Capital

During FY 2015, the agency will continue to focus on recruiting and retaining high-performing staff, and updating the expertise of SEC employees so they are abreast of the latest developments in the securities markets. Furthermore, the SEC will continue to strengthen internal controls. The agency is requesting a total of \$359.9 million and 867 FTEs in FY 2015 to achieve results in Strategic Goal 4.

### Budgeting for the Future (FY 2015)

The investing public and the securities markets are best served by an efficient, effective, and agile SEC. In FY 2015, the agency will continue to take steps to become a more effective regulator of the U.S. financial markets by making sound investments in human capital and new technologies, and enhancing internal controls.

The planned investment in the SEC University for FY 2015 principally supports training and development for employees directly involved in examinations, investigations, fraud detection, litigation, and other core mission responsibilities of the agency. The SEC University will provide specialized in-depth training concerning changing market conditions, analytics and forensics, and the agency's new responsibility areas. The investment also will fund employees for certain specialized financial certifications and regulatory credentials, as well as the advanced continuing education required for maintaining legal and financial credentials.

To maintain mission effectiveness, it is essential that attrition in the leadership ranks is quickly addressed by having a highly qualified and diverse pool of candidates ready to assume those

critical roles (**Performance Goal 4.1.5**). The Office of Human Resources' (OHR) Workforce Planning has completed building the foundational database necessary to conduct succession planning. A subset of this team has begun benchmarking succession planning approaches used by other Federal agencies and will develop and implement a program at the SEC by the end of FY 2014. The first measure is expected by September 30, 2014.

Leveraging modern, reliable, and innovative technologies together with predictive analytics will transform the way the SEC performs its mission and provide a proactive view into how technology impacts capital markets. The SEC will derive significant and measurable performance improvements in core operations and increase value for users through the use of automated enterprise processes.

The continuing implementation of OIT's Technology Transformation Plan ("Working Smarter") in FY 2015 will support vital technology initiatives. It will ensure the SEC's business processes are streamlined, integrated, and implemented using the best technology available.

While the SEC has made significant strides in its multi-year path towards a strong, sustainable internal control posture, the agency will continue to dedicate its energies towards remediating the significant deficiency in information security. During FY 2015, OFM will work closely with the Department of Transportation's Federal Shared Services Provider (FSSP) to implement its software upgrade and refine the new Federal government-wide travel management system.

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

**Goal Leader(s):** Director, Office of Human Resources; Director, Office of Minority and Women Inclusion

**PERFORMANCE GOAL 4.1.1  
Turnover**

**Description:** When employee morale and engagement are high, high-performing employees tend to remain in the organization. Although turnover can fluctuate based on a variety of factors, the SEC aims to keep its turnover rate relatively low, below 8% per year.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
Percent turnover	6.2%	3.7%	5%	6.4%	6.58%	<8%	6.58%	<8%	<8%

**Responsible Division/Office:** Office of Human Resources

**Data Source:** The National Business Center at Department of Interior (DOI)

**PERFORMANCE GOAL 4.1.2  
Expanding staff expertise**

**Description:** Internal training and hiring programs are designed to help the agency recruit and develop a diverse and qualified staff with the key skills, industry knowledge, and expertise to support the SEC mission. In particular, there is a need to train examiners, attorneys, economists, and other experts for subject matter expertise relevant to the marketplace and investment and trading practices. This metric tracks whether certain areas requiring significant training are being addressed. The agency will track the number of SEC staff participants in mission-focused training and development programs and will report on specific items through the use of post-course evaluations to assess the impact and results of this training on a five-point scale.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
Mission-focused training attendance		Prior year data not available				N/A	N/A	12,000	12,120
Post-course evaluations of mission-focused training		Prior year data not available				N/A	N/A	4.5	4.5

**Responsible Division/Office:** Office of Human Resources

**Data Source:** Course Attendance Identified in LEAP (Instructor-led courses only) and End of Course Evaluation Report Summary provided by Metrics that Matter

**PERFORMANCE GOAL 4.1.3  
Number of diversity-related partnerships/alliances**

**Description:** Increased numbers of diversity-related partnerships or alliances with professional associations and educational organizations provide opportunities to educate students about the SEC's work and to recruit career professionals from all segments of society. The SEC will track the number of partnerships and/or alliances with diverse professional associations and educational organizations.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
Number of partnerships/alliances	Prior-year data not available		2	10	12	15	13	15	15

**Responsible Division/Office:** Office of Minority Women and Inclusion

**Data Source:** Office of Minority Women and Inclusion Internal Records and Section 342 of DFA

**PERFORMANCE GOAL 4.1.4**  
**Survey rankings**

**Description:** Annual and other rankings, together with other metrics and indicators of federal government agencies will be used as one kind of metric to determine the SEC’s overall success in improving employee morale and employee engagement.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
<i>Best Places to Work</i> ranking	Ranked #3	Ranked #11	Ranked #24	Ranked #27	Ranked #19	Ranked #20	Ranked #15	Ranked #5	Ranked #5
Average of employee engagement and global satisfaction index	Prior-year data not available					N/A	61%	75%	75%

**Responsible Division/Office:** Office of Human Resources

**Data Source:** Annual Partnership for Public Service calculated ranking based on Annual Employee Viewpoint Survey (EVS) administered by OPM and Average of Employee Engagement and Global Satisfaction Index from OPM Employee Viewpoint Survey (EVS)

**PERFORMANCE GOAL 4.1.5**  
**Bench strength**

**Description:** To maintain mission effectiveness, it is essential that attrition in the leadership ranks is quickly addressed by having a highly qualified and diverse pool of candidates ready to assume those critical roles. Success is measured by the percentage of key leadership positions for which the SEC has identified a pool of qualified candidates.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
Data point under development	N/A	N/A	N/A	N/A	N/A	N/A	N/A	TBD	TBD

**Responsible Division/Office:** Office of Human Resources

**Data Source:** TBD

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

**Goal Leader(s):** Director, Office of Information Technology

**PERFORMANCE GOAL 4.2.1**  
**Ensure SEC’s systems and applications are available**

**Description:** The SEC aims to enhance its computing infrastructure to eliminate down time if systems at one site fail, among other objectives. This metric will capture the percentage of systems and applications that can fail over within 8 hours.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
Percentage of servers virtualized	N/A	12%	22%	38%	79%	85%	93%	94%	95%
Percentage fail over within 8 hours	N/A	N/A	N/A	N/A	N/A	N/A	N/A	100%	100%

**Responsible Division/Office:** Office of Information Technology

**Data Source:** OIT Network Operations Center (NOC) – automated network monitoring tools

**PERFORMANCE GOAL 4.2.2**  
**Equip the SEC with an enhanced technology infrastructure to support enterprise infrastructure**

**Description:** The SEC aims to promote collaboration and information sharing across the enterprise. To improve efficiency and knowledge management, the SEC will consolidate and centralize its collaborative technologies to a commonly used enterprise set by 2020. This metric will measure the percentage of the SEC's offices and divisions that utilize centralized enterprise collaboration solutions.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
Number of enterprise solutions	Prior-year data not available		10%	20%	25%	30%	30%	35%	40%

**Responsible Division/Office:** Office of Information Technology

**Data Source:** Approved software applications list

**PERFORMANCE GOAL 4.2.3**  
**Expand the SEC's video teleconferencing (VTC) capabilities to support an increasingly geographically dispersed workforce**

**Description:** The SEC seeks to develop a state of the art video teleconference solution that allows users to conduct a video/teleconference meeting between HQ, regional offices and multiple endpoints simultaneously; collaborate and share presentation materials; and use VoIP technology to host video teleconferences from their offices/workspaces with other SEC users or conference rooms. This metric will measure the average "uptime" or availability of all VTC systems.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
Availability rate for VTC solutions	Prior-year data not available					75%	80%	99.99%	99.99%

**Responsible Division/Office:** Office of Information Technology

**Data Source:** Telecommunications monitoring system

**PERFORMANCE GOAL 4.2.4**  
**Pursue continuous technology cost reductions and efficiencies**

**Description:** Recent technology enhancements – e.g., data center consolidation, virtualization and maintenance contract reductions – are producing technical efficiencies and cost savings. This metric will measure the amount of these costs savings.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
Percent reduction in operational run cost leveraging technology and process efficiencies	Prior-year data not available					1-3% cost reduction in steady state run costs	18.7% cost reduction in steady state run costs <sup>1</sup>	1% reduction in run costs	2% reduction in run costs

**Responsible Division/Office:** Office of Information Technology

**Data Source:** OIT Network Operations Center (NOC)

<sup>1</sup> The higher than expected FY 2013 actual of 18.7 percent is due to one-time technologies enhancements resulting from the data consolidation and virtualization.

**PERFORMANCE GOAL 4.2.5**  
**Enhance the SEC's enterprise data warehouse infrastructure and performance**

**Description:** The Enterprise Data Warehouse (EDW) infrastructure will enable the provisioning of data to Commission staff for search and analysis through a virtual data warehouse platform. This metric will measure the availability of EDW and data sources.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
Availability rate for the EDW infrastructure components in production		Prior-year data not available				N/A	N/A	99%	99%
<b>Responsible Division/Office:</b> Office of Information Technology									
<b>Data Source:</b> OIT Network Operations Center (NOC) – automated network monitoring tools									

**Strategic Objective 4.3: The SEC maximizes the use of agency resources by continually improving agency operations and bolstering internal controls.**

**Goal Leader(s):** Chief Financial Officer, Chief Operations Officer

**PERFORMANCE GOAL 4.3.1**  
**Financial audit results**

**Description:** Under the Accountability of Taxpayer Dollars Act of 2002, the agency is required to meet all proprietary and budgetary accounting guidelines for federal agencies and to undergo annual audits. The SEC's audits are conducted by the Government Accountability Office.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
Unqualified opinion	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Material weaknesses	0	1	2	0	0	0	0	0	0
Significant deficiency	3	6	0	4	2	0	1	0	0
<b>Responsible Division/Office:</b> Office of Financial Management									
<b>Data Source:</b> GAO SEC Financial Audit Report									

**PERFORMANCE GOAL 4.3.2**  
**Assurance statement on internal control over operations**

**Description:** In accordance with OMB A-123 and Section 961 of the Dodd-Frank Act, the SEC conducts an annual assessment of the effectiveness of internal controls. The SEC will continue to develop its Operational Risk program and enhance cross-organizational processes to support all division and office management assurance statements. Success is measured by the quality of risk and control assessments and management self-identification and resolution of improvement opportunities.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
Unqualified opinion	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Material weakness	0	0	0	0	0	0	0	0	0
<b>Responsible Division/Office:</b> Office of the Chief Operating Officer									
<b>Data Source:</b> SEC Financial Audit Report									

**PERFORMANCE GOAL 4.3.3**  
**Timely completion of corrective action on Office of Inspector General (OIG) and the GAO audit recommendations<sup>1</sup>**

**Description:** Timely completion of audit recommendations is an important SEC priority. This metric measures how well the Commission is doing in completing corrective action on OIG audit recommendations within established timeframes.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
OIG recommendations completed in less than one year		Prior-year data not available				N/A	78%	80%	80%

**Responsible Division/Office:** Office of the Chief Operating Officer

**Data Source:** Audit Recommendation Tracking System

<sup>1</sup> This measure was developed as part of the FY 2014-2018 SEC strategic planning process. Currently there is no methodology in place to capture data for tracking all GAO Audit recommendations. OCOO will determine a timeframe for establishing a methodology during FY 2014.



**FY 2015 BUDGET REQUEST  
BY PROGRAM**

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## Division of Enforcement

(DOLLARS IN THOUSANDS)	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
<b>FTE:</b> Headquarters	466	480	509
Regions	801	814	865
<b>Total FTE</b>	<b>1,267</b>	<b>1,294</b>	<b>1,374</b>
<b>Cost:</b> Salaries and Benefits	\$ 269,370	\$ 283,636	\$ 318,051
Non-Personnel Expenses	179,980	163,742	179,947
<b>Total Costs</b>	<b>\$ 449,350</b>	<b>\$ 447,378</b>	<b>\$ 497,998</b>

### FY 2015 FTE BY SEC STRATEGIC GOAL

Goal 1	Goal 2	Goal 3	Goal 4
Foster and Enforce Compliance with Federal Securities Laws	Establish an Effective Regulatory Environment	Facilitate Access To Information Investors Need	Align and Manage Resources
1,305	14	14	41

A strong enforcement program is a critical part of the SEC's efforts to protect investors and strengthen confidence in the integrity of the markets. The Division of Enforcement investigates and brings civil charges for violations of the federal securities laws in federal district court or in administrative proceedings. The Division protects investors in a variety of ways: through sanctions that punish wrongdoing, deter others in a position to commit similar violations, and encourage a culture of compliance in the industry; through penalties and the disgorgement of ill-gotten gains that generally can be returned to harmed investors; and through bars that prevent wrongdoers from working in the industry where they could otherwise victimize again.

The SEC filed 686 enforcement actions in the fiscal year that ended in September 2013. The \$3.4 billion in disgorgement and penalties resulting from those actions is 10 percent greater than FY 2012 and 22 percent greater than FY 2011, when the SEC filed the most actions in agency history.

The Division must meet the challenges of a rapidly growing and complex case load, and increasingly sophisticated wrongdoers, while maintaining an effective investigative capacity and deterrent presence. The Division is requesting

126 additional positions in FY 2015 over the FY 2014 enacted level. As described in more detail below, these additional resources will support the Division's current and future initiatives by developing information gathering, detection of misconduct, and information technology expertise; bolstering the investigative function, including by devoting additional resources to high-priority areas such as accounting and reporting fraud and microcap fraud; and permitting the aggressive deployment of litigation resources to maximize the deterrent impact of enforcement actions.

### Challenges Facing the Enforcement Program

To help achieve the SEC's mission, the Enforcement Division must swiftly and vigorously prosecute those whom we believe have broken the law. This is a critical part of maintaining investor trust and confidence in the nation's securities markets. Enforcement faces a number of challenges in meeting this mission, some of which are discussed below.

**The constantly evolving equity markets pose unique challenges to Enforcement.** Recent years have seen substantial changes in the equity markets. For example, whereas the New York Stock Exchange historically executed the vast majority of trades in its

<sup>1</sup> This figure is calculated as 676 under a slightly modified definition of "enforcement action," which will be used going forward.

listed stocks, today a much larger percentage of those trades are executed elsewhere, even as trade volume has increased with the growth of automated trading, and other developments. The Division is committed to ensuring that antifraud and other rules are brought to bear in an appropriate manner in these new trading venues and elsewhere. However, the complexity and lack of transparency inherent in these newer trading platforms require additional resources to ensure and meaningful proper attention is paid to them. Unlawful trading strategies—such as the strategy of manipulative “layering” in which a trader sends and the cancels a series of orders that the trader does not intend to have executed to manipulate the price of a security — are becoming increasingly complex and more difficult to identify.

**We must deal with ever-changing and more complex communications methods and other technologies used by wrongdoers:** The Division has devoted resources to building out an information technology forensics laboratory, which has advanced capabilities in data recovery (from damaged smartphones or hard drives, for example). However, in today’s society wrongdoers have an ever-expanding array of options for concealment and encryption, and the Division requires additional resources to monitor and watch this changing landscape. Additionally, the sheer size of digital evidence produced to us in our investigations requires ever-greater storage and processing powers—not to mention the additional time needed for our investigators to review that mass of information. The Division of Enforcement each month receives approximately seven terabytes of electronic data in its efforts to ferret out securities law violators and hold them accountable.

**We are revitalizing our approach to accounting and disclosure misconduct cases, which require substantial investigative work:** The integrity of our capital markets depends on comprehensive, accurate, and reliable financial reporting by issuers. For this reason, Enforcement recently has created a new Financial Reporting and Audit Task Force, focused on improving our ability to detect and prevent financial statement and other accounting fraud. However, inquiries into financial reporting are often highly technical, demanding a substantial commitment of resources. Additionally, these investigations often require a significant investment of staff time. Absent additional funds, those resources will have to be drawn from other priority areas, which can ill afford any diminution.

**New general solicitation and advertising rules must be carefully monitored and any misconduct must be immediately and**

**aggressively addressed.** The SEC is implementing the Jumpstart Our Business Startups (JOBS) Act, which includes a new rule that allows for broader solicitation of certain types of investments, and a proposed rule to permit companies to offer and sell securities through crowdfunding. Because startup businesses by definition have less of a track record than established companies, there is a risk that investors will be swayed by unrealistic profit projections, or by simple fraud. The Division requires additional resources to devote appropriate attention to this new field while also maintaining its focus on existing priorities. Strong enforcement in these new markets is essential.

**Our whistleblower office takes in thousands of tips per year, generating a fresh stream of case leads that deserve investigation.** Whistleblowers can often provide high-quality information that allows us to more quickly and efficiently detect and investigate alleged violations of the law. Staff from the Division’s Office of Market Intelligence examine each tip to identify those that are sufficiently specific, credible, and timely to warrant the additional allocation of Commission resources. Individuals who voluntarily provide the Commission with original information that leads to a successful enforcement action resulting in monetary sanctions greater than \$1 million may be eligible to receive an award equal to 10-30% of the monies collected. In fact, information submitted by whistleblowers has led to several recent enforcement actions. Those whistleblowers have successfully applied for awards, and have received substantial cash payments for their efforts. We believe momentum for this program is building, and expect these payments to enhance the incentives for potential whistleblowers to submit high quality tips. In turn, we expect to initiate more investigations and bring enforcement actions against violators where we would otherwise have not had sufficient information to do so.

**Our new admissions policy may require additional resources:** The SEC recently changed its long-standing settlement policy, and will now require admissions of misconduct in a discrete category of cases where heightened accountability and acceptance of responsibility by a defendant are appropriate and in the public interest. While many cases will continue to be resolved on a “neither admit nor deny” basis, where admissions or other acknowledgement of wrongdoing are critical, the SEC will insist on them and, should defendants refuse, will litigate those cases. Because litigation generally requires a substantial amount of staff time, it will take additional resources to follow through on our commitment to litigate such cases. A strong

litigation and trial presence is critical to be stronger in our entire enforcement program.

**We are committed to charging wrongdoing across the spectrum of securities laws violations:**

The Division is charged with enforcing a wide variety of statutes and rules, some applicable only to certain types of firms such as broker-dealers or investment advisers, and some, such as antifraud provisions, that apply broadly to market participants. The Division is committed to pursuing violations of varying type and severity, including those that do not require a finding of an intent to violate the law yet that are important to maintaining the integrity of the markets. For example, in fiscal year 2013 the Division conducted streamlined investigations into violations of Rule 105 of Regulation M—a rule regulating the short selling of stocks—and filed charges against 23 firms, resulting in \$14.4 million in monetary sanctions. Although investigations like this allow for some economies of scale, it nonetheless requires significant resources to identify such wrongdoing and see the initiatives through to completion. The Division requires additional resources to ensure that these types of violations continue to be aggressively pursued.

## Proactive Enforcement Efforts

To achieve its goals, the Division of Enforcement continues to implement a range of initiatives designed to increase its ability to identify hidden or emerging threats to the markets and to act quickly to halt misconduct and minimize investor harm. These and other initiatives are designed to minimize investor losses by identifying wrongdoing as early as possible and stopping wrongdoers in their tracks. In addition, these efforts will maximize the deterrent impact of our efforts. Individuals and institutions learn from these initiatives to proactively improve controls and prevent wrongdoing from occurring in the first place. These initiatives include the following:

- **Automated Bluesheet Analysis Project:** This initiative, led by the Division's Market Abuse Unit, focuses on the analysis of suspicious trading patterns and relationships among multiple traders using the Division's electronic database of over 6 billion electronic equities and options trading records. It seeks to generate high-quality leads for new investigations, and to automate and improve analyses commonly run in existing investigations.
- **Center for Risk and Quantitative Analytics:** This new Enforcement initiative coordinates risk identification, risk

assessment, and data analytic activities, with the goals of proactively identifying threats to investors and bringing cutting-edge analysis to bear on the Division's work.

- **Operation Broken Gate:** We are focused on holding accountable gatekeepers who fail to carry out their duties and responsibilities consistent with professional standards, and this initiative focuses on identifying wrongdoing by auditors. More generally, we also are looking at the conduct of attorneys and other gatekeepers who have special duties and responsibilities to ensure that the interests of investors are safeguarded.
- **Compliance Program Initiative:** Working closely with the SEC's National Examination Program, Enforcement is coordinating efforts to identify and bring cases against registered investment advisers who lack the type of effective compliance programs and procedures that are required under the law. This project has resulted in nine enforcement actions to date. These and future enforcement actions will help to implement the prophylactic investor-protection measures found in the Investment Advisers Act.
- **Microcap Fraud Working Group:** We are continuing our focus on the manipulation of stock prices of companies with low capitalization — focusing especially on recidivists and gatekeepers who enable such schemes, including attorneys, auditors, broker-dealers, transfer agents, promoters, and others. This specialized team develops and implements investigative techniques that target the leaders and gatekeepers in such schemes. Because of the frequency of campaigns to spread false information about microcap companies, and the fact that they are often entities with sparse track records, among other reasons, these issuers pose special risks, including to less sophisticated retail investors.
- **Complex Financial Instruments Unit:** What was previously known as the Division's Structured and New Products Unit is now known as the Complex Financial Instruments Unit, and it is shifting its focus to different financial instruments that pose unique risks, especially to less sophisticated investors. Through the work of this unit and others in Enforcement, the SEC has filed enforcement actions against 169 individuals and entities arising from the financial crisis resulting in more than \$3 billion in disgorgement, penalties, and other monetary relief for

the benefit of harmed investors. The individuals charged include 70 CEOs, CFOs, or other senior executives.

- **Aberrational performance inquiry:** The Division has filed eight cases in its ongoing investigation into suspicious performance returns posted by unregistered and registered hedge fund advisers. Working closely with others in the SEC, including the Division of Economic and Risk Analysis, the Office of Compliance Inspections and Examinations, and the Office of International Affairs, Enforcement's Asset Management Unit develops risk-based analytics to examine performance data of thousands of hedge fund advisers and identify candidates appropriate for examination or investigation.
- **Industry experts:** The Division continues to leverage the expertise of various experts hired to give practical insights into industry practices. These experts are affiliated with one of the Division's specialized units, where they advise on particular investigations and also help develop forward-looking risk-based initiatives. However, the experts also are available to others in the Division for consultation on investigations as appropriate.
- **Municipal securities and public pensions:** The Division's Municipal Securities and Public Pensions Unit has focused on bringing ground-breaking enforcement actions against cities, states, other public issuers, and their underwriters for, among other violations, misrepresentations in public offerings, inadequate risk disclosures, and ignoring pay-to-play restrictions. The Unit will continue to focus on the disclosure practices of municipal issuers and municipal officials, excessive markups and pricing abuses by municipal bond dealers, and accounting fraud, and expects to devote substantial resources to enforcing the MSRB's conduct rules for municipal advisors.
- **Other nonpublic initiatives:** The Division also has underway a number of other projects, risk-based initiatives, and working groups, some of which are nonpublic. This includes initiatives relating to broker-dealers, insider trading, and other risk areas. The Division also regularly coordinates its efforts with domestic and foreign law enforcement partners, through its work on the President's Financial Fraud Enforcement Task Force and by coordinating on parallel criminal investigations conducted by the Department of Justice and Federal Bureau of

Investigation, among others. Our work in this area that has been made public includes our leading role in the Southern District of Florida Securities and Investment Fraud Initiative, which has resulted in charges against well over 100 individuals and orders for more than \$1.7 billion in restitution.

In addition to these efforts, the Division continues to benefit from the efforts of its other specialized units, which are focused on market abuse concerns and the Foreign Corrupt Practices Act.

### Plans for Additional Positions

To enable the Division to meet the challenges of a rapidly-growing case load, and to maintain an effective investigative capacity and deterrent presence, the Enforcement program must be adequately staffed to address increasingly complex financial products and transactions, handle the increasing size and complexity of the securities markets, identify emerging threats and take prompt action to halt violations, and recover funds for the benefit of harmed investors. For FY 2015, the Division is requesting 126 additional positions. These additional resources will support the Enforcement program's current and future initiatives by, among other things:

- expanding and focusing the investigative function by hiring experienced attorneys, industry experts, forensic accountants, paraprofessionals, and information technology and support staff, to promptly detect, prioritize, and investigate areas appropriate for enhanced enforcement efforts;
- strengthening the litigation function by, among other things, adding experienced trial attorneys to prosecute a growing number of highly-complex enforcement actions, and hiring paraprofessional and administrative support staff to assist the attorneys in performing these functions;
- bolstering staffing for the Office of Market Intelligence (OMI), which is responsible for the collection, analysis, risk-weighting triage, referral, and monitoring of the thousands of tips, complaints and referrals that the agency receives each year, as well as bolstering the staffing of intelligence analysis functions in the Division's eleven regional offices across the country; and
- expanding Enforcement's information technology expertise and staffing to assist, among other things, in

the implementation of data analytics projects and the development of state-of-the-art investigative tools, such as eDiscovery and knowledge management, as well as improved forensic capabilities.

The Enforcement Division will use the additional requested positions to support its three core functions — intelligence analysis, investigation, and litigation — in the following ways:

**Processing and prioritizing intelligence is key to Enforcement's**

**efforts:** A strong intelligence analysis capacity is at the core of an effective enforcement program. In fiscal year 2013, the SEC processed almost 16,000 tips, complaints, and referrals. As a result of Enforcement's enhancements to its OMI, these thousands of pieces of information are handled in a much more efficient manner than was historically the case, allowing for core investigative resources to be devoted more fully to the most promising matters. However, additional resources are needed to allow the Division to more fully vet and analyze this body of information. The Division also requires additional staff to conduct early-stage investigations known as "matters under inquiry" that often arise from these tips, complaints, and referrals.

Enforcement is requesting 25 new positions in FY 2015 to continue to strengthen the intelligence analysis function, both in OMI and through an increase in the staff to whom the most promising tips, complaints, and referrals are sent for further investigation.

**Enforcement must act swiftly and decisively in investigating**

**misconduct:** The Enforcement program continues to face challenges in securing the necessary expertise, human capital, and technology resources to fulfill its mission of investor protection. For example, the Division requires increased staffing to improve its ability to promptly detect complex frauds and other difficult-to-detect misconduct, whether it occurs at hedge funds, broker-dealers, or "boiler rooms"; respond to misconduct involving the changing equity markets involving issues relating to algorithmic trading and "dark pools"; address large-scale insider trading and stock manipulation; and generally keep pace with a rapidly evolving industry. Enforcement is seeking 70 new positions in FY 2015 to reinforce the investigations function. These resources are critical to ensuring that the Enforcement program can face new marketplace challenges. These new positions will help the Division address its resource shortfall and will help improve

the efficacy of its investigative efforts, resulting in a swifter enforcement response to violations.

Enforcement requires sufficient resources to enable it to continue progress on existing investigations and handle its increasing case load, while quickly investigating and bringing emergency actions in cases where investors' money may dissipate if immediate action is not taken. With the requested new staff in FY 2015, Enforcement expects to apply additional resources to the investigations posing the highest risk to investors and the marketplace.

**The Division's ability to litigate its increased caseload is mission**

**critical:** Enforcement's litigation activities help the SEC fulfill its mission of protecting investors, maintaining fair, orderly, and efficient markets, and facilitating capital formation. Successful litigation results in sanctions for the guilty, relief to the harmed, and deterrence to others that might consider similar behaviors. The complex and document-intensive types of cases brought by the SEC require substantial investments in staff time when litigating. In recent years, an increasing percentage of enforcement actions have been filed as contested matters, as opposed to being fully settled at the outset.

Enforcement requests 31 new positions in FY 2015 to reinforce its litigation operations nationwide. This increased allocation will enable the SEC to follow through on its commitment to litigate any case where it believes admissions of wrongdoing are appropriate under its new policy, if necessary. An improved litigation function also has the effect of bolstering the work of investigative attorneys, who are able to secure strong settlements achieving investor protection thanks to the credible threat of litigation.

**The Division must continue to invest in technology:**

The Enforcement program must continue to invest in new and improved technologies that make our investigative and litigation staff more efficient and effective — while being mindful of overall costs and needing to keep pace with the market:

- **eDiscovery:** Enforcement must continue to invest in modernizing its eDiscovery technologies and toolsets. New techniques and tools are needed to deal with expanding amounts of data. New capabilities to collect, search, categorize, and review relevant materials allow staff to uncover more needles, in larger haystacks, in a shorter period of time. The Division is committed to providing our front-line investigators with the eDiscovery

technologies and tools needed to meet these challenges, to ensure we remain effective, efficient, and able to keep pace with changes in the marketplace.

- **Analytical toolsets and analysis platforms:** The Division also requires new analytical tools and analysis platforms to implement many of its risk-based initiatives. Enforcement is aggressively using pattern recognition, quantitative detection and analysis heuristics, semantic modeling, and other complex analytical tools that simultaneously combine risk factors across multiple proprietary and public datasets to identify risks, surface anomalies, and help leverage and concentrate our investigative resources. The Division is also deploying a powerful analysis platform to help visualize connections across multiple cases, tips, and transactions—helping connect the dots faster—saving time and providing more comprehensive surveillance and enforcement.
- **Licensing analytical data feeds and information sources:** Robust enforcement also requires access to real-time analytical data feeds covering a wide spectrum of financial, trading, accounting, legal, and market activity and information. It is critical that the Division receive sufficient funds to license these data feeds and information sources—ensuring effective surveillance and “putting fuel in the tank” of our powerful analytical engines and fraud analysis platforms.
- **Bluesheets modernization:** To better support the Division’s investigations we must modernize our bluesheets system, which we use to analyze stock transactions and which is now more than 10 years old. In recent years our system has struggled to keep pace with changes in the market—especially the increase in trade data caused by algorithmic trading—while meeting the increased demand for quantitative data and analysis to support our investigations. Modernizing the bluesheets system will address these limitations, and provide a robust capability to support complex investigations and feed other analytical tools and analysis platforms in a timely, comprehensive manner.

- **Knowledge management:** The Division will continue to enhance its new intranet knowledge management portal that provides staff with an easy to navigate, fully searchable repository of content and standard templates. Enforcement will continue to leverage this important tool, enhancing its functionality, integrating with other data, and making more content available so that staff can access core knowledge and best practices spanning the entire national program.
- **Document management:** Enforcement is leading the adoption of a document management technology that will greatly simplify the storage and sharing of electronic documents throughout our national program. In addition, a modern document management system will make our staff more efficient, saving time and enhancing our staff’s effectiveness by giving them immediate access to a comprehensive, secure repository of pleadings, correspondence, and other case files and documents. The benefits of a document management system are not limited to Enforcement—the Division is collaborating closely with other Divisions and Offices to ensure its agency-wide success.

Enforcement often leads the agency in the adoption of new technologies and systems that improve efficiency and effectiveness and promote cost savings. The Division also proactively shares its new technologies and systems with other Divisions and Offices across the agency and collaborates to adopt new tools and systems developed outside of Enforcement to promote savings and efficiency. Investments made into our eDiscovery, knowledge management, document management, and analytical tools and analysis platforms are readily shared agency-wide, including with the Office of Compliance Inspections and Examinations, Division of Economic and Risk Analysis, Office of General Counsel, Division of Investment Management, and Office of Inspector General. The Division also collaborates outside the agency; working closely with other federal regulators and law enforcement to share investigative techniques, technologies, and capabilities when appropriate.

**WORKLOAD DATA**

Activity	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
<b>Intelligence Analysis</b>			
Investor Tips and Complaints	15,914	16,000	16,000
Matters Under Inquiry (MUIs) Opened	939	1,000	1,050
FTE	279	283	301
<b>Investigations</b>			
Opened	908	1,025	1,075
Ongoing at End of Year <sup>1</sup>	1,444	1,500	1,550
FTE	697	708	752
<b>Proceedings</b>			
Administrative:			
Opened	469	475	500
Pending at End of Year	592	625	650
Civil Litigation:			
Opened	207	200	215
Pending at End of Year	1,799	1,800	1,800
FTE	291	297	315
<b>Total FTE</b>	<b>1,267</b>	<b>1,294</b>	<b>1,374</b>

<sup>1</sup> "Ongoing" investigations are those in which the investigation remains active. It excludes those that are open solely because they are in litigation; those in which the SEC is seeking to collect assets and funds to satisfy outstanding judgments and debts owed to the SEC; those in which the SEC is distributing funds to harmed investors; and those that are in some other post-litigation activity. "Ongoing" investigations also exclude those that are in the process of being closed.

## Office of Compliance Inspections and Examinations

<i>(DOLLARS IN THOUSANDS)</i>	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
<b>FTE:</b> Headquarters	165	184	235
Regions	722	730	864
<b>Total FTE</b>	<b>887</b>	<b>914</b>	<b>1,099</b>
<b>Cost:</b> Salaries and Benefits	\$ 184,291	\$ 209,908	\$ 261,700
Non-Personnel Expenses	86,275	90,764	111,733
<b>Total Costs</b>	<b>\$ 270,566</b>	<b>\$ 300,672</b>	<b>\$ 373,433</b>

### FY 2015 FTE BY SEC STRATEGIC GOAL

Goal 1	Goal 2	Goal 3	Goal 4
Foster and Enforce Compliance with Federal Securities Laws	Establish an Effective Regulatory Environment	Facilitate Access To Information Investors Need	Align and Manage Resources
978	0	0	121

The Office of Compliance Inspections and Examinations (OCIE) conducts the SEC’s national examination program. Staff examinations are designed to: (1) improve compliance; (2) prevent and detect fraud; (3) monitor risk; and (4) inform regulatory policy. To this end, the results of OCIE’s examinations are used by the Divisions of Investment Management and Trading and Markets to inform rulemaking initiatives, by the Division of Economic and Risk Analysis to identify and monitor risks, and by the Division of Enforcement to pursue misconduct.

In response to an ever-changing and evolving regulatory environment, the examination program has implemented an ongoing continuous improvement process across several critical areas, including: people, strategy, and technology. The program intends to use the additional resources requested in FY 2015 to continue the implementation of key improvement initiatives in these areas while also addressing critical market, industry, and technology developments impacting the examination program.

The additional resources being requested are essential for OCIE to meet its objectives and fulfill the agency’s mission. In particular, resources are needed to: (1) address the disparity between the number of exam staff and the growing number and complexity of registered firms, particularly in the investment management industry; (2) continue implementation of certain

legislative changes, including provisions of the Dodd-Frank and JOBS Acts; and (3) more effectively risk target, monitor, and examine market participants. OCIE also will further enhance training and expertise of examiners in data analysis, fraud detection and prevention, technology, new products, and trading strategies and other issues. The Office is also continuing ongoing efforts to improve its risk assessment and surveillance methodologies. Additionally, in FY 2015, OCIE will continue its efforts to promote industry compliance efforts through initiatives such as the Compliance Outreach program.

The Office requests an additional 316 positions to accomplish these goals. Overall, OCIE’s risk-based program is designed to focus the SEC’s resources on those firms and practices that pose the greatest potential risk of securities law violations that can harm investors and the markets. The following summarizes key observations, issues, and challenges impacting the SEC’s examination program, all of which have influenced OCIE’s staffing request for FY 2015.

**The SEC-regulated securities markets dwarf the examination program:** Given current trends in the markets, OCIE anticipates that at the beginning of FY 2015 it will oversee more than 25,000 market participants, including nearly 11,500 investment advisers with more than \$55 trillion in assets under management, more than 800 investment company complexes

managing over 10,000 mutual funds and Exchange Traded Funds (ETFs), approximately 4,400 broker-dealers with more than 160,000 branch offices, 18 national securities exchanges, and approximately 450 transfer agents. OCIE will also oversee at least eight entities that provide clearing agency functions, as well as the PCAOB, MSRB and FINRA. Additionally, although the Dodd-Frank Act generally shifted the responsibility for examining investment advisers with less than \$100 million in regulatory assets under management to the states, it expanded the SEC's jurisdiction by adding a significant number of potentially large and complex entities, such as municipal advisors, private fund advisers, and securities-based swap participants. Overall, the size of the SEC regulated community dwarfs the size of the current examination program (currently close to 900 staff).

**Exam coverage of the securities markets remains limited:** The staff examined approximately nine percent of registered advisers in FY 2013; however, roughly 40% of advisers have never been examined. Significant additional resources are critical to the exam program in order to improve the examination percentage of investment advisers. With respect to broker-dealers, the program is supplemented by SRO oversight, and together the SEC and SROs examined close to 50 percent of broker-dealers in some form during FY 2013. However, regulators are examining well below one percent of the approximately 160,000 branch offices each year.

**Increases in the regulatory population and complex new products and lines of business complicate examination oversight:** The largest increase in registered entities has occurred among investment advisers, which OCIE projects will grow from approximately 8,000 advisers managing \$20 trillion in assets a decade ago to an estimated 11,500 advisers managing \$55 trillion in assets by the end of FY 2015. At the same time, additional challenges to the examination staff are posed by the increased use of new and complex products, including derivatives and certain structured products, the increasing use of technology in operations that facilitate such activities as high-frequency and algorithmic trading, and the growth of complex "families" of financial services companies with

integrated operations that include both broker-dealer and investment adviser affiliates.

**Legislative changes are having a significant impact on the exam program:** Additional staffing is needed to continue implementation of various legislative changes. For example, the registration of municipal advisors will likely bring more than 900 additional registrants with increasingly complex business lines under the exam program's purview. Other provisions within the Dodd-Frank and JOBS Acts, such as those addressing swap participants, clearing agencies, private fund advisers, general solicitation, and crowd-funding, will require additional staff resources in FY 2015 in order for OCIE to proactively address these expanded responsibilities.

**Independent third-party reviews have criticized the SEC for not having sufficient examination resources:** In the last several years, several independent bodies have identified inadequate resources as being a significant impediment to exam program effectiveness. For example, an International Monetary Fund review of the SEC stated that "lack of sufficient resources currently has a major negative impact on the effectiveness and credibility of the inspection and examination systems of the SEC with regard to IAs."<sup>1</sup> Likewise, the SEC's Office of the Inspector General noted this as well stating that "OCIE's staff resources have not kept pace with the growth in the number of registered investment advisers" and "we strongly encourage OCIE and the Commission to make available the necessary resources to ensure that OCIE is better able to select investment advisers and investment companies for examination and better equipped to conduct comprehensive examinations of these entities."<sup>2</sup> In addition to these independent reviews, the Commission's *Study on Enhancing Investment Adviser Examinations*, released on January 19, 2011 and conducted pursuant to Section 914 of the Dodd-Frank Act, acknowledged that the "investment adviser examination program faces significant capacity challenges" and "requires a source of funding ... that is sufficiently stable to prevent adviser examination resources from periodically being outstripped by growth in the number of registered investment advisers."

<sup>1</sup> IMF Country Report No. 10/125 Detailed Assessment of Implementation of the IOSCO Objectives and Principles of Securities Regulation

<sup>2</sup> Review of the Commission's Processes for Selecting Investment Advisers and Investment Companies for Examination, SEC OIG, November 19, 2009, Report No.470

In light of the limited resources currently available to the examination program and the existing challenges, the Office is requesting 316 additional positions, which it intends to use to address the issues identified above, including increasing examination coverage of investment advisers, addressing new responsibilities under the Dodd-Frank and JOBS Acts, and other program improvements.

## Examinations of Advisers and Broker-Dealers

In FY 2015, the staff will continue its focus on high risk entities and activities and intends to use additional staffing to, among other things, improve risk assessment and surveillance functions and continue to address the disparity between the number of staff and regulated entities. The staff will address timely developments in the securities markets through targeted, sweep, and cause examinations, and will also implement oversight initiatives related to the Dodd-Frank and JOBS Acts. Of the total staffing request of 316 additional positions for the examinations program, the SEC plans to dedicate 275 additional positions for these activities, as described further below.

**Improving overall coverage of registered advisers:** The number of registered advisers and their assets under management has grown steadily over the last decade. During the same period of time, staff resources allocated to this program area have not kept pace with the growing responsibilities. This trend has made it more difficult for the program to maintain an effective level of coverage and oversight of its registered advisers. By FY 2015, OCIE estimates that there will be more than 25 advisers per examiner due to growth in the population of advisers. In addition to the growth in the number of firms registered with the SEC, the firms will predominately be larger and more complex than they are now. Without additional resources, it is likely that the coverage level of investment advisers will remain limited and in the range of 8-9% annually.

**Examinations of never before examined advisers:** Due to significant resource limitations, roughly 40% of registered advisers have never been examined. Even when excluding the influx of advisers that have registered more recently in the last three years, the percentage of firms never examined is still approximately 20%. There are certain risks present with all firms and the lack of an OCIE examination presents

concerns for the staff. The staff will utilize additional resources in order to conduct focused, risk-based examinations of a portion of this population of investment advisers.

### **Examinations of recently registered private fund advisers:**

The staff will continue to examine a significant number of advisers registered since the effective date of Section 402 of the Dodd-Frank Act. These new registrants have never been registered, regulated, or examined by the SEC and manage thousands of hedge funds and private equity funds. In order to continue to effectively fit these advisers into the examination program, OCIE will require additional staffing for examining these potentially large and complex firms.

**Examinations of newly registered municipal advisors:** The Dodd-Frank Act requires the registration of certain entities who meet the definition of “municipal advisors.” In FY 2015, the SEC estimates that more than 900 entities will be registered as municipal advisors. OCIE will utilize a portion of the additional resources to examine and monitor these new registrants for compliance with recently adopted rules.

### **Improving overall coverage of investment company complexes:**

OCIE continues to maintain examination oversight responsibility for more than 800 investment company complexes. These complexes manage close to 10,000 mutual funds and exchange traded funds (ETFs), which hold nearly \$15 trillion in investor assets. The examination program will continue efforts to improve coverage of these fund complexes, which will be critically important given their increasing complexity due to factors such as offerings of “alternative” investment strategies; significant growth in certain types of funds, including ETFs; and the relative riskiness of certain funds, including fixed income funds that may be impacted by rising interest rates.

### **Oversight of dually-registered and affiliated entities:**

The convergence among broker-dealer and investment adviser representative activity continues to be a significant risk. For example, representatives of dual registrants, *i.e.*, registrants that are both broker-dealers and investment advisers, and affiliated advisers and broker-dealers may influence whether a customer establishes a brokerage or investment advisory account. This influence may create a risk that customers are placed in an inappropriate account type that increases revenue to the firm and may not provide a corresponding

benefit to the customer. In FY 2015, OCIE will continue to examine the significant risks to investors of representative migration and other conflicts this business model presents. The program will also continue to examine the impact to investors of the different supervisory structures and legal standards of conduct that govern the provision of brokerage and investment advisory services.

**New procedures and practices to address reforms to securities regulations:** OCIE expects to implement additional examination procedures and techniques in FY 2015 that are necessary to scrutinize compliance with new, amended, or recently adopted regulatory requirements with respect to private funds, swap dealers, and municipal advisors, among others. For example, offerings under newly adopted Rule 506(c) under the Securities Act of 1933 will present a number of emerging risks and issues. The staff will review general solicitation practices and verification of accredited investor status under the rule; will generally review, monitor, and analyze the use of Rule 506(c); and will evaluate due diligence conducted by broker-dealers and investment advisers for such offerings. In addition, as regulatory requirements for crowd-funding offerings and entities become effective, the program will need to devote additional resources to this area in order to examine industry developments and compliance with the new rules.

**Verification of assets and controls at broker-dealers and advisers:** A portion of the additional staff requested for FY 2015 will help to continue OCIE's risk-based practice of verifying the existence and appropriate safeguarding of investor assets managed by advisers and held by broker-dealers. During examinations of advisers, funds, and broker-dealers in FY 2015, staff will also review the processes and controls for valuation of complex, illiquid assets; financial controls and the adequacy of net capital of broker-dealer firms; and the sales of complex products by broker-dealers and advisers, especially in the retirement marketplace.

**Examinations targeting higher risk entities, including an emphasis on tips, complaints and referrals:** In FY 2014 and FY 2015, additional time and resources will be devoted to improving the SEC's surveillance and risk assessment functions. A variety of projects are currently underway aimed at enhancing

information gathering and analysis techniques to transform both quantitative and qualitative information into intelligence that will improve the assignment of limited resources to areas of greatest risk to investors and the markets. OCIE anticipates that improvements in risk assessment and surveillance activities, combined with other initiatives aimed at incentivizing whistleblowers and improving the agency's tracking and monitoring of tips, complaints, and referrals, will necessitate more time spent on conducting examinations of the relevant entities.

**Expanded Large Firm Monitoring Program:** Certain large and complex firms pose significant risk to the various markets and to their customers, due to their size, complexity and connectivity with other large firms and financial institutions. These risks are evident in the breadth and complexity of product offerings, the large volume and number of customer transactions generated by such firms, the significant levels of firm inventory, and the high concentration of customer assets at the firms. These firms can also potentially pose greater systemic risk as they tend to dominate certain significant capital market activities including the secured funding markets, the tri-party repo market, prime brokerage services, securitizations and other structured product activities. As a result, OCIE is adopting an enhanced, collaborative approach to both monitoring and examining these large firms. Additional resources will be required to focus on areas such as funding and liquidity issues, including stress test models, and sales practice issues associated with derivatives, structured products and securitizations.

**Examinations and oversight of certain swap participants:** Several sections of the Dodd-Frank Act concern swap market participants. Specifically, pursuant to Title VII of the Dodd-Frank Act, several new categories of persons will be required to register with the Commission, including, among others, security-based swap dealers and major securities-based swap participants some of whom will be located abroad. These persons and/or entities will be subject to examination by the Commission. In order to continue implementation of related Dodd-Frank Act provisions, OCIE is requesting additional positions in FY 2015 to conduct inspections of these newly registered market participants, provide expertise, and coordinate efforts with other regulators.

## Examinations of Clearing Agencies, Swap Data Repositories, and Transfer Agents

**Clearing Agencies and Swap Data Repositories:** In FY 2015, OCIE will continue to enhance its oversight of clearing agencies as a result of the Dodd-Frank Act. As part of the Dodd-Frank Act, the SEC is directed to conduct examinations, on at least an annual basis, of securities clearing agencies that are designated as “systemically important” and for which it is the supervisory agency. These examinations are conducted in consultation with the Board of Governors of the Federal Reserve System. In addition, the Dodd-Frank Act requires Swap Data Repositories (SDRs) to become registrants and provides examination authority to the SEC for these entities.

As a result of these expansions in the SEC’s regulatory responsibilities, both the scope and number of clearing agencies required to be examined by the SEC have grown. Examinations of these entities are complex and time consuming. They require particular expertise in an evolving area. OCIE is requesting additional positions to adequately fulfill its current obligations to conduct examinations of clearing agencies and to continue communication and coordination efforts with the Federal Reserve and other regulators. In addition, as SDRs become registrants, additional staff will be needed to perform periodic examinations. OCIE requests additional positions for the program to continue to build a dedicated team of derivatives and clearing specialists that will be able to conduct cross-sector examinations of clearing agencies, collaborate and respond to requests for assistance from the Division of Trading and Markets and other regulators engaged in clearance and settlement oversight, and provide clearing and credit default swap/derivatives expertise to OCIE as a whole.

**Transfer Agents:** OCIE will continue to conduct risk-based, cause, and special examinations of transfer agents, including some joint examinations with federal banking regulators. The staff will review the services offered by transfer agents that are beyond their traditional transfer agent functions, and review transfer agents’ safeguarding of customer information and custody of shareholder funds with a special focus on the custody of lost or escheatable securities to prevent shareholder fraud.

Overall, 15 additional positions are being requested to enhance and expand the oversight of clearing agencies, SDRs, and transfer agents.

## Examinations of Exchanges, FINRA, Security-Based Swap Execution Facilities, and the PCAOB

**Exchanges, FINRA, and Security-Based Swap Execution Facilities:** Self-regulatory organizations are critical to the SEC’s oversight of the markets. In FY 2015, OCIE will conduct risk-based inspections of national securities exchanges, enhanced reviews of FINRA pursuant to Section 964 of the Dodd-Frank Act, and risk focused exams of FINRA District Offices. OCIE will also continue to follow-up on tips, complaints, and referrals (TCRs) related to the exchanges, including systems compliance TCRs, and will conduct cause exams of exchanges as necessary. In addition, OCIE will conduct exams of Alternative Trading Systems and other market centers registered as broker-dealers. Further, security-based swap execution facilities (SB SEFs) that are required to register with the Commission pursuant to the Dodd-Frank Act will be subject to examination in FY 2015 assuming that final rules concerning the registration of these entities with the Commission are adopted. Overall, to adequately fulfill current obligations, and in particular to ensure regular oversight of exchanges, FINRA, ATSs, and SB SEFs, 10 additional positions will be devoted to this area.

**Public Company Accounting Oversight Board:** In the current market environment, the PCAOB has an increasingly critical role in establishing auditing standards for public company audits and for ensuring that audit reports are informative, fair, and independent. The Dodd-Frank Act provides expanded authority to the PCAOB to oversee audits of broker-dealers that were not previously within the PCAOB’s jurisdiction. In FY 2014 and FY 2015, the examination staff will follow up on findings and recommendations related to the PCAOB’s inspection program, monitor new developments relating to SEC-registered broker-dealers, and continue its ongoing program of conducting periodic examinations of key risk areas at the PCAOB in collaboration with staff from the SEC’s Office of Chief Accountant.

## Additional Significant Examination Program Efforts

In addition to expanding and enhancing the current level of oversight over the entities and activities described above, OCIE also requires additional staffing to continue other significant program-wide efforts, including its technology controls

program, outreach initiatives and specialized working groups as described further below.

**Technology Focused Exams:** The capital markets technology has been evolving for decades, which has increased the complexity, interconnectedness, and speed of transactions, and continues to challenge market participants and regulators. During examinations in FY 2015, OCIE will continue to examine governance and supervision of information technology systems, operational capability, market access, information and cyber security, and preparedness to respond to sudden malfunctions and system outages.

OCIE also performs Technology Controls Program (TCP) inspections of the automated trading and clearing processes of markets and clearing organizations. In FY 2014 and FY 2015, OCIE will conduct risk targeted exams on governance and supervision of information technology systems, operational capability, market access, information security, data privacy, and preparedness to respond to sudden malfunctions, system outages, and other disruptions. The TCP inspection function is also expanding to incorporate the alternative trading systems, clearing agencies of security-based swaps, Swap Data Repositories (SDRs), and pre-launch reviews of new exchange applicants or exchanges undergoing ownership changes. OCIE will also seek to enhance cyber security inspections by working with the Department of Treasury, National Security Agency and the Department of Homeland Security. Five additional positions are requested to further enhance the work of the TCP program.

**Office of Managing Executive (OME) and Chief Counsel:** OCIE's OME will continue to support the examination program in a number of critical areas during FY 2015, including risk analysis and surveillance, registration, training, and information technology initiatives. Significantly, the Risk Analysis and Surveillance unit will continue its efforts to improve the risk targeting of firms and activities by helping to monitor and assess risks of all registered entities, including advisers, registered funds, privately offered pooled vehicles, and broker-dealers. Meanwhile, OCIE's Chief Counsel group will continue to provide legal and other interpretative advice to the program while also overseeing the exam program's internal compliance program. Eleven additional positions are requested in FY 2015 to support the functions of these groups.

**Enterprise Risk Management:** OCIE will continue its efforts to meet with senior management and boards of entities registered with the SEC and their affiliates to discuss how each firm identifies and mitigates conflicts of interest and legal, compliance, financial, and operational risks. This initiative is designed to: evaluate firms' control environment and tone at the top, understand firms' approach to conflict and risk management, and initiate a dialogue on key risks and regulatory requirements.

**Specialized Working Groups:** OCIE will continue to develop and implement specialized teams focusing on particular market issues that directly affect investors and the functioning of the markets. These teams will help ensure that the exam program continues to utilize its limited resources in the most efficient and effective manner.

**Proactive Industry Compliance Initiatives:** In FY 2014 and FY 2015, OCIE and other SEC staff will continue efforts aimed at encouraging stronger industry compliance programs. These efforts include conducting OCIE's Compliance Outreach program, which provides information and resources for compliance personnel of registered entities, as well as issuing public reports and Risk Alerts concerning areas of regulatory interest.

## Information Technology Investments and Initiatives

As technology continues to evolve and alter the way entities conduct business, it is imperative that the exam program make appropriate IT investments to keep pace and to more effectively and efficiently conduct its activities. Continued investment in a multi-year technology plan is critically important to the success of OCIE's programs. Several of the key initiatives in this area for FY 2015 and beyond include:

- **Continued Development of Comprehensive Examination Platform:** OCIE will continue to improve and enhance a comprehensive program tracking and examination management system. The system provides examiners with a complete repository of exam related data and information that allows the staff to conduct exams more effectively and analyze trends across the program.

- **Data Analysis Tools:** In FY 2014 and FY 2015, OCIE will focus on identifying, developing and acquiring tools and resources that will permit more efficient and effective analysis and synthesis of data. These tools will assist in the analysis of large amounts of data and will potentially help generate alerts and exception reports focused on identifying registered entities that require additional follow-up by the staff. These tools also will improve risk assessment and surveillance efforts by providing the staff with a greater ability to monitor for trends and emerging fraud risks, ultimately enabling the staff to allocate SEC resources more effectively.

- **Improvements to IT Infrastructure:** In FY 2015, the exam program will continue to focus on identifying and acquiring additional data sets and information that can be utilized in risk assessment efforts, examinations, and other related initiatives. For example, due to new rules and regulations, a variety of improved and new data sets will be utilized by the program. In addition, technological advances in the industry and within the exam program give the staff the ability to access and process more information and data than ever before. The exam program requires an appropriate technological infrastructure for this data and information so that it can be easily accessed, analyzed, and disseminated.

**WORKLOAD DATA**

Activity	FY 2013 Actual	FY 2014 Estimate <sup>1</sup>	FY 2015 Request <sup>1</sup>
Investment Adviser Examinations	964	1,000	1,325
Investment Company Examinations (includes administrators)	99	100	120
Market Oversight Inspections	50	50	55
Broker-Dealer Examinations	438	450	475
Transfer Agent Examinations	42	45	50
Clearing Agency Examinations	17	12	15
Municipal Advisor Examinations <sup>2</sup>	5	10	50
Technology Controls Program Inspections <sup>3</sup>	16	20	25
<b>Total FTE</b>	<b>887</b>	<b>914</b>	<b>1,099</b>

<sup>1</sup> These estimates may be impacted by a number of factors beyond the Office’s control, including, but not limited to, increases in the complexity of firm’s being examined; higher than anticipated attrition rates; and the timing and amounts of the resources made available. Further, given the time required to bring on-board new staff after hiring levels are approved, the full effect of FY 2014 and/or FY 2015 positions will not be realized until later years.

<sup>2</sup> This data is included because of the expanded responsibilities assigned to the SEC in connection with the oversight of municipal advisors by the Dodd-Frank Act.

<sup>3</sup> The responsibility of conducting inspections of automated trading and clearing processes of markets and clearing organizations has been transferred from the Division of Trading and Markets to OCIE. As a result, these expanded responsibilities for OCIE will be reflected in this new workload item.

## Division of Corporation Finance

<i>(DOLLARS IN THOUSANDS)</i>	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
<b>FTE:</b> Headquarters	<b>455</b>	<b>474</b>	<b>493</b>
<b>Cost:</b> Salaries and Benefits	\$ 96,416	\$ 101,837	\$ 112,982
Non-Personnel Expenses	39,654	40,283	44,989
<b>Total Costs</b>	<b>\$ 136,070</b>	<b>\$ 142,120</b>	<b>\$ 157,971</b>

### FY 2015 FTE BY SEC STRATEGIC GOAL

Goal 1	Goal 2	Goal 3	Goal 4
Foster and Enforce Compliance with Federal Securities Laws	Establish an Effective Regulatory Environment	Facilitate Access To Information Investors Need	Align and Manage Resources
10	84	379	20

In support of the Commission’s mission to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation, the Division of Corporation Finance (CF) seeks to ensure that investors have access to material information in order to make informed investment decisions, both when a company offers its securities to the public and on an ongoing basis as it continues to provide information to the marketplace. CF also provides interpretive assistance to companies on SEC rules and forms, by issuing, among other things, staff legal and accounting bulletins, no-action and interpretive letters, and responses to frequently asked questions and inquiries. CF also makes recommendations to the Commission relating to new rules and revisions to existing rules, including those related to the Dodd-Frank and JOBS Act and an ongoing initiative to develop specific recommendations for updating the disclosure requirements for reporting companies.

The Division requests 25 additional positions in FY 2015 to meet its goals and to take a number of actions to enhance its role in promoting full, fair, and timely disclosure of information for investors.

**Review of Filings:** In FY 2015, CF plans to continue its regular and systematic review of reporting companies, with a focus on the companies that comprise a substantial portion of total market capitalization and with the goal of satisfying the review cycle requirements of the Sarbanes-Oxley Act of 2002. CF selectively reviews filings, including registration statements,

other transactional filings, and ongoing reports, made under the Securities Act of 1933 and Securities Exchange Act of 1934 to both monitor and enhance compliance with disclosure and accounting requirements. These filings include those of new issuers and companies already reporting under the Exchange Act. The Sarbanes-Oxley Act requires the SEC to review disclosures made by companies reporting under the Exchange Act at least once every three years and more frequently where circumstances warrant. This review is required to include the company’s financial statements. CF reviews the disclosures of many companies more often than once every three years. In conducting disclosure reviews, CF concentrates its review resources on critical disclosures that appear to conflict with Commission rules or applicable accounting standards or that appear to be materially deficient in explanation or clarity. The staff may review more than one disclosure document from the same company in a single fiscal year.

The JOBS Act established a new category of filers called “emerging growth companies” that may comply with scaled disclosure requirements in their initial public offerings and subsequent periodic reports. These companies may also submit draft registration statements for confidential nonpublic review by staff. The staff review of these draft registration statements is the same as the staff review of filings made under the Securities Act described above, except the company’s submission of draft registration statements are confidential.

In FY 2015, CF plans to use the new positions to strengthen its core disclosure review program, meet any increased workload resulting from improved market conditions and additional emerging growth companies confidentially submitting registration statements for non-public review, and expand its review of filings for asset-backed securities. CF also plans to devote new positions to evaluate outcomes of the filing review process for consistency, efficiency, and quality, and to ensure that filing reviews are consistently conducted with professional competence and consistency.

**Rulemaking and Interpretive Advice:** CF recommends new rules or changes to existing rules to the Commission where statutorily mandated and to improve investor protection and to facilitate capital formation. CF also provides interpretive guidance to companies, investors, and their advisors through issuance of staff legal and accounting bulletins, staff disclosure guidance topics, updates to the Division's financial reporting manual, no-action and interpretive letters, compliance and

disclosure interpretations on the Commission's web site, and responses to telephone and e-mail inquiries.

During FY 2015, CF anticipates that the Commission will continue to implement rules mandated by the Dodd-Frank and JOBS Acts, as well as rules relating to risk retention for asset-backed securities. As part of this implementation, CF may see an increase in the number of interpretive requests related to the adoption and implementation of rules. In addition, CF anticipates continuing an ongoing initiative to develop specific recommendations for updating the disclosure requirements for reporting companies.

Finally, in FY 2015, CF will continue to respond to requests for interpretive guidance by writing letters, posting information on the SEC's web site, and through other means and will strengthen its business management function, particularly in the area of records management.

## WORKLOAD DATA

Activity	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
<b>Review</b>			
Reporting Company Reviews	4,500	2,750	2,750
Reporting Companies Filing with the SEC <sup>1</sup>	8,720	8,335	8,335
Percentage Reviewed <sup>2</sup>	52%	33%	33%
Number of New Issuer Reviews			
IPO 1933 Act	470	470	470
New 1934 Act	115	115	115
New Issuer Reviews <sup>3</sup>	585	585	585
Total Reviews	5,085	3,330	3,330
Confidential Treatment Requests	1,290	1,475	1,475
<b>Rulemaking and Interpretive</b>			
General Advice and Coordination			
No-Action Letters/Interpretive Requests	115	140	140
No-Action Letters (Shareholder Proposals)	340	325	325
<b>Total FTE</b>	<b>455</b>	<b>474</b>	<b>493</b>

<sup>1</sup> For purposes of this presentation, a reporting company is defined as one that has filed an annual report during the prior fiscal year.

<sup>2</sup> Because the Division has established a goal of annually reviewing the disclosures of at least 33 percent of reporting companies, this percentage is presented as the projected level of review for future periods.

<sup>3</sup> Because of uncertain market and economic conditions, the Division does not project any growth in the level of transactional filings for FY 2015. Transactional filings above the projected levels could result in an increase in review time and a reduced number of reviews of reporting companies for the year.

## Division of Trading and Markets

<i>(DOLLARS IN THOUSANDS)</i>	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
<b>FTE:</b> Headquarters	<b>247</b>	<b>258</b>	<b>284</b>
<b>Cost:</b> Salaries and Benefits	\$ 52,231	\$ 56,009	\$ 65,814
Non-Personnel Expenses	21,159	20,464	23,230
<b>Total Costs</b>	<b>\$ 73,390</b>	<b>\$ 76,473</b>	<b>\$ 89,044</b>

### FY 2015 FTE BY SEC STRATEGIC GOAL

Goal 1	Goal 2	Goal 3	Goal 4
Foster and Enforce Compliance with Federal Securities Laws	Establish an Effective Regulatory Environment	Facilitate Access To Information Investors Need	Align and Manage Resources
71	136	77	0

The mission of the Division of Trading and Markets (TM or Division) is to establish and maintain standards for fair, orderly, and efficient markets, while fostering investor protection and confidence in the markets. Today, the markets are particularly complex. In furtherance of this mission, TM is requesting 25 additional positions in FY 2015. These additional resources will enable the Division to continue to assume the substantial new responsibilities required of it under the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) and the Jumpstart Our Business Startups Act (JOBS Act), as well as meet the increased demands of active participation in international groups that address the regulation of securities markets. In addition, these resources will allow TM to sustain and enhance its existing supervision of securities markets, securities market infrastructure, securities intermediaries, and other market participants.

TM supervises the major participants in the U.S. securities markets: as of FY 2013, 18 securities exchanges (equities and options), approximately 4,450 broker-dealers, seven active clearing agencies, approximately 450 transfer agents, the Financial Industry Regulatory Authority (FINRA), security futures product exchanges, and securities information processors. The Division also works closely with (1) the Office of Credit Ratings (OCR) with regard to rulemaking efforts to implement areas of the Dodd-Frank Act regarding the supervision of nationally recognized statistical rating

organizations (NRSROs) and (2) the Office of Municipal Securities (OMS) to supervise the Municipal Securities Rulemaking Board and municipal advisors.

The scope of these supervisory responsibilities is expected to continue to increase. Over the past few years, eight new securities exchanges registered with the SEC, and the Division anticipates a further increase in the number of registered securities exchanges in FY 2014 and FY 2015 (estimated at up to four additional new registrants) for a total of 12 new securities exchanges registered in recent years. During the next few years, the Division also anticipates a further increase in the number of active clearing agencies (estimated at up to six new registrants). The Division also expects a significant number of new registrants under the Dodd-Frank Act and the JOBS Act once registration requirements under those laws go into effect. These new registrants include security-based swap execution facilities (SEFs) (an estimated 20 new registrants), security-based swap data repositories (SDRs) (an estimated four new registrants), security-based swap dealers (an estimated 50 new registrants), major security-based swap participants, and crowdfunding portals (an estimated 60 new registrants).

**Dodd-Frank Act Implementation:** In FY 2014, TM is continuing significant rulemaking efforts to implement key areas of the Dodd-Frank Act, including (1) creation of a new regulatory structure for over-the-counter (OTC) derivatives, (2) the substantially expanded regulation of NRSROs, (3) the regulation

and examination of new clearing agencies and new clearing agency activities, including interagency coordination with respect to those agencies deemed to be systemically significant, (4) implementation of a new regulatory regime for municipal advisors, (5) restrictions on certain conflicts of interest arising in connection with activities involving asset-backed securities (ABS), and (6) new rules relating to the cross-border implementation of rules under Title VII of the Dodd-Frank Act.

All told, the Division is responsible for more than 30 separate rulemaking initiatives under the Dodd Frank Act. Many of these rulemakings are the first step in new ongoing supervisory and regulatory functions for the Division that will extend into FY 2015. These include:

- Registration and regulation of SEFs, clearing agencies, SDRs, dealers, and major participants in the security-based swap markets;
- Regulatory reporting and public dissemination of security-based swap data;
- Mandatory clearing of security-based swaps;
- The cross-border application of our security-based swap rules to the global swaps market in security-based swaps;
- Ongoing implementation of new restrictions on certain conflicts of interest arising in connection with ABS transactions; and
- Implementation of final rules restricting certain proprietary trading activities of broker-dealers under the “Volcker Rule,” including interagency coordination of interpretations, examinations, and enforcement of the rules.

TM is also leading significant interagency projects mandated by the Dodd-Frank Act, including the designation of systemically important non-bank financial entities and financial market utilities under the auspices of the Financial Stability Oversight Council (FSOC) and, in conjunction with the Board of Governors of the Federal Reserve (FRB) and the Federal Deposit Insurance Corporation (FDIC), mechanisms for the orderly liquidation of certain large financial companies, including certain large broker-dealers under the new liquidation authority established by the Dodd-Frank Act. This coordination, which involves complex, perennial regulatory issues, is expected to continue into FY 2015 and beyond.

Additionally, TM is participating in substantial international coordination efforts relating to over-the-counter (OTC) derivatives, including (1) leadership roles in the Financial Stability Board Working Group on OTC Derivatives and the International Organization of Securities Commissions (IOSCO) Task Force on OTC Derivatives Regulation, (2) participation in other OTC derivatives groups, including the OTC Derivatives Regulators Group and two groups set up by IOSCO and the Basel Committee on Banking Supervision (BCBS) to monitor international standards for margin requirements for non-cleared derivatives and to develop standards for risk mitigation, respectively, and (3) bilateral discussions with foreign regulators.

TM also continues to represent the SEC on three permanent committees of IOSCO responsible for the regulation of secondary markets, intermediaries and credit rating agencies. We expect new work projects that will, among other things, address business continuity planning (and cybercrime), along with the causes of technology-related market disruptions. There will also be new projects on how broker-dealers use credit ratings as part of their credit assessments. TM staff will also continue to participate in the Joint Forum, an international organization that addresses issues of common interest to the banking, insurance and securities financial sectors, and will need to continue its ongoing work on Joint Forum projects related to broker-dealer credit risk management and asset encumbrance.

TM further expects that additional responsibilities may arise based on studies conducted under the Dodd-Frank Act—including studies related to short sales and the standards applicable to broker-dealers and investment advisers—as well as the significant implementation and compliance programs that will be required for the rulemaking already underway.

## Supervision of Securities Markets

The Division will face significant new challenges in FY 2015 regarding its regulation and supervision of the U.S. securities markets. In FY 2015, the Division plans to use 10 of the additional positions requested to undertake its new market-related responsibilities under the Dodd-Frank Act, as well as continuing challenges in the area of market supervision. The 10 positions will include five in the Office of Market Supervision, four in the Office of Analytics and Research, and one in the Office of Derivatives Policy and Trading Practices. The new staff would have responsibilities in the areas identified below.

**Technology.** TM will continue its work with self-regulatory organizations (SROs) to enhance critical market infrastructure, including: enhancing the resilience, governance, and transparency of the securities information processors and their backup systems; identifying and enhancing resilience of other critical market infrastructure systems; providing greater clarity regarding trading halts and error rules for the equities and options rules; and establishing risk mitigation mechanisms.

**Securities Market Policy.** In FY 2014 and FY 2015, the staff will address the following developments and issues in the exchange and OTC markets for securities, among others:

- Developments in technology, including the need to assure that significant market centers and clearance and settlement infrastructure are subject to robust technology standards, have policies and procedures in place with respect to their technological systems, and operate such systems in compliance with the Exchange Act and their rules, as well as to improve SEC oversight of such systems;
- Market structure developments, such as the growth of high-frequency trading and dark liquidity, as well as the potential for excessive market volatility;
- Developments in the trading of equity securities, including continuing an evaluation of the appropriate minimum tick sizes for various types of securities;
- The need for better trading and market information for the SEC staff and SROs to effectively conduct surveillance and assess market activity across a wide range of complex trading venues;
- The regulatory framework applicable to exchanges and other trading venues in light of market and regulatory developments, including the requirements for ownership and management of such venues;
- Overall options market structure and developments in the trading of options, including order execution and priority practices and execution quality metrics, as well as the equitable allocation of reasonable fees in the highly competitive options marketplace;
- Developments in the markets for fixed income securities, including the need for more price transparency, better disclosure, and other investor protections;

- Developments in the OTC equity markets, including their increased accessibility to retail investors; and
- Developments in the listing and trading of new structured products on exchanges.

**Registration and Rule Filing Processing.** In FY 2015, the Division expects to evaluate and review an increasing number of SRO proposed rule changes and new exchange and SEF registrations, while monitoring the impact of market developments. As a result of changes to SEC procedures mandated by the Dodd-Frank Act, many of the rule changes filed with the SEC must be approved or disapproved on a significantly expedited basis, which places further demands on an already complex and review-intensive process. Moreover, given the additional entities that recently became exchanges or that are seeking to register as exchanges or other rule-filing entities, the Division expects an increase in the number of proposed rule changes, exceeding the nearly 2,700 proposals that the Division received in calendar year 2013. The Division also expects to continue to provide SROs with guidance on rule filing procedures and to continue to evaluate the efficiency of the rule filing process.

**Market Data and Analysis.** In FY 2012, the Commission adopted a rule that directs the SROs to create, implement, and maintain a consolidated audit trail that would capture order and other trade information across all markets. TM expects to continue to monitor the SROs' progress in developing the consolidated audit trail and to review and analyze the national market system plan required to be submitted by the SROs.

In addition, TM, together with the Division of Economic and Risk Analysis (DERA) and other SEC offices, will continue to use the large trader reporting system adopted in FY 2011 as a mechanism to assist the SEC in improving oversight of the securities markets. Further, TM and DERA will continue to utilize recently implemented tools and systems that facilitate the collection and analysis of trade and order data from the standard public market data feeds, as well as from any commercially available proprietary market feeds provided by individual equities trading venues. The Division's new Office of Analytics and Research (OAR), working with DERA, will continue to publish both one-time and recurring reports concerning liquidity, volatility and other market characteristics both to expand the amount of publicly available information on these topics and to establish a more sound empirical basis for future market structure initiatives. Such tools will enable

TM and other SEC staff to perform regular analyses related to general market depth, order flow, and liquidity, helping to further inform the SEC's rulemaking and market oversight. TM, in connection with the build-out of OAR, also expects to develop additional monitoring tools and processes by expanding the use of its current market data analysis system that will aid the SEC's supervision of the securities markets.

**Equity Markets.** TM will continue to monitor trading in the U.S. exchange and OTC securities markets, as well as continue its analysis of the economic research addressing market structure issues. TM will consider initiatives to protect investors and improve the quality of markets—particularly in light of the increasing technological sophistication of the markets, among other developments. TM will also consider initiatives with respect to the OTC equity markets. Fair competition among these markets will continue to be a focus.

**Equity and Index Option Markets.** In the options markets, TM will continue to analyze, evaluate, and respond to market structure changes that result from, among other things, increased automation and the continued refinement of exchange-based pre-trade risk mitigation mechanisms, changing trading practices, the continuation of the penny pilot program, and increased pressure on internalization practices. TM will continue to consider fees charged by options exchanges and evaluate additional steps to address concerns with respect to discriminatory fees. Further, the Division will consider ways to enhance the ability of the SEC and market participants to evaluate execution and market quality for the trading of listed options.

**Fixed Income Markets.** TM will pursue ideas to improve the market structure for trading fixed income securities generally, including the trading of municipal and corporate bonds. For example, TM will work to implement the recommendations concerning secondary market trading contained in the SEC's July 2012 *Report on the Municipal Securities Market*.

**Rule Interpretation and Studies.** In FY 2014 and FY 2015, the Division will continue administering numerous rules including many that are required to be adopted under the Dodd Frank Act, including—in coordination with the FRB, Office of the Comptroller of the Currency, FDIC, and the Commodity Futures Trading Commission (CFTC)—the now-adopted “Volcker” rule, as well as the JOBS Act, and expects to interpret and assist in the enforcement of these rules. The Division also expects a significant number of requests relating to the new

OTC derivative product status and exemptive processes established by the Dodd Frank Act, and the funding portal registration process to be implemented under the JOBS Act.

**New Exchange-Traded Products.** The Division will continue to analyze, evaluate, and respond to the growing number and complexity of new exchange-traded product filings, and will continue to evaluate its overall approach to reviewing these filings. The Division will also continue to enhance its coordination with other SEC divisions and offices that have responsibilities or interests with respect to these products, including the Division of Investment Management, the Division of Corporation Finance, and DERA. The Division will seek to solicit input from market participants concerning the proliferation of new exchange-traded products and its overall approach to reviewing these filings.

**Short Sales.** TM also will continue the administration of the short sale price test rule, which became effective in FY 2011, including responding to interpretive questions. In addition, TM intends to continue to review whether enhancements to the rules established to reduce persistent failures-to-deliver resulting from short sales (i.e., rules addressing so-called “naked” short sales) are needed. In addition, in FY 2014 and FY 2015, the Division intends to consider whether to recommend new rules on short selling under the Dodd Frank Act, which requires the Commission to adopt rules relating to disclosure of reporting of short sale positions, and short sale-related fraud.

## Supervision of Securities Market Infrastructure

In FY 2015, TM also will face growing demands regarding its supervision of critical securities market infrastructure, with respect to both the implementation of new Dodd-Frank Act-related responsibilities and the expansion of its existing oversight program. In FY 2015, the Division plans to use seven additional positions in the Office of Clearance and Settlement, with responsibilities in the areas identified below.

**Existing and Systemically Important Clearing Agencies.** TM will expand its oversight of existing clearing agencies, particularly those that are designated as systemically important by the FSOC, and will continue to review their rule filings on an ongoing basis. The Division's Office of Clearance and Settlement created a new branch of its clearing agency supervision office in FY 2013 to facilitate such oversight activities and established an additional branch in the second

quarter of FY 2014. As with exchanges, many of the clearing agency rule changes filed with the SEC must be approved or disapproved on a significantly expedited basis following Dodd-Frank Act-related changes to SEC review procedures. Several factors compel this expanded oversight:

- The review of systemic importance established by the FSOC in FY 2011 under Title VIII of the Dodd-Frank Act now requires a detailed review of quantitative and qualitative information by supervisory agencies for presentation to the FSOC, and the Division will be required to lead certain reviews and contribute to others where the Division has dual oversight of the clearing agency together with the CFTC. These reviews are required to be renewed on a regular basis established by FSOC.
- Clearing agencies designated as systemically important and for which the SEC acts as supervisory agency are subject to additional requirements over and above those that exist under the Exchange Act, including different rule filing procedures and timelines requiring the SEC to consider whether and how proposed changes may affect the level or nature of risk at such systemically important clearing agencies. The Division's Office of Clearance and Settlement has established an Office of Risk Supervision to support the SEC's new role and in FY 2014 expects to establish two branches focused on specialized reviews of financial models and other risk management matters, respectively, to increase our capabilities in those areas and improve our coordination with the FRB.
- Clearing agencies designated as systemically important will also be required to be examined by the SEC on at least an annual basis, rather than the two-year examination cycle currently in place. The Division expects the Office of Risk Supervision will support the SEC's examination staff in this enhanced examination regime and ensure it remains coordinated with the Office of Clearance and Settlement's supervisory activities more generally.
- Significant industry initiatives are underway to reform clearing agency practices with respect to the disclosure of risk management information, the role clearing agencies in tri-party securities lending activities, shortening the standard securities settlement cycle and other matters that will demand substantial time and attention from Division staff.

- The accounting disclosure and related governance practices of clearing agencies that are not part of public companies are substantially behind those of other registered clearing agencies, necessitating additional work by Division staff to reach equivalent conclusions regarding the risk management practices of such clearing agencies.

**Security-Based Swap Clearing Agencies.** In FY 2014, the Division anticipates the Commission will consider adopting additional final rules relating to clearance and settlement under the Dodd Frank Act that will expand the SEC's oversight of security-based swaps clearing agencies. Under these rules, TM would undertake (1) ongoing reviews of the rulebooks and proposed rule changes of these clearing agencies, (2) reviews of their requests for exemptive orders and other relief to better harmonize the practices of the CFTC and the SEC, and (3) reviews of new clearing business initiatives expected to be pursued as the use of security-based swaps expands. The Division also expects there to be a materially greater level of work associated with relevant SEC rules relating to security-based swaps clearing, as many of the standards are new and the relevant clearing agencies are expected to be new or recent registrants with the SEC.

**Additional Clearing Agency Standards.** In FY 2014 the Division expects to consider recommending changes to the SEC's clearing agency rules as international standards in the area are adopted, such as those contained in the Principles for Financial Market Infrastructures jointly developed by the Committee on Payment and Settlement Systems and the Technical Committee of the International Organization of Securities Commissions (CPSS-IOSCO). In FY 2014, the Division expects to continue to serve in a leadership capacity on the CPSS-IOSCO committees reviewing clearing agency matters, and to contribute to other committees reviewing relevant topics such as the Basel Committee on Banking Supervision (BCBS) review of capitalizing bank exposures to central counterparties commenced in FY 2012.

**Transfer Agents.** The Division expects to seek to improve the regulation of transfer agents during FY 2014. Division staff is preparing for Commission review of a series of potential rule proposals designed to modernize the oversight and regulation of the approximately 450 transfer agents regulated by the SEC

**New Registrations of Clearing Agencies and SDRs.** In FY 2014 the Division expects to consider at least four applications

for organizations to register as security clearing agencies or security-based swap clearing agencies or seek an exemption from the SEC's registration requirements. The new registration activity is driven by the new requirements under the Dodd-Frank Act and related changes to market infrastructure that have brought more attention to payment and clearance and settlement activities in the U.S. Depending on the outcome of such registration applications, in FY 2015 the Division will face additional demands on its supervisory resources for clearing agencies consistent with descriptions above. In addition, TM expects to consider at least four applications for SDR registration in FY 2014 and FY 2015 once the SEC's proposed rules in this area are finalized.

**SDRs.** In addition to work related to the registration of SDRs, the Division expects to begin to establish its program for overseeing new SDRs in FY 2014, including (1) review of required annual and interim amendments to registrations, compliance reports, and financial reports, and (2) together with OCIE, review of the SDR's systems and processes for disseminating real-time transaction prices for security-based swaps. In addition, once the SDR-related rules are in place, TM and other SEC staff will perform regular analysis of SDR data to help inform the SEC's rulemaking and oversight of the security-based swap market. The Division further expects that the interest of other U.S. and non-U.S. regulators in security-based swaps will create new demands for information from or about SDRs that will require TM support.

**Non-Central Counterparty Clearing Agencies.** In FY 2015, the Division also expects to consider recommending that the Commission review the appropriate regulation and oversight of non-central-counterparty (CCP) clearing agencies whose functions are critical to the securities marketplace. If additional regulation is implemented, TM would need to initiate appropriate supervision of the 10 to 15 non-CCP clearing agencies that would be expected to be covered by such a regime.

## Supervision of Securities Firms

The Dodd-Frank Act also imposes significant new responsibilities with respect to the Division's supervision of securities firms, creating new categories of registrants—security-based swap dealers, major security-based swap participants, and municipal advisors—in addition to already regulated broker-dealers. The JOBS Act also provided for

“crowdfunding” brokers and funding portals, which will require new rules drafted and overseen by the Division.

In order to meet the anticipated challenges posed by the increase in regulated entities and by the new program initiatives under the Dodd-Frank Act and the JOBS Act in the area of securities firm supervision, TM plans to allocate eight new staff positions to this area in FY 2015. The eight additional positions will include one new staff in the Office of Chief Counsel, six new staff in the Office of Broker-Dealer Finances, and one new staff in the Office of Derivatives Policy and Trading Practices.

**General Regulation of Broker-Dealers.** The Division handles, in collaboration with other divisions and offices, most issues related to broker-dealer registration and regulation, liaises with FINRA and the other SROs regarding broker-dealers, reviews rule filings of FINRA and the other SROs pertaining to the regulation of broker-dealers, responds to market participant requests for no-action or exemptive relief or rule interpretation issues, and provides analysis for certain actions planned by the Division of Enforcement. In addition, the Division supervises broker-dealer financial responsibility requirements, including the protection of customer assets held by broker-dealers, recordkeeping and reporting requirements, and regulatory capital requirements, including requirements for broker-dealers who calculate net capital using value-at-risk (VaR) models.

**Financial Responsibility of Broker-Dealers.** TM will continue its rulemaking efforts regarding its supervision of broker-dealers, such as rules designed to increase capital and liquidity requirements, to conduct ongoing monitoring of broker-dealers that use VaR models to calculate net capital, as well as assessment of risks arising from broker-dealer affiliates through the 17h program. The Division also is reviewing the adequacy of capital and liquidity arrangements by these firms, and expects to seek to strengthen them where appropriate. The Division will also recommend to the Commission final amendments to the rules regarding the removal of statutory references to credit ratings.

**FINRA Oversight and Rulemaking.** In FY 2015, TM will continue to review and monitor FINRA's efforts to consolidate and revise SRO rules governing securities firms. The Division will consider SRO rule changes and amendments in areas such as sales practices, supervision of personnel and member firms, and SRO arbitration. TM will also monitor developments in the areas of research analysts, broker-dealer information barriers, pension plan services, and initial public offerings. The staff will

continue working with FINRA to create a single rule book for member regulation that will govern virtually all broker-dealers.

**Registration and Regulation of Security-Based Swap Intermediaries.**

The Dodd-Frank Act created new categories of regulated securities market participants: security-based swap dealers and major security-based market participants. TM will continue its rulemaking initiatives with respect to new registration requirements; capital, margin, and segregation standards; daily trading records and other reporting and recordkeeping requirements; business conduct obligations; confirmation and other documentation obligations; and other specified duties enumerated in the statute.

The staff, in conjunction with the OCIE, expects to register these entities on a rolling basis, monitor market developments and promulgate new rules where needed, and respond to numerous interpretive requests in connection with the requirements placed on these new registrants by the Dodd-Frank Act.

The demand on agency resources of this registration process will be especially high to the extent that firms are permitted to

use VaR models to calculate regulatory capital and customer margin requirements. In order to approve VaR models for capital and margin purposes, the SEC would need to review the firm's internal risk management controls systems with respect to market, credit, liquidity, leverage, legal, and operational risks of the firm. After a firm has been authorized to use models, the staff would monitor the firm's financial position and risk management information on an ongoing basis.

**SIPC Oversight.** The Division will continue to participate in the supervision of the Securities Investor Protection Corporation (SIPC) and monitor the liquidation of broker-dealers under the Securities Investor Protection Act of 1970. This responsibility will continue to require more agency resources due to the growing number and complexity of issues arising in large liquidations, such as Lehman Brothers, Inc., Bernard L. Madoff Investment Securities, LLC, and MF Global, Inc. The Division will also continue to implement various initiatives agreed in connection with recent Government Accountability Office (GAO) and Office of Inspector General reports on the SEC's oversight of SIPC.

**WORKLOAD DATA**

Activity	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
<b>Securities Firm Supervision</b>			
SRO Proposed Rule Changes Reviewed <sup>1</sup>	54	84	86
SEC Rulemaking, Exemptive Orders, and Interpretive and Other Actions <sup>2</sup>	27	25	20
Interpretive, Exemptive, and No-Action Request Letters Closed <sup>3</sup>	35	30	30
Reviews of Potential Enforcement Actions	1,425	1,500	1,500
Registered Representative Reentry Applications Filed	20	25	25
Provision of Interpretation and Guidance, Responding to General Questions, and TCRs	6,688	6,500	6,300
Analysis of Risk Assessment Reports			
Risk Assessment of Broker-Dealers Filing Form 17-H			
Firms Assessed	48	50	50
Filings Reviewed	340	370	375
Risk Supervision of Alternative Net Capital Broker-Dealers			
Firms Assessed	6	7	9
Filings Reviewed	72	84	108
Risk Supervision of OTC Derivatives Dealers and Security-Based Swap Dealers			
Firms Assessed	5	4	16
Filings Reviewed	16	22	72
Applications Reviewed	0	1	12
Broker-Dealers			
Registrants	4,467	4,275	4,100
Registration Applications Filed	184	160	140
Registration Amendments Filed	12,902	12,250	11,500
Registrations Withdrawn or Cancelled	470	450	425
Financial Reports Filed	6,473	6,450	6,450
Funding Portals	0	50	50
<b>FTE</b>	<b>123</b>	<b>128</b>	<b>140</b>
<b>Securities Market &amp; Infrastructure Supervision</b>			
SRO Proposed Rule Changes Reviewed <sup>1</sup>	2,599	2,670	2,795
NMS & SRO Plan Amendments Filed	21	20	20
SEC Rulemaking, Exemptive Orders, and Interpretive and Other Actions <sup>2</sup>	8	10	13
Interpretive, Exemptive, and No-Action Request Letters Closed <sup>3</sup>	14	10	10
Securities Exchanges			
Registrants	18	20	22
Registration Applications Filed	1	2	2
Registration Amendments Filed	96	110	120
Registrations Withdrawn or Cancelled	0	0	0

(continued on next page)

<sup>1</sup> These data include filings, pre-filings, and amendments reviewed.

<sup>2</sup> The data previously captioned "SEC Rulemaking and Interpretive Actions" has been re-captioned "SEC Rulemaking, Exemptive Orders, and Interpretive and Other Actions" for clarity and now combines rulemaking, exemptive orders, and interpretive and other actions that are issued by TM but that are not included in the data captioned "Requests for No-Action Letters and Exemptive and Interpretive Relief."

<sup>3</sup> These data include requests for which a formal response was not issued, such as items that were withdrawn, but omit routine correspondence (such as routine broker-dealer financial responsibility correspondence and foreign control location letters filed under Rule 15c3-3 of the Securities Exchange Act).

**WORKLOAD DATA (continued)**

Activity	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
Alternative Trading Systems <sup>4</sup>			
Registrants	89	92	92
Initial Operations Reports Filed	14	13	13
Initial Operations Report Amendments Filed	90	73	73
Cessations	8	5	5
Quarterly Reports	363	356	356
Security-Based Swap Execution Facilities			
Registrants	0	0	20
Registration Applications Filed	0	0	20
Proposed Rule Changes Filed	0	0	100
Clearing Agencies (Active)			
Registrants	7	9	10
Registration Applications Filed	4	4	2
Security-Based Swap Data Repositories			
Registrants	0	4	4
Registration Applications Filed	0	4	0
Transfer Agents <sup>5</sup>			
Registrants	348	335	325
Registration Applications Filed	12	12	12
Registration Amendments Filed	171	170	170
Registrations Withdrawn or Cancelled	11	11	11
Annual Reports Filed	370	370	370
Large Traders <sup>6</sup>			
Registrants	2,948	3,500	3,750
Registration Applications Filed	660	500	300
Registration Amendments Filed	2,482	2,500	2,500
Terminated or Inactive	83	300	100
Annual Reports Filed	1,836	3,500	3,750
<b>FTE</b>	<b>124</b>	<b>130</b>	<b>144</b>
<b>Total FTE</b>	<b>247</b>	<b>258</b>	<b>284</b>

<sup>4</sup> The data previously captioned "Registration Applications Filed" has been re-captioned "Initial Operations Reports Filed" and the data previously captioned "Registration Amendments Filed" has been re-captioned "Initial Operations Report Amendments Filed." These changes were made to better reflect the names and functions of the filings via which Alternative Trading Systems are deemed registered.

<sup>5</sup> These data reflect adjustments made as a result of correction of a technological system's error. These data include only SEC-registered transfer agents and omit the approximately 108 transfer agents registered with a bank regulatory agency, which the Commission also oversees.

<sup>6</sup> These data reflect adjustments made as a result of correction of a technological system's error. Reference to registrations withdrawn or cancelled updated to registrations terminated or inactive to reflect data available.

## Division of Investment Management

<i>(DOLLARS IN THOUSANDS)</i>	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
<b>FTE:</b> Headquarters	155	178	197
<b>Cost:</b> Salaries and Benefits	\$ 35,215	\$ 40,389	\$ 47,717
Non-Personnel Expenses	14,408	13,402	15,678
<b>Total Costs</b>	<b>\$ 49,623</b>	<b>\$ 53,791</b>	<b>\$ 63,395</b>

### FY 2015 FTE BY SEC STRATEGIC GOAL

Goal 1	Goal 2	Goal 3	Goal 4
Foster and Enforce Compliance with Federal Securities Laws	Establish an Effective Regulatory Environment	Facilitate Access To Information Investors Need	Align and Manage Resources
55	77	61	4

The Division of Investment Management (IM) works for American investors by protecting investors, promoting informed decision making, and facilitating appropriate innovation in investment products and services through regulation of the asset management industry.

In FY 2014, IM plans to continue to evaluate options for money market reform and develop a recommendation to the Commission for final rule amendments that were proposed in FY 2013. The proposal was designed to address money market funds' susceptibility to heavy redemptions, improve their ability to manage and mitigate potential contagion from such redemptions, and increase the transparency of their risks, while preserving, as much as possible, the benefits of money market funds. IM plans to continue considering comments received on the proposed reforms and develop a recommendation for final action that the Commission could adopt in FY 2014.

The Division expects in FY 2014 to recommend that the Commission issue a proposal to improve the reporting of information about fund operations and portfolio holdings by registered investment companies other than money market funds, such as mutual funds, closed-end funds, and exchange-traded funds. This proposal could include modernizing and consolidating certain reporting forms and require more frequent and enhanced reporting of portfolio holdings. If the

proposal is adopted, IM would devote substantial resources to administer and monitor form submissions and data. IM requests 4 positions in FY 2015 for this initiative.

IM administers and monitors the implementation of reporting requirements for private fund investment advisers on Form PF as required by the Dodd-Frank Act. Consistent with the Dodd-Frank Act, Form PF data is designed to assist the Financial Stability Oversight Counsel (FSOC) in monitoring for potential systemic risk. In FY 2013, all private fund advisers began filing this systemic risk information with the SEC. In FY 2014 and 2015, IM will devote substantial resources to administer and monitor reporting on Form PF; continue to help filers complete Form PF and interpret the form's requirements; coordinate with other financial regulators with respect to data formats, protocols, and technical specifications related to receipt and usage of the data; and oversee security of the data, including limiting data access to authorized organizations and individuals. IM requests 4 positions in FY 2015 to continue to continue to build capacity to manage and analyze Form PF data.

Exchange Traded Funds (ETFs) have unique attributes that present different and often more challenging regulatory concerns than conventional investment companies. ETFs are rapidly growing, increasingly complex financial products whose activities raise significant disclosure, conflict of interest, market structure, and macro-prudential issues. In FY 2014 and 2015,

IM plans to devote additional resources to augment its ability to respond effectively to product innovation and potential market stresses in this area. IM requests 4 positions in FY 2015 for this initiative.

The Risk and Examinations Office (REO) serves as a resource to the Division and the Commission by providing practical review and analysis of the asset management industry. The Office pursues its mission by (1) managing, monitoring, and analyzing the industry data the Division gathers; (2) providing ongoing financial analysis of the asset management industry, including in particular the risk-taking activities of investment advisers and investment companies; (3) gathering and analyzing through its examination function operational information directly from participants in the asset management industry; and (4) otherwise maintaining industry knowledge and technical expertise to provide the Division with other analyses that may support IM's activities. In FY 2015, REO plans to devote additional resources to expand and improve IM's monitoring and oversight of the industry and bring on additional staff with industry, quantitative and computerized data analysis expertise. IM requests 8 positions in FY 2015 for these initiatives.

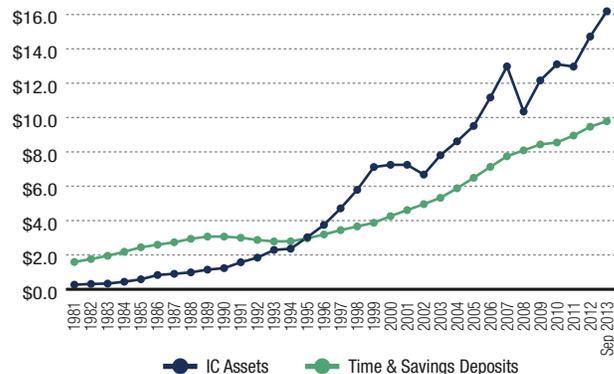
To respond to growth and increased product sophistication in the asset management industry, IM requests 5 positions to expand its disclosure review program and bolster the program's technical expertise in complex areas including derivatives, hedge funds, ETFs, asset-backed arrangements, credit analysis, portfolio management, securities analysis, mutual fund trading strategies, and investment company operations. The five additional positions would return the staff-to-portfolio ratio for IM's disclosure review program to approximately its level in FY 2003.

A primary function of IM is to administer the Investment Company Act of 1940 and Investment Advisers Act of 1940 and develop regulatory policy for open-end management investment companies (commonly known as mutual funds) and other investment companies, and for investment advisers. In order to perform this function, IM works in conjunction with the SEC's Office of Compliance Inspections and Examinations (OCIE) that conducts surveillance and on-site inspections.

With \$14.3 trillion in assets as of September 30, 2013, mutual funds make-up the vast majority of the products that IM oversees. The investment management industry continues to rapidly evolve as competitive pressures and technological

**COMPARISON OF INVESTMENT COMPANY ASSETS TO TIME & SAVINGS DEPOSITS**

(DOLLARS IN TRILLIONS)



change spur the development of new financial products. Product innovation has grown rapidly, with increased complexity posing significant risks to investors and challenges to regulators. Today, assets of mutual funds and other investment companies (\$16.2 trillion) significantly exceed the \$9.8 trillion of time and savings deposits assets at commercial banks.

As U.S. households have increased their participation in the stock market, their investment vehicle of choice has been mutual funds. Mutual funds are the largest segment of the investment company industry, accounting for 88 percent of investment company assets. The U.S. mutual fund industry has grown dramatically over the past thirty-three years. Assets under management have grown from \$94.5 billion at the end of 1979 to \$14.3 trillion at September 30, 2013, a more than 100 fold increase. Over the same period, the number of mutual fund portfolios has increased from 526 to 7,605.

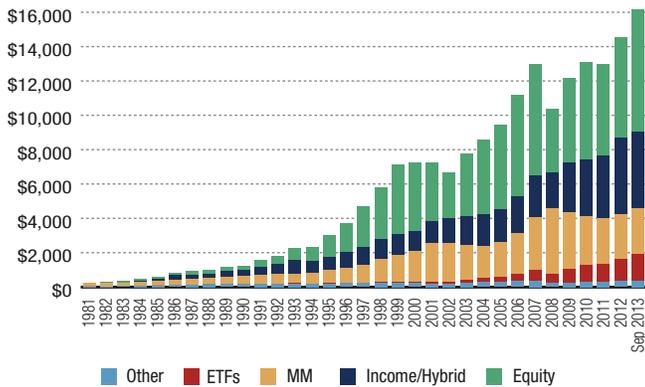
More complex investment vehicles are growing in market share as simpler ones, such as money market funds, are shrinking. Exchange Traded Funds (ETFs)—a type of exchange-traded product that must register as investment companies—have grown rapidly in recent years and now account for approximately \$1.5 trillion in assets, or approximately 13 percent of the long term U.S. open end investment company industry. In contrast, money market funds have been losing assets as historically low short-term interest rates continue to weigh on money market fund investors.

In the wake of the 2008 financial crisis there has been a significant flow of cash into bond funds, accompanied by a lesser but significant flow of cash out of equity funds.

From January 2009 to December 2012 approximately \$1,043 billion flowed into bond mutual funds while approximately \$307 billion flowed out of equity funds. This trend reversed in 2013 (\$82 billion flowed out of bond funds and \$168 billion flowed into equity funds) as economic conditions improved and markets anticipated the Federal Reserve Board would reduce its \$85 billion monthly bond buying program.

**GROWTH IN ASSETS OF THE INVESTMENT COMPANY INDUSTRY  
DECEMBER 1981 — SEPTEMBER 2013**

(DOLLARS IN BILLIONS)



Note: "Other" Investment Companies include: Unit Investment Trusts and Closed-End funds.

Over the long term, the increase in fund assets during the past three decades can be attributed to a number of factors, including the increased use of Individual Retirement Accounts and defined contribution pension plans. The value of retirement assets invested in mutual funds exceeds \$6 trillion. Forty-two percent of all fund assets and 49 percent of long-term fund assets (excluding money market funds) are held in retirement accounts. The mutual fund industry now accounts for 29 percent of total retirement assets and 62 percent of 401(k) assets.

As of October 1, 2013, there are 10,899 SEC-registered investment advisers reporting approximately \$54.3 trillion in regulatory assets under management, which is a 9 percent increase from the beginning of the calendar year. Approximately 61 percent of these advisers provide investment advice to individuals. Approximately 38 percent provide investment advice to approximately 25,400 private funds such as hedge funds, private equity funds, and venture capital funds with gross assets of about \$8.3 trillion. In addition to registered investment advisers, the SEC also receives reports from approximately 2,521 exempt reporting advisers—advisers

whose only clients are private funds and are exempt from registration with the SEC—that report managing over 8,000 private funds accounting for \$2.8 trillion.

**Risk and Examinations Office**

REO serves as a resource to the Division and the Commission by providing expert review and analysis of the asset management industry. The Office pursues its mission by (1) managing, monitoring, and analyzing the industry data the Division gathers; (2) providing ongoing financial analysis of the asset management industry, including in particular the risk-taking activities of investment advisers and investment companies; (3) gathering and analyzing through its examination function operational information directly from participants in the asset management industry; and (4) otherwise maintaining industry knowledge and technical expertise to provide the Division with other analyses that may support IM's activities. In FY 2014 and FY 2015, REO plans to devote additional resources to expand and improve IM's monitoring and oversight of the industry and bring on additional staff with industry, quantitative and computerized data analysis expertise.

**Focus on Inter-Agency Coordination and Financial Stability**

IM staff participates in work with the Financial Stability Oversight Counsel (FSOC) focused on systemic risk issues. IM staff also collaborates with the Office of Financial Research (OFR) in evaluating data issues and answering interpretive questions relating to private fund systemic risk data that the Commission is collecting on Form PF for FSOC's use in evaluating systemic risk.

IM also participated in international regulatory organizations such as the Financial Stability Board (FSB) and the International Organization of Securities Commissions (IOSCO). These organizations issued papers in 2013 related to, among other topics ETFs, fund liquidity risk management and fund valuation. In addition IM devoted considerable resources to work developing a joint FSB/IOSCO consultation report, publicly issued in January 2014, regarding methodologies for determining non-bank, non-insurance systemically relevant entities, including asset management entities. In addition, IM provided technical assistance to foreign regulators with regard to investment management regulation.

## Implementing Statutory Mandates

**Investment Adviser Regulation.** For FY 2014, the staff expects to recommend to the Chair that the Commission adopt rule and form changes regarding the general solicitation of hedge and other private funds. If these rule and form changes are adopted, in FY 2015 staff expects to monitor and assess private fund offerings using the new data collections. Depending on resource constraints, the staff may also engage in a related review of investment adviser rules related to advertising and payments made for solicitation in conjunction with the JOBS Act and other non-mandated priorities, including those related to the offer or sale of interests in private funds.

Finally, in FY 2014, to assist the Commission's examination program, the staff expects to recommend that the Commission propose amendments to Form ADV to accommodate "umbrella registration" concepts that are commonly relied upon by private fund advisers. The staff is currently considering this as part of the proposal to improve the reporting of information about fund operations and portfolio holdings, which is discussed above.

**Systemic Risk Reporting for Private Fund Investment Advisers.** IM continued to administer and monitor the implementation of reporting requirements for private fund investment advisers on Form PF to assist FSOC in monitoring for potential systemic risk, a requirement of the Dodd-Frank Act. In FY 2013, all private fund advisers began filing this systemic risk information with the SEC. In FY 2014 and 15, IM will devote substantial resources to administer and monitor reporting on Form PF; continue to help filers complete Form PF and interpret the form's requirements; coordinate with other financial regulators with respect to data formats, protocols, and technical specifications related to receipt and usage of the data; and oversee security of the data, including limiting data access to authorized organizations and individuals.

**Joint Rulemaking with Federal Banking Regulators.** In FY 2014, the Commission adopted rules implementing provisions of the Dodd-Frank Act that restricts or prohibits banking entities from having certain interests in, or relationships with, a hedge fund or private equity fund. In FY 2013, IM evaluated, in conjunction with three Federal banking regulators, comments provided on the proposed rules, which were proposed in FY 2011 under the Bank Holding Company Act in accordance with the Dodd-Frank Act. IM anticipates providing assistance during a

transition period for affected advisers in FY 2014 and FY 2015 to implement the final rule. In FY 2014, the Commission also adopted an interim final rule to permit banking entities to retain interests in certain collateralized debt obligations backed primarily by trust preferred securities under certain conditions. IM will evaluate comments received on the interim final rule in FY 2014, and may recommend additional action to the Commission on this matter.

**NRSRO Rating Removal.** In the early part of FY 2014, pursuant to a Dodd-Frank Act mandate, the Commission adopted amendments to remove references to credit ratings from certain of its rules and forms. The amendments removed required credit rating references from rule 5b-3 and Forms N 1A, N-2, and N-3 under the Investment Company Act. Later in FY 2014, the Division expects to recommend that the Commission adopt amendments to remove remaining references to credit ratings from its rules and forms under the Investment Company Act (rule 2a-7 and Form N-MFP) with some changes to address issues raised by commenters. This recommendation would continue to carry out the Dodd-Frank Act mandate to remove credit rating references from Commission rules.

**Proxy Vote Reporting by Institutional Investment Managers.** In FY 2014, IM expects to recommend that the Commission adopt rule amendments it proposed in FY 2010 to implement section 951 of the Dodd-Frank Act. The amendments would require institutional investment managers subject to section 13(f) of the Securities Exchange Act to report how they voted proxies relating to executive compensation matters as required by Section 14A of the Securities Exchange Act.

## Money Market Reform

In FY 2014, IM plans to continue work to evaluate options and develop a recommendation to the Commission for final rule amendments that were proposed in FY 2013. The proposal was designed to address money market funds' susceptibility to heavy redemptions, improve their ability to manage and mitigate potential contagion from such redemptions, and increase the transparency of their risks, while preserving, as much as possible, the benefits of money market funds. IM plans to continue considering comments received on the proposed reforms and develop a recommendation for final action that the Commission could implement in FY 2014.

## Improved Reporting of Information about Fund Operations and Portfolio Holdings

In FY 2014, the staff expects to recommend to the Chair that the Commission issue a proposal to improve the reporting of information about fund operations and portfolio holdings. The Commission has benefited from monthly portfolio and other information reported by money market funds, which has been used to inform policy and rulemaking, and has been important for examination and enforcement use. The staff expects to issue a proposal that would improve the information reported to the Commission by registered investment companies other than money market funds, such as mutual funds, closed-end funds, and exchange-traded funds. This proposal could include modernizing and consolidating certain reporting forms and require more frequent and enhanced reporting of portfolio holdings. If the proposal were subsequently adopted, IM would devote substantial resources to administer and monitor form submissions and data.

## Other Rulemaking Initiatives

In FY 2014 and FY 2015, IM anticipates that additional staff time will be devoted to pursuing the following additional rulemaking initiatives.

**Variable Annuity Summary Prospectus.** In FY 2014, IM expects to recommend that the Commission propose rules designed to provide variable annuity investors with more user-friendly disclosure and to improve the delivery of information about variable annuities through increased use of the Internet and other electronic means of delivery. In FY 2015, IM expects to analyze comments submitted on the proposed rules and consider whether to recommend that the Commission adopt rules to improve disclosure to variable annuity investors.

**Exchange-Traded Funds (ETFs).** The staff also expects to recommend that the Commission propose or adopt in FY 2014 a number of rules designed to increase investor protections and promote capital formation. For example, with respect to ETFs, in FY 2014 the staff may recommend that the Commission re-propose a FY 2008 proposal that would allow certain funds organized as ETFs to operate without obtaining an exemptive order, and that would allow other funds to purchase ETF shares in amounts greater than the limits of “fund of funds” provisions. After the Commission receives further comments, the Division may recommend

that the Commission adopt the re-proposed ETF rules, with modifications based on the comments received.

**Target Date Funds.** In FY 2014, IM expects to recommend that the Commission request additional comment on a FY 2010 proposal that would have required that certain marketing materials for target date retirement funds provide better information to investors and reduce the potential for investors to be confused or misled regarding these and other investment companies. The request for additional comment would respond to recommendations by the Investor Advisory Committee, established by the Dodd-Frank Act, concerning the disclosure of risk measures in glide path illustrations and certain other matters. The Division plans to evaluate the comment letters submitted to the Commission to determine whether to recommend any subsequent action by the Commission.

**Investment Advisers.** In FY 2014, the staff will also evaluate whether to recommend that the Commission propose rules that may arise out of the Commission’s consideration of the 2011 Staff Study in response to Section 913 of the Dodd-Frank Act that evaluated the duty of care and harmonization between broker-dealers and investment advisers in regards to the provision of personalized financial advice to retail customers. Through FY 2014 and into FY 2015, the staff expects also to continue its review of existing rules for investment advisers for opportunities to modernize them or to make other adjustments to address the shifting composition of the population of registered investment advisers.

## Derivatives and Mortgage Related Pools

In FY 2014, IM plans to continue to analyze comments received on the 2011 derivatives concept release to assess the viability of various proposals and approaches suggested by the commenters. The staff then expects in FY 2014 and 2015 to make recommendations to the Commission for the proposal and adoption of rule revisions or new rules that would address a number of issues related to investment company use of derivatives, including with respect to leverage, concentration, diversification, and custody.

With respect to mortgage-related pools, in FY 2014 IM plans to continue analyzing issues raised by comments received on the 2011 concept release to assess the viability of various proposals and approaches suggested by the commenters and identify any issues that may benefit from further opportunity

for public comment. The staff will then determine whether to recommend to the Commission that modifications or additions to existing rules, regulations or guidance relating to the status of mortgage-related pools under the Investment Company Act of 1940 may be necessary or appropriate.

## Exchange Traded Funds

ETFs have unique attributes that present different and often more challenging regulatory concerns than conventional investment companies. ETFs are rapidly growing, increasingly complex financial products whose activities raise significant disclosure, conflict of interest, market structure, and macro-prudential issues. In FY 2014 and 2015, IM plans to devote additional resources to augment its ability to respond effectively to product innovation and potential market stresses in this area. Under this initiative, individuals with specialized industry or legal expertise would assist in evaluating novel and complex ETF products, structures, trading mechanisms, and index replication methodologies. These individuals would also obtain and interpret information obtained via dialogue with portfolio managers, authorized participants, index arbitrage traders, operations managers, personnel involved in physical and synthetic index replication, and other technical experts. In addition, the individuals would review selected ETF disclosure documents, and assist in targeted examinations that involve ETF industry participants.

## Disclosure

In FY 2014 and FY 2015, the staff will review most new portfolios of open-end and closed-end funds, all new insurance contracts, and most portfolios of new unit investment trusts (UITs). The staff also will examine almost all post-effective amendments that contain material changes in disclosure or in fund operations and almost all preliminary proxy statements. Additionally, the staff will continue to fulfill its requirement under the Sarbanes-Oxley Act of 2002 to review investment company issuer filings at least once during a three-year period.

In the past 10 years, the number of portfolios of mutual funds, ETFs, and closed-end funds has increased by 17 percent and assets under management increased by 123 percent, while the number of staff that review disclosure filings remained the same. Perhaps more significantly, the period featured a dramatic increase in the complexity of investment company portfolio strategies (e.g., absolute return, portable alpha,

complex derivative strategies) and product design (e.g., hedge funds-of-funds, inverse and leveraged ETFs, ETFs with portfolio holdings based on indices of market volatility). The period also featured an increase in the complexity of registered insurance product designs, including structured annuities, contingent deferred annuities, and living benefit features offered under variable annuities.

## Interpretive Advice

IM provides formal and informal legal guidance in the form of interpretive and no-action letters, interpretive releases, memoranda, and other letters and materials. In FY 2014, the staff will continue to devote time to Dodd-Frank Act and JOBS Act rulemaking and reports and expects, in FY 2014 and FY 2015, a subsequent increase in formal and informal legal guidance matters arising out of the rulemakings implemented pursuant to these Acts. Under this scenario, the staff estimates closing 1,300 matters involving formal and informal legal guidance in FY 2014 and 1,325 matters in FY 2015.

IM's Enforcement Liaison Office reviews enforcement matters concerning investment companies and investment advisers. Among other things, the staff reviews enforcement recommendations for consistency with the law and IM's policy goals. This Office also has extensive contact with other divisions and offices, especially the SEC's regional offices and examination staff.

The staff expects to review an increased number of enforcement matters and the same (or slightly decreased) number of Form ADV referrals in FY 2014. The staff estimates total matters to be slightly greater than 1,000 matters in FY 2014. In FY 2015, the staff expects the number of enforcement-related matters to increase commensurate with the requested increase in Enforcement staff.

## Exemptive Relief

The staff reviews applications from investment companies and others that request exemptions from various provisions of the Investment Company Act or the Investment Advisers Act. The ability to grant exemptive relief permits the evolution of financial products and services that would be otherwise prohibited, while assuring that appropriate investor protections are in place. In FY 2014 and 2015, the staff intends to continue its efforts to provide exemptive relief to mutual funds and other

investment management participants in a timely and efficient manner, consistent with the goal of investor protection. Among other types of applications, the staff expects to receive a significant number of applications for novel exchange-traded funds and fund of fund structures, as well as from advisers seeking an exemption from the pay to play rule.

The staff also will continue to receive a significant number of routine applications to permit index-based and transparent actively managed ETFs, manager of manager arrangements

and funds of funds arrangements. The staff also receives applications by investment companies to deregister under the Investment Company Act. Deregistration applications normally take less time to complete than other types of applications. Based on current workload and given that the number of filings of new deregistration applications appears to be increasing, the staff estimates it will close approximately 318 exemptive applications in FY 2014.

**WORKLOAD DATA**

Activity	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
<b>Industry Statistics<sup>1</sup></b>			
Investment Companies:			
Number	4,198	4,187	4,100
Portfolios and Insurance Contracts	18,779	18,647	18,925
Complexes	832	819	820
Assets (\$ trillions)	14.4	16.2	17.2
Investment Advisers:			
Number	11,002	10,899	11,400
Advisers Reporting on Form PF <sup>2</sup>	250	2,400	2,500
Assets under Management (\$ trillions)	49.5	54.3	56.0
<b>Disclosure</b>			
Investment Company Filings:			
New Portfolios and Insurance Contracts Filed on Registration Statements	2,982	3,030	3,050
New Portfolio Disclosures and Insurance Contracts Reviewed	1,884	1,940	1,970
Existing Portfolios and Insurance Contracts Filed on Post-Effective Amendments <sup>3,4</sup>	31,228	31,150	31,700
Existing Portfolio Disclosures and Insurance Contracts Reviewed <sup>4</sup>	4,967	4,900	4,990
Portfolios and Insurance Contracts Filed on Proxy Statements	1,214	1,150	1,180
Portfolios and Insurance Contracts Filed on Proxy Statements Reviewed	1,214	1,150	1,180
Annual and Periodic Reports Filed	12,525	13,440	13,680
Annual and Periodic Reports Partially Reviewed	4,534	4,480	4,560
Total Filings	47,949	48,770	49,600
Total Filings Reviewed	12,599	12,470	12,690
Percent Reviewed	26%	26%	26%
<b>FTE</b>	<b>58</b>	<b>68</b>	<b>72</b>
<b>Interpretive Advice</b>			
Formal and Informal Requests for Guidance	1,552	1,300	1,330
Enforcement-Related Matters Reviewed	975	1,050	1,050
Exemptive Relief Requests Concluded	311	320	320
<b>FTE</b>	<b>58</b>	<b>61</b>	<b>66</b>
<b>Rulemaking</b>			
<b>FTE</b>	<b>32</b>	<b>29</b>	<b>32</b>
<b>Risk and Examinations<sup>5</sup></b>			
<b>FTE</b>	<b>7</b>	<b>20</b>	<b>27</b>
<b>Total FTE</b>	<b>155</b>	<b>178</b>	<b>197</b>

<sup>1</sup> Industry statistics are reported as of the beginning of the fiscal year while workload indicators are reported as of the end of the fiscal year.

<sup>2</sup> Form PF is a new filing. The growth from FY 2013 to FY 2014 reflects the staggered compliance dates for different groups of filers.

<sup>3</sup> Included in post-effective amendments are open-end, closed-end, and unit investment trust portfolios.

<sup>4</sup> With respect to post-effective amendments, historically, over 90 percent of open-end and closed-end portfolios that contain material changes in disclosure or in fund operations are reviewed. Amendments to UIT portfolios, because of their repetitive nature, generally are not reviewed.

<sup>5</sup> A portion of the FY 2013 to FY 2014 FTE increase is due the absorption of the Division's Financial Analysis Office (FAO) into the Risk and Examinations Office. Previously, FAO's FTE were allocated among other functions.

## Division of Economic and Risk Analysis

<i>(DOLLARS IN THOUSANDS)</i>	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
<b>FTE:</b> Headquarters	<b>44</b>	<b>103</b>	<b>142</b>
<b>Cost:</b> Salaries and Benefits	\$ 17,482	\$ 25,888	\$ 36,750
Non-Personnel Expenses	12,322	19,336	32,122
<b>Total Costs</b>	<b>\$ 29,804</b>	<b>\$ 45,224</b>	<b>\$ 68,872</b>

### FY 2015 FTE BY SEC STRATEGIC GOAL

Goal 1	Goal 2	Goal 3	Goal 4
Foster and Enforce Compliance with Federal Securities Laws	Establish an Effective Regulatory Environment	Facilitate Access To Information Investors Need	Align and Manage Resources
44	79	13	6

The Division of Economic and Risk Analysis (DERA) integrates sophisticated analysis of economic, financial, and legal disciplines with data analytics and quantitative methodologies in support of the SEC’s mission. The Division’s expertise supports a wide spectrum of SEC activities including: policymaking, rulemaking, enforcement, examination, and data processing and analytics.

Key DERA responsibilities include:

- Participating directly in the rulemaking process by providing the Commission and staff with economic analysis and technical advice;
- Conducting in-depth and data-driven studies on investors, other market participants and financial markets to inform the Commission on a variety of topics, such as descriptive studies of current market conditions, analyses of the potential effects of policy choices, and reviews of the effects of recently implemented rules;
- Working with OCIE on developing new models, methods, and tools in support of a risk-based inspections program, designed to help allocate resources effectively in review and examination of regulated entities;
- Providing analyses to the Commission and the Division of Enforcement in support of the enforcement program, including determinations of ill-gotten gains, considerations

of penalties and disgorgement, as well as supporting investigations, negotiated settlements, and any resulting distributions;

- Developing risk assessment tools for Division of Enforcement to assist in the detection of instances of market abuse and other violations;
- Creating a framework for the analysis of public and private financial data to proactively track market trends, new products and new product reviews, and innovative financial practices;
- Identifying, evaluating, recommending, and providing management and expertise for technologies, data standards, and methods by which staff can collect, manage, and use data, including that of interactive data technologies, as well as provide expertise in analytical and quantitative research and support;
- Building relationships with a broad range of external financial experts, both in academia and the private sector, as well as the experts other agencies in order to remain current on new market developments and the latest in financial research; and
- Sharing knowledge through the development and publication of research which focuses on matters of significance to the SEC.

Specifically, in FY 2013, DERA made the following significant contributions:

- Continued implementation of the aberrational performance inquiry model that has led to several enforcement actions against hedge fund managers;
- Development of the “Accounting Quality Model,” which is designed to identify risk factors associated with higher probabilities of earnings management and potentially nefarious behavior through managers’ use of discretionary accruals;
- Development of a broker-dealer risk assessment program to help OCIE efficiently allocate its resources across more than 4,400 registrants by prioritizing inspections according to risk scores assigned to registrants. These scores are based on the strength of statistical deviations of registrant characteristics from those of other registrants in their peer group; and
- Strengthening of its analytic capacity with the September 2013 launch of the Quantitative Research Analytical Data Support (QRADS) program, which will provide the necessary foundation for high quality economic data and quantitative analysis to support the growing work of DERA’s economists and other analytics professionals throughout the SEC.

With regard to the SEC’s enforcement efforts, DERA provided direct support to the Division of Enforcement that resulted in a number of successful investigations. DERA’s contributions included:

- Providing expert testimony in support of Enforcement’s request to freeze assets and protect investor funds in a \$150 million scheme to defraud foreign investors seeking profitable returns and a legal path to U.S. residency through a Federal visa program.
- Providing valuable assistance in several market manipulation investigations by creating algorithms to analyze the order and transaction files of high-speed traders and quantify the extent of abusive trading. In one action, the founders of a Canadian broker-dealer were barred and the broker-dealer’s registration revoked after analysis revealed that brokers repeatedly engaged in a manipulative practice called “layering.”

- Assisting Federal prosecutors in charging insider trading by analyzing evidence of materiality, and by supporting the cross-examination of expert witnesses retained by the defendants. The testimony proffered by defendants’ experts was largely excluded and ultimately both defendants were found guilty.

DERA also provided significant and ongoing support to the SEC’s rulemaking and policy development activities:

- Provided extensive technical input into numerous rule proposals and adoptions. In addition, staff assisted with economic analysis to support SRO rule approvals and disapprovals, as appropriate, in addition to participating in a wide range of other initiatives
- Continued the implementation of the *Current Guidance on Economic Analysis in SEC Rulemaking*, ensuring the strength of the Commission’s rulemaking economic analysis function.
- DERA also significantly expanded its provision of data analyses to support rulemakings and policy development. DERA:
  - ◆ Engaged in extensive data analyses of current approaches to capital raising in the United States to inform rules mandated under the JOBS Act, including the proposal to permit equity-based crowdfunding, the proposal for a new small issue exemption under Section 3(b) of the Securities Act, and the elimination of the ban on general solicitation. On an ongoing basis, DERA will monitor the incidence and level of various types of offerings, and is, along with staff from across the agency, participating in ongoing work to monitor JOBS Act implementation.
  - ◆ Contributed a variety of data analyses to support the Commission’s continued implementation of Dodd-Frank Act rulemaking. DERA contributed extensive and novel data analyses of the current state of the security-based-swap market. In addition, economists assisted in developing approaches to, and then quantifying the effects of, several other rules, including those related to pay ratio disclosure, the disqualification of bad actors from certain private offerings, and risk retention.
  - ◆ Provided a significant number of analyses for the money market fund reform proposal, which helped

inform multiple aspects of the rule including, in part, discussions of market incentives, various alternatives for reform, and the potential macroeconomic effects of the proposal.

Finally, DERA made notable improvements in its internal mission support operations during FY 2013. DERA hired new operational professionals to enhance its ability to proactively respond to mission support needs and requirements. In addition, the new operational professionals have enhanced DERA's ability to build stronger relationships with other Divisions, enhance internal controls and efficiencies, and enhance overall DERA operations.

**Economic Analysis:** A substantial number of DERA staff are dedicated to providing economic analysis in support of Commission rulemaking and policy development. In fulfilling this principal function, DERA works closely with other divisions and offices to examine the need for regulatory action, analyze the potential economic effect of rules and other Commission actions, assist in evaluating public comments, and provide support, where appropriate, for SRO rule approvals/disapprovals and the Commission's review of PCAOB actions.

In this role, DERA as part of the policy decision making process, continually seeks to (1) use rigorous data analytics and (2) produce high-quality analyses that address the economic issues associated with the regulation of the financial markets and enforcement of federal securities laws. These analyses typically involve qualitatively analyzing the potential economic impacts of a particular regulatory action, collecting and quantitatively analyzing market data, evaluating pertinent academic literature, and/or conducting follow-up monitoring or review of market impacts. DERA economists also prepare studies mandated by Congress and the Commission that support the Commission in crafting policies and regulations. Economists also often develop and execute independent analysis of salient economic issues and identify and summarize current academic literature, which is frequently used to suggest or support Commission actions.

**Litigation Support:** DERA serves as expert economists to support the work of the Division of Enforcement. Importantly, DERA is expanding its presence in regional offices to further enhance its ability to support those offices. In addition to supporting staff within the Division of Enforcement, DERA staff assists the Office of General Counsel's Appellate group (assisting, for example, with Supreme Court cases), and

regularly provide support to the Department of Justice on coordinated or parallel cases. For example, DERA expects to provide economic analysis and quantitative support in settlement negotiations, by challenging and often refuting economic analyses provided by the respondent. Staff will increasingly be asked to provide expert testimony in the context of trial work, and to support the Commission's outside experts. In addition, DERA staff will continue to work with investigative attorneys, providing quantitative and qualitative analyses of the fact patterns specific to each case.

**Risk Analysis:** DERA provides economic research, risk assessment, and data analysis to the Commission. Collectively, these activities help to focus the agency's resources on matters presenting the greatest perceived risks in litigation, examinations, and registrant reviews. For example, DERA will continue working with staff throughout the SEC to develop analytical approaches and tools to help inform policy, monitoring, and surveillance activities. These efforts include continued responsibility for the SEC's system for handling tips, complaints, and referrals (TCR). In this capacity, DERA supports system governance; conducts the quality assurance and process management programs; conducts proactive primary research; facilitates cross-SEC research and information sharing; and assists with the implementation of additional research and analysis techniques, tools, and data sources.

The SEC has recently launched a project to enhance the TCR system over the next two years including the means by which the SEC gathers, stores, and queries TCR data. DERA has assumed a substantive role on the team providing project management, analytical and technical leadership for this project.

DERA staff is working with the Divisions of Enforcement and Corporation Finance to integrate the Accounting Quality Model (AQM) into the suite of analytical tools available and to develop a "dashboard" of AQM results that can be viewed on a single page. We intend to devote considerable resources toward testing and implementing the model as we continue to refine inputs. DERA will also develop a training plan and materials for AQM users.

DERA will continue collaborating with OCIE and Enforcement to enhance analysis of data for risk-targeting of firms and issues for inquiries, investigations, and examinations. Such projects involve identifying key data points that would improve monitoring, surveillance, and risk-targeting; as such, DERA will

continue to support and refine a platform for delivery of analytics to SEC staff nationwide. This will help examination staff identify what firms or practices may require greater scrutiny. As the number of entities subject to SEC oversight increases, risk-based approaches will become even more important to the SEC's ability to maximize its examination resources.

DERA will continue to support the SEC as it expands the amount and type of data filed in structured, electronic formats, through the interactive data initiatives currently underway. Support includes providing economic rationale for the type of data and forms that would benefit most from conversion to electronic formats, design and implementation of the forms intended to collect structured data, and expertise in the processing of the structured data. The new disclosures in the mandated Dodd Frank Act and JOBS Act rulemakings as well as opportunities that arise to update existing Commission forms, provide additional opportunities for structured data that requires DERA support to develop. As part of these initiatives, DERA intends to ensure accessibility to the data contained in structured filings by developing new analytical tools and structured databases that aggregate data across filings, to allow a better view into developments in markets and related financial instruments.

DERA has also undertaken an initiative to improve the quality of structured financial data contained in periodic public company reports.

**Research:** DERA maintains a diverse and robust research program. These research activities enhance the Division's awareness and understanding of significant financial market issues and potential solutions to identified market failures and risks with the goal to protect investors. Staff in the Division develop and implement novel research on a variety of topics germane to the SEC's mission. In 2013, DERA economists had eleven articles accepted for publication in some of the top accounting and finance journals such as the *Journal of Accounting and Economics*, the *Journal of Financial Economics*, and the *Review of Financial Studies*. DERA economists frequently participate in conferences by presenting their research, critically discussing the research presented by other academics, by participating on discussion panels, and moderating research sessions. Moreover, during the 2013 calendar year, DERA hosted more than 30 academics from leading universities around the country to present their research at the SEC, covering topics that include

securitization, OTC derivatives, high frequency trading, dark pools, executive compensation, fair value accounting, credit ratings, and systemic risk, ensuring that new scholarly insights are accessible to staff from across the SEC.

By producing cutting-edge research and engaging the academic community of financial researchers, DERA staff can incorporate the most recent analytical advances and researching findings into products at the SEC and clearly demonstrate that expertise to the public. They also receive valuable feedback on their work from the academic community. This interplay helps ensure that the SEC's rulemaking, surveillance activity, and examination work keep pace with industry innovations and financial market risks.

**Information Technology Analytics, Investments, and Initiatives:** In response to its increased workload demand, DERA successfully anticipated a significant increase in the need for scalable analytical support as well as information technology resources to sustain the on-going implementation of the Dodd-Frank Act and the JOBS Act, as well as the continuing responsibilities of economic and risk analysis and strategic research.

DERA's award of the QRADS contract in September 2013 directly addressed the Division's need to continue to develop and refine high quality financial market data and robust analytical processes in support of Commission-wide risk assessment programs and economic analysis. This activity is supported by significant contractor resources and designed to enable DERA to (1) enhance the capabilities of analytical models and tools that support data-enabled risk assessment programs; (2) increase DERA's capacity to support standardized quantitative reports of financial market and SEC registrant activity requested by SEC offices and divisions and developed by DERA financial economists; and (3) and produce more timely and higher quality financial datasets needed for Commission rulemaking and risk assessment activity.

Current QRADS initiatives are focused on the processing and analysis of FINRA-produced financial market data, OTC market transactions data involving security-based swaps, and mutual fund flow data. The workstreams currently underway will produce a number of anticipated benefits including: (1) high-quality financial market data and supporting technical documentation to maximize the benefits of its use; (2) the aggregation of OTC market securities-

based-swap transaction data in a form that will allow the Commission to monitor market participant’s derivatives exposures and the potential build-up of pockets of risk in the financial market; (3) increased access to asset flows across mutual funds that will enable analytical efforts to provide novel insights for mutual fund rulemakings, monitoring of mutual fund exposures for policy makers and informing examinations and inspections; and (4) enhancements to FINRA-produced market data and its collection into a central location to improve its quality usability for investment advisor and broker-dealer risk assessment activity, including the generation of regular reports for use across the SEC.

In FY 2015, DERA will expand the QRADS program to increase its capacity to produce additional financial market data and manage the analytical workload. These expansions will improve DERA’s responsiveness to data analytics needs throughout the agency. In particular, with the expected implementation of the Consolidated Audit Trail (CAT) requirements, during FY 2015 DERA anticipates being able to fully leverage the QRADS program as a key tool to enable

CAT resources to efficiently access and analyze data for use across the SEC.

In FY 2014, DERA collaborated with the Office of Information Technology to successfully acquire the infrastructure sufficient to ensure a reliable and stable environment to support DERA’s expanding analytics workload and ability to take in and manage large amounts of data on an on-going basis. The impact of the Dodd-Frank Act and JOBS Act legislation has significantly increased the need for both rulemaking support and analysis of market data and data from market participants. The collection, integration, manipulation, and analysis of these large datasets will require significant new data repository capacity, as well as more powerful analytics and reporting tools. As the production of new financial market data and analyses increases with QRADS initiatives, and with the growth of staff and programs requiring data analytics resources and support, additional expansion of the information technology environment is anticipated. Continued investment in this infrastructure will ensure that DERA will be able to meet long-term data support and analytics needs.

**WORKLOAD DATA**

Activity	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
Reviews of Commission Rules <sup>1</sup>	54	57	60
Reviews of SRO Rules	53	55	56
Regulatory Flexibility Analyses	49	60	80
Advice on Regulatory, Enforcement, and Risk Assessment Issues	3,064	2,700	2,700
Interactive Data Compliance Monitoring <sup>2</sup>	9,683	10,000	10,000
Interactive Data Programs Supported <sup>3</sup>	10	11	12
<b>Total FTE</b>	<b>44</b>	<b>103</b>	<b>142</b>

<sup>1</sup> Estimates are based on a 5% inflationary factor.

<sup>2</sup> A program where filings containing interactive data are subjected to a risk-based analytical review process to assess compliance with Commission rules. The workload data represents the population of filings subject to these procedures.

<sup>3</sup> The number of programs or data sets subject to current, pending or contemplated Commission requirements to be provided in interactive data format. DERA staff supports these programs in a number of ways including: taxonomy development and maintenance, technology infrastructure development, rulewriting support, implementation guidance, and technical support.

## Office of the General Counsel

(DOLLARS IN THOUSANDS)	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
<b>FTE:</b> Headquarters	121	127	134
Regions	2	2	2
<b>Total FTE</b>	<b>123</b>	<b>129</b>	<b>136</b>
<b>Cost:</b> Salaries and Benefits	\$ 28,563	\$ 30,357	\$ 33,768
Non-Personnel Expenses	11,412	12,581	13,374
<b>Total Costs</b>	<b>\$ 39,975</b>	<b>\$ 42,938</b>	<b>\$ 47,142</b>

### FY 2015 FTE BY SEC STRATEGIC GOAL

Goal 1	Goal 2	Goal 3	Goal 4
Foster and Enforce Compliance with Federal Securities Laws	Establish an Effective Regulatory Environment	Facilitate Access To Information Investors Need	Align and Manage Resources
82	26	4	24

The General Counsel serves as the chief legal officer of the Commission and provides independent legal analysis and advice to the Chairman, Commissioners, and operating divisions on all aspects of the Commission's activities. The General Counsel also defends the Commission in federal district courts, represents the Commission in all appellate matters and *amicus curiae* filings, and oversees the SEC's bankruptcy program.

In FY 2015, the Office of the General Counsel (OGC) anticipates continued work on legislative initiatives to reform the existing regulatory structure for the securities markets and the financial services industry. An increased staff of experienced attorneys will be needed to handle complex agency and securities law issues which will result from regulatory reform and address legal challenges to rulemakings. OGC also expects to provide technical assistance to Congress and other financial regulatory agencies on numerous legislative initiatives and other matters. The requested increase in the size of the enforcement staff is expected to lead to an increase in the number of enforcement matters that will reach adjudication as appeals, as well as an increase in the number and time sensitivity of the enforcement actions analyzed by OGC staff.

The agency's FY 2015 budget request for OGC will help to address expanding requirements and additional workload generated by increasing staffing levels across the agency.

OGC plans to continue work on initiatives to reform the existing regulatory structure for the securities markets and the financial services industry. The emphasis on strengthening the framework for financial regulation will continue to involve a high level of regulatory activity, which will directly involve OGC staff. In addition, the ongoing need to provide high volumes of documents and information in response to congressional requests continue to pose challenges for existing staff, as they work to provide legal review and analysis of the documents in a timely and responsive manner. Together, these priorities will present numerous complex and important legal and policy issues, and OGC anticipates an increase in workload in FY 2015 compared to prior fiscal years.

**Litigation Cases and Adjudicatory Matters:** The requested increase in the size of the enforcement staff is expected to result in an increasing number of appeals and actions filed against the SEC. OGC will continue to manage the agency's appellate litigation, including appeals related to complex enforcement and any challenges to new rulemakings. The staff

will represent the Commission in actions pending in courts of appeals and, working in conjunction with the Solicitor General of the United States, before the Supreme Court.

The increase in the size of the enforcement staff is also expected to generate a high number of enforcement matters that will reach adjudication as appeals. Also, OGC already has experienced an increase in cases that raise issues of greater novelty, sophistication, breadth and depth and anticipates that the trend will continue.

The Adjudication group will continue to be involved in the implementation of the Commission's new electronic filing system for adjudicatory matters. Moreover, due to the demands on OGC of addressing the increased size of the agency's enforcement program and the requirements of the Dodd-Frank Act, staff members of Adjudication are providing assistance to other OGC groups. OGC anticipates that Adjudication will continue to be asked to provide similar assistance to Commission staff in FY 2015 and address an estimated 40 new adjudicatory matters in FY 2015.

**Legislative Activity and Technical Assistance:** In FY 2015, efforts to strengthen the framework for financial regulation likely will involve continued legislative activity. OGC expects the need to provide ongoing technical assistance to Congress and other financial regulatory agencies on numerous legislative initiatives and other matters will continue at a high level through FY 2015. OGC expects to provide technical assistance or analysis on nearly 400 legislative proposals in FY 2015.

The Office also expects to prepare or review written testimony for approximately 20 congressional hearings and prepare or review about 180 responses to congressional correspondence. The high level of Congressional interest in the SEC's mission, organization, and activities has resulted in the need to provide large volumes of documents in response to specific Congressional inquiries. Currently, OGC has a staff of employees with expertise in e-Discovery providing legal review, analysis, and document management to handle Congressional requests for high-volume productions. In FY 2015, Congressional and public interest in the Commission is expected to remain high, and OGC is requesting one additional permanent staff dedicated to handling the increasing demand for documents and legal review.

**Advisory Services:** OGC expects the requested increase in the size of the enforcement staff to result in a corresponding increase in the number and time sensitivity of enforcement actions analyzed by OGC staff. Streamlined enforcement procedures will emphasize the need for faster review of those actions by OGC. Specifically, OGC expects that the number of enforcement actions it analyzes will increase to more than 2,500 in FY 2015; an increase of approximately 20 percent over the FY 2013 level.

As a result, OGC faces the challenge of advising the Division of Enforcement and the Commission on the legal and policy implications of a larger number of enforcement actions in a shorter time frame.

In FY 2015, OGC also expects to advise the divisions and offices on a continued high number of rulemaking initiatives to implement the Dodd-Frank Act and the JOBS Act as well as other rulemaking initiatives, including rules designed to improve transparency and investor protection, facilitate capital raising in small offerings, improve practices in the asset-backed securities markets, and addressing market structure developments.

The Office expects to advise on nearly 650 rulemaking and other projects involving a substantial number of complex and novel legal and policy issues. The Office is requesting two additional positions to advise on rulemaking initiatives.

In FY 2015, OGC anticipates a continued increase in the number of investigations and actions resulting from legal and policy implications of a large number of enforcement actions on an expedited schedule and the high volume of enforcement cases against attorneys practicing before the Commission that may have engaged in unethical or improper conduct. This number also will be affected by the increased scrutiny of whistleblower complaints received from outside sources, as provided for by agency attorneys, outside counsel and the Sarbanes Oxley Act of 2002. The Office is requesting one additional position to handle investigations.

OGC anticipates that the rate of labor and employee relations matters requiring OGC action will remain commensurate with the size of the SEC's workforce. Since this budget proposes an increase in the SEC's workforce, additional staff will be needed to address these matters in a timely fashion. Additionally, OGC expects to receive an increase

in the number of Freedom of Information Act requests in FY 2015. The staff expects to receive approximately 350 appeals in FY 2015.

**Corporate Reorganization:** The SEC has statutory authority to participate in Chapter 11 bankruptcy cases and acts as statutory advisor to the courts to protect the interests of public investors. OGC will continue to provide overall supervision for the bankruptcy program, which is conducted

by staff in headquarters and four regional offices. The number of complex, high-profile bankruptcy cases has significantly challenged the staff to provide advice to the courts to protect a wide range of interests for public investors. The staff expects the number of Chapter 11 court petitions addressed by the staff in FY 2014 and FY 2015 to remain at a steady level. The number of disclosure statement reviews and comments by staff members is expected to remain near current levels for FY 2014 and FY 2015.

**WORKLOAD DATA**

Activity	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
<b>General Counsel</b>			
Litigation Cases:			
Pending Beginning of Year	176	178	183
Opened	469	480	490
Closed	467	475	485
Pending End of Year	178	183	188
Adjudicatory Matters:			
Pending Beginning of Year	32	32	42
Received	30	35	40
Completed	30	25	25
Pending End of Year	32	42	57
Legislation:			
Testimony	12	30	20
Correspondence with Congress and Others	98	180	180
Legislative Analysis and Technical Assistance	333	360	380
Other <sup>1</sup>	105	110	110
Advisory Services:			
SEC Statutes			
Analysis of Enforcement Memoranda	1,967	2,550	2,650
Review of Rulemaking and Other Projects	457	610	630
Review of Articles and Speeches	268	360	360
Non-SEC Statutes			
FOIA—Internal Appeals	344	350	350
Personnel Matters	187	190	220
Procurement Matters	282	280	290
Labor Matters	188	190	210
Attorney Misconduct Investigations	129	135	140
Other (Subpoenas)	197	200	210
Corporate Reorganization:			
Petitions Involving Public Investor Interest	56	54	58
Chapter 11 Cases: Appearances			
Filed	37	36	38
Closed	26	27	27
Chapter 11 Cases: Monitored			
Filed	19	18	20
Closed	16	17	17
Disclosure Statement Reviews	104	103	106
Disclosure Statements Commented On	94	93	96
<b>Total FTE</b>	<b>123</b>	<b>129</b>	<b>136</b>

<sup>1</sup> "Other" consists of a variety of projects, including attending congressional hearings and monitoring legislation.

## Other Program Offices

<i>(DOLLARS IN THOUSANDS)</i>	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
<b>FTE:</b> Headquarters			
Office of Chief Accountant	30	46	50
Office of Investor Education and Advocacy	41	42	44
Office of International Affairs	40	47	51
Office of Administrative Law Judges	8	11	13
Office of the Investor Advocate	0	1	4
Office of Credit Ratings	25	39	46
Office of Municipal Securities	2	6	7
<b>Total FTE</b>	<b>146</b>	<b>192</b>	<b>215</b>
<b>Cost:</b> Salaries and Benefits	\$ 35,475	\$ 43,797	\$ 52,211
Non-Personnel Expenses	13,692	18,267	19,785
<b>Total Costs</b>	<b>\$ 49,167</b>	<b>\$ 62,064</b>	<b>\$ 71,996</b>

This section of the SEC’s request includes chapters that describe the responsibilities and activities of the agency’s smaller program offices, including:

**Office of Chief Accountant:** Establishes accounting and auditing policy and works to improve the professional performance of public company auditors to ensure that financial statements used for investment decisions are presented fairly and have credibility.

**Office of Investor Education and Advocacy:** Serves investors who complain to the SEC about investment fraud or the mishandling of their investments by securities professionals, ensures the views of retail investors inform the Commission’s regulatory policies and disclosure programs, and works to improve investors’ financial literacy.

**Office of International Affairs:** Advances international regulatory and enforcement cooperation, promotes converged high regulatory standards worldwide, and facilitates technical assistance programs in foreign countries.

**Office of Administrative Law Judges:** Adjudicates allegations of securities law violations.

**Office of the Investor Advocate:** Provides assistance to investors in resolving significant problems they may have with the SEC or with self-regulatory organizations (SROs), and identifying areas in which investors would benefit from changes to federal laws or to SEC regulations or SRO rules.

**Office of Credit Ratings:** Administers the rules of the Commission with respect to the practices of nationally recognized statistical rating organizations (NRSROs) in determining ratings; protects the users of credit ratings; promotes accuracy in credit ratings issued by NRSROs; and ensures that such ratings are not unduly influenced by conflicts of interest.

**Office of Municipal Securities:** Administers the rules of the Commission with respect to the practices of municipal securities brokers and dealers, municipal advisors, and investors in, and issuers of, municipal securities. The office also coordinates with the Municipal Securities Rulemaking Board (MSRB) on rulemaking and enforcement actions.

## Office of the Chief Accountant

<i>(DOLLARS IN THOUSANDS)</i>	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
FTE: Headquarters	30	46	50

### FY 2015 FTE BY SEC STRATEGIC GOAL

Goal 1	Goal 2	Goal 3	Goal 4
Foster and Enforce Compliance with Federal Securities Laws	Establish an Effective Regulatory Environment	Facilitate Access To Information Investors Need	Align and Manage Resources
16	18	16	0

The Office of the Chief Accountant (OCA) is responsible for establishing and interpreting accounting policy to enhance the transparency and relevancy of financial reporting for investors. OCA works to improve the professional performance of public company auditors to ensure that financial statements used for investment decisions are presented fairly and have credibility. OCA leads the SEC's efforts to oversee accounting standard-setting by the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB), and auditor oversight and standard-setting by the Public Company Accounting Oversight Board (PCAOB).

The FY 2015 budget request would provide OCA with additional resources to oversee the FASB and PCAOB and to foster progress towards development of a single set of high-quality, globally accepted accounting standards.

**Accounting Standards:** In FY 2015, OCA plans to use two of the additional positions requested to address the increase in oversight responsibilities related to the FASB (in regard to U.S. Generally Accepted Accounting Principles (U.S. GAAP) and IASB (in regard to International Financial Reporting Standards (IFRS)). As the FASB and the IASB complete their work on joint convergence projects and develop their own standard setting agendas, OCA will need additional resources to oversee the projects on standard setting agendas developed by each Board. In addition, OCA anticipates that, following successful completion of the International Financial Reporting Standards

(IFRS) work plan and the FASB-IASB convergence projects according to their current work plan, the Commission will be in a position to consider whether and how to incorporate IFRS into the U.S. financial reporting system for U.S. issuers. If the Commission were to determine to take further action with respect to incorporating IFRS into the U.S. financial reporting system, OCA would need additional staff to manage and monitor the changes to financial reporting system.

**Improving the Performance of Public Company Auditors and Auditors of Broker-Dealers:** In FY 2015, OCA plans to use two additional positions requested to effectively oversee the PCAOB as the PCAOB exercises its expanded authority over auditors of broker-dealers, continues to regulate the accounting profession, and seeks to improve audit quality. The Sarbanes-Oxley Act of 2002 requires the PCAOB to inspect large audit firms every year and smaller firms every three years. In FY 2015, OCA will continue to work with the PCAOB to implement new attestation standards relating to auditors of broker-dealers. OCA will continue to support the Commission in reviewing PCAOB inspection findings and processing requests for review, evaluating new PCAOB auditing standards and interpretations and overseeing other PCAOB matters. In addition to these areas of focus, OCA, with the assistance from staff from the Office of Compliance Inspections and Examinations, also plans to conduct an inspection of a certain PCAOB program area in FY 2015.

**WORKLOAD DATA**

Activity	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
Rulemaking Initiatives	25	40	40
U.S. Standard-Setting Projects/Issues Monitored	92	130	130
Issues Referred to Private Sector			
International:			
Consultations with Foreign Regulators on Accounting Interpretations/Compliance	55	55	55
IASB Standards/Interpretations Monitored	130	130	130
International Auditing and Independence Standards Monitored	11	11	11
SEC and IOSCO Rulemaking/Policy/Other Statements Issued	2	2	2
Registrant Contacts:			
Written Correspondence/Resolution of Accounting Issues	127	140	140
Consultation on Potential Enforcement Investigations	320	350	350
102 (e) Reinstatement Applications Processed	19	20	20
Member appointments to PCAOB, Financial Accounting Foundation, and FASB	8	4	4
Quality Reviews of Accounting Firms			
Conducted by PCAOB Subject to SEC Oversight	290	320	330
Rules Adopted by PCAOB and Approved by SEC	0	2	2
Auditing Standards/Interpretations Issued by PCAOB and Approved by SEC	6	10	10
Independence Inquiries	360	400	400
Inspection of PCAOB programs	0	1	1
Public Awareness, Outreach and Market Research Initiatives	50	50	50
<b>Total FTE</b>	<b>30</b>	<b>46</b>	<b>50</b>

## Office of Investor Education and Advocacy

<i>(DOLLARS IN THOUSANDS)</i>	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
FTE: Headquarters	41	42	44

### FY 2015 FTE BY SEC STRATEGIC GOAL

Goal 1	Goal 2	Goal 3	Goal 4
Foster and Enforce Compliance with Federal Securities Laws	Establish an Effective Regulatory Environment	Facilitate Access To Information Investors Need	Align and Manage Resources
2	5	34	3

Understanding the needs and concerns of investors is critical to carrying out the SEC’s investor protection mission. The Office of Investor Education and Advocacy (OIEA) advances this mission by communicating daily with investors, responding to their complaints and inquiries, and providing educational programs and materials.

In FY 2015, OIEA plans to initiate investor education campaigns on key strategies for making informed investment decisions, including publicizing online resources for researching investment professionals and investments, understanding fees, and identifying fraud. OIEA also plans to continue conducting research on investment decision-making behavior, which will help inform the Office’s investor education programs and the Commission’s rulemaking agenda. Additionally, OIEA aims to shorten response times for investor contacts and improve quality assurance.

Current regulatory developments highlight the need to publicize educational resources that individual investors can use to make prudent investment decisions. Pursuant to the requirements of the Dodd-Frank Act, OIEA has conducted focus groups, investor surveys and research focused on investor disclosures and financial literacy. OIEA requests five additional positions in FY 2015 to continue its research initiatives, maintain its outreach to individual investors, and assist with other priorities such as supporting the International Organization of Securities Commissions (IOSCO) Committee on Retail Investors.

**Investor Assistance:** As investment products become increasingly complex, the handling of investor questions and complaints is critically important to OIEA and the investors it serves. OIEA seeks to provide timely and accurately responses to all investor assistance matters. For FY 2015, the Office would assign two new positions to its investor assistance function.

**Investor Education:** OIEA plans to raise awareness about the SEC’s online educational resources, including Investor.gov, and implement other investor education programs focused on helping individuals to research investments and investment professionals, understand fees, and detect fraud. To maximize its reach, the Office plans to use social media technologies and partner with the SEC’s regional offices, other federal and state agencies, financial industry associations, consumer groups, and educational organizations on investor education programs.

Throughout FY 2014 and into FY 2015, OIEA will work to update its publications, including Spanish language materials, and expand its offering of resources for target populations, such as older investors. In FY 2015, OIEA plans to distribute approximately 125,000 publications, attract 8 million visits to OIEA web pages, and sponsor and participate in events that reach approximately 20,000 investors. For FY 2015, the Office would assign two new positions to its investor education function.

**Legal and Policy:** OIEA will continue to issue investor alerts on new and emerging types of fraud and investor bulletins on investment products and other salient topics, such as new Commission rules. To reach more investors, OIEA plans to issue many of these education materials jointly by partnering with the Financial Industry Regulatory Authority and federal and state agencies.

Through focus groups and investor surveys, OIEA will seek additional information regarding the behavior of individual investors and the types of information they need and use when making investment decisions. Some of OIEA's research will focus on the usefulness of OIEA's investor education programs and materials. Additionally, OIEA plans to support IOSCO's Committee on Retail Investors, whose primary mandate is to conduct IOSCO's policy work on retail investor education and financial literacy. For FY 2015, the Office would assign one new position to its legal and policy function.

## WORKLOAD DATA

Activity	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
<b>Investor Assistance</b>			
Total Investor Assistance Matters Closed <sup>1</sup>	22,626	23,000	25,000
Percentage of Investor Assistance Matters Closed Within:			
Seven Days	62%	60%	60%
30 Days	93%	90%	90%
<b>FTE</b>	<b>35</b>	<b>35</b>	<b>36</b>
<b>Investor Education</b>			
Publications Distributed <sup>2</sup>	160,258	150,000	125,000
Visits to OIEA Web Pages	5,001,246	6,500,000	8,000,000
Investors Reached Through Public Appearances	36,003	20,000	20,000
Direct Mailing Campaign <sup>2,3</sup>	10,000,000	8,300,000	6,900,000
<b>FTE</b>	<b>4</b>	<b>4</b>	<b>5</b>
<b>Legal and Policy<sup>4</sup></b>			
Number of Investor Alerts and Bulletins Issued	26	26	26
Number of Joint Alerts and Bulletins Issued	4	5	5
Divisions' Initiatives Supported	2	5	5
<b>FTE</b>	<b>2</b>	<b>3</b>	<b>3</b>
<b>Total FTE</b>	<b>41</b>	<b>42</b>	<b>44</b>

<sup>1</sup> Includes files relating to complaints, questions, and other contacts received from investors.

<sup>2</sup> Numbers are anticipated to drop due to a transition to more web-based communications.

<sup>3</sup> Numbers are anticipated to drop because fewer individuals receive IRS refund checks via mail resulting in less opportunity for the direct mailing campaign.

<sup>4</sup> Workload items for this function have been updated. The number of research initiatives on SEC disclosure documents has been deleted since a performance indicator for the agency now measures this activity. In addition, the number of investor policy initiatives has been replaced with the number of joint alerts and bulletins issued in order to more accurately reflect the range of activities conducted by OIEA.

## Office of International Affairs

<i>(DOLLARS IN THOUSANDS)</i>	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
FTE: Headquarters	40	47	51

### FY 2015 FTE BY SEC STRATEGIC GOAL

Goal 1	Goal 2	Goal 3	Goal 4
Foster and Enforce Compliance with Federal Securities Laws	Establish an Effective Regulatory Environment	Facilitate Access To Information Investors Need	Align and Manage Resources
18	27	5	1

The Office of International Affairs (OIA) advances cross-border enforcement and supervisory cooperation, develops and implements strategies for Commission engagement in bilateral and multilateral settings to advance SEC policy interests in the regulation and oversight of cross-border securities activities, advises the Commission on international regulatory developments, and provides technical assistance to emerging markets.

OIA provides critical assistance to the Enforcement Division on cross-border investigations and related cross-border litigation issues. OIA staff will utilize its foreign law expertise to develop and implement strategies for obtaining foreign evidence and information for enforcement matters, to support the SEC’s litigation efforts when parties, evidence, or assets are located abroad, as well as to secure and repatriate illegally obtained proceeds. In FY 2015, Enforcement cases are expected to continue to have international elements and become more complex. To foster partnerships with foreign authorities from which the SEC may seek enforcement assistance, OIA will continue to liaise with the SEC’s foreign counterparts and to use its staff to obtain information located in the US on behalf of these foreign counterparts. OIA will continue ongoing coordination with other relevant federal agencies in furtherance of these goals. OIA staff will also continue efforts to raise enforcement cooperation standards and best practices worldwide.

OIA also provides assistance to other SEC divisions and offices on cross-border supervisory issues related to the registration and oversight of foreign entities and on-site examinations of foreign registrants. This area is expected to be particularly resource intensive during FY 2015 as a result

of the implementation of SEC rules to be adopted pursuant to Title VII of the Dodd-Frank Act, including mechanisms for cross-border oversight of over-the-counter (OTC) derivatives market participants and market infrastructures. Moreover, OIA and foreign authorities are increasingly collaborating on oversight of other globally active market participants, such as investment advisers and credit rating agencies. In FY 2015, OIA will continue to develop and implement supervisory memoranda of understanding (MOUs) and other arrangements with foreign regulatory authorities to enhance our oversight of cross-border regulated entities through consultation, cooperation and the exchange of information between the SEC and its counterparts.

OIA will participate in the International Organization of Securities Commissions (IOSCO) and the Financial Stability Board (FSB) in FY 2015, and expects increased workloads due to continued implementation and assessment of post-crisis financial market reforms. OIA also participates in the OTC Derivatives Regulators Group, Financial Action Task Force, Organization of Economic Cooperation and Development, and the Legal Entity Identifier Regulatory Oversight Committee, among other groups. OIA will also participate in dialogues with foreign securities authorities, such as the European Securities Markets Authority (ESMA), the Japan Financial Services Agency (JFSA), the Securities and Exchange Board of India, among others.

OIA’s main priorities for FY 2015 include:

- supporting cross-border enforcement investigations and foreign litigation for the Enforcement Division including offering frauds, market abuse, insider trading, and Foreign Corrupt Practices Act cases;

- contributing to the Commission's program on processing tips, complaints, and referrals (TCRs);
- assisting the Commission and the divisions to elevate international standards in enforcement cooperation by promoting the development of broader information-sharing arrangements and efforts to secure the proceeds of fraud;
- assisting the Commission and the divisions in identifying regulatory risks in the global marketplace and pursuing risk mitigation approaches with foreign counterparts;
- assisting the Commission and the divisions in engaging in international multilateral policy initiatives to promote high quality securities regulation and facilitate regulatory convergence;
- advising the Commission and agency staff regarding the implementation of SEC initiatives that have an impact beyond the US, and advising on foreign and global initiatives that may impact the agency, the US market, and US market participants;
- coordinating with other US authorities such as the Treasury Department, Commodity Futures Trading Commission (CFTC) and the Federal Reserve Board on international policy developments; and consulting with the Justice Department and State Department on law enforcement matters; and
- conducting technical assistance training for foreign authorities about best practices in enforcement, examination of market participants, market development and capital formation.

## Enforcement and Supervisory Cooperation Activities

**Enforcement:** For FY 2015, OIA expects this program area to continue to grow. Additional staff will support enforcement activities, such as obtaining evidence for cross-border securities investigations and litigation, as well as processing TCRs. Based on current trends, OIA expects to make over 700 requests for assistance to foreign authorities on behalf of the Enforcement Division, and staff will be deployed to conduct resource-intensive and complex work, particularly timely coordination of parallel proceedings with foreign securities and law enforcement authorities. Staff will also

handle exigencies resulting from emergency court actions filed to secure the proceeds of fraud that have been transferred offshore. During FY 2013, OIA assisted the SEC's Enforcement Division in freezing more than \$72 million and repatriating more than \$36 million in fraud proceeds that were located in foreign jurisdictions. In FY 2015, OIA will continue to explore and engage mechanisms to secure and repatriate the proceeds of fraud.

OIA fosters international cooperation and assistance on SEC investigation and litigation matters through a variety of vehicles, including bilateral enforcement memoranda of understanding (MOUs), mutual legal assistance treaties, and other ad hoc arrangements. In FY 2015, OIA will work to assess IOSCO members' progress in becoming full signatories to the Multilateral Memorandum of Understanding (MMOU), and to assess non-member countries' applications to sign the MMOU. OIA will also make substantial contributions to IOSCO's effort to broaden the scope of assistance that can be provided to the SEC by its foreign counterparts. OIA also will respond to requests from foreign regulators for enforcement assistance to obtain information located in the US, including obtaining formal orders on behalf of foreign counterparts to compel testimony and records.

**Litigation Support:** OIA expects that SEC enforcement efforts will continue to encounter significant and complicated cross border litigation issues. Issues related to service of process on foreign defendants, obtaining documents and depositions from foreign witnesses, and enforcement of judgments abroad all occur frequently. Dedicated staff with expertise in these areas is critical to effectively support the agency's law enforcement mission.

**Asset repatriation:** Efforts to freeze and repatriate assets obtained in violation of US securities laws and transferred abroad will be ongoing and expanded to utilize all possible mechanisms. OIA will also focus on encouraging the development of legislation to secure the proceeds of fraud on behalf of foreign counterparts and to address IOSCO's call for its members to seek the ability to preserve and repatriate assets in cross-border matters.

**Supervisory Cooperation:** At the end of 2012, OIA created a new group dedicated to international supervisory cooperation. In FY 2015, this group will focus on four areas: (1) assisting other SEC divisions and offices in the supervision of cross-border regulated entities by facilitating cooperation with foreign

counterparts, including in conducting on-site examinations abroad and addressing cross-border registration issues; (2) responding to requests from foreign counterparts in supervisory matters; (3) continuing to develop and implement supervisory MOUs aimed at facilitating cooperation in the oversight of cross-border regulated entities; and (4) providing subject matter input on Financial Stability Board (FSB) or other multilateral projects involving supervisory cooperation issues. The SEC currently has 10 comprehensive supervisory MOUs as well as a number of other more tailored arrangements; OIA is actively working on additional MOUs. Most recently, the SEC concluded 28 MOUs with European regulators related to cross-border asset management.

In FY 2015, activity in this unit is expected to increase dramatically. For example, it is anticipated that the SEC may need to negotiate a number of supervisory MOUs with regulators in the European Union and other jurisdictions as rules related to the OTC derivatives markets are implemented, including with respect to market participants such as trade repositories and clearing organizations. Additional OIA staff will also be needed to facilitate an increasing number of in depth exercises for the oversight of globally active firms, both pursuant to information sharing arrangements, as well as on an ad-hoc basis.

## Regulatory Policy and Comparative Law Activities

International bodies such as IOSCO and the FSB continue to be active in developing international standards and assessing the implementation of financial market reforms in consideration of the priorities identified by the G20 leaders. In FY 2015, OIA expects continued expansion of activities in the regulatory policy area, due to the continued growth in additional foreign legal and regulatory developments, requests for consultation and discussion with foreign counterparts, and multilateral assessment processes underway. OIA staff will be dedicated to working across the Commission for coordination and prioritizing policy analysis of international issues. Those resources will also support more analysis of other jurisdiction's regulatory initiatives. Through these activities, OIA will inform and advise the Commission and the divisions with the goals of promoting opportunities for converged approaches to high quality regulatory standards, and reducing the potential for harmful regulatory arbitrage.

**The International Organization of Securities Commissions:** IOSCO is a forum for collaboration and cooperation among market regulatory and supervisory authorities. In FY 2015, OIA will continue to ensure that the SEC plays a prominent role on the IOSCO Board, to guide the SEC's involvement in IOSCO policy committees, working groups and task forces, and to influence IOSCO's contributions to the FSB. In FY 2015, IOSCO's priorities will include developing a toolbox of approaches to cross-border regulation; promoting best practices for effective deterrence of securities violations; assessments and thematic peer reviews of global implementation of selected IOSCO principles and standards; and coordination of efforts to identify globally systemically important non-bank financial institutions.

**The Financial Stability Board:** The FSB provides a forum for collaboration on financial market and regulatory issues among international standard setters, international financial institutions, and various national financial, regulatory and supervisory authorities. In FY 2015, OIA will continue to guide the SEC's involvement in the FSB Plenary, FSB Steering Committee, and various other committees. OIA will continue to consult on FSB policy matters with other US agencies and departments including the CFTC, the Treasury Department, and the Federal Reserve Board. Issues to be addressed include systemic risk, OTC derivatives markets, and non-bank market based financing issues, as well as shaping and participating in peer review mechanisms.

**Legal Entity Identifier (LEI) Implementation:** OIA staff will represent the SEC on the Regulatory Oversight Committee (ROC) that was formed in 2012. The ROC's mission is to uphold governance principles and oversee the Global Legal Entity Identifier (LEI) System in accordance with G20 recommendations. The LEI system will be important to the Commission to the extent that registrant filings and Commission rules build upon the LEI program as a tool to identify parties to securities and derivatives transactions, thus facilitating the ability of the SEC to provide market oversight to more efficiently address systemic risk and market abuse concerns.

**Bilateral dialogues:** OIA also will participate dialogues with foreign counterparts on securities markets issues, such as the Japan FSA, the UK Financial Conduct Authority, the European Securities Markets Authority, and others, as well as participate in dialogues with the Treasury Department,

including but not limited to the US-EU Financial Markets Regulatory Dialogue, NAFTA Financial Services Committee, US-EU Financial Services Committee, US-China Strategic & Economic Dialogue, and the US-India Strategic and Economic Dialogue.

**Enhancing transparency and issuer disclosure:** OIA will continue informing and advising the agency on developing and modernizing regulatory responses that enhance transparency and issuer disclosure in the global markets. These efforts will include initiatives aimed fostering progress towards development of a single set of high quality, globally accepted, accounting standards, and initiatives designed to increase collaboration and information sharing with foreign regulators. OIA will continue to work on the SEC’s participation in the International Financial Reporting Standards Foundation (IFRSF) Monitoring Board, and assess developments with respect to the Public Company Accounting Oversight Board’s inspection of registered foreign audit firms.

## Technical Assistance

OIA will conduct a variety of international technical assistance training programs in FY 2015. The training will include three annual institutes at SEC headquarters, including the Institute for Securities Market Development, the Institute for Securities Enforcement, and the Institute for Compliance, Examination and Inspection of Market Participants. Moreover, OIA anticipates continued in depth collaboration with the Justice Department and the State Department on training programs related to combatting corruption and preventing violations of the Foreign Corrupt Practices Act (FCPA). OIA also will offer regional and bilateral training programs in Asia, Africa, Eastern Europe, the Middle East and Latin America, which will promote cross-border supervisory and enforcement assistance and implementing laws and regulations that reflect high regulatory standards.

### WORKLOAD DATA

Activity	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
SEC Requests for Foreign Enforcement Assistance	717	735	740
Responses to Foreign Requests for SEC Enforcement Assistance	580	460	470
Responses to Foreign Requests for SEC Technical Assistance	416	400	400
Supervisory Cooperation <sup>1</sup>	128	—	—
International Regulatory Initiatives <sup>2</sup> (including regulatory initiatives)	286	—	—
<b>Total FTE</b>	<b>40</b>	<b>47</b>	<b>51</b>

<sup>1</sup> This new unit was created Q1 FY 2013, and data tracking commenced in Q4 FY 2013. Thus, it is premature to compute annual activity estimates for FY 2014 and FY 2015.

<sup>2</sup> Starting in FY 2014, this unit revised its tracking system to more closely model those used elsewhere in the Commission for policy related matters. As a result, it is premature to estimate results for FY 2014 and FY 2015.

## Office of Administrative Law Judges

<i>(DOLLARS IN THOUSANDS)</i>	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
FTE: Headquarters	8	11	13

### FY 2015 FTE BY SEC STRATEGIC GOAL

Goal 1	Goal 2	Goal 3	Goal 4
Foster and Enforce Compliance with Federal Securities Laws	Establish an Effective Regulatory Environment	Facilitate Access To Information Investors Need	Align and Manage Resources
13	0	0	0

Pursuant to the Administrative Procedure Act and federal securities laws, administrative law judges preside at evidentiary hearings where the Commission has determined that public hearings are appropriate, in the public interest, and for protection of investors. The hearings are conducted in a manner similar to non-jury trials in federal court.

Once the Commission initiates a public administrative proceeding, it refers the case to the Office of Administrative Law Judges (OALJ). After the hearing concludes and the parties involved submit briefs, the judge issues an initial decision that contains findings of fact, legal conclusions, and an order that may contain sanctions. Possible sanctions include, but are not limited to, imposition of a cease-and-desist order, suspension of a broker-dealer or investment adviser registration, payment

of civil monetary penalties, and/or disgorgement of ill-gotten gains. The parties may appeal all or any portion of the initial decision to the Commission, which can affirm, reverse, modify, set aside, or remand for further proceedings. Appeals from Commission action are to a United States Court of Appeals.

In FY 2015, the OALJ anticipates the Commission will institute and order public hearings in over 200 proceedings. However, the exact number and specific nature of cases is unknown. The OALJ's workload has increased in recent years by the number of proceedings involving the revocation of securities registrations for failure to file required periodic filings under Section 13 of the Securities Exchange Act of 1934 and rules under that section.

### WORKLOAD DATA

Activity	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
Proceedings Inventory:			
Pending Disposition Beginning of Year	69	84	84
Ordered for Hearing	203	210	210
Disposed	188	210	210
Canceled Before Hearing	155	75	75
Canceled After Hearing	0	0	0
Initial Decision Issued	33	135	135
Pending Disposition End of Year	84	84	84
<b>Total FTE</b>	<b>8</b>	<b>11</b>	<b>13</b>

## Office of the Investor Advocate

<i>(DOLLARS IN THOUSANDS)</i>	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
<b>FTE:</b> Headquarters	0	1	4

### FY 2015 FTE BY SEC STRATEGIC GOAL

Goal 1	Goal 2	Goal 3	Goal 4
Foster and Enforce Compliance with Federal Securities Laws	Establish an Effective Regulatory Environment	Facilitate Access To Information Investors Need	Align and Manage Resources
0	3	1	0

The Office of the Investor Advocate is required by Sec. 915 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). The Office is responsible for providing assistance to investors in resolving significant problems they may have with the SEC or with self-regulatory organizations (SROs), and identifying areas in which investors would benefit from changes to federal laws or to SEC regulations or SRO rules.

In FY 2015, the Office will have 5 positions, comprised of the Investor Advocate and Ombudsman and staff from the Office of Investor Education and Advocacy. The SEC is not requesting additional positions for the Office in FY 2015.

The funds made available to the Office of the Investor Advocate in FY 2015 will permit the following key activities:

**Investor Advocate:** Consistent with the requirements in Sec. 915 of the Dodd-Frank Act, the Office will be responsible for identifying problems that investors have with financial service providers and investment products; analyzing the potential impact on investors of proposed regulations and rules; identifying areas in which investors would benefit from changes in SEC regulations or SRO rules; and proposing changes in regulations, legislation, or administration of programs that may mitigate problems identified.

**Ombudsman:** The Investor Advocate is required by Sec. 919D of the Dodd-Frank Act to appoint an Ombudsman, who will act as a liaison between the SEC and any retail investor in resolving problems that retail investors may have with

the SEC or with SROs. The Ombudsman’s responsibilities include reviewing and making recommendations regarding policies and procedures to encourage persons to present questions to the Investor Advocate regarding compliance with the securities laws, and to establish safeguards to maintain the confidentiality of such communications. The Ombudsman will evaluate the effectiveness of this program and also submit semiannual reports to the Investor Advocate describing these activities.

**Annual Report on Activities:** The Office is responsible for preparing an annual report to the Congress summarizing its activities to improve investor services and the responsiveness of the SEC and SROs to investor concerns. The report is required to identify and summarize the most serious problems encountered by investors during the reporting period, and to identify actions taken by the SEC or an SRO in response. The report will also include recommendations for administrative and legislative actions, if appropriate, to resolve problems encountered by investors.

**Investor Advisory Committee:** The Investor Advocate also serves as a member of the Investor Advisory Committee, which is authorized by Sec. 911 of the Dodd-Frank Act. This committee advises and consults with the SEC on regulatory priorities and protection of investors. The Office of Investor Advocate will provide support and assistance to this new advisory committee to assist it with fulfilling its statutory mission.

## Office of Credit Ratings

(DOLLARS IN THOUSANDS)	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
FTE: Headquarters	25	39	46

### FY 2015 FTE BY SEC STRATEGIC GOAL

Goal 1	Goal 2	Goal 3	Goal 4
Foster and Enforce Compliance with Federal Securities Laws	Establish an Effective Regulatory Environment	Facilitate Access To Information Investors Need	Align and Manage Resources
39	4	2	1

The Office of Credit Ratings (OCR) was created in support of the Commission’s mission to protect investors, facilitate capital formation, and maintain fair, orderly, and efficient markets. With the enactment of the Credit Rating Agency Reform Act of 2006 (CRA Reform Act), Congress provided the SEC with express authority to implement a registration and oversight program for credit rating agencies that elect to be treated as nationally recognized statistical rating organizations (NRSRO). Among other things, this law required the SEC to establish disclosure, recordkeeping, and financial reporting requirements for NRSROs and requirements with respect to preventing the misuse of material non-public information by NRSROs, addressing conflicts of interest in the production of credit ratings, and prohibiting NRSROs from engaging in unfair, coercive, or abusive practices.

In July 2010, Congress passed the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), which, among other things, amended Section 15E of the Securities Exchange Act of 1934 (Exchange Act) to enhance the regulation, accountability and transparency of NRSROs. OCR is charged with administering the rules of the Commission with respect to the practices of NRSROs in determining credit ratings, for the protection of users of credit ratings and in the public interest; promoting accuracy in credit ratings issued by NRSROs; ensuring that credit ratings are not unduly influenced by conflicts of interest; and helping to ensure that firms provide greater disclosure to investors.

OCR monitors the activities and conducts examinations of NRSROs to assess and promote compliance with statutory and Commission requirements. The monitoring activities are

geared towards informing Commission policy and rulemaking and include identifying and analyzing risks, monitoring industry trends, and administering and monitoring the NRSRO registration process as well as the periodic updates by existing registrants of their Forms NRSRO. The examination activities of OCR are focused on conducting legislatively mandated annual, risk-based examinations of all registered NRSROs to assess compliance with federal securities laws and Commission rules.

OCR also conducts special risk-targeted examinations based on credit market issues and concerns and in response to tips, complaints, and NRSRO self-reported incidents. OCR collaborates and coordinates with other Commission offices and divisions to enhance OCR’s ability to serve the public interest and protect users of credit ratings. Other activities of OCR include referring potential violations of securities laws to the Division of Enforcement; conducting ad-hoc research as warranted by industry or credit market conditions; and consulting and coordinating with international regulators and international bodies and organizations with respect to regulatory and policy initiatives and internationally active and non-U.S. based registrants.

OCR is responsible for drafting annual public reports to Congress addressing adopted and proposed rules; the status of registrants and applicants; and the state of competition, transparency, and the management of conflicts of interest. OCR may be called upon to leverage its expertise to draft statutorily mandated studies. As part of its monitoring activities, OCR conducts public outreach, including holding meetings with investors, issuers, arrangers, industry trade groups and

other market participants. OCR is also responsible for NRSRO policy and rulemaking. In this regard, OCR consults with the Division of Trading and Markets, the Division of Corporation Finance, the Division of Economic and Risk Analysis, the Office of the General Counsel and other Commission Divisions and Offices, as appropriate. OCR also conducts studies and drafts reports, including those required under the Dodd-Frank Act and the CRA Reform Act. For example, OCR prepares annual reports to Congress addressing the status of registrants and applicants and the state of competition, transparency and conflicts of interest among NRSROs.

In FY 2015, the SEC is requesting six additional positions for OCR, primarily for the three areas described below:

- The SEC has been tasked by the International Organization of Securities Commissions (IOSCO) Standing Committee 6 with being the lead regulator to organize and manage the regulatory colleges for certain globally active credit rating agencies (*i.e.*, Moody's and Standard & Poor's), and participating on the regulatory college for the globally active credit rating agency, Fitch. This broad assignment requires creating three separate regulatory colleges, allocating specialized staff to each such college and conducting meetings throughout the year.
- There has been an increase in the number and complexity of referrals to the enforcement program, as a result of OCR's regulatory exams and tips and complaints received from the public, creating the need for an enforcement liaison team. The tips and complaints received by OCR also led to additional issues for the staff to examine which, in turn, require additional specialized examiners.
- As a result of its internalizing NRSRO policy and rule-making functions, OCR has significant additional responsibilities, including:
  - ◆ Interpreting NRSRO rules and statutes to guide statutorily-mandated examinations and to formulate policy recommendations;
  - ◆ Preparing staff no-action letters and recommendations to the Commission for exemptive relief from NRSRO rules and statutes in response to requests from registrants;
  - ◆ Performing periodic review and assessment of existing NRSRO rules and statutes, including the required

periodic reviews in connection with the Paperwork Reduction Act;

- ◆ Developing recommendations to the Commission for new rules and regulations;
- ◆ Developing suggestions for new or enhanced statutory provisions, and providing assistance throughout the drafting and other processes;
- ◆ Formulating new NRSRO policies and best practices;
- ◆ Issuing staff legal bulletins and other guidance to NRSROs;
- ◆ Developing recommendations to the Commission for any interpretive guidance;
- ◆ Drafting new rules and, after the rules are finalized, educating the exam staff about the rules, interpreting the rules and considering any requests for exemptive relief or staff no action relief; and
- ◆ Reviewing the NRSRO Employee Transition Reports for former employees of NRSROs.

**Annual Examinations of All NRSROs:** Examination of NRSROs for compliance with federal laws and SEC rules will account for the significant majority of OCR's workload in FY 2015. The SEC will examine all NRSROs on an annual basis, as required by the Dodd-Frank Act. There were ten NRSROs as of January 1, 2014, and it is expected there may be new registrants. OCR is also conducting on-site examinations of registered international affiliates of globally active US-based NRSROs.

The SEC's scope for its NRSRO examinations includes covering all eight areas required by the Dodd-Frank Act, including review of the NRSRO's compliance with its policies, procedures, and rating methodologies; the NRSRO's management of conflicts of interest, implementation of ethics policies, and internal supervisory controls; and the NRSRO's policies governing the post-employment activities of former staff.

During the FY 2015 examinations, OCR will continue to follow up on the findings of prior exams and areas of identified risks. In FY 2015, OCR will focus on NRSRO compliance with new SEC rules that are expected to be considered by the Commission in FY 2014. In addition, the examination function needs to be bolstered with additional capabilities to evaluate credit models, to conduct sweeps and/or risk-based examinations, and to carry out international and technological initiatives.

**Public Examinations Report:** OCR prepares a public report that summarizes the essential findings resulting from the SEC’s annual NRSRO examinations. The annual examination report also includes information on whether the NRSROs have appropriately addressed any previous examination recommendations.

**Annual Report:** OCR also prepares an annual report that provides an overview of the industry, pursuant to the CRA Reform Act. This annual report is intended to capture and highlight competitive trends, changing dynamics within the industry, market share, unique challenges and opportunities, and any other matters deemed useful to the public at large.

**WORKLOAD DATA**

Activity	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
Annual Examinations and Other Examinations <sup>1</sup>	10	15	20
Studies, Reports and Related Matters <sup>2</sup>	3	3	4
Regulatory and Legislative Initiatives	15	15	20
Orders and No-Action Letters	3	5	7
Monitoring Meetings <sup>3</sup>	30	30	35
Form NRSRO – Initial Applications and Annual Certifications	15	15	15
Enforcement/TCR	25	30	38
International Initiatives	20	25	30
Business Processes	25	25	28
<b>Total FTE</b>	<b>25</b>	<b>39</b>	<b>46</b>

<sup>1</sup> 2013 Summary Report of Commission Staff’s Examination of each NRSRO.

<sup>2</sup> In FY 2013, these include an Annual Report on NRSROs prepared annually as required by the Credit Rating Agency Reform Act, a Summary Report of Commission Staff’s Examinations of Each NRSRO prepared annually as required by the Dodd-Frank Act, and a Report to Congress on Assigned Credit Ratings. In FY 2014, the reports include the Annual Report on NRSROs, the Summary Report on Commission Staff’s NRSRO Examinations, and a Report to Congress on the Credit Rating Agency Independence Study. In FY 2015, the reports include the Annual Report on NRSROs, the Summary Report on Commission Staff’s NRSRO Examinations, follow-up work from the Credit Ratings Roundtable, and follow-up work from the Report to Congress on Assigned Credit Ratings.

<sup>3</sup> The monitoring, rulemaking and policy staff hold periodic monitoring meetings with NRSROs throughout the year. The meetings discuss non-exam related ratings topics such as organizational and industry developments.

## Office of Municipal Securities

<i>(DOLLARS IN THOUSANDS)</i>	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
<b>FTE:</b> Headquarters	2	6	7

### FY 2015 FTE BY SEC STRATEGIC GOAL

Goal 1	Goal 2	Goal 3	Goal 4
Foster and Enforce Compliance with Federal Securities Laws	Establish an Effective Regulatory Environment	Facilitate Access To Information Investors Need	Align and Manage Resources
3	3	1	0

The Office of Municipal Securities (OMS) was created in FY 2012 as an independent office that reports directly to the SEC Chair, as required by Sec. 979 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). OMS, which consults with the Division of Trading and Markets, is responsible for administering the Commission's rules pertaining to municipal securities brokers and dealers, municipal advisors, investors in municipal securities, and municipal issuers. OMS also coordinates with the Municipal Securities Rulemaking Board (MSRB) on rulemaking and enforcement actions.

The SEC's FY 2015 budget request for OMS will permit the following key activities:

**Coordination of the SEC's Municipal Securities Activities:** OMS will be responsible for overseeing the municipal securities market to keep the Commission informed of current market issues, advising the Commission on policy matters relating to the municipal securities market, and providing technical assistance in the development and implementation of major SEC initiatives in the municipal securities market. In addition, OMS will assist the Division of Enforcement and its Municipal Securities and Public Pension Unit and other SEC offices and divisions on a wide array of municipal securities matters. OMS also will work with the Division of Economic and Risk Analysis to improve surveillance of the municipal securities market for emerging risks and communicate with other SEC offices and divisions and other regulators concerning market developments and possible regulatory responses.

OMS's initiatives in FY 2015 will include implementing the final rules for municipal advisor registration, including providing

interpretive guidance to market participants, participating in the review of municipal advisor registrations, and reviewing and processing rule filings by the MSRB related to municipal advisor regulation. In addition, OMS will assist with the implementation of initiatives recommended in the Commission's Report on the Municipal Securities Market (issued on July 31, 2012 following a broad-based review of the market). OMS also will continue to monitor current issues in the municipal securities market (such as pension disclosure, accounting, and municipal bankruptcy issues) and assist in considering further recommendations to the Commission with respect to disclosure, market structure, and price transparency in the municipal securities markets.

**Oversight of and Liaison to MSRB and Other Entities:** OMS will be responsible for acting as the Commission's liaison to the MSRB, the Financial Industry Regulatory Authority (FINRA), the Internal Revenue Services' (IRS) Office of Tax-Exempt Bonds, and a variety of investor and industry groups and regulators on municipal securities issues. In FY 2015, OMS will interact closely with the MSRB and will be responsible for reviewing and processing all MSRB rule filings. OMS will communicate with the MSRB Chairman, Board and staff concerning MSRB activities, market developments, and potential improvements of MSRB systems that either collect information for regulators or provide information to the public. In addition, OMS will lead semiannual meetings with the MSRB and FINRA regarding the municipal securities market, as required by the Dodd-Frank Act; meet with MSRB and FINRA staff regularly; meet with IRS staff pursuant to the SEC's memorandum of understanding with the IRS; and coordinate with other regulators as needed. OMS also will work closely with the municipal securities

industry to educate state and local governmental officials and conduit borrowers about risk management issues and foster a thorough understanding of the Commission’s policies among all market participants.

**Execution of Dodd-Frank Act Responsibilities with Respect to Municipal Advisors:** OMS has significant responsibilities with respect to implementation of Sec. 975 of the Dodd-Frank Act, which amended the Securities Exchange Act of 1934 to require the registration of municipal advisors with the SEC and provided for their regulation by the MSRB. In FY 2013, the Commission adopted final rules for municipal advisor registration. Compliance with the final rules will be required

on July 1, 2014, with a phased-in compliance period for registration using the final forms beginning on that day and ending on October 31, 2014. In FY 2015, OMS will implement the final rules for municipal advisor registration by finalizing a permanent registration system for municipal advisors, participating in the review of municipal advisor registrations, reviewing and processing MSRB rule filings related to municipal advisor regulation, advising the Office of Compliance Inspections and Examinations regarding inspections and examinations of municipal advisors, and providing interpretive guidance to those market participants who may be required to register as municipal advisors.

**WORKLOAD DATA**

Activity	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
SRO Proposed Rule Changes Reviewed <sup>1</sup>	15	20	20
SEC Rulemaking and Interpretive Actions	1	2	2
Interpretive, Exemptive, and No-Action Request Letters Closed	1	3	4
Reviews of Potential Enforcement Actions	35	40	40
Congressional, Governmental, Industry, and Public Correspondence and Inquiries <sup>2</sup>	375	475	475
Public Awareness and Market Outreach	16	20	20
Municipal Advisors <sup>3</sup>			
Registrants	1,177	1,177	910
Registration Applications Filed	76	100	100
Registration Amendments Filed	29	30	1,820
Registrations Withdrawn or Canceled	5	100	367
<b>Total FTE</b>	<b>2</b>	<b>6</b>	<b>7</b>

<sup>1</sup> This data includes filings, pre-filings, and amendments reviewed.

<sup>2</sup> This data combines correspondence and telephone/Internet inquiries.

<sup>3</sup> This data reflects the expanded responsibilities assigned to the Commission for oversight of municipal advisors by the Dodd-Frank Act. This data also reflects changes in estimates that reflect the transition from the temporary municipal advisor registration regime to the permanent registration regime. The Commission currently expects fewer registrants to register under the permanent registration regime and also currently expects that registrants will file more amendments pursuant to the final rules and forms. The permanent registration regime for municipal advisors requires amendments at least annually and requires more detailed disclosures subject to change and amendment.

## Agency Direction and Administrative Support

<i>(DOLLARS IN THOUSANDS)</i>	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
<b>FTE:</b> Headquarters			
Agency Direction			
Office of Executive Staff	25	30	29
Office of Public Affairs	8	10	12
Office of the Secretary	29	29	32
Subtotal	62	69	73
Administrative Support			
Office of the Chief Operating Officer	10	16	17
Office of Financial Management	80	87	91
Office of Information Technology	150	156	177
Office of Human Resources	93	112	132
Office of Acquisitions	42	48	50
Office of Support Operations	96	95	98
Office of the Ethics Counsel	13	14	15
Office of Minority and Women Inclusion	8	8	10
Office of Equal Employment Opportunity	7	10	12
Subtotal	499	546	602
<b>Total FTE</b>	<b>561</b>	<b>615</b>	<b>675</b>
<b>Cost:</b> Salaries and Benefits	\$ 101,819	\$ 129,997	\$ 154,226
Non-Personnel Expenses	70,485	155,422	165,279
<b>Total Costs</b>	<b>\$ 172,304</b>	<b>\$ 285,419</b>	<b>\$ 319,505</b>

This section of the FY 2014 request details the SEC's agency-wide executive activities, operations, and administrative functions and covers the following areas:

**Agency Direction:** Includes the Chairman's and Commissioners' offices, Office of Legislative and Intergovernmental Affairs (OLIA), Office of Public Affairs (OPA), and Office of the Secretary.

**Office of the Chief Operating Officer:** Provides executive leadership in directing the management and coordination of the SEC's core mission support activities.

**Office of the Ethics Council:** Administers the Commission's Ethics Program and interprets the SEC's Supplemental Ethics Rules as well as Federal Government-wide ethics laws, rules and regulations.

**Office of Minority and Women Inclusion:** Develops standards for all agency matters relating to diversity in management, employment, and business activities.

**Office of Equal Employment Opportunity:** Ensures that employees and applicants for employment have equal opportunity in employment.

## Agency Direction

<i>(DOLLARS IN THOUSANDS)</i>	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
<b>FTE:</b> Headquarters			
Office of Executive Staff	25	30	29
Office of Public Affairs	8	10	12
Office of the Secretary	29	29	32
<b>Total FTE</b>	<b>62</b>	<b>69</b>	<b>73</b>

### FY 2015 FTE BY SEC STRATEGIC GOAL

Goal 1	Goal 2	Goal 3	Goal 4
Foster and Enforce Compliance with Federal Securities Laws	Establish an Effective Regulatory Environment	Facilitate Access To Information Investors Need	Align and Manage Resources
10	16	32	15

Agency Direction is comprised of the Commissioners and their staff, as well as the Office of Legislative and Intergovernmental Affairs (OLIA), the Office of Public Affairs (OPA), and the Office of the Secretary (OS). The Chair’s Office oversees all aspects of agency operations, as well as the review and approval of enforcement cases and formal orders of investigation and the development, consideration, and execution of the agency’s substantive policy and rulemaking agenda. Matters such as the proposal or adoption of new rules and the consideration of enforcement cases are considered by the agency’s four other Commissioners and their staffs, as well as the Chair and the Chair’s staff.

OLIA serves as the liaison between the SEC and Congress. The Office is responsible for responding to requests from Congress for information related to agency programs and legislation affecting the SEC or its mission. OLIA also coordinates the testimony of SEC officials when the agency is asked to testify at Congressional hearings. OPA coordinates the SEC’s communications with the media, the general public, and foreign visitors. OS reviews all documents issued by the Commission, schedules and coordinates Commission meetings, prepares and maintains records of Commission actions, advises the Commission and staff about practice and procedure, and maintains the library and related databases and content.

In FY 2014 and FY 2015, the Commission will work to protect investors, strengthen the administration of the federal securities

laws, and implement the rules being finalized with respect to, among other things, derivatives, capital formation, clearing agencies, and credit rating agencies. Together, OPA and OS also intend to redesign the SEC’s external website to improve accessibility of information for investors, market participants, and SEC staff. In addition, OS plans to investigate the feasibility of replacing the outdated content management system used to manage the agency intranet, The Insider, with Sharepoint 2010 or another system. A new system will provide better functionality to meet the needs of the Commission and will accommodate an anticipated redesign for better access and usability. In total, these offices are requesting 2 new positions (less than 1 FTE) in FY 2015.

### Office of Legislative and Intergovernmental Affairs

OLIA is the SEC’s point of contact for matters relating to Congress. Among other things, OLIA:

- coordinates testimony and witness preparation for SEC officials appearing at Congressional hearings;
- responds to requests by Members of Congress and their staff for meetings, briefings, and technical assistance on legislation and other matters affecting the SEC or its mission;

- responds to requests from Members of Congress and their staff for information concerning the operations and activities of the Commission;
- assists in responding to Congressional correspondence; and
- assists Commission nominees during the Senate confirmation process.

In FY 2015, OLIA expects to coordinate the provision of information to Congress in response to various oversight requests, as well as to assist SEC witnesses in testifying before Congressional committees. OLIA also expects to coordinate the provision of technical assistance on legislation impacting the SEC or its mission in response to Congressional requests for assistance.

## Office of Public Affairs

OPA's principal responsibilities are, under the direction of the Chair, to coordinate the agency's external and internal communications with the media, the general public, visitors, and SEC staff. OPA distributes news and information that informs the public and staff about the agency's efforts to protect investors, promote fair, efficient and orderly markets, and facilitate capital formation. Finally, OPA leads the management and content development for the SEC's website, which delivers more than 10 million page views daily, and other digital media platforms.

In FY 2015, OPA will work to provide effective, transparent communication with taxpayers, investors, market participants and other stakeholders. OPA intends to place a high priority on leveraging the Internet and other digital communication tools to communicate with stakeholders most effectively, including continued modernization of the agency's website and information architecture. OPA will continue to utilize the General Services Administration secured government-wide agreements with digital media channels to facilitate communication with the public. OPA requests one additional position in FY 2015 to develop processes, tools and techniques to facilitate collaboration and information sharing between divisions and offices and help promote increased staff effectiveness and employee retention.

## Office of the Secretary

The Office of the Secretary (OS) reviews all documents issued by the Commission, schedules and coordinates Commission meetings, prepares and maintains records of Commission actions, advises the Commission and staff about practice and procedure, and maintains the library and related databases and content.

OS directly supports the Commission staff, maintains the SEC's website and Intranet, provides library and reference services to staff and the public, and tracks filings in administrative proceedings. The agency's rulemaking agenda and enhanced enforcement program will have a significant impact on OS in FY 2014 and FY 2015. Because all enforcement actions, examination reports, and rulemakings flow through OS, a substantial increase in workload in FY 2015 will directly affect the office.

OS is comprised of three branches:

**Legal Operations:** This branch handles all the processes by which the Commission considers matters under its purview. Legal Operations staff review all SEC documents submitted to and approved by the Commission and ensure their appropriate online and/or print publication. The branch receives and tracks documents filed in administrative proceedings, requests for confidential treatment, and comment letters on rule proposals, and monitors compliance with the Government in the Sunshine Act. In addition, members of this Office provide advice to the Commission and the staff on questions of practice and procedure.

**Library Services:** This branch performs a variety of activities in support of information programs, including assisting agency staff and the public with reference and research requests, acquiring information products and services, managing passwords for electronic resources, organizing and conducting training sessions on electronic resources and research techniques, managing the Library collection, and managing the Commission's intranet. In FY 2013, the Library experienced an increase in all services including an 11 percent increase in in-depth research requests and a 36% increase in quick reference requests, when compared with FY 2012. Agency-wide training and orientation sessions have also increased significantly. In FY 2013, the number of contracts managed on behalf of the Commission increased 5 percent to over 195 contracts and the number of passwords managed increased 9 percent to over 20,400.

**Web Operations:** This branch manages the public website’s design and information architecture; processes all comment letters submitted by the public to the agency; serves as “webmaster” in communicating with the public about SEC.gov; updates and enhances the agency’s search engine to optimize search results; and develops, implements, and manages tools, such as RSS feeds, to improve the dissemination of information on SEC.gov. In FY 2013, the public website experienced a 35% increase in usage from the previous fiscal year. The branch processed 6% more releases and 16% more comment letters than the prior year.

In addition to working with OPA to redesign the SEC’s external website to improve accessibility of information and replacing the content management system used to manage the agency intranet, in FY 2014 and FY 2015 OS plans to enhance management of administrative proceedings by implementing a new electronic filing system. Also in FY 2014, OS will complete a business process review effort to evaluate how best to replace several interdependent legacy applications.

**EXECUTIVE STAFF  
WORKLOAD DATA**

Activity	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
Commission Meetings	67	70	75
Calendar Items	536	575	600
Seriatim Actions	484	500	525
Congressional Testimonies	12	18	18
External and Internal Requests for Information or Technical Assistance	10,400	10,800	10,800
Chair’s and Congressional Correspondence	2,366	2,500	2,500
<b>Total FTE</b>	<b>25</b>	<b>30</b>	<b>29</b>

**OFFICE OF PUBLIC AFFAIRS  
WORKLOAD DATA**

Activity	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
News Releases and Statements	284	290	290
Press Briefings and News Conferences	220	220	220
Combined Media Inquiries	45,000	45,000	45,000
Foreign and Academic Visitors	210	210	210
<b>Total FTE</b>	<b>8</b>	<b>10</b>	<b>12</b>

**OFFICE OF THE SECRETARY  
WORKLOAD DATA**

<b>Activity</b>	<b>FY 2013 Actual</b>	<b>FY 2014 Estimate</b>	<b>FY 2015 Request</b>
Releases Processed	2,924	3,100	3,200
Public Comment Letters Processed	366,007	300,000	300,000
SEC Web Pages Viewed (in millions)	5,683	6,000	6,400
Searches on SEC Website (in millions)	2,897	3,000	3,200
Public Reference – Visitors	713	720	720
Library Password Management – Active Passwords	20,401	21,000	21,500
Library Acquisitions – Contracts Managed	199	161	161
Library Acquisitions – Acquisitions Transactions	408	400	400
Library Reference – In-Depth Research Requests	922	922	922
Library Reference – Quick Reference Requests	7,427	7,500	7,500
<b>Total FTE</b>	<b>29</b>	<b>29</b>	<b>32</b>

## Office of the Chief Operating Officer

<i>(DOLLARS IN THOUSANDS)</i>	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
<b>FTE:</b> Headquarters			
Office of the Chief Operating Officer	10	16	17
Office of Financial Management	80	87	91
Office of Information Technology	150	156	177
Office of Human Resources	93	112	132
Office of Acquisitions	42	48	50
Office of Support Operations	96	95	98
<b>Total FTE</b>	<b>471</b>	<b>514</b>	<b>565</b>

### FY 2015 FTE BY SEC STRATEGIC GOAL

Goal 1	Goal 2	Goal 3	Goal 4
Foster and Enforce Compliance with Federal Securities Laws	Establish an Effective Regulatory Environment	Facilitate Access To Information Investors Need	Align and Manage Resources
3	5	7	550

The Office of the Chief Operating Officer (OCOO) provides executive leadership in directing the management and coordination of the SEC’s core mission support activities. The OCOO vision is built on five key principles: (1) deliver impeccable customer service and support to the Divisions and Offices throughout the agency, (2) promote a customer centric “solutions provider” mindset, (3) provide services valued by stakeholders, (4) collaborate as a valued strategic contributor, and (5) foster an environment in which staff are proud to work.

Accordingly, the OCOO’s mission is accomplished by the coordinated activities of its five mission support offices:

- The **Office of Financial Management** (OFM) oversees the financial management and budget functions of the SEC by directing the formulation and execution of the budget, monitoring resource utilization, developing and maintaining financial systems, and managing financial statements and reporting.
- The **Office of Human Resources** (OHR) oversees the recruitment, training/development, reward and retention of the SEC’s work force. OHR collaborates closely

with the SEC Union on labor relations issues, has the overarching responsibility for the strategic management of the SEC’s human capital, and is the key component in supporting SEC’s capacity to recruit a talented, multifaceted workforce.

- The **Office of Acquisitions** (OA) manages all acquisition and contract planning management and oversight activities for the SEC.
- The **Office of Information Technology** (OIT) manages the agency’s IT program including application development, infrastructure operations and engineering, user support, IT program management, capital planning, information security, and enterprise architecture.
- The **Office of Support Operations** (OSO) manages requests under the Freedom of Information and Privacy Act (FOIA), agency official records, and all federal and contractor staff physical safety and security activities, space and facilities management, office supplies management, transportation, mail distribution, publications, printing, and desktop publishing.

In addition to the mission support offices, OCOO has its own staff that supports the mission of the agency and works across the mission support offices. During FY 2013, the OCOO oversaw several significant accomplishments and changes.

- Within the OCOO, the Operational Risk Management Office (ORM) continued to add in-house risk expertise to support agency risk and internal controls efforts. In FY 2013 ORM added two additional positions in order to facilitate additional core operational risk activities and expand agency-wide support. In addition, two Division Risk Officers were added, embedded within two key Divisions and Offices (Division of Enforcement and Division of Corporate Finance) with a dotted line reporting to OCOO. These Risk Officers are intended to support ongoing Management Assurance and Dodd-Frank Section 961 processes and development.
- To effectively monitor and measure success in meeting cross-functional initiatives, the OCOO established a dedicated Program Management Office (PMO). The PMO provides program management subject matter expertise and a governance structure to ensure the OCOO's roadmap of projects and initiatives are executed effectively and efficiently.

In FY 2014, OCOO created Strategic Objectives from the SEC Strategic Plan. These objectives support the overall mission of the agency in each of the OCOO offices including OCOO itself. The Strategic Objectives are as follows:

- Promote a results oriented work environment that attracts, engages, and retains a technically proficient and diverse workforce, including leaders who provide motivation and strategic direction.
- Encourage a collaborative environment across divisions and offices and leverages technology and data to fulfill its mission more effectively and efficiently.
- Maximize the use of agency resources by continually improving agency operations and bolstering internal controls.

In support of these Strategic Objectives, the OCOO has established four operational objectives. They are as follows:

- Assist the SEC in achieving its strategic and operational objectives by maturing operational risk awareness and fostering the continued development of an open,

positive culture that supports enhanced operational risk identification and management.

- Improve interoffice collaboration and use of SEC resources across the agency through the regular monitoring of project milestones status, pending risks, issues and conflicts during project performance reviews.
- Drive clear, concise and meaningful internal communications across the SEC to enhance collaboration, response to change, and address other issues that might hinder productivity and employee engagement.
- Continuously support employee engagement and positive work environment by providing central coordination, feedback loops and closed-loop response to issues.

In order to continue to support its operational objectives in FY 2015, the OCOO is requesting three additional positions. Two of these positions would support the continued development of operational risk management throughout the agency. One position would be located in the OCOO Operational Risk Management Office and would focus on increasing risk awareness and mitigation in the small offices throughout the agency. This additional staff person would work closely with those offices that do not currently have a dedicated Division Risk Officer or the equivalent.

The second position would be an additional Division Risk Officer that would be allocated to the Division of Trading and Markets and would work collaboratively with the Operational Risk Management Office to continue to develop a more fulsome risk management practice throughout the agency.

The third position would be allocated to agency-wide communications support for the improvement of the SEC's internal communications in general. Specific focuses would be on enhancing employee engagement, culture and collaboration as well as improving communication of the SEC's strategic human capital initiatives and workforce programs.

This staffing enhancement would bring the OCOO total staff in the immediate office to 19.

## Office of Financial Management

The Office of Financial Management (OFM) is responsible for the SEC's financial and budgetary operations. OFM maintains the agency's financial systems and prepares financial statements and reports; manages the formulation and

execution of the annual President's Budget; coordinates the agency's performance and cost reporting; and oversees internal controls over financial reporting.

During FY 2014 and FY 2015, OFM will work closely with the Department of Transportation's Federal Shared Services Provider (FSSP) to implement its software upgrade and refine the new Federal government-wide travel management system.

OFM will continue to focus and strengthen its internal controls over financial reporting. OFM is working to develop a data repository to provide a central location for financial data to greater assist with monitoring and identifying problems before they grow in size and scope. In addition, OFM will continue efforts to improve the procedures related to property and equipment, filing fee reviews, and disgorgement and penalties through system and process improvements. Improvements will include automation of the fixed asset worksheets, dashboards for filing fee reviews, improvements to the process of recording the financial impact of disgorgement and penalties from SEC cases, and automation of paper forms.

In FY 2014 and FY 2015, OFM will work to implement a new tool to manage budget formulation, budget execution, and performance measurement. OFM also will continue to implement the GPRA Modernization Act of 2010. In FY 2013 and FY 2014, OFM helped coordinate the development of a new SEC strategic plan, as required by the Act. As part of this effort, OFM worked with SEC divisions and offices to reassess agency performance metrics to gauge the agency's progress in fulfilling its mission and to promote accountability. OFM will continue to improve internal controls around performance measures.

## Office of Information Technology

Information Technology (IT) plays a critical role in the mission of the SEC. The increasing size and complexity of U.S. markets require that the SEC continue leveraging technology to streamline operations and increase the effectiveness of the agency's programs, building on the progress made over the past four and a half years in modernizing technology systems. The FY 2015 OIT budget request would add \$14.5 million for technology to support a number of key IT initiatives, including enhancements to the system for receiving Tips, Complaints, and Referrals (TCRs), improvements to IT security, and infrastructure upgrades to achieve efficiencies in business operations and reduce long-term costs.

The SEC plans to enhance its TCR Intake and Resolution system to provide a more capable and user-friendly system with increased flexibility, configurability, and adaptability that better supports TCR work processes. The enhancements will provide flexible and comprehensive intakes, triage, resolution tracking, searching, and reporting functionalities with full auditing capabilities, including:

- The development of a TCR Pre-Processing workflow module that permits users with specific permissions to upload documents or data to assess and determine where and how such documents and data should be added to the TCR
- Deployment of a Whistleblower Information Tracking module with full auditing capabilities that will permit Office of the Whistleblower (OWB) users to track and manage communications, work activities, and whistleblower associated data
- Implementation of a flexible system that will enable administrators to design and modify the TCR system's workflows as the SEC's TCR workflows evolve – a system that is role-based, supports configurable question-driven intake questionnaires, and provides users with context-based help as they navigate the system
- Deployment of a system that will be easy to maintain and allow administrators to manage user roles and groups, intake questionnaires, and workflows, and offer context-based help with full auditing capabilities.

The SEC also plans to make a significant investment in its information security program. In FY 2015, OIT plans to upgrade its security tools and processes to keep pace with a growing and increasingly complex infrastructure as well as continue to develop and train analytical staff to monitor, respond to, and remediate risks, to address ever-increasing security threats.

**Reserve Fund:** In FY 2015, the SEC intends to continue using its Reserve Fund to fund large, multi-year, mission-critical technology projects. The SEC plans to use \$75 million from the Fund for data analytics, EDGAR modernization, Enforcement investigation and litigation support, the Enterprise Data Warehouse (EDW), examination management, TCR enhancements, SEC.gov modernization, and business process improvements. These key priorities will enhance the SEC's ability to improve service to registrants and the public, integrate

and analyze large amounts of data, and improve SEC business and operational processes.

The multi-year effort of overhauling EDGAR will continue to create a new, modernized system that will, among other things, meet requirements for real-time system updates, reduce filer burden by providing simplified search and filing options based on filer experience (i.e., professional or novice), improve data capture by moving to structured formats for various SEC forms, and limit the long-term costs of operating and maintaining the system. The EDGAR modernization effort leverages the EDW, which will combine various streams of data and help the public gain easier access to more usable market data. The centralized EDW will allow organization of data using standard definitions and structures, integration of large amounts of data to allow enhanced analytical capabilities and predictive modeling, and strengthened governance of data controls and quality standards.

The exam and enforcement programs require the appropriate technological infrastructure so that data can be easily accessed, analyzed, and disseminated. In FY 2015, OIT will work with the exam program to continue to focus on identifying and acquiring additional data sets and information that can be utilized in risk assessment efforts, examinations, and other related initiatives. OIT will assist the Office of Compliance Inspections and Examinations (OCIE) in identifying and acquiring tools and resources that will assist in the analysis of large amounts of data, and will potentially help generate alerts and exception reports focused on identifying registered entities that require additional follow-up by the staff. These tools also will improve risk assessment and surveillance efforts by providing the staff with a greater ability to detect trends and emerging fraud risks, ultimately enabling the staff to allocate and direct SEC resources more effectively.

The Division of Enforcement is leading an agency-wide pilot of a document management system for Enforcement's internal case files, providing organization and management capabilities for email correspondence and documents, enhanced search capabilities, role-based security for searching and accessing documents, and organization of documents in standard models. In 2013 Enforcement initiated an effort to eliminate the need for investigative teams to manually re-key vast amounts of customer account data for use in pattern analysis, by deploying software capable of extracting financial data and fixed format content and making it available to the

analytical systems. Also the Division of Enforcement has collected requirements for an evidence request, tracking, and management system, which will increase operational efficiencies, improve transparency of production requests, enhance internal controls, and contain costs.

Additional investments planned for FY 2015 for the Enforcement program include the procurement, installation and configuration of the enterprise document management system for Enforcement, OCIE and Investment Management users in Headquarters and Regional Offices, and possible integration with other legacy systems; introducing a large file transfer capability to permit the electronic transmittal of data directly from entities to replace the current mode of submitting content via email for manual tracking and loading; and modernizing the current Bluesheets tools used to collect trade data from market participants.

In addition, the FY 2015 request would allow further investments toward modernizing SEC.gov, which is one of the most widely-used Federal Government websites. These efforts will make the site more informative, easier to navigate and secure for investors, public companies, registrants and the general public. IT investments would also go toward automating and improving our business processes to advance the efficiency and effectiveness of the agency in serving the public.

## Office of Human Resources

OHR provides operational and consulting services in the areas of staffing, organizational development, leadership and employee development, compensation and benefits administration, position management and classification, workforce planning, and employee and labor relations. In FY 2015, OHR will continue to focus on the modernization of its structure, policies, processes and customer-service model. The focus of the work will be on:

- Accelerating the hiring process significantly and increasing a range of services to attract and maintain a high-quality workforce; and
- Providing support to offices and divisions in all phases of workforce planning, recruitment/staffing, and leadership and employee development.

To achieve these objectives, OHR is requesting an increase of 32 positions for FY 2015.

In FY 2013, OHR achieved great success in its recruitment and hiring action plan. Resources were used to establish a classification team; implement the Pathways Program; transition the Student Honors Program from ENF to OHR; increase marketing and outreach activity via social media outlets; and implement the Workforce Transition and Tracking System. In FY 2014, the Staffing Branch reorganized and added team lead and staff positions to enhance and improve upon the customer service model.

During FY 2013, OHR introduced the workforce planning group to its organizational structure. Throughout 2014, OHR will continue to build the workforce planning group and will be implementing a succession management program. OHR will also continue to implement agency-wide action plans for improving employee satisfaction as measured by the Federal Employee Viewpoint Survey. In addition, OHR will continue to implement the new Collective Bargaining Agreement obligations, to include adding flexible work schedule options, expanding the telework program, and sponsoring additional benefits programs specific to the agency, as well as those negotiated by OPM for all federal employees.

In FY 2015, OHR will continue to develop and implement organizational changes to reengineer, streamline, and automate its many internal processes. This includes enhancements to OHR information management systems such as the Employee/Labor Relations Case Management System, automation of the Performance Management System, and the transition of many manual forms into an electronic environment.

OHR will also engage and collaborate with customers across the Commission to execute targeted recruitment and hiring plans to attract and retain employees. During the business process reengineering effort done in FY 2013, OHR successfully completed and implemented 13 recommendations to improve and enhance the staffing process. These recommendations are expected to reduce the SEC's time to hire in FY 2105 and will also provide the opportunity for OHR to have a more targeted focus on special emphasis hiring, such as initiatives to hire veterans and persons with disabilities.

The additional \$9 million requested for training in FY 2015 principally supports training and development for employees directly involved in examinations, investigations, fraud detection, litigation, and other core mission responsibilities of the SEC. The SECU will provide specialized in-depth

training concerning market leadership and changing market conditions, analytics and forensics, and the SEC's response to the Dodd-Frank Act. The investment in SECU will also fund employees for certain specialized financial certifications and regulatory credentials, as well as the advanced continuing education required for maintaining legal and financial credentials. The additional resources requested would bring the SEC's level of training investment more on par with other Federal financial regulatory agencies. In FY 2014, the SEC training and development budget was at approximately \$2,000 per capita. The proposed 2015 budget would raise this figure to slightly greater than \$3,400 per capita.

Additionally, SECU will support ongoing management training to improve the capabilities of managers and supervisors in the management and development of their employees. This includes coursework such as team leader training, new supervisor training, leadership refresher courses for tenured supervisors, executive leadership development, new senior officer training, leadership elective courses, leadership coaching and coaching tools, human resources management, and 360-degree leadership assessment.

Overall, OHR's FY 2015 budget allocation will further the strategic management of the SEC's human capital by attracting and retaining a diverse and talented workforce, administering programs to enhance employee engagement and leadership development, implementing advanced technologies to enhance and streamline work processes, and establishing policies and procedures to ensure compliance with federal regulations.

## Office of Acquisitions

The Office of Acquisitions (OA) is responsible for procuring all goods and services, except real property and employee training, for the SEC. OA provides oversight of the Government Purchase Card program and the Contracting Officer's Representative program. OA is responsible for maintaining the on-site contractors' database, closing out contracts, and the implementation and enforcement of specific Congressional legislation, Executive mandates, and other directives as they relate to procurement.

OA also reports detailed information on expenditures and assures contract-related data is properly reported to federal systems and SEC financial systems. OA tracks and reports a

broad range of information in addition to financial data required by the SEC for its financial reporting. Examples include: Buy American Act information; awards by Congressional District, state, vendor, business type, and competition information; and small business and other data necessary to assure transparency and accountability with respect to numerous federal programs.

In FY 2015, OA will further strengthen internal controls over the contractual aspects of financial reporting. In 2012, the SEC completed its initial migration to a federal government Shared Service Provider (SSP) administered by the Enterprise Services Center (ESC) at the Department of Transportation. In FY 2013 and FY 2014, OA has focused on the additional work necessary to refine contracting processes. Expanding on this work, in FY 2015 OA will focus on further improving business processes in ESC PRISM, such as improved interagency agreement reporting, receiving, overall reporting, and other areas related to the contracting function within the SSP.

OA's workload continues to increase as the Office expands its contract administration functions and as the volume of contract awards increases.

In FY 2015, OA will continue to seek savings in operations by:

- Reducing the proportion of cost reimbursement, time and materials, and labor-hour contracts by conversion to firm fixed price contracts where appropriate;
- Improving acquisition planning for recurring contracts to reduce duplication of costs and use less expensive labor categories (if feasible);
- Seeking further discounts from GSA schedule vendors for awards made under the Multiple Award Schedule program;
- Using strategically sourced contracts where they provide the best value to the SEC;
- Improving service contract assessments to achieve maximum value and efficiency, as well as proper balance between federal and contracted positions;
- Reducing expired contract liability and return funds to SEC for re-allocation; and,
- Strengthening contract administration efforts, such as invoice and quality reviews.

Based on current initiatives, it is likely that workload will continue to increase due to OA's implementation of the Contractor Performance Assessment Reporting System, Electronic Subcontracting System, Program Management Certification program, Small Business Program improvements, and greater oversight and reporting efforts. OA will continue monitoring and tracking Management Assurance controls. The SEC's Contract Review Board, which reviews larger procurement actions to make sure the contracting approaches taken are appropriate and consistent, was developed in FY 2013 and robustly implemented in FY 2014. It will be further expanded in FY 2015. In addition, in FY 2015, OA will continue refining the Contracting Officers' Representative (COR) program and the Program/Project Management programs, to include enhanced training and monitoring.

## Office of Support Operations

The Office of Support Operations (OSO) provides a variety of programs and services in support of the SEC across the nation. OSO is comprised of four functionally organized offices: Office of Freedom of Information Act (FOIA) Services (OFS), Office of Records Management (ORMS), Office of Security Services (OSS), and Office of Building Operations (OBO). Additionally, administrative, financial and analytical support for OSO is centralized in the Business Management Office (BMO) which reports directly to the Office of the Director. Each office provides unique services to the SEC with the overall objective to deliver impeccable customer service and support.

**Office of FOIA Services:** OFS is responsible for receiving and responding to requests for non-public records and public records not available on the SEC website under the Freedom of Information and Privacy Acts. OFS continues to manage a high volume of requests while reducing the number and age of existing requests. OFS expects a large volume of FOIA requests to continue, as public and Congressional interest in the agency's mission and activities remains high. OFS estimates it will receive and process about 12,700 FOIA requests in FY 2015.

**Office of Records Management Services:** ORMS develops, evaluates, and issues policies and procedures enabling the agency to comply with the Federal Records Act and other statutory and regulatory records requirements. The Office also coordinates the retrieval of non-active records from records storage facilities and handles requests for certified copies of

agency records. The Presidential Memorandum on Managing Government Records continues to increase demands on the program. ORMS estimates that document and certification requests will continue to increase in FY 2014 and FY 2015.

ORMS maintains currency of SEC records schedules and guidance in compliance with all federal records laws, regulations, and National Archives and Records Administration guidance, as the agency moves towards developing a centralized automated records management system designed to maintain, manage, and safeguard the SEC's electronic information. In FY 2013, ORMS completed its records assessment visits to the regional offices and began records assessments in Headquarters. ORMS convened the inaugural meetings of the SEC Records Council, and continues to work closely with Records Liaisons in each division and office.

**Office of Security Services:** The OSS is responsible for serving the SEC Headquarters and regional offices on matters pertaining to physical and personnel security, emergency management, safety, background investigations, and Continuity of Operations (COOP). OSS develops and maintains policies and procedures to promote and implement security program principles and practices per Federal statutes and regulations. OSS also manages the HSPD-12 and National Security programs for the SEC.

In FY 2012, OSS initiated a comprehensive COOP program development project. This includes market research, an agency-wide review process, and an evaluation of the agency's mission essential functions and personnel. The SEC COOP plan was finalized in FY 2013, bringing the SEC into compliance with the current Department of Homeland Security and Federal

Emergency Management Agency requirements. The SEC will validate the COOP plan during the National Level Eagle Horizon exercise in April 2014.

The Personnel Security Operations (PERSEC) Branch is responsible for ensuring that all federal employees, contractors, fellows, and interns are properly investigated based on their position designation and sensitivity, consistent with all applicable federal statutes, regulations, and Executive Orders. In FY 2014, PERSEC workload is anticipated to increase due to new government standards and the pending release of joint regulations from the Office of Personnel Management and Office of the Director of National Intelligence requiring reinvestigation of employees occupying moderate and high-risk public trust positions.

**Office of Building Operations:** The OBO is responsible for publishing, printing and mail operations, facilities operations, and construction and leasing services. OBO provides daily services to SEC staff ensuring they have the materials and services necessary to optimize their performance.

In FY 2014 and FY 2015, OSO will oversee the necessary construction required at each location to provide agreed-upon tenant improvements. OSO is responsible for ensuring that costs and schedules are on target and that the buildings provide functional, usable space that meets applicable building codes and the SEC's functional requirements. The Administration has made it a priority for Federal agencies to make more efficient use of the Government's real estate assets. The SEC is working with the General Services Administration to align its space utilization rates at levels to attain that goal.

**OFFICE OF THE CHIEF OPERATING OFFICER  
WORKLOAD DATA**

Activity	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
<b>Office of the Chief Operating Officer</b>			
<b>Total FTE</b>	<b>10</b>	<b>16</b>	<b>17</b>

**OFFICE OF FINANCIAL MANAGEMENT  
WORKLOAD DATA**

Activity	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
<b>Accounting and Finance</b>			
Quarterly/Annual Financial Statements Issued <sup>1</sup>	36	36	36
Financial Transactions Analyzed <sup>2</sup>	4,526,990	5,100,000	5,800,000
Analysis and Reconciliation Reports Prepared <sup>3</sup>	5,444	5,550	5,600
<b>FTE</b>	<b>66</b>	<b>72</b>	<b>75</b>
<b>Planning and Budget</b>			
Periodic Reports Issued <sup>4</sup>	778	740	740
Expenditure Transactions Processed <sup>5</sup>	2,393	2,400	2,400
<b>FTE</b>	<b>14</b>	<b>15</b>	<b>16</b>
<b>Total FTE</b>	<b>80</b>	<b>87</b>	<b>91</b>

<sup>1</sup> This workload metric includes the five required financial statements - the Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, Statement of Budgetary Resources, and the Statement of Custodial Activity - on a quarterly and annual basis (20 statements total); and the four Investor Protection Fund financial statements as required by the Dodd-Frank Wall Street Reform and Consumer Protection Act on a quarterly and annual basis (16 statements total). This metric does not include the government-wide financial statements.

<sup>2</sup> This workload metric captures all financial transactions processed in the financial system and analyzed by SEC staff.

<sup>3</sup> This workload metric accounts for all analysis and reconciliation reports prepared during the review of transactions processed by the FSSP.

<sup>4</sup> This workload metric reflects the total number of all internal and external reports issued by OFM's Planning and Budget Office.

<sup>5</sup> This workload metric reflects the total number of all REQ record type transactions processed by OFM's Planning and Budget Office.

**OFFICE OF INFORMATION TECHNOLOGY  
WORKLOAD DATA**

Activity	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
<b>EDGAR Filings, Disclosure and Review</b>			
Online Searches for EDGAR Filings (in millions)	3,027	4,100	4,100
Number of Electronic Filings Received (in millions) <sup>1</sup>	1.8	1.0	2.0
<b>Internal Process Improvements and Employee Productivity</b>			
User Requests for Helpdesk Assistance	51,128	55,000	60,000
Amount of Network-Based Storage (Terabytes) <sup>2</sup>	13,330	13,330	13,330
Network Users	5,200	5,500	5,800
<b>Information Security and Disaster Recovery</b>			
Percentage of Major Systems Certified and Accredited	100%	100%	100%
<b>Filer Technical Support</b>			
Technical Support Internet & E-mail Inquiries	1,557	1,500	1,500
Technical Support Telephone Inquiries	17,871	19,500	19,500
<b>Total FTE</b>	<b>150</b>	<b>156</b>	<b>177</b>

<sup>1</sup> This workload metric includes both the live and test files received. The peak record received is 21,000 filings for one day and 3,400 for one hour.

<sup>2</sup> It is currently unknown how much of a storage impact changing to a Virtual Desktop environment will have. Estimates on specific growth are currently not available and may be adjusted once there is a better understanding of the virtual platform requirements.

**OFFICE OF HUMAN RESOURCES  
WORKLOAD DATA**

Activity	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
Personnel Actions Processed <sup>1,2</sup>	19,855	22,930	26,370
Recruitment Actions <sup>3</sup>	1,168	1,000	1,350
Training Sessions Held <sup>4</sup>	819	820	900
Number of Training Session Attendees	27,500	27,500	29,700
Studies, Reviews, and Policies Issued <sup>5</sup>	426	468	515
<b>Total FTE</b>	<b>93</b>	<b>112</b>	<b>132</b>

<sup>1</sup> FY 2013 data reports personnel actions completed. Prior year counts were higher due to the inclusion of other transactional type work (e.g., payroll documents).

<sup>2</sup> FY 2014 projections are based solely on FY 2013 personnel actions completed and 5% growth in personnel actions each fiscal year; FY 2015 projections reflect a 15% growth.

<sup>3</sup> FY 2013 numbers are a count of vacancy announcements plus excepted appointments made without a posting. FY 2014 projections are slightly lower due to budget limitations; FY 2015 projections reflect recruit actions required for new FTE.

<sup>4</sup> FY 2013 data is the total number of actual instructor-led training sessions held by SEC. In prior years, self-directed on-line learning and individual external training were included in the calculation methodology of this workload item.

<sup>5</sup> Data for studies, reviews and policies issued includes human resource policies issued, employee relations and labor relations cases, and reports and studies completed by the Human Capital Strategy Group. Projections assume a 10% growth in workload.

**OFFICE OF ACQUISITIONS  
WORKLOAD DATA**

Activity	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
Procurement Actions (Contracts and Purchase Orders)	2,388	2,500	3,000
Total value of Contracts with Business Funded by SEC (in millions)	\$316,800,921	\$372,874,684	\$423,585,641
Additional Value of Interagency Agreements Obligated (In Dollars)	\$34,655,821	\$35,000,000	\$38,000,000
GPC Cardholder Statements Audited	88	90	90
Closeout Actions Processed	828	850	880
Closeout Dollars	\$17,845,047	8,000,000	8,000,000
CORs Managed	260	270	300
Small Business Actions Processed	1,310	1,400	1,500
Dollars Spent with Small Business	\$142,748,674	\$145,600,000	\$148,500,000
Percent Small Business Dollars (23% Federal-wide Minimum Goal)	51.3%	53%	55%
Multi-Agency Collaborative Actions	681	700	850
Multi-Agency Contract Value Awarded	\$137,031,988	\$145,000,000	\$180,000,000
<b>Total FTE</b>	<b>42</b>	<b>48</b>	<b>50</b>

**OFFICE OF SUPPORT OPERATIONS  
WORKLOAD DATA**

Activity	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
Records Management – Official Certs	3,200	3,500	3,700
Records Management – Document Requests	2,900	2,900	2,900
FOIA Requests Carried Forward From Prior FYs	382	490	600
New FOIA/PA Requests Received	12,275	12,500	12,700
FOIA/PA Requests Completed	12,167	12,400	12,400
Security Services – Interim Suitability Determinations Made <sup>1</sup>	2,923 <sup>2</sup>	2,600 <sup>3</sup>	2,650 <sup>4</sup>
Security Services – HSPD-12 Credentials Issued	1,636	2,000	2,200
Security Services – HSPD-12 Credential Certificates Updated <sup>5</sup>	628	1,100	1,600
Print Production (Millions of Pages)	7.5	8	9
<b>Total FTE</b>	<b>96</b>	<b>95</b>	<b>98</b>

<sup>1</sup> Number of cases initiated or found suitable by SEC Personnel Security. File cases are at different phases of completion, and may not be finally adjudicated.

<sup>2</sup> Includes 850 interns.

<sup>3</sup> Includes 850 interns. Total number may vary based on hiring initiatives and contractor turnover.

<sup>4</sup> Includes 850 interns. Total number may vary based on hiring initiatives and contractor turnover.

<sup>5</sup> The HSPD-12 credentials come with certificates, which expire after three years of issuance and need to be updated.

## Office of the Ethics Counsel

<i>(DOLLARS IN THOUSANDS)</i>	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
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<b>FTE:</b> Headquarters	13	14	15
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### FY 2015 FTE BY SEC STRATEGIC GOAL

Goal 1	Goal 2	Goal 3	Goal 4
Foster and Enforce Compliance with Federal Securities Laws	Establish an Effective Regulatory Environment	Facilitate Access To Information Investors Need	Align and Manage Resources
0	0	0	15

The Office of Ethics Counsel (OEC) is responsible for administering the Commission’s Ethics Program and for interpreting the SEC’s Supplemental Ethics Rules as well as Federal Government-wide ethics laws, rules and regulations. OEC provides independent legal analysis and advice to the Chair, Commissioners, and divisions and offices on ethics issues. OEC is also the SEC’s liaison with the United States Office of Government Ethics.

As explained in detail below, OEC expects its workload and responsibilities to increase significantly in FY 2015 due to changes in OGE regulations, increased compliance efforts and improvements the office is making to its systems and processes. The office is requesting one additional position in FY 2015 to provide it with the resources it needs to fulfill its duties.

Recently, OGE modified the post-employment regulations for many SEC employees. This change will increase the number of SEC employees who are considered to be “senior officials” subject to a one-year post-employment cooling-off period. In 2015, OEC will be required to train and counsel an increased number of employees on the new post-employment restrictions. OEC also anticipates that the regulations will result in a rise in the number of requests it receives from former employees requesting permission to appear before the Commission within two years ending their employment with the SEC.

The passage of the STOCK Act in 2012 created shorter deadlines for OEC’s financial disclosure review, as well as increased posting requirements. As a result, OEC also expects to focus additional resources on reviewing staff’s securities

transactions and financial disclosures in FY 2015. OEC also plans to continue to implement new versions of its electronic ethics and compliance systems in FY 2015 to help facilitate its disclosure review.

OEC provides counseling and training to SEC staff on compliance with ethics laws and regulations. In FY 2015, OEC anticipates that ethics counseling matters will continue to increase due to the office’s increased compliance efforts and the overall increase in SEC staff. OEC currently processes well over 25,000 requests annually for clearance of securities transactions for SEC employees. The office has also increased the number of OGE 450 forms it receives and reviews. OEC estimates that the demand for its counseling and training services will increase roughly 10 percent during FY 2015, primarily due to recent increases in SEC staff.

In FY 2015, a major priority of the OEC will be to conduct an agency-wide compliance exercise which will require employees to provide the office with year-end brokerage statements. The purpose of this audit will be to check SEC employees’ compliance with the agency’s supplemental ethics regulations. This target compliance audit will be time and resource intensive.

The expected increase in the number and complexity of the agency’s enforcement actions in FY 2015 will likely result in additional work for OEC. The office reviews all enforcement memoranda sent to the Commission to assist the Commissioners and their counsels in reviewing for possible conflicts of interest and, based on past practice, expects the number of these reviews to increase by approximately 10% each fiscal year.

**WORKLOAD DATA**

<b>Activity</b>	<b>FY 2013 Actual</b>	<b>FY 2014 Estimate</b>	<b>FY 2015 Request</b>
Ethics Counseling Inquiries <sup>1</sup>	6,400	6,600	6,700
Review of Public Financial Disclosure Forms <sup>2</sup>	185	200	220
Commission Memoranda Review <sup>3</sup>	1,200	1,320	1,450
Review of Confidential Financial Disclosure Forms <sup>4</sup>	3,000	3,500	4,000
Clearance of 8b Requests <sup>5</sup>	168	185	200
Pre-clearance of Requests for Trading <sup>6</sup>	26,157	28,770	31,650
Employees Trained in Ethics <sup>7</sup>	4,000	4,200	4,400
<b>Total FTE</b>	<b>13</b>	<b>14</b>	<b>15</b>

<sup>1</sup> Assisting current and former employees with questions regarding ethics law, rule and regulation.

<sup>2</sup> Review of the OGE 278 forms of senior officials.

<sup>3</sup> Reviewing all internal Commission Action memoranda to assist with conflict review.

<sup>4</sup> Review of OGE 450 forms of SEC staff.

<sup>5</sup> Analysis and processing of requests by former SEC employees to represent a party before the SEC.

<sup>6</sup> Analysis, under supplemental regulations, of requests by SEC staff to purchase or sell securities.

<sup>7</sup> Employees who received face to face or computer based training from OEC staff.

## Office of Minority and Women Inclusion

(DOLLARS IN THOUSANDS)	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
FTE: Headquarters	8	8	10

### FY 2015 FTE BY SEC STRATEGIC GOAL

Goal 1	Goal 2	Goal 3	Goal 4
Foster and Enforce Compliance with Federal Securities Laws	Establish an Effective Regulatory Environment	Facilitate Access To Information Investors Need	Align and Manage Resources
0	0	0	10

The Office of Minority and Women Inclusion (OMWI) is responsible for all matters related to diversity in management, employment and business activities at the SEC as required by Section 342 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. The responsibilities of the Office include developing standards for equal employment opportunity and the diversity of SEC’s workforce (including senior management), the increased participation of minority-owned and women-owned businesses in SEC’s programs and contracts, and assessing the diversity policies and practices of entities regulated by the SEC.

The agency’s request for OMWI will allow the Office to accommodate the expanding workload and responsibilities associated with implementing the requirements of Section 342 of the Dodd-Frank Act. OMWI objectives for FY 2015 are described below.

**Diversity of SEC’s Workforce:** In FY 2015, OMWI plans to expand the SEC’s participation at a number of recruitment events, and national and regional conferences hosted by professional organizations and educational institutions that target minorities and women who are experienced professionals. OMWI also will assist community advocacy organizations and students that are interested in the securities and financial services industry. To accomplish this, OMWI plans to expand its engagement with staff in the SEC’s regional offices in connection with outreach activities.

In FY 2015, OMWI also plans to offer a wide-variety of training opportunities that enhance cultural awareness and inclusiveness, and address the needs of the SEC’s workforce at all levels. In addition, OMWI intends to increase its advertising

of employment and student internship opportunities to professional organizations and educational institutions that serve minorities and women.

**Diversity of SEC’s Contracting and Business Activities:** In FY 2015, OMWI plans to implement a broad outreach strategy. OMWI will attend business opportunity events to attract diverse suppliers and provide technical assistance to expand opportunities for minority-owned and women-owned businesses. In FY 2014, OMWI anticipates finalizing the “good faith” contract standard that requires contractors demonstrate the fair inclusion of minorities and women in their workforce, as required by Section 342(c)(1) of the Dodd-Frank Act. Upon Commission review and approval, the SEC will publish the proposed contract standard in the Federal Register notice for public comment. OMWI anticipates that this good faith contract standard will be incorporated in all SEC contracts for services. In FY 2015, OMWI anticipates initiating reviews to evaluate the fair inclusion of women and minorities in the workforce of existing contractors and, as applicable, subcontractors.

In FY 2015, OMWI also plans to offer a variety of training opportunities to enhance the knowledge and understanding of Section 342(c) requirements to those individuals in SEC’s workforce engaged in business activities, and minority-owned and women-owned businesses interested in doing business with the SEC.

**Diversity Policies and Practices of SEC Regulated Entities:** In early FY 2014, the SEC, along with the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation,

the National Credit Union Administration, and the Consumer Financial Protection Bureau, issued an interagency policy statement proposing joint standards for assessing the diversity policies and practices of the institutions they regulate. The proposed standards are intended to promote transparency and awareness of diversity policies and practices within federally regulated financial institutions. OMWI anticipates that as the standards are implemented in FY 2015, the Office will provide technical assistance to the regulated entities on compliance.

**Title VII of Jumpstart Our Business Startups (JOBS) Act:** The Jumpstart Our Business Startups (JOBS) Act was designed to encourage small business growth and startup funding by increasing the ability of small businesses to raise capital. Under Title VII of the JOBS Act, the SEC is required to conduct outreach to inform several business communities, including minority-owned businesses and women-owned businesses, of the changes made by the JOBS Act.

Because the minority-owned and women-owned business communities are already included in OMWI's existing supplier

diversity outreach efforts, OMWI is collaborating with other SEC divisions and offices to implement the agency's JOBS Act outreach strategy. In FY 2015, the SEC will expand online resources and pursue other ways, including public meetings, to provide information on the changes made by the JOBS Act in accordance with Title VII.

**Annual Report to Congress:** OMWI is responsible for preparing an annual report to Congress describing the Office's activities with respect to diversity in the agency's workforce and business activities. This includes successes and challenges in operating minority and women outreach programs, hiring qualified minorities and women employees, and contracting with minority-owned and women-owned businesses. The report also includes quantitative information related to the SEC's contracting activities (e.g., total amounts paid to contractors during the past year, and percentage of that amount paid to contractors that are minority-owned or women-owned). OMWI will continue to develop additional metrics that enhance the SEC's ability to monitor and track the effectiveness of its efforts.

**WORKLOAD DATA**

Activity	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
Legal and Other Reporting Requirements <sup>1</sup>	3	3	3
Diversity and Inclusion Programs <sup>2</sup>	30	40	50
Diversity and Inclusion Training <sup>3</sup>	10	12	12
Roundtable or Public Meetings <sup>4</sup>	0	2	2
Vendor Outreach <sup>5</sup>	37	50	50
Targeted Advertisements <sup>6</sup>	70	90	100
<b>Total FTE</b>	<b>8</b>	<b>8</b>	<b>10</b>

<sup>1</sup> As mandated by Section 342(e) of the Dodd-Frank Act, OMWI submits an Annual Report to Congress. In addition, OMWI collaborates with SEC's Offices of Human Resources and Equal Employment Opportunity and contributes to the Annual Federal Equal Opportunity Recruitment Plan (FEORP) and the Annual Equal Employment Opportunity Status Report (MD-715).

<sup>2</sup> OMWI's Diversity and Inclusion programs involve external stakeholders and include participating in conferences held by diverse professional associations, organizations and educational institutions for both internal workforce and supplier diversity pipeline development.

<sup>3</sup> In FY 2013, OMWI, in collaboration with the Office of Personnel Management, offered training on Unconscious Bias to all SEC managers. In FY 2015, OMWI plans to expand training opportunities on diversity and inclusion topics to reach all levels of the SEC's workforce and external stakeholders, including topics related to promoting the increased use of minority-owned and women-owned companies in SEC's business activities.

<sup>4</sup> In FY 2014, OMWI plans to host a series of roundtable discussions in order to solicit information from industry representatives on the standards for assessing the diversity policies of SEC's regulated entities that were developed as required by Section 342(b). In FY 2015, once standards are implemented, the SEC plans to host meetings to provide regulated entities technical assistance on compliance with the new standards. In addition, pursuant to Title VII of the Jumpstart Our Business Startups (JOBS) Act, OMWI will host a series of public information sessions to inform small and medium sized businesses, women-owned businesses, veteran-owned businesses, and minority-owned businesses of the new financing options designed to streamline and eliminate the regulatory and legal barriers that prevent emerging businesses from reaching out to new investors, accessing capital, and selling shares to the public.

<sup>5</sup> The SEC hosts Vendor Outreach days once a month. This forum allows interested businesses, including minority-owned and women-owned, 8(a) certified, small, small disadvantaged, women-owned small, service-disabled veteran-owned and HUBZone certified businesses to exchange information on their capabilities and services/goods and to receive technical assistance.

<sup>6</sup> OMWI's Workforce Outreach efforts include placing advertisements for employment and student internship opportunities in publications that primarily serve minorities and women, including newspapers, magazines, and job posting websites.

## Office of Equal Employment Opportunity

<i>(DOLLARS IN THOUSANDS)</i>	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
FTE: Headquarters	7	10	12

### FY 2015 FTE BY SEC STRATEGIC GOAL

Goal 1	Goal 2	Goal 3	Goal 4
Foster and Enforce Compliance with Federal Securities Laws	Establish an Effective Regulatory Environment	Facilitate Access To Information Investors Need	Align and Manage Resources
0	0	0	12

The mission of the SEC’s Office of Equal Employment Opportunity (OEEO) is to provide equality of opportunity to all employees and applicants for employment without regard to race, color, religion, sex, sexual orientation, national origin, genetic information, age or disability. Equal Employment Opportunity (EEO) principles govern all aspects of the Commission’s personnel policies, practices and operations. All phases of employment, including, but not limited to recruitment, hiring, evaluation, promotion, transfer, assignment, training, benefits, and separation shall be conducted in compliance with equal employment opportunity laws and regulations.

OEEO primary responsibilities include:

- delivering impartial, effective and timely counseling, alternative dispute resolution, investigation and final decision processes to SEC employees, former employees and applicants for employment who raise employment discrimination claims.
- providing avenues for resolving workplace disputes stemming from EEO claims, early and at the lowest possible level.
- providing training (mandatory and supplemental) on the rights and remedies available under federal anti-discrimination laws.
- providing coaching and consultations on workplace disputes that are perceived as discriminatory.
- conducting annual assessments of the SEC’s workforce by race, sex, national origin and disability with respect to

occupations, grade levels, awards, and other areas, and analyzing agency policies, practices and procedures to determine if barriers to equal employment exist for any one or more demographic group(s). If barriers are found, the Office develops and implements proactive measures to eliminate such barriers. OEEO then prepares and files a report on workforce demographics and barriers to equality of opportunity with the Equal Employment Opportunity Commission, pursuant to Management Directive 715.

- reporting to Congress, Equal Employment Opportunity Commission and Office of Personnel Management as follows: (1) statistical data on complaint activity; and (2) discipline imposed and reimbursements to the Treasury Judgment Fund in connection with federal court cases where employment discrimination was found.
- compiling data and preparing other ad-hoc and EEO-related reports.
- leading SEC Employee Resource Groups to deliver educational and cultural heritage programs and Unity Month events to heighten the awareness of the richness of SEC’s diverse workforce. The Office also provides these groups with tools and support to enhance their careers at the SEC, thus, supporting employee engagement and retention.

In FY 2015, OEEO will continue to deliver the programs described above. Beyond traditional EEO training covering basic EEO laws and regulations, training will be enhanced to include just-in-time training on EEO Hiring; “do’s and don’ts” and other emerging topics of interests; civility treatment and

respect training; and conflict management training for both managers and employees. OEEO will continue to build a new Employee Resource Group focused on generational differences and commonalities and provide support and enriching initiatives for eight other Employee Resource Groups. This support will include providing members a platform for

developing winning leadership styles and leveraging diversity to accomplish SEC mission imperatives by, for example, providing financial literacy outreach to diverse communities. In order to effectively deliver on the programming and initiatives highlighted above, OEEO requests two additional positions in FY 2015.

**WORKLOAD DATA**

Activity	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
Training and Instructional Programs	56	100	125
Inquiries Handled	131	175	200
Legal and Other Reporting Requirements	95	105	105
Internal EEO Programs/Employee Resource Groups	27	30	45
Proactive Prevention Activities <sup>1</sup>	17	26	35
<b>Total FTE</b>	<b>7</b>	<b>10</b>	<b>12</b>

<sup>1</sup> This category of programs and initiatives was deployed in FY 2013 in an effort to reduce workplace conflict and enhance the SEC's workplace culture and environment.

## Office of the Inspector General

<i>(DOLLARS IN THOUSANDS)</i>	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
<b>FTE:</b> Headquarters	<b>18</b>	<b>24</b>	<b>33</b>
<b>Cost:</b> Salaries and Benefits	\$ 3,858	\$ 5,142	\$ 7,598
Non-Personnel Expenses	2,051	2,438	3,046
<b>Total Costs</b>	<b>\$ 5,909</b>	<b>\$ 7,580</b>	<b>\$ 10,644</b>

### FY 2015 FTE BY SEC STRATEGIC GOAL

Goal 1	Goal 2	Goal 3	Goal 4
Foster and Enforce Compliance with Federal Securities Laws	Establish an Effective Regulatory Environment	Facilitate Access To Information Investors Need	Align and Manage Resources
0	0	0	33

The Office of the Inspector General (OIG) is an independent office that conducts audits of programs and operations of the SEC and investigations into allegations of misconduct involving the SEC's programs and operations. The mission of the OIG is to detect fraud, waste, and abuse and to promote integrity, economy, efficiency, and effectiveness in the SEC's programs and operations. The rapid pace of significant internal and external changes impacting the work of the SEC drives the work of the OIG. By conducting audits, inspections, and evaluations, the OIG supports the efforts of Congress and the SEC to fulfill their responsibilities and achieve their goals and objectives with respect to oversight of the securities industry and investor protection.

In FY 2015, the OIG will continue to focus on improving agency programs and operations through audits, evaluations, and reviews. The Office also will enhance staff and agency integrity by investigating allegations of misconduct involving the SEC's programs and operations. The OIG's workload remains high and the Office expects both its investigative and audit teams to maintain active workloads through FY 2015.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) enacted on July 21, 2010, imposed significant new responsibilities on the SEC as a whole and, as a result, on the OIG. In particular, Section 966 of the Dodd-Frank Act required the OIG to establish an OIG SEC Employee Suggestion Program (ES Program). Under that program, SEC

employees may submit to the OIG suggestions for improving the SEC's work efficiency, effectiveness, and productivity, as well as the SEC's use of its resources. SEC employees may also submit through the ES Program allegations of waste, abuse, misconduct, or mismanagement within the SEC. During FY 2015, the OIG will continue to monitor, track, and analyze information received through the ES Program, and produce the required annual report to Congress on the ES Program. In addition, the OIG will operate a program for recognizing employees who make suggestions, through the ES Program, that result in increased work efficiency, effectiveness, or productivity of the SEC, or reduce waste, abuse, misconduct, or mismanagement, as provided for by the Dodd-Frank Act.

There also has been an increase in the coordination of OIG activities to strengthen the oversight of the federal financial regulatory structure. For example, the SEC Inspector General (IG) currently serves on the Council of Inspectors General on Financial Oversight (CIGFO), which was established by Section 989E of the Dodd-Frank Act. The OIG's participation on CIGFO requires additional resources to provide effective oversight. In particular, the OIG will be required in FY 2015 to prepare a section of CIGFO's annual report to Congress. That section of the report will highlight the concerns and recommendations in the OIG's ongoing and completed work, focusing on issues that might apply to the broader financial

sector. CIGFO may also task the SEC OIG to conduct other audit or review activities on CIGFO's behalf.

The increase in agency staff requested in FY 2015 will likely result in the need for more OIG oversight. To continue effective oversight, the OIG will need additional personnel to accommodate this increased workload.

### Regulatory Requirement

The Inspector General Reform Act of 2008 (Pub. L. 110-409), amended the Inspector General Act of 1978 (5 U.S.C. app. 3). Section 6(f)(1) of the Act requires that each IG submit a budget estimate and request each fiscal year (FY) to the head of the agency to which the IG reports, specifying the following:

- The aggregate amount of funds requested for the operations of the OIG.
- The portion of that amount requested for OIG training, including a certification from the IG that the amount requested satisfies all OIG training requirements for that FY.

- The portion of that amount necessary to support the Council of the Inspectors General on Integrity and Efficiency (CIGIE).

As required by the Act, the SEC OIG submits the following information for the OIG's budget estimate and request for FY 2015.

- The aggregate budget request for the operations of the OIG is \$9,238,954.
- The OIG budget request incorporates a sufficient aggregate amount of funds for the operations of the OIG. The OIG training needs have traditionally been partially funded out of the agency's training budget. We estimate FY 2015 OIG training costs of \$70,750. The IG certifies that the aggregate amount of the request satisfies all training requirements for the OIG for FY 2015 and also any assessment required to support CIGIE.
- The estimated amount of the SEC OIG's contribution to CIGIE is 0.24 percent of the budget request, or \$22,014.

### WORKLOAD DATA

Activity	FY 2013 Actual	FY 2014 Estimate	FY 2015 Request
Audits/Evaluations <sup>1</sup>			
Pending Beginning of Year	8	6	7
Opened	9	10	16
Completed	11	9	14
Pending End of Year	6	7	9
<b>Total FTE</b>	<b>18</b>	<b>24</b>	<b>33</b>

<sup>1</sup> The Investigative workload of the Office of the Inspector General (OIG) is not included in the workload table because it would be inappropriate to speculate on the number of investigations the OIG would need to conduct during a given time period.



## **OTHER INFORMATION**

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## Program Evaluations and Research

Internal and external evaluations play a significant role in monitoring and improving SEC program performance. Through objective measurement and analysis, agency managers determine the extent to which programs are achieving mission objectives allowing them to direct SEC resources accordingly. Examples of such evaluations follow below. Additionally, in FY 2013, there were eight Government Accountability Office (GAO) reports and nine Office of Inspector General reports in FY 2013.

Section 961 of the Dodd-Frank Act requires the Division of Corporation Finance (CF) to conduct an annual evaluation of the controls for its program to review corporate financial securities filings. In FY 2013, CF implemented changes based on the findings of the FY 2012 evaluation. While none of the findings were significant deficiencies, the changes further ensure proper controls are in place. In FY 2013, CF also continued to expand testing of its key controls. The FY 2013 evaluation did not identify any significant deficiencies or material weaknesses.

Section 961 of the Dodd-Frank Act also requires the GAO to conduct an independent audit of CF's review of program controls every three years; the first such audit was completed in April 2013. The audit identified deficiencies, none of them significant, in the design of seven of the Division's internal supervisory controls. During 2013, CF took action to correct the deficiencies by preparing documentation to ensure that each current key control contained clearly-defined activities that accurately reflect current policy or practice and performed walkthroughs to evaluate the design of the controls.

In FY 2012 and FY 2013, the Division of Enforcement completed remedial action on eight out of ten deficiencies. These actions involved updates to Risk and Control descriptions to ensure accurate alignment with current policy or practice. Also, Enforcement launched EnforceNet in April 2013, the Division's intranet which contains policies, procedures, guidance, and training relating to enforcement processes. For the remaining two deficiencies for which remedial action has not been completed, Enforcement is taking action to enhance its exception reports and streamline the current process. The target completion date for the remaining two deficiencies is March 31, 2014. Enforcement will conduct annual evaluations in FY 2014 and FY 2015, and a second GAO audit is anticipated to begin in FY 2015.

The Office of Compliance Inspections and Examinations (OCIE) took action to correct its deficiencies by improving

documentation and practices to ensure that each current key control was effective. OCIE will conduct annual evaluations of controls in FY 2014 and FY 2015, and a second GAO audit is anticipated to begin in FY 2015.

In 2012, the Division of Investment Management (IM) launched "IM Moving Ahead" – an initiative designed to facilitate continuous improvement by assessing IM's existing strengths, weaknesses, opportunities, and risks, and empower IM's staff to implement the changes necessary to ensure the division continues to be a high-performing organization.

During FY 2013, IM used data collected through the "IM Moving Ahead" effort to implement organizational improvements. Immediate change has taken place in key areas throughout the Division, such as the creation of the Risk and Examination Office; a partnership with the Division of Enforcement and OCIE to develop and implement an automated document management system; and the completion of the digitalization of the IM library, converting over 700 files and documents to electronic records.

IM continues to improve both internal and external communications by holding monthly town hall meetings and producing frequent updates to staff about work happening within the division. IM also runs regularly-scheduled discussion groups on industry topics through the Division's People Committee. Externally, the Division now publishes regular *IM Guidance and IM Updates* for the asset management community. Additionally, IM has redesigned its external website to feature more comprehensive content and a more user-friendly layout.

In FY 2013, the Office of Investor Advocacy and Education (OIEA) continued to use data from a customer satisfaction survey for web and phone contacts to identify possible areas for improvement relating to its investor assistance function. In addition, OIEA began using data from a customer survey of visitors to Investor.gov to help inform and improve its online educational tools and resources.

In FY 2014 and FY 2015, OIEA plans to build on research required by the Dodd-Frank Act by developing and fielding a regular quantitative survey focused on key behaviors for making informed investment decisions and avoiding fraud. The results of the survey can help OIEA and other organizations involved in investor education assess whether their collective efforts are influencing investor behavior in these key areas over time.

## Cross Agency Collaborations

The SEC places great emphasis on building and maintaining close partnerships with other entities across various regulatory and market segments, and national boundaries. The SEC works closely with other regulatory and enforcement jurisdictions, both within the United States and beyond, through groups such as the Financial Stability Oversight Committee (FSOC), the International Organization of Securities Commissions (IOSCO), and the Financial Stability Board. The agency also frequently engages in joint, bilateral action with other international, national, or state jurisdictions on specific rulemaking activities, regulatory initiatives, and enforcement investigations and cases.

Several SEC divisions and offices collaborate with other regulatory entities to oversee the financial markets. For example:

- The Division of Trading and Markets (TM) consults and coordinates routinely with the Department of the Treasury, Federal Reserve Board, other banking regulators, the Commodity Futures Trading Commission (CFTC), and foreign regulators. These activities include the designation of registered clearing agents, ongoing supervision of clearing agencies, transition periods in the security-based swap “push-out” rules in Section 716 of the Dodd-Frank Act, and the implementation of the Volcker Rule, among other initiatives.
- During FY 2013 the SEC’s Division of Investment Management assisted the Financial Stability Oversight Counsel (FSOC) and the Office of Financial Research (OFR) in assessing systemic risks in securities-related sectors of the financial industry.
- The SEC has been tasked by the International Organization of Securities Commissions (IOSCO) Standing Committee 6 with being the lead regulator to organize or participating in the regulatory colleges for globally active credit rating agencies.
- The SEC and the Financial Industry Regulatory Authority (FINRA) regularly communicate to discuss strategic initiatives, examination coordination, risk assessment efforts, rule-making issues, and industry risks. This type

of collaboration is ultimately intended to make oversight of broker-dealers more effective and efficient and to improve compliance within the industry.

With respect to Enforcement, the SEC regularly coordinates its efforts with domestic and foreign law enforcement partners, including coordination on parallel criminal investigations conducted by the Department of Justice and Federal Bureau of Investigation, among others. One example is the Southern District of Florida Securities and Investment Fraud Initiative, which has resulted in charges against well over 100 individuals and orders for more than \$1.7 billion in restitution. The SEC also promotes the development of broader information-sharing arrangements and efforts to secure the proceeds of fraud, in order to successfully prosecute violations across borders in areas such as offering frauds, market abuse, insider trading, and Foreign Corrupt Practices Act cases.

In FY 2013, the Office of Investor Education and Advocacy (OIEA) worked with other regulators to issue joint alerts and bulletins, including an SEC-CFTC investor alert on binary options, an SEC-FINRA alert on pump-and-dump stock schemes, and an SEC-FINRA bulletin on pension and settlement income streams. In addition, OIEA and the North American Securities Administrators Association jointly issued an investor bulletin to help investors better understand the titles used by financial professionals. Throughout FY 2014 and into 2015, OIEA will collaborate with various federal agencies on Financial Literacy and Education Commission initiatives and partner with interested federal agencies on joint investor alerts and bulletins.

Finally, the Commission’s administrative functions work collaboratively with other agencies, to help further enhance these functions’ effectiveness. To help control risk, the Office of Human Resources (OHR) participated in a peer review process with the Department of Commerce in FY 2013, and is preparing for a Human Capital Audit with the Office of Personnel Management. The SEC has also entered into a Memorandum of Understanding with the Partnership for Public Service and other federal financial regulators to benchmark workforce information and to share strategies and best practices for mission critical positions.

## Efficiencies and Effectiveness

The U.S. Securities and Exchange Commission remains committed to the effective use of taxpayer funds and well-managed operations and personnel. As a result, the SEC is more efficient, transparent, and responsive to the needs and inquiries of investors, registrants, and the general public.

The initiatives highlighted below will cut costs, enhance internal controls, improve asset management, and reduce administrative burdens.

In FY 2013, the SEC demonstrated its continued commitment to maintaining strong programmatic internal controls over its business operations. Over the past year, the agency continued to develop its operational risk management program, which will help the SEC achieve its strategic and operational objectives by maturing operational risk awareness. It also established a business process improvement Center of Excellence in the Office of the Chief Operating Officer (OCOO), creating a centralized group of process improvement experts that will apply well-established methods for leveraging business improvements to address agency management challenges.

In 2013, the Center of Excellence coordinated business process improvement efforts to enhance certain policies, procedures and internal control documentation in the Division of Trading and Markets and increased automation and process efficiencies in the Offices of Administrative Law Judges (OALJ), Support Operations, and Records Management. OALJ streamlined the decision and review process allowing judges to submit initial decisions more efficiently and in less time.

During FY 2014, the OCOO is improving the controls, visibility and overall management of the SEC's assets through a new intra-agency review of the asset lifecycle management process. This initiative is addressing technology assets such as hardware and licenses, as well as the other assets held by the SEC. The long-term process improvements in asset tracking and inventory awareness will reduce costs and tighten financial controls in this key area.

The OCOO, in collaboration with the SEC's Office of the Secretary, Library Services Branch, is evaluating the current state of the branch's services and creating a long-term plan for enhancements.

The SEC's Office of Information Technology's (OIT) multi-year "Working Smarter" initiative is delivering better services to both employees and the public by:

- Standardizing enterprise-wide platforms;
- Modernizing the SEC.gov and the EDGAR filer systems; and
- Improving internal search and discovery capabilities and providing complex, predictive analytical capabilities.

Agency-wide technology transformation initiatives—including visual data analysis and an increase in the speed with which the Office of Compliance Inspections and Examinations and the Division of Enforcement develop evidence—are advancing the SEC's mission. The SEC realized over \$18 million of cost avoidance through these transformations in FY 2013, freeing up staff time to dedicate to additional enforcement investigations, examinations, and other core aspects of the agency's mission.

Other technical modernizations include:

- A new enterprise data warehouse that allows users to quickly search and access critical data from a single source;
- Enhanced data integration and analytical tools that allow seamless searches of data sets for suspicious behavior;
- Cloud computing to reduce costs and operational overhead and provide greater flexibility; and
- Modernization of SEC.gov to provide a more reliable, scalable and user-friendly web experience including more relevant results when the public searches the website.

The SEC's Division of Economic and Risk Analysis (DERA) recently initiated the Quantitative Research and Analytic Data Support (QRADS) program which will increase the quality and the speed of DERA's economic and risk analysis in support of examinations, enforcement actions, rulemaking, and other agency activities. The program will lay the quantitative foundation needed to support the growing workload of the DERA economists and analytic professionals. The multi-year QRADS program will deliver specific expertise and capabilities that will be used to build additional analytical tools to address

the growing quantity and complexity of data gathered and analyzed by the SEC.

The SEC's Office of Financial Management continues to place a high priority on strong internal controls over the dollars entrusted to the agency. Over the past year, the SEC successfully eliminated two significant deficiencies by tightening the controls over budgetary resources and agency assets. For more than a year now, the SEC has worked with a federal shared services provider at the Department of Transportation to optimize a number of SEC financial processes within this new operating relationship.

In the coming months, the SEC will focus on strengthening information security, the one remaining significant deficiency identified in the agency's FY 2013 annual financial audit. In addition, the SEC will continue to modernize its suite of financial systems and enhance reporting and management of disgorgements and penalties. It will also deploy a new travel system, as mandated by the General Services Administration (GSA).

In FY 2014, the Office of Support Operations expects further cost savings due to reductions in its leased space inventory. For example, moving personnel and assets from an operations center in Virginia to SEC headquarters in nearby Washington, DC, resulted in \$6 million in savings each year.

The Office of Acquisitions (OA) improved stewardship of SEC funds, focusing on competitive practices and other improved contracting strategies. FY 2013 also marked the first time that

the SEC awarded 50 cents of every obligated contract dollar with small businesses, achieving a significant acquisitions strategy goal. Furthermore, OA fully implemented its program for reviewing and validating service contractor performance for business decisions using GSA's Contractor Performance Assessment Reporting System (CPARS). Program usage by SEC contracting and contract support professionals will continue and expand in FY 2015.

OA is also developing a number of strategic long term contract vehicles that will continue to improve planning quality, reduce start-up times for relevant projects and initiatives, and achieve agency-wide efficiencies.

In an effort to streamline human capital management efforts and free resources for other uses, the SEC's Office of Human Resources (OHR) continues to implement its strategy to centrally gather, manage and analyze personnel data using automated and secure systems and tools. The new HR Portal will provide a single, authoritative location for managing all critical content supporting the OHR's mission, achieving cost and time savings across an array of OHR activities and enhancing the ability of staff to collaborate on key projects and initiatives.

During FY 2014 and FY 2015 the OCOO Communications Team will continue to focus on enhancing internal message channels, coordination and governance. This effort is aimed towards optimizing employee knowledge sharing, productivity and engagement, enhancing trust in leadership, and continuously aligning staff with the SEC's mission, while fostering a culture of openness, collaboration and organizational renewal.

## Management Reviews

The SEC reviews performance data on a quarterly basis through the Chair's Quarterly Operating Report (CQOR), which was created to establish a performance measure monitoring process for the agency. Once per quarter, the SEC's Performance Improvement Officer and the Chair's Office review the status of each performance goal and indicator and determine whether the agency is on target for achieving the performance goal for the fiscal year. The report includes the quarterly result for each performance goal or indicator and the progress achieved towards meeting the target for the fiscal year. Furthermore, the report includes analysis of those goals and indicators that are not reportable,

and milestones achieved toward being able to report on them by the due date of the SEC's Agency Financial Report (AFR). If the agency is not on course to achieve the performance goal, a plan for improving performance is requested of the responsible division or office. The SECs quarterly review process is in line with OMB and Performance Improvement Council recommendations for frequent data driven reviews. This process provides a mechanism for the agency's leadership team to review the SEC's performance and bring together the people, resources, and analysis needed to drive progress on agency performance goals and indicators.

## Management and Performance Challenges

The Inspector General (IG) noted the following management and performance challenges for the SEC in *The Inspector General's Statement on the U.S. Securities and Exchange Commission's Management and Performance Challenges* letter dated September 30, 2013:

- Information Security
- Procurement and Contracting
- Financial Management
- Human Capital Management

A description of each challenge identified by the IG follows below. Also included is a discussion of how the agency plans to address each challenge and how the resources requested in the FY 2015 Congressional Justification will support the agency's efforts in addressing each of them.

### Information Security

#### Challenge Identified by the Inspector General

"Although the Office of Information Technology (OIT) has established policies for handling and safeguarding sensitive and nonpublic information, and requires SEC employees, contractors, and interns to complete annual security awareness training, information security<sup>1</sup> continues to be a management challenge at the SEC. Specifically, OIT's compliance with FISMA remains a management challenge this year because OIT has not fully addressed the findings and recommendations that were identified in the OIG's previously issued FISMA reports. For example, in the *2012 FISMA Executive Summary Report*, Report No. 512, issued March 29, 2013, the OIG found that OIT had not fully addressed three findings and six recommendations that were included in the *2011 FISMA Executive Summary Report*, Report No. 501, issued February 2, 2012. The OIG found that OIT had not

fully implemented compliance scanning for network devices, multifactor authentication for the SEC's personal identity verification program, and baseline security controls that are tailored for specific information technology (IT) systems.

While the conditions found in the 2012 FISMA report could expose the SEC to threats should layered controls break down, OIT made progress this year in addressing the findings and recommendations that posed a greater risk to the SEC's IT environment. However, OIT has not fully addressed some outstanding significant findings and recommendations.

Information security is a particularly difficult management challenge because the SEC not only shares information internally among its divisions and offices, but also shares information externally with the regulated community and financial regulators. This sharing of external information is necessary to accomplish the SEC's mission of protecting investors and maintaining fair, orderly, and efficient markets that facilitate capital formation. We will continue to review OIT's security controls over the SEC's information systems during the upcoming annual FISMA assessment. We will also continue to review the SEC's handling of sensitive, nonpublic information."

#### SEC's Progress and What Remains to Be Done

Information security is an important priority at the SEC. We know that the threat landscape is constantly changing, and we must frequently evaluate our controls and approaches to information security. We appreciate that the IG acknowledged the progress we have made in addressing issues of great risk to the IT environment. Our Office of Information Technology (OIT) will continue to apply a risk-based approach to prioritize our efforts.

By April 30, 2014, we plan to complete the recommendations related to Report No. 512, issued in March 2013, concerning assessment and continuous monitoring. The OIT security

<sup>1</sup> *The Federal Information Security Management Act (FISMA) provides that "[t]he term 'information security' means protecting information and information systems from unauthorized access, use, disclosure, disruption, modification, or destruction in order to provide-* (A) *integrity, which means guarding against improper information modification or destruction, and includes ensuring information nonrepudiation and authenticity; (B) confidentiality, which means preserving authorized restrictions on access and disclosure, including means for protecting personal privacy and proprietary information; and (C) availability, which means ensuring timely and reliable access to and use of information.*" 44 U.S.C. § 3542(b)(1).

team has put forth a significant amount of effort in 2013 to build an infrastructure supporting an efficient and effective risk management program, including periodic assessments and continuous monitoring. OIT will refine the agency's formal documentation—internal policies and procedures—to account for these new capabilities. Compliance scanning for network devices is now occurring.

OIT has also taken steps to implement multi-factor authentication to our Personal Identity Verification (PIV) program. OIT is taking advantage of a significant and prerequisite Active Directory clean-up effort that is scheduled for completion in FY 2014, to allow for PIV authentication while minimizing the impact on our end users.

The FY 2015 OIT budget request would add \$2.9 million for improvements to IT security. In FY 2015, OIT plans to upgrade its security tools and processes to keep pace with a growing and increasingly complex infrastructure as well as continue to develop and train analytical staff to monitor, respond to, and remediate risks, to rapidly address ever increasing security threats.

## Procurement and Contracting

### Challenge Identified by the Inspector General

“Since we first identified the SEC’s process for procurement and contracting as a management challenge in fiscal year 2008, the Office of Acquisitions (OA) has improved its internal controls in this area. Most recently, in July 2013, OA published a revised administrative regulation and operating procedure on the management and administration of service contracts. The revised regulation provides direction for the avoidance of contracting for inherently governmental functions or personal services, as well as appropriate management procedures for acquiring and managing functions closely associated with inherently governmental functions and critical functions. The operating procedure is designed to assist the SEC in addressing service contracts and personal services, and to avoid the contracting out of inherently governmental functions.

Despite those improvements, the OIG has found that the SEC’s monitoring of its contracts is a continuing challenge. Specifically, the OIG has obtained information indicating

that there may be insufficient controls over the tracking of funds or the approval of invoices for certain contracts and/or interagency agreements, as well as inconsistencies between the nature of the services provided and the requirements of the applicable task order. We are planning audit work in this area and will continue to monitor it closely.”

### SEC’s Progress and What Remains To Be Done

The Office of Acquisitions (OA) continues to work diligently to address all OIG concerns. We are deeply committed to remediating the remaining management challenges identified by the OIG in the SEC’s processes for procurement and contracting. During the course of FY 2013, the SEC improved processes surrounding service contracts, stabilized the organizational structure within OA, and provided formal training to agency staff. In FY 2014, OA will prioritize training for contracting officer representatives in contract funds tracking, proper invoice approvals or monitoring disconnects between contract requirements and services provided. OA will continue to utilize its oversight program and conduct internal contract management reviews to assure effective operations.

Additionally, in FY 2015, OA will further strengthen internal controls over the contractual aspects of financial reporting. In 2012, the SEC completed its initial migration to a federal government Shared Service Provider (SSP) administered by the Enterprise Services Center at the Department of Transportation. Expanding on this work, in 2015 OA will focus requested resources on further improving business processes in the procurement software, the Department of Transportation’s (DOT) Enterprise Services Center (ESC) PRISM tool. This includes improved interagency agreement reporting, receiving, overall reporting, and other areas related to the contracting function within the SSP.

## Financial Management

### Challenge Identified by the Inspector General

“The GAO’s audit of the SEC’s fiscal year 2012 financial statements<sup>2</sup> found that the SEC’s financial statements were fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. That audit also found that, although internal controls could be

<sup>2</sup> GAO’s fiscal year 2012 financial statement audit included SEC’s general purpose and Investor Protection Fund (IPF) financial statements.

improved, the SEC maintained, in all material respects, effective internal controls over financial reporting. However, the GAO identified significant deficiencies in accounting for budgetary resources and property and equipment. The GAO found that these deficiencies are related, in part, to the SEC's transition of its core financial system to the Department of Transportation's Enterprise Service Center Federal Shared Service Provider (FSSP).

In fiscal year 2012, the OIG identified the inherent risks that are associated with transitioning to a new financial system as a management challenge. In its management report to the SEC issued in April 2013, the GAO noted:

[I]n April 2012, SEC migrated its core financial system operations to a shared service provider. ...[W]e identified new control deficiencies during our fiscal year 2012 audit related to SEC's monitoring controls over the service provider's core financial system operations, including those related to budgetary accounting and reporting activities.<sup>3</sup>

Further, the GAO stated that the "SEC did not develop monitoring procedures over property and equipment transactions recorded by its service provider at the time of its transition to the FSSP's general ledger system."<sup>4</sup> We will continue to monitor the SEC's use of the FSSP."

### SEC's Progress and What Remains to Be Done

The SEC just completed its first full year of operations on the Delphi financial system, a FSSP hosted by the Department of Transportation's (DOT) Enterprise Services Center (ESC). Since the time of the migration, we have adopted a comprehensive approach to continuously assessing the effectiveness of our internal controls over financial reporting, as well as reviewing the daily processing of transactions performed by ESC. The SEC has made significant strides in refining its processes under the FSSP model, both to tighten controls and to make them more efficient.

Although the 2012 financial audit by the Government Accountability Office (GAO) identified significant deficiencies in accounting for budgetary resources and property and

equipment, GAO found in its 2013 audit report that both of these significant deficiencies were remediated. The SEC made significant improvements and strengthened controls in these areas, as specified below.

**Budgetary Resources:** The SEC addressed a backlog of deobligations and contract closeouts. In addition, the agency refined its process for recording upward and downward adjustments, developed additional monthly reconciliations, implemented a quarterly review of undelivered orders (UDOs), and conducted daily tie point analyses.

**Property and Equipment:** The SEC implemented a Fixed Asset worksheet tracking log procedure to ensure that new assets were added timely and accurately, implemented a policy to ensure that all potentially capitalizable assets are reviewed by an accountant prior to recording them in the general ledger, reconciled the subsidiary ledger to the general ledger on a monthly basis, and tightened the process for the annual physical inventory. In FY 2014, the SEC will strive to automate many property-related processes, to help tighten controls further in this area.

In FY 2014 and FY 2015, OFM will focus on continuing to modernize aspects of its financial system infrastructure. For example, OFM will continue working to develop a data repository to provide a central location for financial data to greater assist with monitoring and identifying problems before they grow in size and scope. In addition, the SEC will continue its initiatives to replace the systems governing its budgeting and filing fee processes, and will participate in the FSSP's adoption of a new travel management system.

Also in FY 2015, OFM will focus requested resources on efforts to improve the procedures related to property and equipment, filing fee reviews, and disgorgement and penalties through system and process improvements. Improvements will include automation of the fixed asset worksheets, dashboards for filing fee reviews, improvements to the process of recording the financial impact of disgorgement and penalties from SEC cases, and automation of paper forms.

<sup>3</sup> GAO-13-274R, *Management Report: Improvements Needed in SEC's Internal Controls and Accounting Procedures, April 4, 2013, p. 3* (footnote omitted).

<sup>4</sup> *Id.*, p. 7.

## Human Capital Management

### Challenge Identified by the Inspector General

“Section 962 of the Dodd-Frank Act required the GAO to report on the SEC’s personnel management. In its report issued in July 2013, the GAO concluded:

Based on analysis of views from Securities and Exchange Commission (SEC) employees and previous studies from GAO, SEC, and third parties, GAO determined that SEC’s organizational culture is not constructive and could hinder its ability to effectively fulfill its mission. Organizations with constructive cultures are more effective and employees also exhibit a stronger commitment to mission focus. In describing SEC’s culture, many current and former SEC employees cited low morale, distrust of management, and the compartmentalized, hierarchical, and risk-averse nature of the organization. According to an Office of Personnel Management (OPM) survey of federal employees, SEC currently ranks 19 of 22 similarly sized federal agencies based on employee satisfaction and commitment. GAO’s past work on managing for results indicates that an effective personnel management system will be critical for transforming SEC’s organizational culture.<sup>5</sup>

One key area that the GAO report highlighted as needing improvement was workforce planning. The GAO noted that the “SEC has not yet developed a comprehensive workforce plan” and, as a result, “will not be able to make well-informed decisions on how to best meet current and future agency needs.”<sup>6</sup> The GAO further found that while the SEC has made efforts to improve communication and collaboration, it “has not yet fully addressed barriers.”<sup>7</sup> The SEC has recently launched the SEC Local Labor Management Forum under Executive Order 13522, *Creating Labor-Management Forums to Improve Delivery of Government Services*, to foster a cooperative and productive form of labor-management relations.”

### SEC’s Progress and What Remains to Be Done

As the OIG noted in their report, both SEC staff and external stakeholders have begun to see positive effects from the

agency’s recent efforts to bolster communication and collaboration but continued work is needed to break down existing “silos” within the agency. Steps are well underway to improve intra-agency communication. Initiatives such as the creation of a cross-agency communications group to enhance information and knowledge sharing, the establishment of working groups to address rulemaking and economic analysis requirements, and the development of liaisons in our major divisions and offices to facilitate the sharing of information demonstrate the SEC’s commitment to improvements in this area.

To further address this challenge, the Office of the Chief Operating Officer and the Office of Public Affairs are collaborating with the Office of Human Resources (OHR) to devise communication and change management plans to support implementation of human capital-related initiatives. The plans will increase and track multi-channel, internal messaging that specifically recognizes and reinforces awareness of exceptional staff achievements, awards, or other successful outcomes while seeking to promote a sense of agency pride and accomplishment. In FY 2014, the SEC also will implement technology improvements to centralize all human capital information, news and resources. Staff will be able to find tools, forms, guidance and support needed, by accessing one centralized Intranet location. The technology improvements will also allow us to share open meeting fact sheets and other important documents and materials with agency staff more promptly. Plans are underway to initiate a number of other communication strategies that will promote employee engagement and a more open organizational culture.

With respect to workforce planning, GAO found that the SEC had not yet developed a comprehensive workforce plan, including a plan to identify the agency’s future leaders. Although we have taken some steps, such as identifying competency gaps and conducting leadership training, these efforts do not yet reflect all of the elements described in the Office of Personnel Management’s guidance on this topic.

The SEC’s most recent progress in this area includes establishing and staffing a workforce and succession planning function within OHR. This team has primary responsibility

<sup>5</sup> GAO-13-621, *Securities and Exchange Commission: Improving Personnel Management Is Critical for Agency’s Effectiveness*, July 2013.

<sup>6</sup> *Id.*

<sup>7</sup> *Id.*

for providing tools, systems, and reports for analyzing the agency’s workforce supply and demand to determine gaps and risks. OHR anticipates fully operationalizing this function in FY 2014. OHR will further address GAO’s recommendation by improving databases and systems that support workforce analysis and planning efforts.

During FY 2014, the OHR plans to develop standardized reports for workforce planning and to work with organizational units to customize their workforce planning needs. OHR will also begin developing an effective succession planning program for key positions to address potential attrition. It should be noted that the SEC’s attrition rate remains low (approximately 6 percent

for FY 2013), and that OHR has enhanced several key human capital programs (e.g., recruitment and retention programs and various training initiatives) directed at maintaining that rate.

The SEC’s FY 2015 budget request for OHR will further the strategic management of the SEC’s human capital in these areas by administering programs to further enhance employee engagement and leadership development programs that are already underway, implementing advanced technologies to enhance and streamline workflow, and establishing additional policies and procedures to ensure compliance with federal regulations.

## Hyperlinks to Other Information and Resources

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SEC 2010-2015 Strategic Plan . . . . .	<a href="http://www.sec.gov/about/secstratplan1015f.pdf">www.sec.gov/about/secstratplan1015f.pdf</a>
Draft SEC Strategic Plan for 2014-2018 . . . . .	<a href="http://www.sec.gov/about/secstratplan1418.htm">http://www.sec.gov/about/secstratplan1418.htm</a>
Annual Performance and Financial Reports . . . . .	<a href="http://www.sec.gov/about/annrep.shtml">www.sec.gov/about/annrep.shtml</a>
Prior Year Congressional Budget Justifications . . . . .	<a href="http://www.sec.gov/about/budgetreports.shtml">www.sec.gov/about/budgetreports.shtml</a>
Investor.gov . . . . .	<a href="http://www.investor.gov">www.investor.gov</a>
SEC Office of the Whistleblower . . . . .	<a href="http://www.sec.gov/whistleblower">www.sec.gov/whistleblower</a>
SEC Enforcement Actions . . . . .	<a href="http://www.sec.gov/spotlight/enf-actions-fc.shtml">www.sec.gov/spotlight/enf-actions-fc.shtml</a>
The Laws that Govern the Securities Industry . . . . .	<a href="http://www.sec.gov/about/laws.shtml">www.sec.gov/about/laws.shtml</a>



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## Performance Summary by Strategic Goal

### Strategic Goal 1: Foster and Enforce Compliance with the Federal Securities Laws

Fostering compliance with Federal securities laws is interwoven through all of the SEC's programs and is central to fulfilling the critical mission of the agency. Through disclosure reviews and examinations of broker-dealers, investment advisers, self-regulatory organizations (SROs) and other market participants, the SEC seeks both to detect violations of the securities laws and rules and to foster strong compliance and risk management practices within these firms and organizations. When violations occur, the SEC aims to take prompt action to halt the misconduct, sanction wrongdoers effectively, and return funds to harmed investors. In FY 2013, approximately \$752.8 million and 2,289 full-time equivalents (FTEs) were directed at achieving results in Goal 1. Of 17 performance targets, the agency met or exceeded 6, did not meet 9, and did not have data to report on 2.

#### Spotlight: FY 2013 Performance Achievements

While investigating and prosecuting violations of Federal securities laws are integral aspects of the SEC's programs, working to detect and prevent violations of the securities laws are also key to protecting investors and enhancing market integrity. Efforts designed to promote investor awareness are the first line of defense against fraud. In FY 2013, the SEC issued 26 Investor Alerts and Bulletins, providing investors with information they need to make wise investment decisions and limiting opportunities for investor abuse (**Performance Goal 1.1.1**).

The SEC seeks to encourage within regulated organizations of all sizes a strong culture of compliance that fosters ethical behavior and decision-making. In FY 2013, the SEC expanded its outreach efforts for promoting compliance, conducting a number of significant industry outreach and educational programs (**Performance Goal 1.1.2**). Specifically, the Compliance Outreach program continues to offer information and resources to investment adviser and broker-dealer firms,

and the agency is pleased that the majority of participants (over 92 percent) found the program to be useful (**Performance Goal 1.1.4**). In future years, the agency will continue to track the number of Compliance Alerts issued, compliance conferences hosted, and other educational and training programs offered to support continued compliance. Additionally in FY 2013, the SEC continued to implement new methods and technologies to analyze data, which helped staff more effectively prepare for and conduct examinations. Because the number of regulated entities has grown, additional staff resources are needed to help the SEC increase the percentage of registrants examined each year (**Performance Goal 1.2.3**).

When violations of the federal securities laws do occur, the SEC investigates and brings enforcement actions against regulated persons and entities, as well as other market participants. The SEC brought 686 enforcement actions in FY 2013. Of these actions, 15 percent were filed in investigations characterized as high impact or of a national priority, representing the Division's most important and complex matters (**Performance Indicator (Output) 1.3.4**). A detailed discussion of the SEC's most significant cases can be found in the SEC's Agency Financial Report (AFR) Appendix B: Major Enforcement Cases. In addition, the Division obtained orders for \$3.4 billion in penalties and disgorgement (**Performance Indicator (Output) 1.3.6**); distributed a total of \$251 million to harmed investors; barred numerous violators from working in the securities industry through the enhanced remedies available under the Dodd-Frank Act; and obtained other forms of relief that send a strong deterrent message and protect investors, including asset freezes, trading suspensions, and penny stock bars. During the year, the SEC paid whistleblowers a total of over \$14 million under the Commission's whistleblower program, which has generated many excellent tips and resulted in significant savings in investigative resources and time.

**Strategic Objective 1.1: The SEC fosters compliance with the federal securities laws.**

**Goal Leader(s):** Managing Executive, Office of Compliance Inspections and Examinations

**PERFORMANCE GOAL 1.1.1**  
**Number of new investor education materials designed specifically to help investors protect themselves from fraud**

**Description:** Through its Office of Investor Education and Advocacy (OIEA), and often in conjunction with other organizations, the agency issues Investor Alerts and other forms of educational material that inform investors about new or emerging types of fraud.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
Number of education materials	Prior-year data not available		16	24	24	26	26	26	26

**Target:** Met

**Analysis:** In FY 2013, the SEC issued 26 investor alerts and bulletins to meet its goal, focusing on salient topics for individual investors related to investment products and potential investment scams.

**Responsible Division/Office:** Office of Investor Education and Advocacy

**Data Source:** *www.sec.gov* and *www.investor.gov*

**PERFORMANCE GOAL 1.1.2**  
**Number of industry outreach and education programs targeted to areas identified as raising particular compliance risks**

**Description:** Targeted communication with industry participants on topics shaping the examination program is intended to enhance compliance practices and prevent violations before they occur. This measure identifies the number of major outreach efforts conducted including the agency's national and regional Compliance Outreach events, published Compliance Alerts, and other educational initiatives.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
Number of major outreach efforts	Prior-year data not available		6	5	12	14	15	16	17

**Target:** Exceeded

**Analysis:** The SEC seeks to encourage a strong culture of compliance within organizations, to foster ethical behavior and decision-making. As part of its efforts to promote compliance within the industry, the Office of Compliance Inspections and Examinations (OCIE) conducted five Compliance Outreach events, published four National Risk Alerts and also published one public report during FY 2013. Senior staff also conducted an SRO Outreach meeting, represented OCIE at SEC Speaks and published other significant materials during the year.

**Responsible Division/Office:** Office of Compliance Inspections and Examinations

**Data Source:** Internal tracking, although the events noted above are referenced in the SEC's website

**PERFORMANCE GOAL 1.1.3**  
**Percentage of firms receiving deficiency letters that take corrective action in response to all exam findings**

**Description:** At the conclusion of examinations, the staff communicates identified deficiencies to registrants in the form of a deficiency letter. Registrants are then given a chance to respond to staff findings and often take action to remedy any problems and potential risks. Most often, registrants respond that they have corrected the deficiencies and implemented measures to prevent recurrence.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
Percentage	93%	94%	90%	93%	92%	93%	86%	87%	88%

**Target:** Not Met

**Analysis:** OCIE works to enforce and foster compliance with federal securities laws through its examination and inspection program. During examinations in FY 2013, the staff identified a number of areas where firms appeared not to be in compliance with federal securities laws. In response to deficiency letters that were sent to firms by the staff, the vast majority of registrants have continued to assert that they are taking corrective action in response to the staff's findings. In order to achieve this level of performance, the staff made concerted efforts during the year to improve communication with firms, including at the most senior levels. These efforts have helped to ensure that there is a clear understanding of issues and concerns between the staff and registrants. Overall, this measure continues to show that registrants are using examination results to improve operations and compliance with federal securities laws.

**Plan for Improving Program Performance:** OCIE will continue to enhance efforts to promote compliance by more proactive communications with registrants and their personnel, including chief compliance officers. These enhanced communication efforts will be aimed at increasing compliance efforts or remedial actions taken by registrants. Additionally, the program will continue to use resources to perform corrective action reviews at selected firms. Among other things, these reviews will be focused on ensuring that the corrective actions taken by firms are being implemented in a manner to adequately address previously noted deficiencies at those firms.

**Responsible Division/Office:** Office of Compliance Inspections and Examinations

**Data Source:** Tracking and Reporting Exam National Documentation System (TRENDS)

**PERFORMANCE GOAL 1.1.4**  
**Percentage of attendees at the Compliance Outreach program that rated the program as "Useful" or "Extremely Useful" in their compliance efforts**

**Description:** The Compliance Outreach program is designed to educate, inform, and alert CCOs and other senior management of pertinent information, including about effective compliance controls, that may assist them in administering compliance programs within registered firms. Improving compliance programs will reduce violative activity, resulting in increased protection for investors. At the conclusion of all Compliance Outreach events, CCOs are given the opportunity to rate the usefulness of the information provided in assisting them in their compliance efforts.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
Percentage	92%	84%	77%	86%	84%	85%	92%	92%	93%

**Target:** Exceeded

**Analysis:** During FY 2013, the staff devoted significant resources to the Compliance Outreach program in order to make it as relevant and beneficial as possible for registered entities. There was one national seminar during FY 2013, and staff from OCIE and the Division of Trading and Markets worked together, utilizing feedback from chief compliance officers, to ensure that this event covered key topics of interest. In addition to the National Seminar, four regional seminars were held covering topics of interest for the investment management industry. Feedback from these seminars indicated that more than 90 percent of attendees completing evaluations agreed that they learned new skills and knowledge from the program.

**Responsible Division/Office:** Office of Compliance Inspections and Examinations

**Data Source:** Internal tracking

**PERFORMANCE INDICATOR (EFFICIENCY & CUSTOMER SERVICE) 1.1.1**  
**Annual increases or decreases in the number of CCOs attending Compliance Outreach programs**

**Description:** While the raw number of CCOs in the industry may vary depending on factors outside of the SEC’s control, the Commission seeks to provide educational programs that are highly valued by attendees and their employers. Analyzing changes in participation levels will foster continued improvement in both program content and outreach efforts.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Actual
Percentage	Prior-year data not available		N/A	N/A	N/A	N/A

**Analysis:** This measure was developed in FY 2010 during the strategic planning process, and it is being re-considered as part of the SEC’s Strategic Plan update.

**Responsible Division/Office:** Office of Compliance Inspections and Examinations

**Data Source:** N/A

**Strategic Objective 1.2: The SEC promptly detects violations of the federal securities laws.**

**Goal Leader(s):** Managing Executive, Office of Compliance Inspections and Examinations

**PERFORMANCE GOAL 1.2.1**  
**Percentage of cause and special exams (sweeps) conducted as a result of risk assessment processes that includes multi-divisional input**

**Description:** As SEC staff expands its use of risk-based methods and has more data available for risk analysis, staff anticipates that the percentage volume of exams driven by a more robust risk assessment process will increase.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
Percentage	Prior-year data not available			N/A	N/A	N/A	N/A	N/A	N/A

**Target:** Not Reported

**Analysis:** This measure was developed in FY 2010 during the strategic planning process, and it is being re-considered as part of the SEC’s Strategic Plan update.

Overall, the SEC focuses its resources on those firms and activities presenting the greatest risk to investors and the markets. Firms with higher risk characteristics or profiles may be identified at any time based on any number of factors, including input from other offices and divisions within the SEC. OCIE will utilize all input, from inside and outside the agency, to most appropriately allocate its resources. Examinations of high risk firms may be for cause, as part of a risk targeted examination sweep, or simply due to the presence of certain higher risk characteristics.

**Responsible Division/Office:** Office of Compliance Inspections and Examinations

**Data Source:** N/A

**PERFORMANCE GOAL 1.2.2**  
**Percentage of advisers deemed “high risk” examined during the year**

**Description:** To conduct oversight of investment advisers, the staff conducts a risk-based program of examinations. Certain advisers are identified as high risk at the beginning of every fiscal year, and then inspections are planned on a cyclical basis. The staff’s goal is to inspect high risk advisers at least once every three years. Meeting this target will depend upon the SEC having sufficient resources to keep pace with growth in the industry and the need for examiners to check compliance with evolving regulatory requirements.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
Percentage	33%	22%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

**Target:** Not Reported

**Analysis:** This measure was developed in FY 2010 during the strategic planning process, and it is being re-considered as part of the SEC’s Strategic Plan update.

Overall, the SEC focuses its resources on those firms and activities presenting the most risk to investors. Firms with higher risk characteristics or profiles may be identified at any time based on any number of factors and will be examined as quickly as possible. The exam program currently uses a risk-focused exam strategy to select examination candidates, focusing on those firms that we believe present the most risk at any given time. The SEC regularly evaluates the universe of registered firms and then focuses its examination efforts/resources on the highest risk firms identified as information becomes available. As a result, the SEC’s exam resource allocations can change swiftly and dramatically depending on new analysis and additional information.

**Responsible Division/Office:** Office of Compliance Inspections and Examinations

**Data Source:** N/A

**PERFORMANCE GOAL 1.2.3**  
**Percentage of investment advisers, investment companies, and broker-dealers examined during the year**

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

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
Investment advisers	14%	10%	9%	8%	8%	10%	9%	9%	12%
Investment companies	23%	29%	10%	13%	12%	14%	11%	12%	15%
Broker-dealers (exams by SEC and SROs)	57%	54%	44%	58%	49%	50%	46%	48%	50%

**Target:** Investment advisers – Not Met; Investment companies – Not Met; Broker-dealers – Not Met

**Analysis:** The staff continued to exert considerable time and effort during the year on improving its risk assessment and surveillance capabilities to ensure that the program is spending its limited time and resources on those firms presenting the highest risk. As part of these efforts, the staff spent significant resources on collecting and analyzing data about all registrants. The results of these efforts help to ensure that the program is focusing on the highest risk entities and selecting appropriate candidates for onsite examination. Examinations of high risk firms often take significant time to complete and are frequently of large and complex entities. For example, the investment advisers examined in FY 2013 represent more than 25% of the overall assets under management of currently registered advisers. In addition, examination resources have been allocated during the past year to other efforts intended to improve the long-term performance of the program, including industry outreach initiatives, rule-making efforts and program improvements that were identified as part of the program’s broad, overarching self-assessment.

**Plan for Improving Program Performance:** During FY 2014 and 2015, the staff will continue to implement improved processes and procedures that have been identified as part of its ongoing self-improvement process. Significant improvement initiatives in the areas of strategy, people, processes, and technology have been completed in the last several years or are currently underway. The agency expects that these improvements, which include further refinements to the exam program’s risk assessment processes, will lead to more effective coverage of registered entities. Furthermore, certain targeted initiatives aimed at high risk firms and activities have already been implemented and it is likely that these efforts will result in improved coverage levels going forward.

**Responsible Division/Office:** Office of Compliance Inspections and Examinations

**Data Source:** Tracking and Reporting Exam National Documentation System (TRENDS) (IA, IC, and BD SEC data) and SRO Databases (BD SRO Data)

**PERFORMANCE GOAL 1.2.4**  
**Percentage of non-sweep and non-cause exams that are concluded within 120 days**

**Description:** The staff conducts examinations each year of investment advisers, investment company complexes, transfer agents, and broker-dealers. The staff strives to complete its examinations in the most efficient and effective manner. When possible, the staff attempts to conclude its examinations within 120 days of the end of any field work completed. However, some examinations require significantly more time so that potential violations are fully reviewed. To ensure that time pressure does not impair quality, the target for this benchmark should not be set too high.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
Percentage	Prior-year data not available		48%	53%	N/A	100%	100%	N/A	N/A

**Target:** Met

**Analysis:** While the program strives to complete examinations as quickly and efficiently as possible, there is no longer a focus on this specific deadline. Rather, the program is primarily concerned with completing examinations within OCIE's statutory deadline. In this regard, 100 percent of the staff's examinations in FY 2013 have been completed within the statutory deadlines outlined in the Dodd-Frank Act.

**Responsible Division/Office:** Office of Compliance Inspections and Examinations

**Data Source:** Tracking and Reporting Exam National Documentation System (TRENDS)

**PERFORMANCE INDICATOR (CONTEXTUAL) 1.2.1**  
**Percentage of exams that identify deficiencies, and the percentage that result in a "significant finding"**

**Description:** Examiners find a wide range of deficiencies during examinations. Some of the deficiencies are more technical in nature, such as failing to include all information that is required to be in a record. However, other deficiencies may cause harm to customers or clients of a firm, have a high potential to cause harm, or reflect recidivist misconduct. The latter deficiencies are among those categorized as "significant." This measure identifies the percentage of exams by registrant category that identified deficiencies, and that resulted in significant deficiency findings.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Actual
Percentage that identify deficiencies	Prior-year data not available		72%	82%	80%	80%
Percentage that result in a "significant finding"	Prior-year data not available		42%	42%	42%	35%

**Analysis:** In FY 2013, examiners continued to use risk assessment techniques to focus examinations on those areas most likely to reveal significant issues. Overall, the majority of examinations resulted in the identification of deficiencies, and nearly 35 percent revealed significant findings. While it is difficult to predict these numbers in future years, they do reflect an effective risk-focused approach that is identifying issues in order to protect investors, prevent fraud and improve compliance.

**Responsible Division/Office:** Office of Compliance Inspections and Examinations

**Data Source:** Tracking and Reporting Exam National Documentation System (TRENDS)

**PERFORMANCE INDICATOR (OUTPUT) 1.2.2**  
**Number of cause exams that result from tips**

**Description:** Analysis of a tip can support the request for a cause exam. This indicator would identify the volume of SEC cause exams that result from tips collected through outreach efforts.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Actual
Number of cause exams	Prior-year data not available		N/A	N/A	N/A	222

**Analysis:** OCIE focuses its resources on those firms and activities presenting the most risk to investors. Firms with higher risk characteristics or profiles may be identified at any time based on any number of factors, including input from other offices and divisions within the SEC, as well as tips, complaints, and referrals. OCIE will utilize all input, from inside and outside the agency, to most appropriately allocate its resources. Examinations of high risk firms may be for cause, as part of a risk targeted examination sweep, or simply due to the presence of certain higher risk characteristics. The SEC has focused substantial resources in recent years on enhancing the process for receiving, processing, and acting upon tips, complaints, and referrals. Tips, complaints, and referrals regularly provide critical information regarding the activities of registered entities and often lead to cause examinations by OCIE. During FY 2013, the exam program conducted more than 220 examinations as a result of tips, complaints, and referrals received by the agency. The exam program will continue to use this information in the coming years in order to identify high-risk candidates for examination.

**Responsible Division/Office:** Office of Compliance Inspections and Examinations

**Data Source:** Tracking and Reporting Exam National Documentation System (TRENDS)

**Strategic Objective 1.3: The SEC prosecutes violations of federal securities laws and holds violators accountable.**

**Goal Leader(s):** Managing Executive, Division of Enforcement

**PERFORMANCE GOAL 1.3.1**  
**Percentage of enforcement actions resolved**

**Description:** This measure assesses the rate at which the SEC’s filed enforcement actions are resolved. Specifically, the measure identifies, as to all parties to enforcement actions that were resolved in the fiscal year, the percentage against whom the Commission obtained a judgment or order entered on consent, a default judgment, a judgment of liability on one or more charges, and/or the imposition of monetary or other relief. The Division is currently assessing the value of this metric, and evaluating how to incorporate qualitative considerations of the results of the Division’s enforcement actions.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
Percentage	92%	92%	92%	93%	89%	92%	93%	92%	92%

**Target:** Exceeded

**Analysis:** The Division has implemented controls and strategies to resolve actions on a favorable basis, while at the same time, it will not hesitate to file matters on a contested basis where a favorable settlement was unavailable before filing.

**Responsible Division/Office:** Division of Enforcement

**Data Source:** HUB case management and tracking system for the Division of Enforcement

**PERFORMANCE GOAL 1.3.2**  
**Percentage of first enforcement actions filed within two years**

**Description:** This measure concerns the pace of investigations that lead to the filing of enforcement actions. Specifically, this measure captures the rate at which the first enforcement actions arising out of an investigation was filed within two years of the opening of the investigation. If the investigation was preceded by a matter under inquiry, the measure draws on the date of the opening of the matter under inquiry. In conducting investigations, the Enforcement program continually strives to balance the need for complete, effective and fair investigations with the need to file enforcement actions in as timely a manner as possible.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
Percentage	62%	70%	67%	61%	63%	65%	58%	65%	65%

**Target:** Not Met

**Analysis:** Filing enforcement actions in a timely manner is an important measure of the Division's effectiveness. Timely actions have an increased deterrent impact; conversely, unnecessarily delayed periods between conduct and sanctions can weaken deterrent effect and undermine the public's faith in the effectiveness of law enforcement. However, many of the Division's cases are complex and can take extended periods of time to develop successfully, which will negatively impact the timeliness of actions. For example, the Division devoted resources to investigating and holding accountable firms and individuals that committed securities law violations linked to the financial crisis. Many of these cases involved complex financial products, market transactions, and conduct that can be difficult to detect and take longer to investigate. In addition, the Division presently is focusing on emerging threats involving new trading technologies such as high-frequency and algorithmic trading, large volume trading, as well as systemic insider trading and manipulation schemes.

**Plan for Improving Program Performance:** The Division will continue to seek to increase the speed with which it files enforcement actions, including periodically evaluating investigations for streamlining purposes, improving the efficiency of its investigative processes, employing investigative techniques that promote timely filing of cases, and further leveraging technology to expedite investigative activities. The Division will also continue its use of metrics and other tools designed to promote efficiency and timeliness. In addition, Division leadership will continue to place a premium on the speed and efficiency of investigations and will emphasize those qualities in leading the Division, including in periodic caseload reviews.

**Responsible Division/Office:** Division of Enforcement

**Data Source:** HUB case management and tracking system for the Division of Enforcement

**PERFORMANCE GOAL 1.3.3**  
**Percentage of debts where either a payment has been made or a collection activity has been initiated within 180 days of the due date of the debt**

**Description:** The SEC can seek a wide range of remedies for failure to comply with the securities laws. These remedies include civil monetary penalties and disgorgement. When the remedies are imposed by the Commission or the federal district court, payments must be made by a certain date. This measure identifies the percentage of debts where debtors have made payments or the SEC has initiated a collection activity within 180 days of the due date. Such collection activities include, among other things, demand letters, negotiation of payment plans, enforcing the payment of the debt through the courts, or other judicial remedies.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
Percentage	88%	90%	86%	91%	92%	92%	95%	95%	95%

**Target:** Exceeded

**Analysis:** In FY 2013, the Division exceeded the target by three percentage points. Going forward, the Division will seek to maintain this higher performance.

**Responsible Division/Office:** Division of Enforcement

**Data Source:** DELPHI

**PERFORMANCE GOAL 1.3.4**  
**Percentage of Fair Fund and disgorgement fund plans that have distributed 80 percent of the available funds for distribution within twenty four (24) months of the approval of the distribution plan**

**Description:** In addition to other types of relief, the Commission may seek orders requiring parties to disgorge any money obtained through wrongdoing. The Commission also is empowered to seek civil penalties for violations of the securities laws. Where appropriate, the Commission has sought to return disgorged funds to harmed investors and, as a result of the Fair Funds provision of the Sarbanes-Oxley Act, to combine amounts paid as penalties with disgorged funds, or to create a Fair Fund from penalties only, to reduce losses to injured parties in order to maximize funds available for distribution. This measure identifies the percentage of distribution plans that reached the majority of funds distributed milestone during the fiscal year and within twenty four (24) months of the approval of the distribution plan. The distribution plan includes the timeline and procedures required to return the funds to injured investors. This reflects Commission-wide efforts to implement plans returning money to investors quickly. Any funds not returned to investors are sent to the U.S. Treasury or the Investor Protection Fund established pursuant to Section 21F(g) of the Securities Exchange Act of 1934. Neither disgorgement nor penalties are used for the Commission's own expenses.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
Percentage	Prior-year data not available				80%	80%	73%	78%	82%

**Target:** Not Met

**Analysis:** After a reorganization of the collections and distributions functions within the Division of Enforcement and the Office of Financial Management, the SEC has focused on optimizing the processes and systems supporting these functions to ensure transparency, efficiency, and more extensive data management and reporting capabilities.

**Plan for Improving Program Performance:** The Office of Distributions has increased its tracking and reporting capability to better manage the timeliness of our distributions. This increased data knowledge will allow us to better manage the execution stage of the distribution process, which occurs after the approval of the distribution plan.

**Responsible Division/Office:** After a reorganization of the collections and distributions functions within the Division of Enforcement and the Office of Financial Management, the SEC has focused on optimizing the processes and systems supporting these functions to ensure transparency, efficiency, and more extensive data management and reporting capabilities.

**Data Source:** HUB case management and tracking system for the Division of Enforcement and Distributions Management System

**PERFORMANCE GOAL 1.3.5**  
**Total amount distributed within the fiscal year, and the number of Fair Funds from which those distributions came**

**Description:** In its enforcement actions, the Commission may seek to return funds to harmed investors through disgorgement of ill-gotten gains or through the Fair Funds provision of the Sarbanes-Oxley Act. This provision permits the Commission to combine amounts paid as penalties with disgorged funds, or to create a Fair Fund from penalties only, to reduce losses to injured parties. This reflects the Commission's efforts to return funds to injured investors. This measure identifies the total amount distributed within the fiscal year, and the number of fair funds from which those distributions came. Due to the variation in reporting timelines established for each individual distribution, reported amounts are based on the agency's best available information. Reported amounts do not include those funds distributed through receiverships. Any funds not returned to investors are sent to the U.S. Treasury or the Investor Protection Fund established pursuant to Section 21F(g) of the Securities Exchange Act of 1934. Neither disgorgement nor penalties are used for the Commission's own expenses.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
Amount distributed (in millions)	Prior-year data not available				815	508	251	224	325
Number of Fair Funds	Prior-year data not available				31	72	22	15	22

**Target:** Amount distributed – Not Met; Number of Fair Funds – Not Met

**Analysis:** After a reorganization of the collections and distributions functions within the Division of Enforcement and the Office of Financial Management, the SEC has focused on optimizing the processes and systems supporting these functions to ensure transparency, efficiency, and more extensive data management and reporting capabilities.

**Plan for Improving Program Performance:** The Enforcement Division implemented process improvements in FY 2013 to streamline efforts concerning this measure, including (1) improving processes for appointing fund administrators in a timely manner; and (2) enhancing the monitoring and tracking of distributions to identify ways to expedite distributions.

**Responsible Division/Office:** Division of Enforcement

**Data Source:** HUBcase management and tracking system for the Division of Enforcement and Distributions Management System

**PERFORMANCE GOAL 1.3.6**

**Average months between opening a matter under inquiry or an investigation and commencing an enforcement action**

**Description:** This measure concerns the pace of investigations that lead to the filing of enforcement actions. Specifically, this measure captures average number months between the opening of an investigation and the filing of the first enforcement action arising out of that investigation. If the investigation was preceded by a matter under inquiry, the measure draws on the date of opening of the matter inquiry. In conducting investigations, the enforcement program continually strives to balance the need for complete, effective, and fair investigation with the need to file enforcement actions in as timely a manner as possible.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
Months	Prior-year data not available			22	21	20	21	20	20

**Target:** Not Met

**Analysis:** Filing enforcement actions in a timely manner is an important measure of the Division's effectiveness. Timely actions have an increased deterrent impact; conversely, unnecessarily delayed periods between conduct and sanctions can weaken deterrent effect and undermine the public's faith in the effectiveness of law enforcement. However, many of the Division's cases are complex and can take extended periods of time to develop successfully, which will negatively impact the timeliness of actions. For example, the Division devoted resources to investigating and holding accountable firms and individuals that committed securities law violations linked to the financial crisis. Many of these cases involved complex financial products, market transactions, and conduct that can be difficult to detect and take longer to investigate. In addition, the Division presently is focusing on emerging threats involving new trading technologies such as high-frequency and algorithmic trading, large volume trading, as well as systemic insider trading and manipulation schemes.

**Plan for Improving Program Performance:** The Division will continue to seek to implement measures to increase the speed with which it files enforcement actions, including periodically evaluating investigations for streamlining purposes, improving the efficiency of its investigative processes, employing investigative techniques that promote timely filing of cases, and further leveraging technology to expedite investigative activities. The Division will also continue its use of metrics and other tools designed to promote efficiency and timeliness. In addition, Division leadership will continue to place a premium on the speed and efficiency of investigations, through means such as periodic caseload reviews.

**Responsible Division/Office:** Division of Enforcement

**Data Source:** HUB case management and tracking system for the Division of Enforcement

**PERFORMANCE INDICATOR (CONTEXTUAL) 1.3.1**

**Percentage of filed enforcement actions reflecting characteristics that present enhanced risk to investors and markets, as measured by the nature of the investigation, conduct, parties and impact**

**Description:** This measure assesses the quality of the cases filed by the Enforcement Division. The measure focuses on cases filed by the SEC that involve factors reflecting enhanced risk to investors and markets. Such cases may involve: (i) those identified through risk analytics and cross-disciplinary initiatives to reveal difficult-to-detect or early stage misconduct, thus minimizing investor loss and preventing the spread of unlawful conduct and practices; (ii) particularly egregious or widespread misconduct and investor harm; (iii) vulnerable victims; (iv) high degree of scienter; (v) involvement of individuals occupying substantial positions of authority, or having fiduciary obligations or other special responsibilities to investors; (vi) involvement of recidivists; (vii) high amount of investor loss prevented; (viii) misconduct that is difficult to detect due to the complexity of products, transactions, and practices; (ix) use of innovative investigative or analytical techniques; (x) effective coordination with other law enforcement partners; and/or (xi) whether the matter involves markets, transactions or practices identified as an enforcement priority, or that advances the programmatic priorities of other SEC Divisions or Offices.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Actual
Percentage	Prior-year data not available				N/A	N/A

**Analysis:** The Division is currently unable to report on this indicator. This metric, which was launched on a pilot basis in fiscal year 2012, captures the Division's qualitative ratings of enforcement actions. Last fiscal year, the Division defined the criteria by which it will qualitatively rate enforcement actions, determined a preliminary process to use in making those ratings, and launched the initiative on a pilot basis. After completing the pilot project in FY 2012, the working group responsible for qualitative metrics assessed the results of the pilot and attempted to determine work flow and other processes that would be necessary to implement qualitative ratings Division-wide. Senior Division management, after consulting with the working group, decided to launch a new pilot initiative with a streamlined and less labor-intensive process for determining qualitative ratings for all enforcement actions. The new pilot was launched in June 2013. After the conclusion of the pilot, the working group will assess the results of the new pilot, the nature of the factors being considered, the eligibility criteria being used, and the appropriate uses and audience for this data going forward.

**Responsible Division/Office:** Division of Enforcement

**Data Source:** HUB case management and tracking system for the Division of Enforcement

**PERFORMANCE INDICATOR (OUTPUT) 1.3.2**  
**Number of investigations or inquiries originating from a tip or complaint**

**Description:** Analysis of a tip or complaint can result in the need for further enforcement investigation. The indicator identifies the volume of SEC investigations that result from tips and complaints received by the SEC.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Actual
Number of investigations	Prior-year data not available		303	349	296	289

**Analysis:** The results of this indicator are based on investigations opened during the fiscal year that were generated from a tip or complaint, which is relatively consistent with the prior year.

**Responsible Division/Office:** Division of Enforcement

**Data Source:** HUB case management and tracking system for the Division of Enforcement

**PERFORMANCE INDICATOR (OUTPUT) 1.3.3**  
**SEC investigations in which requests for access to information were granted by the SEC to other authorities, such as SROs or other state, federal, and foreign enforcement authorities**

**Description:** The SEC works closely with other regulators and authorities. This measure identifies the number of investigations in which the SEC granted one or more authorities access to information concerning an investigation during the fiscal year. This may include requests for access to SEC investigative files concerning investigations that the SEC continues to pursue, as well as those in which the SEC has completed its investigation.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Actual
Number of investigations	Prior-year data not available		492	586	515	504

**Analysis:** In circumstances where an authority may have an interest in information obtained by the SEC, the SEC may grant the authority access to that information, pursuant to Section 24(c) of the Securities Exchange Act and Rule 24c-1. Results are based on investigations in which requests for access to information were granted to authorities during the fiscal year, which is relatively consistent with the prior year.

**Responsible Division/Office:** Division of Enforcement

**Data Source:** HUB case management and tracking system for the Division of Enforcement

**PERFORMANCE INDICATOR (OUTPUT) 1.3.4**

**Percent of enforcement actions filed that arose out of national priority investigations**

**Description:** The Division of Enforcement conducts many enforcement actions each year that can be characterized as high impact and of national priority. High impact or national priority investigations include those investigations which are significant for one or more of the following reasons –the matter: (i) presents an opportunity to send a particularly strong and effective message of deterrence, including with respect to markets, products and transactions that are newly developing, or that are long established but which by their nature present limited opportunities to detect wrongdoing and thus to deter misconduct; (ii) involves particularly egregious or extensive misconduct; (iii) involves potentially widespread and extensive harm to investors; (iv) involves misconduct by persons occupying positions of substantial authority or responsibility, or who owe fiduciary or other enhanced duties and obligations to a broad group of investors or others; (v) involves potential wrongdoing as prohibited under newly-enacted legislation or regulatory rules; (vi) concerns potential misconduct that occurred in connection with products, markets, transactions or practices that pose particularly significant risks for investors or a systemically important sector of the market; (vii) involves a substantial number of potential victims and/or particularly vulnerable victims; (viii) involves products, markets, transactions or practices that the Enforcement Division has identified as priority areas (i.e., conduct relating to the financial crisis; fraud in connection with mortgage-related securities; financial fraud involving public companies whose stock is widely held; misconduct by investment advisers; and matters involving priorities established by particular regional offices or the specialized units); and/or (ix) provides an opportunity to pursue priority interests shared by other law enforcement agencies on a coordinated basis.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Actual
Percentage	Prior-year data not available			10%	20%	15%

**Analysis:** A matter can be deemed high impact for a variety of reasons, as outlined above. One indicator of the cases with the highest impact is the Division’s national priority investigations. The Enforcement program has focused efforts and resources on such investigations and cases.

**Responsible Division/Office:** Division of Enforcement

**Data Source:** HUB case management and tracking system for the Division of Enforcement

**PERFORMANCE INDICATOR (CONTEXTUAL) 1.3.5**

**Criminal actions related to conduct under investigation by the SEC**

**Description:** In some instances, conduct may involve both civil and criminal violations and may be investigated by both the SEC and the criminal authorities. This measure identifies the number of criminal actions that are related to conduct under investigation by the SEC.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Actual
Number of criminal investigations	Prior-year data not available		139	134	126	126

**Analysis:** This indicator identifies the number of actions filed by criminal authorities that bear some relation to conduct under investigation by the SEC. To determine the number of criminal investigations related to SEC investigations, a query is run in the SEC’s Case Management System (the HUB). This query counts the number of SEC matters in which a related criminal action was initiated.

**Responsible Division/Office:** Division of Enforcement

**Data Source:** HUB case management and tracking system for the Division of Enforcement

**PERFORMANCE INDICATOR (OUTPUT) 1.3.6**  
**Disgorgement and penalties ordered and the amounts collected**

**Description:** In addition to other types of relief, the SEC may seek orders requiring parties to disgorge any money obtained through wrongdoing. The SEC is also empowered to seek civil penalties for violations of the securities laws. In some cases, the SEC will seek to obtain large monetary sanctions even in instances where the prospects of collecting on a judgment are slight. The rationale for seeking monetary relief in these circumstances is that such relief, even when likely uncollectible, might become collectible in the future based on the defendant's changed circumstances, and also because such relief can serve to deter others from violating the securities laws. Where appropriate, the SEC has sought to return disgorged funds to harmed investors. Funds not returned to investors are sent to the Treasury or the Investor Protection Fund established pursuant to Section 21F(g) of the Securities Exchange Act of 1934. This indicator lists disgorgement and penalties ordered as a result of SEC cases and the amounts collected in those actions. This indicator could increase or decrease based on various factors.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Actual
Ordered amounts (in millions)	1,030	2,442	2,846	2,806	3,104	3,424
Collected amounts (in millions)	521	1,694	1,775	1,281	1,048	1,603

**Analysis:** Collected amounts include payments through the end of the year being reported. Amounts are recognized in the fiscal year during which the debts were ordered rather than the fiscal year in which they were paid. The \$3.4 billion in disgorgement and penalties ordered in FY 2013 is 10 percent higher than FY 2012 and 22 percent higher than FY 2011.

**Responsible Division/Office:** Division of Enforcement

**Data Source:** DELPHI

**PERFORMANCE INDICATOR (OUTPUT) 1.3.7**  
**Requests from foreign authorities for SEC assistance and SEC requests for assistance from foreign authorities**

**Description:** Each year, the SEC makes hundreds of requests for enforcement assistance to foreign regulators, while responding to hundreds of such requests from other nations. To facilitate this type of assistance, and encourage other countries to enact laws necessary to allow regulators to cooperate with their foreign counterparts, the SEC has entered into bilateral information sharing arrangements, as well as the Multilateral Memorandum of Understanding, an information-sharing arrangement negotiated through the International Organization of Securities Commissions (IOSCO).

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Actual
Number of requests from foreign authorities	414	408	457	492	450	508
Number of SEC requests	594	774	605	772	718	717

**Analysis:** In FY 2013, the SEC experienced an increase in the number of requests from foreign authorities as compared to the previous fiscal year. These requests were generally more complex than in FY 2012 and often sought information for litigation purposes, including requests for dispositions.

**Responsible Division/Office:** Office of International Affairs

**Data Source:** International Program Oversight Database and Business Objects reports

## Strategic Goal 2: Establish an Effective Regulatory Environment

The Commission aims to promulgate rules and regulations that enable market participants to clearly understand their obligations under the Federal securities laws and to conduct their activities in compliance with law. Just as the securities laws require that disclosures be clear and precise, the Commission aims to promulgate rules that are clearly written, easily understood, and tailored toward specific ends. In addition, the agency recognizes that regular reviews of Commission regulations and its rulemaking processes are necessary to confirm that intended results are being achieved.

In FY 2013, approximately \$126.5 million and 414 full-time equivalents (FTEs) were directed at achieving results in Goal 2. Of 16 performance targets, the agency met or exceeded 11, and did not have data to report on 5.

### Spotlight: FY 2013 Performance Achievements

In FY 2013, the SEC continued to pursue a vigorous, investor-focused rulemaking agenda. Driven in part by the demands of the Dodd-Frank Act and the recognition that investor protection regulation needs to reflect the reality of today's modern technology-driven global market structure, the Commission continues to act aggressively on a number of fronts. The Commission's rulemaking has been supported by detailed economic analysis provided by the Division of Economic and Risk Analysis (DERA). DERA has provided guidance that provides a road map for the rulemaking divisions and offices, listing concepts that the analysis should cover and helping ensure that economic analysis is integrated throughout the entire rule development and rule writing process.

The SEC focuses a large share of resources responding to request for no-action letters as well as interpretive and other requests from regulated entities, public companies, and other outside parties. The agency is committed to speeding the response to such requests. In FY 2013, the Divisions of Trading and Markets (TM), Corporation Finance (CF), and Investment Management (IM) met or exceeded their response rate targets for **Performance Goal 2.3.1**. In particular, IM processed close to 100 percent of initial comments on no-action letters, interpretive requests, and exemptive applications within its targeted timeframes. CF continued to surpass its targets to complete initial comments on no-action letters, interpretive requests and shareholder proposals. TM also significantly exceeded its target for no-action letters, exemptive applications, and written interpretive requests.

In addition to rulemaking initiatives in FY 2013, the SEC worked efficiently to review SRO rule proposals and closed 74 percent of the filings within 45 days (**Performance Goal 2.3.3**). TM continued to perform inspections of the automated trading and clearance processes of markets and clearing organizations. In FY 2013, 98 percent of transaction dollars was settled on time (**Performance Goal 2.2.1**). Staff from TM cultivate contacts with supervisory personnel at relevant clearing agencies to ensure operational and other issues that may arise are promptly identified and addressed. TM expanded its resources devoted to clearance and settlement matters over the past year to prepare for the increased focus on this area contemplated by the Dodd-Frank Act. The SEC also monitors the industry's efforts to provide stable trading platforms. The agency continued to assess the resiliency of market systems in FY 2013, reporting that market outages were corrected well above targeted timeframes (**Performance Goal 2.2.3**).

**Strategic Objective 2.1: The SEC establishes and maintains a regulatory environment that promotes high quality disclosure, financial reporting, and governance, and that prevents abusive practices by registrants, financial intermediaries, and other market participants.**

**Goal Leader(s):** Managing Executive, Office of Investor Education and Advocacy

**PERFORMANCE GOAL 2.1.1**  
**Survey on quality of disclosure**

**Description:** Under this metric, the SEC plans to conduct a survey to elicit feedback on the quality of disclosures and the Commission’s disclosure requirements. The SEC would track the number of research initiatives (investor focus groups and surveys) conducted by OIEA on the usefulness of SEC disclosure documents.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
Percentage of positive response	Prior-year data not available			N/A	N/A	N/A	N/A	N/A	N/A

**Target:** Not Reported

**Analysis:** This measure was developed in FY 2010 during the strategic planning process, and it is being re-considered as part of the SEC’s Strategic Plan update.

**Responsible Division/Office:** Office of Investor Education and Advocacy

**Data Source:** N/A

**PERFORMANCE GOAL 2.1.2**  
**Number of consultations; joint events, reports, or initiatives; and joint examinations and other mutual supervisory efforts with SROs and other federal, state, and non-U.S. regulators**

**Description:** This metric gauges how much the SEC is coordinating with other financial regulatory agencies within a given fiscal year. Also, as securities markets around the world become increasingly integrated and globalized, it is essential that the SEC work frequently and effectively with its partner regulators both in the U.S. and abroad.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
Number	Prior-year data not available		N/A	N/A	N/A	N/A	N/A	N/A	N/A

**Target:** Not Reported

**Analysis:** This measure was developed in FY 2010 during the strategic planning process, and it is being re-considered as part of the SEC’s Strategic Plan update.

**Responsible Division/Office:** Several SEC Offices

**Data Source:** N/A

**PERFORMANCE GOAL 2.1.3**  
**Number of non-U.S. regulators trained**

**Description:** This metric shows the reach of the SEC’s technical assistance programs for regulators around the world. The SEC conducts these training sessions to assist countries in developing and maintaining robust protections for investors and promote cross-border enforcement and supervisory assistance.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
Number of non-U.S. regulators	Prior-year data not available		1,997	1,765	1,785	1,370	1,716	1,400	1,400

**Target:** Exceeded

**Analysis:** OIA exceeded its international technical assistance targets due, in part, to the addition of two international training Institutes on Examinations and an Anti-Bribery program co-hosted with the Department of Justice and Federal Bureau of Investigation. Continuation of this trend is dependent on requests for training originating from foreign regulators, as well as OIA resources available.

**Responsible Division/Office:** Office of International Affairs

**Data Source:** International Program Oversight Database and Business Objects reports

**PERFORMANCE INDICATOR (CONTEXTUAL) 2.1.1**  
**Average cost of capital in U.S. relative to the rest of the world**

**Description:** Countries’ cost of capital can vary according to their protections for investors, the strength of their disclosure regimes, and the presence of fair, orderly, and efficient markets, among other factors. Therefore, although this metric is affected by other economic factors, it can provide some indication of the quality of securities regulation in a given country.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Actual
Average cost of capital	Prior-year data not available		10.99%	10.67%	8.96%	8.92%

**Analysis:** The cost of capital as estimated by the World CAPM model estimates that the cost of capital in the United States declined from the 2012 level of 8.96 percent to 8.92 percent in 2013, which results in the United States having a relative ranking of 6th out of 43 countries included in the study.

**Responsible Division/Office:** Division of Economic and Risk Analysis

**Data Source:** Morningstar International Cost of Capital Report (Annual)

**Strategic Objective 2.2: The U.S. capital markets operate in a fair, efficient, transparent, and competitive manner, fostering capital formation and useful innovation.**

**Goal Leader(s):** Managing Executive, Division of Trading and Markets; Managing Executive, Division of Economic and Risk Analysis

**PERFORMANCE GOAL 2.2.1**  
**Percentage of transaction dollars settled on time each year**

**Description:** This metric measures the efficiency of the U.S. clearance and settlement system for equity securities.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
Percentage	99%	99%	99%	99%	99%	98%	98%	98%	98%

**Target:** Met

**Analysis:** The U.S. clearance and settlement system for equity securities continues to perform at a high rate of timely settlement. Staff from the Division of Trading and Markets maintains regular supervisory contacts with personnel at relevant clearing agencies to ensure operational and other issues that may arise are promptly identified and addressed. The Division has expanded its resources devoted to clearance and settlement matters to prepare for the increased focus on the area contemplated by the Dodd-Frank Act. It is important to note that, because of changes in data sources and methodology, the figures for this metric from 2013 and afterwards are not directly comparable to those from earlier periods.

**Responsible Division/Office:** Division of Trading and Markets

**Data Source:** Depository Trust & Clearing Corporation and NYSE Technologies

**PERFORMANCE GOAL 2.2.2**  
**Average institutional transaction costs for exchange listed stocks on a monthly basis**

**Description:** This performance metric captures the actual cost of trading in large (institutional size) transactions.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
Average transaction costs	Prior-year data not available			N/A	N/A	N/A	N/A	N/A	N/A

**Target:** N/A

**Analysis:** This measure was developed in FY 2010 during the strategic planning process, and it is being re-considered as part of the SEC's Strategic Plan update.

**Responsible Division/Office:** Division of Economic and Risk Analysis

**Data Source:** N/A

**PERFORMANCE GOAL 2.2.3**  
**Percentage of market outages at SROs and electronic communications networks (ECNs)**  
**that are corrected within targeted timeframes**

**Description:** Market outages reflect problems in the systems underlying the securities markets that could have an adverse effect on the markets' ability to function as required. The SEC assesses the reliability and resiliency of these systems to minimize the number and duration of outages. This metric gauges how quickly outages are resolved, so that market activity can resume.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
Within 2 hours	84%	87%	74%	88%	71%	60%	80 %	60%	60%
Within 4 hours	96%	98%	85%	94%	89%	75%	86 %	75%	75%
Within 24 hours	100%	98%	100%	100%	100%	96%	98%	96%	96%

**Target:** Within 2 hours – Exceeded; Within 4 hours – Exceeded; Within 24 hours – Exceeded

**Analysis:** The SROs exceeded the planned performance targets because of enhancements to the SROs' systems incident handling procedures and greater emphasis on 100 percent uptime during the trading day hours of operation. The agency has continued to work with critical SROs on improving their continuity of operations, availability of critical production systems, and recovery time objectives. SROs have shown greater system availability and the ability to open even during disaster events, such as hurricanes, earthquakes, and power outages.

**Responsible Division/Office:** Division of Trading and Markets

**Data Source:** ECN outage data is derived from SROs

**PERFORMANCE INDICATOR (CONTEXTUAL) 2.2.1**  
**Average quoted spread for exchange listed stocks on a monthly basis**

**Description:** This indicator gauges the hypothetical cost of trading in small amounts at the quoted markets, based solely on published quotations.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Actual
Average quoted spread	Prior-year data not available	1.70 cents	2.52 cents	1.76 cents	1.84 cents	2.17 cents

**Analysis:** The average quoted spread for FY 2013 is 2.17 cents, indicating that the market is exhibiting normal conditions and suffered no large abnormal quoted spreads.

**Responsible Division/Office:** Division of Economic and Risk Analysis

**Data Source:** Thompson Transaction Analytics

**PERFORMANCE INDICATOR (CONTEXTUAL) 2.2.2**  
**Average effective spread for exchange listed stocks on a monthly basis**

**Description:** This indicator captures the cost of trading in small amounts based on actual trade prices and the quotes at the times of those trades.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Actual
Average quoted spread	Prior-year data not available	2.19 cents	2.65 cents	1.72 cents	1.68 cents	1.88 cents

**Analysis:** The average effective spread for FY 2013 is 1.88 cents, which is .20 cents higher than in FY 2012. There are many possible reasons for an increase in average effective spread. First, the roughly 17% return on SP500 stocks causes stock prices to be generally higher; expressed as a percentage basis, effective spreads may not have increased at all. Second, increased volatility levels tend to move trading from ATSs (where effective spreads are often zero) to exchanges where effective spreads are higher. Finally, trading in high-price shares (which tend to have larger spreads) may have increased as a proportion of trading activity.

**Responsible Division/Office:** Division of Economic and Risk Analysis

**Data Source:** Thompson Transaction Analytics

**PERFORMANCE INDICATOR (CONTEXTUAL) 2.2.3**  
**Speed of execution**

**Description:** This indicator gauges how quickly transactions are executed in the U.S. securities markets.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Actual
Speed of execution	Prior-year data not available	1.59 seconds	1.77 seconds	1.02 seconds	0.9 seconds	3.0 seconds

**Analysis:** Increases in execution times may not be indicative of degrading market quality. A decrease in the participation rate of low latency traders (HFTs) is likely to increase execution delay times. The increase could be associated with isolated periods of slower executions.

**Responsible Division/Office:** Division of Economic and Risk Analysis

**Data Source:** Thompson Transaction Analytics

**PERFORMANCE INDICATOR (CONTEXTUAL) 2.2.4**  
**Average quoted size of exchange listed stocks on a monthly basis**

**Description:** This indicator measures the amount of liquidity visible to the market at the displayed quotes.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Actual
Average quoted size	Prior-year data not available	606 shares	687 shares	606 shares	588 shares	564 shares

**Analysis:** Average quoted size of exchange listed stocks on a monthly basis has decreased in FY 2013, commensurate with a decrease in the average quoted spread for exchange listed stocks compared to the prior year.

**Responsible Division/Office:** Division of Economic and Risk Analysis

**Data Source:** Thompson Transaction Analytics

**PERFORMANCE INDICATOR (CONTEXTUAL) 2.2.5**  
**Average daily volatility of exchange listed stocks on a monthly basis**

**Description:** This statistic gauges short term price changes, which are an indicator of the risk of holding stock.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Actual
Average daily volatility in the S&P 500	1.60%	2.69%	1.18%	1.26%	1.08%	0.74%

**Analysis:** Market volatility is impacted by myriad factors so it is difficult to ascertain with certainty why small changes in volatility occur.

**Responsible Division/Office:** Division of Economic and Risk Analysis

**Data Source:** Bloomberg

## Strategic Objective 2.3: The SEC adopts and administers rules and regulations that enable market participants to understand clearly their obligation under the securities laws.

**Goal Leader(s):** Managing Executive, Division of Trading and Markets

### PERFORMANCE GOAL 2.3.1

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

**Description:** The SEC staff responds to requests for guidance from individuals and companies about specific provisions of the federal securities laws. These queries can ask for proper interpretations of the securities laws or regulations, or for assurances that no enforcement action will be taken in certain circumstances. The staff also reviews applications for exemptions from the securities laws. Written responses to such requests for guidance, when provided, generally are publicly available, as are applications and related notices and orders, when issued. This measure gauges whether the Divisions of Trading and Markets, Investment Management, and Corporation Finance are issuing initial comments on these requests on a timely basis.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
Trading and Markets: No-action letters, exemptive applications, and written interpretive requests (combined figure)									
Percentage within required timeframe	63%	70%	91%	98.5%	89%	85%	93%	85%	85%
<b>Target:</b> Exceeded									
<b>Analysis:</b> In FY 2012, the Division established a new electronic log for tracking these written requests, which tracks actions taken by the staff and the requestor, a description of actions taken, and information about the SEC staff involved in handling the request. These features of the electronic log, along with monthly reporting generated from the log, permit the Division to track written inquiries and reply to them in a timely manner. Responses to these inquiries generally promote an effective regulatory environment by clarifying ambiguity, which permits private entities to more efficiently use their compliance resources.									
<b>Responsible Division/Office:</b> Division of Corporation Finance									
<b>Data Source:</b> TM Office of Chief Counsel Electronic Log									
Investment Management									
No-action letters and interpretive requests	98%	100%	100%	100%	100%	90%	100%	90%	90%
Exemptive applications	81%	95%	100%	100%	100%	80%	99%	80%	80%
<b>Target:</b> No-action letters – Exceeded; Exemptive applications – Exceeded									
<b>Analysis:</b> For the fifth year in a row, IM processed 100% of initial comments on no-action letters within three weeks, surpassing its target of “90% within three weeks.” IM has been able to achieve this level of success because providing initial comments within the targeted time frame has been a continuing priority. Given prior data and trends, the target of “90% within three weeks” is reasonable and appropriate.									
For the fifth year in a row, IM exceeded its target for initial comments on exemptive applications. The Division considered but decided against raising its target percentage because the ability to meet the target is dependent on factors that could change materially during any fiscal year such as the total number of applications filed, concentration of filings at any particular time period (surges), and the types and complexity of the applications filed.									
<b>Responsible Division/Office:</b> Division of Investment Management									
<b>Data Source:</b> OCC Letter Log, OICR and OIP Applications Tracking Systems (Access), Excel spreadsheet									
Corporation Finance									
No-action letters and interpretive requests	66%	85%	97%	97%	98%	90%	98%	90%	90%
Shareholder proposals	100%	100%	100%	100%	100%	100%	100%	100%	100%
<b>Target:</b> No-action letters – Exceeded; Shareholder proposals - Met									
<b>Analysis:</b> CF surpassed its FY 2013 target by completing 98 percent of initial comments on no-action letters within 30 days. CF achieved its target of issuing comments on 100 percent of shareholder proposals before the company’s proxy filing date.									
<b>Responsible Division/Office:</b> Division of Corporation Finance									
<b>Data Source:</b> Division No-Action Letter database and Division Shareholder Proposal database									

**PERFORMANCE GOAL 2.3.2**
**Survey on whether SEC rules and regulations are clearly understandable**

**Description:** The SEC aims to promote a regulatory environment in which market participants clearly understand their obligations. Through this metric, the SEC intends to survey market participants to determine whether they believe the Commission's regulatory requirements are clear.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
Percentage	Prior-year data not available			N/A	N/A	N/A	N/A	N/A	N/A

**Target:** N/A

**Analysis:** This measure was developed in FY 2010 during the strategic planning process, and it is being re-considered as part of the SEC's Strategic Plan update.

**Responsible Division/Office:** Division of Trading and Markets

**Data Source:** N/A

**PERFORMANCE GOAL 2.3.3**
**Time to complete SEC review of SRO rules that are subject to SEC approval**

**Description:** The SEC reviews SRO rule proposals for consistency with the Exchange Act standards of investor protection, fair and orderly operation of the markets and market structure, as well as other statutory requirements. This metric gauges how long it takes the SEC to approve a filing after publication of notice of the proposal for comment.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
Within 35 days	Prior-year data not available		73%	0%	0%	0%	N/A	N/A	N/A
Within 45 days	Prior-year data not available		99%	82%	75%	70%	74%	70%	70%

**Target:** Within 35 days – N/A; Within 45 days - Exceeded

**Analysis:** During FY 2013, the SEC approved or disapproved 233 SRO rule changes filed pursuant to Section 19(b)(2) of the Exchange Act. Of that number, 74% were approved or disapproved within the 45 day standard for publication exceeding the goal by four percentage points. The remaining SRO rule changes all met other statutory deadlines past the 45th day.

The adoption of Dodd-Frank in July 2010 required the SEC to approve or disapprove within certain statutory time frames from the date of publication of a rule change. The staff must publish within 15 days from when the filing is received, otherwise the publication date reverts to the day the SRO publishes the filing on their website, (i.e., within two days of filing with the SEC). Once a rule filing is published for comment, the SEC must complete a review within 45 days, or such longer period time as noted in the statute. As a result, the SEC believes that the compliance with the Congressionally-mandated times should serve as the appropriate data points going forward. Of the 233 SRO rule changes subject to the Dodd-Frank standards, 173 filings were subsequently approved or disapproved within 45 days of publication. The remaining 59 filings were approved or disapproved within the other statutory benchmarks, (i.e., within 90 days, within 180 days, within 240 days). The SEC met the statutory standards set by Dodd-Frank 100% percent of the time, which represents a better measure of program performance. The SEC expects to be able to meet all of the statutory times frames established by Dodd-Frank.

**Responsible Division/Office:** Division of Trading and Markets

**Data Source:** SRO Rule Tracking System (SRTS). Information was extracted from the SRTS data tables into an Excel file. The information was then analyzed to determine the applicable population of filings. Simple formulas were used to calculate the time from filing after publication of notice to approval of filing.

**PERFORMANCE INDICATOR (PROCESS) 2.3.1**  
**Percentage of SRO rule filings that are submitted for immediate effectiveness**

**Description:** This metric gauges the proportion of SRO rule proposals that can be submitted for immediate effectiveness, without Commission approval.

<b>Fiscal Year</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013 Actual</b>
Percentage	Prior-year data not available		69%	77%	72%	78%

**Analysis:** This indicator gauges the percentage of rule filings submitted by SROs for immediate effectiveness. Rule proposals can be submitted for immediate effectiveness for certain types of filings, including non-controversial changes, rules relating to fee filings, or so called "copy-cat" rule filings related to proposed rule changes other than trading rules. Rule proposals not submitted for immediate effectiveness require Commission review and approval or disapproval.

**Responsible Division/Office:** Division of Trading and Markets

**Data Source:** SRO Rule Tracking System (SRTS)

## Strategic Goal 3: Facilitate Access to the Information Investors Need to Make Informed Investment Decisions

The SEC promotes informed investment decisions through two main approaches. The first is to require that investors have accurate, adequate, and timely public access to disclosure materials that are easily understood and analyzed. The second is to implement a variety of investor education initiatives aimed at giving investors a better understanding of the operations of the nation's securities markets. In FY 2013, the agency dedicated approximately \$204.2 million and 717 FTEs toward achieving results in Goal 3. Of 18 performance targets, the agency met or exceeded 12, did not meet 1, and did not have data to report on 5.

### Spotlight: FY 2013 Performance Achievements

The Federal securities laws require that corporations, investment companies, and other entities provide investors with timely and meaningful information about, among other things, their operations and finances. Because an educated and informed investor ultimately provides the best defense against fraud and costly mistakes, these laws place great emphasis on providing the investing public with meaningful information.

In FY 2013, consistent with the Sarbanes Oxley-Act of 2002, CF and IM strive to review certain disclosures made by public companies and investment companies, including issuers' financial statements, no less frequently than once every three years (**Performance Goal 3.1.1**). This volume of disclosure review helped deter fraud and assured that investors had access to relevant information about emerging issues. Additionally, CF issued initial comments on Securities Act filings within an average of 25.6 days of filing, achieving its goal (**Performance Goal 3.1.2**).

Investors who have access to complete and accurate information are also more likely to invest wisely. In FY 2013, the SEC continued to focus on educating investors about products commonly marketed to them and provided educational programs and materials to help investors detect and avoid potential scams. The SEC's direct mail partnership with the IRS helped exceed the goal of reaching 15 million investors in FY 2013. The SEC also exceeded its target for in-person events by identifying new outreach opportunities, including events targeting affinity groups (**Performance Goal 3.2.1**). OIEA conducted 11 educational campaigns in FY 2013, meeting its target (**Performance Goal 3.2.2**). These included efforts to educate investors about Ponzi schemes using Bitcoin and other virtual currencies and the effect of market interest rates on bond prices and yield.

Tens of thousands of investors each year contact the SEC with investment-related complaints and questions. The SEC strives to respond to such contacts in a timely manner. In FY 2013, the agency exceeded its goals to close out assistance matters within seven and thirty days (**Performance Goal 3.2.3**). By adjusting to new work flow demands aimed at identifying and referring key investor assistance matters to the agency's Tips, Complaints and Referrals (TCR) system, OIEA was able to exceed these targets. The SEC succeeded in presenting in an alternate user friendly format 100% of the rules it enacts which impact investors (**Performance Goal 3.2.4**).

**Strategic Objective 3.1: Investors have access to high-quality disclosure materials that are useful to investment decision making.**

**Goal Leader(s):** Managing Executive, Division of Trading and Markets; Managing Executive, Division of Investment Management

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

**Description:** The Sarbanes-Oxley Act requires that the SEC review the disclosures of all companies and investment company portfolios reporting under the Exchange Act at least once every three years. These reviews help improve the information available to investors and may uncover possible violations of the securities laws.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
Division of Corporation Finance									
Corporations	39%	40%	44%	48%	48%	33%	52%	33%	33%

**Target:** Exceeded

**Analysis:** The SEC exceeded its planned level of review of companies in FY 2013. This review level is expected to deter fraud in public securities transactions and should help investors receive accurate material information about the companies they invest in.

**Responsible Division/Office:** Division of Corporation Finance

**Data Source:** Electronic, Data Gathering, Analysis, and Retrieval (EDGAR)/Filing Activity Tracking System (FACTS)

Division of Investment Management									
Investment Company Portfolios	36%	35%	35%	33%	36%	33%	34%	33%	33%

**Target:** Exceeded

**Analysis:** Consistent with Section 408 of the Sarbanes Oxley-Act of 2002, IM strives to review disclosures made by certain public issuers, including issuers' financial statements, no less frequently than once every three years. The targeted number of annual reviews assumes that IM meets this goal.

**Responsible Division/Office:** Division of Investment Management

**Data Source:** Microsoft Office Suite Tools

**PERFORMANCE GOAL 3.1.2**  
**Time to issue initial comments on Securities Act filings**

**Description:** The target of 30 days or less has become a de facto industry standard for the maximum time to receive initial comments.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
Days	25.2 days	25.3 days	24.1 days	24.4 days	24.9 days	<30 days	25.6 days	<30 days	<30 days

**Target:** Met

**Analysis:** During FY 2013, the Division issued initial comments on Securities Act filings within an average of 25.6 days of filing, achieving its goal.

**Responsible Division/Office:** Division of Corporation Finance

**Data Source:** FACTS

**PERFORMANCE GOAL 3.1.3**  
**Percentage of investment company disclosure reviews for which initial comments are completed within timeliness goals**

**Description:** For initial registration statements, the SEC’s goal is to issue initial comments within 30 days after they are filed (60 days for registration statements of insurance product separate accounts and related mutual funds). The SEC also aims to comment on post-effective amendments within 45 days and preliminary proxy statements within 10 days after they are filed.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
Initial registration statements	95%	95%	93%	92%	96%	85%	98%	85%	85%
Post-effective amendments	97%	97%	94%	94%	95%	90%	99%	90%	90%
Preliminary proxy statements	99%	99%	99%	98%	100%	99%	98%	99%	99%

**Target:** Initial registration statements – Exceeded; Post-effective amendments – Exceeded; Preliminary proxy statements – Not Met

**Analysis:** IM strives to review all significant disclosures made by registrants in Commission filings under the Investment Company Act, including initial registration statements and post-effective amendments with material changes. While there was an insignificant difference in the total number of filings reviewed between 2013 and 2012, there were fewer initial registration statements and proxies filed, yet more post-effective amendments. The improvement in timeliness percentages may be attributable to the decrease in initial registration statements in relation to post-effective amendments because initial registration statements typically take significantly more effort to review than post-effective amendments.

**Plan for Improving Program Performance:** The Division of Investment Management will continue its goal of providing comments on proxy statements within 10 days of filing at least 99 percent of the time. The Division missed its 10-day goal for only six of 246 filings – due largely to the short period in which to provide comments and the ambitious goal of 99 percent.

**Responsible Division/Office:** Division of Investment Management

**Data Source:** Electronic, Data Gathering, Analysis, and Retrieval (EDGAR)

**PERFORMANCE GOAL 3.1.4**  
**Point of sale “click-through” rate**

**Description:** The point of sale initiative relies on a layered approach that combines point of sale disclosure and Internet-based disclosure. This measure would determine how often investors click on broker-dealers’ websites to obtain information about broker-dealer compensation and related conflicts of interest.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
“Click-through rate”	Prior-year data not available			N/A	N/A	N/A	N/A	N/A	N/A

**Target:** N/A

**Analysis:** This measure was developed in FY 2010 during the strategic planning process, and it is being re-considered as part of the SEC’s Strategic Plan update.

**Responsible Division/Office:** Division of Trading and Markets

**Data Source:** N/A

**PERFORMANCE GOAL 3.1.5**  
**Access to broker-dealer and investment adviser background checks**

**Description:** Greater availability of professional background information of broker-dealers and their employees through the BrokerCheck system will provide investors with the ability to make better-informed decisions. Investors also have the ability to check the backgrounds of investment advisory firms through the SEC's Investment Adviser Public Disclosure (IAPD) system. This measure would gauge the demand for disclosure information about broker-dealers and their employees through the BrokerCheck website and about investment advisers through the IAPD.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
Division of Trading and Markets									
BrokerCheck System	Prior-year data not available			N/A	N/A	N/A	N/A	N/A	N/A

**Target:** N/A

**Analysis:** This measure was developed in FY 2010 during the strategic planning process, and it is being re-considered as part of the SEC's Strategic Plan update.

**Responsible Division/Office:** Division of Trading and Markets

**Data Source:** N/A

Division of Investment Management									
Average number of IAPD searches per day	Prior-year data not available			N/A	N/A	49,912	71,888	70,000	70,000

**Target:** Exceeded

**Analysis:** The IAPD website is used daily by the public to conduct research of Commission-registered investment advisers. The Division of Investment Management estimates similar levels of use of IAPD in the future.

**Responsible Division/Office:** Division of Investment Management

**Data Source:** FINRA

**PERFORMANCE GOAL 3.1.6**  
**Investor demand for disclosures on municipal securities**

**Description:** Greater availability of market-sensitive information through the Municipal Securities Rulemaking Board's Electronic Municipal Market Access (EMMA) website will provide investors with the ability to make better-informed investment decisions and assist market participants in fulfilling their disclosure obligations. This measure gauges the demand for disclosure information about municipal securities through the EMMA website.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
Website hits	Prior-year data not available			N/A	N/A	N/A	N/A	N/A	N/A

**Target:** N/A

**Analysis:** This measure was developed in FY 2010 during the strategic planning process, and it is being re-considered as part of the SEC's Strategic Plan update.

**Responsible Division/Office:** Division of Trading and Markets

**Data Source:** N/A

**PERFORMANCE GOAL 3.1.7**  
**Satisfaction index for disclosure process**

**Description:** The agency will conduct survey research or focus groups to identify the level of satisfaction with disclosure requirements.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
Satisfaction index	Prior-year data not available			N/A	N/A	N/A	N/A	N/A	N/A

**Target:** Not Reported

**Analysis:** This measure was developed in FY 2010 during the strategic planning process, and it is being re-considered as part of the SEC’s Strategic Plan update.

**Responsible Division/Office:** Office of Investor Education and Advocacy

**Data Source:** N/A

**Strategic Objective 3.2: Agency rulemaking and investor education programs are informed by an understanding of the wide range of investor needs.**

**Goal Leader(s):** Managing Executive, Office of Investor Education and Advocacy

**PERFORMANCE GOAL 3.2.1**  
**Number of investors reached, and number of in-person events with specifically targeted communities and organizations**

**Description:** The agency has developed an extensive collection of free information to help investors understand the basics of investing; the risks and rewards of various products and strategies; the importance of diversification; and ways to find information about brokers, advisers, and companies. Much of this information is posted on the SEC’s Investor Information Web page, a key tool for informing and educating the investing public. In addition, the Office of Investor Education and Advocacy (OIEA) publishes hard-copy educational brochures and conducts in-person events. This measure seeks to determine the total number of investors reached by the SEC, and assess the effectiveness of outreach efforts conducted by OIEA and the regional offices targeted to specific investor groups (for example, seniors, military, or other affinity groups). The measure also captures the use of various channels to reach investors, such as the SEC webpage, investor.gov, social networking sites, outreach programs, or public appearances.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
Number of investors reached (millions)	Prior-year data not available		17.8	14.8	16	15	15.2	15	15
Number of “in-person” events	Prior-year data not available		42	48	47	50	52	50	50

**Target:** Number of investors reached – Exceeded; Number of “in-person” events - Exceeded

**Analysis:** The SEC’s direct mail partnership with the IRS helped OIEA exceed its goal of reaching 15 million investors in FY 2013. OIEA exceeded its target for in-person events by identifying new outreach opportunities, including events targeting affinity groups.

**Responsible Division/Office:** Office of Investor Education and Advocacy

**Data Source:** Microsoft Office Suite Tools

**PERFORMANCE GOAL 3.2.2**  
**Number of investor educational initiatives organized and produced**

**Description:** In partnership with other organizations, the agency will develop a number of educational campaigns intended to customize content and maximize its reach to various investor communities. Through the use of primary and secondary research including tracking emerging investor concerns and complaints, the agency will continue to assess how to best target its efforts to the investing public. This measure identifies the number of major investor initiatives undertaken.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
Number of initiatives	Prior-year data not available		9	11	11	11	11	11	11

**Target:** Met

**Analysis:** OIEA conducted 11 educational campaigns in FY 2013, meeting its target. These included efforts to educate investors about Ponzi schemes using Bitcoin and other virtual currencies and the effect of market interest rates on bond prices and yield.

**Responsible Division/Office:** Office of Investor Education and Advocacy

**Data Source:** Microsoft Office Suite Tools

**PERFORMANCE GOAL 3.2.3**  
**Timeliness of responses to investor contacts**

**Description:** OIEA serves the tens of thousands of investors each year who contact the SEC with investment-related complaints and questions. The staff aims to close out as many new investor assistance matters as possible within seven and thirty business days.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
Closed within 7 days	78%	70%	72%	67%	54%	50%	62%	55%	60%
Closed within 30 days	88%	90%	93%	92%	93%	90%	93%	90%	90%

**Target:** Closed within 7 days – Exceeded; Closed within 30 days - Exceeded

**Analysis:** OIEA adjusted to new work flow demands aimed at identifying and referring key investor assistance matters to the agency's Tips, Complaints and Referrals (TCR) system and exceeded both its seven-day and thirty-day targets for FY 2013.

**Responsible Division/Office:** Office of Investor Education and Advocacy

**Data Source:** Internal log using IRIS data

**PERFORMANCE GOAL 3.2.4**  
**Percentage of rules impacting investors that are presented in alternate user-friendly formats**

**Description:** The agency intends to publish explanations of Commission actions in easily understandable language, to encourage investor participation and comments on issues materially affecting them. The Office of Investor Education and Advocacy also will track emerging concerns and trends and then work with the rulemaking divisions and other offices on possible regulatory responses. The SEC also may use surveys or questionnaires to collect input from investors to assist in assessing their views on Commission actions.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
Percentage	Prior-year data not available		100%	100%	100%	100%	100%	100%	100%

**Target:** Met

**Analysis:** In FY 2013, OIEA continued to provide input to the SEC’s rulemaking divisions and issue investor bulletins that explain Commission rules in understandable language.

**Responsible Division/Office:** Office of Investor Education and Advocacy

**Data Source:** Internal log

**PERFORMANCE GOAL 3.2.5**  
**Customer satisfaction with usefulness of investor educational programs and materials**

**Description:** Through the use of focus groups and surveys, the agency will assess the usefulness of educational material provided to investors across a variety of channels based upon ease of use, appropriateness, and other factors.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
Satisfaction index	Prior-year data not available			N/A	N/A	N/A	N/A	N/A	N/A

**Target:** Not Reported

**Analysis:** This measure was developed in FY 2010 during the strategic planning process, and it is being re-considered as part of the SEC’s Strategic Plan update.

**Responsible Division/Office:** Office of Investor Education and Advocacy

**Data Source:** N/A

## Strategic Goal 4: Maximize the Use of SEC Resources

Given the immense size of the securities markets the SEC regulates, the agency's success in fulfilling its mission is highly dependent upon its ability to continually direct its resources towards the most productive uses for investors and the public. The SEC also is extremely mindful of its responsibility to maximize the impact of public funds. In FY 2013, approximately \$192.6 million and 603 full-time equivalents (FTEs) were directed at achieving results in Goal 4. Of 21 performance targets, the agency met or exceeded 10, did not meet 7, and did not have data to report on 4.

### Spotlight: FY 2013 Performance Achievements

The SEC's employees are its most vital strategic resource. The SEC is committed to being an employer of choice by consistently attracting, hiring, developing and retaining a high-quality, diverse, and results-oriented workforce. In FY 2013, the SEC received a 62% positive response on an Employee Engagement Index, developed based on the OPM conditions for such engagement (**Performance Goal 4.1.1**), and attrition continues to remain at less than 8 percent annually (**Performance Goal 4.1.3**). In order to improve the SEC's ranking in the survey of best places to work in the Federal government (**Performance Goal 4.1.2**), the Office of Human Resources (OHR) contracted with the Center for Organizational Effectiveness to provide a variety of services to the SEC to assist in its efforts to improve morale and employee engagement. During FY 2013 OHR sponsored a series of briefings for each SEC office, division and region

and shared individualized Employee Viewpoint Survey (EVS) results with the management teams.

In FY 2013, the SEC continued to make investments in its information technology systems. As part of the SEC's effort to integrate its financial systems, the agency has been able to interface many of its secondary systems with the core financial system (**Performance Goal 4.4.2**). Furthermore, OIT has developed a multi-year strategy to make all agency data available within a centralized enterprise data warehouse (EDW). In FY 2013 OIT met its planned milestones related to the development of the EDW (**Performance Goal 4.3.1**).

Given the SEC's role in overseeing the securities markets, it is important that the agency maintain strong internal controls and sound financial management practices in its own operations. In FY 2013, the SEC completed its first full fiscal year after migrating its financial system to a Federal Shared Service Provider (FSSP) model, engaging with the Department of Transportation's Enterprise Service Center (ESC). The SEC continued to optimize its processes and strengthen financial controls under the new FSSP structure. The SEC received an unqualified audit opinion with no material weaknesses for the FY 2013 financial statements. Additionally, the SEC successfully remediated the two significant deficiencies in internal controls over financial reporting identified in FY 2012, in the areas of budgetary resources and property and equipment. However, in FY 2013 a new significant deficiency was identified in the area of information security (**Performance Goal 4.4.3**).

**Strategic Objective 4.1: The SEC maintains a work environment that attracts, engages, and retains a technically proficient and diverse workforce that can excel and meet the dynamic challenges of market oversight.**

**Goal Leader(s):** Director, Office of Human Resources

**PERFORMANCE GOAL 4.1.1  
Survey of employee engagement**

**Description:** The SEC strives to maintain a culture in which employees demonstrate a strong personal, positive connection with the organization and its mission and strategic goals. This connection, which can be called “employee engagement,” can result in higher-quality work, willingness to lead or participate in special projects, sharing job knowledge with others, mentoring other staff, or other positive contributions to the agency and its work. This index will be drawn from annual survey results and will track the agency’s success in improving employee engagement.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
Annual index score	Prior year data not available		58%	61%	61%	62%	62%	75%	75%

**Target:** Met

**Analysis:** For FY 2013, SEC received a 62% positive response on an Employee Engagement Index, developed based on the OPM conditions for such engagement.

**Responsible Division/Office:** Office of Human Resources

**Data Source:** Internal survey

**PERFORMANCE GOAL 4.1.2  
Best Places to Work ranking**

**Description:** This annual ranking of federal government agencies will be used to determine the SEC’s overall success in improving our organizational climate.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
Ranking number	#3	#11	#24	#27	#19	#20	#15	#5	#5

**Target:** Exceeded

**Analysis:** The SEC contracted with the Center for Organizational Effectiveness to provide a variety of services to the SEC to help improve morale. During FY 2013 OHR sponsored a series of briefings for each SEC office, division and region and shared individualized Employee Viewpoint Survey (EVS) results with the management teams.

**Responsible Division/Office:** Office of Human Resources

**Data Source:** Partnership for Public Service “Best Places to Work” Agency Rankings

**PERFORMANCE GOAL 4.1.3  
Turnover**

**Description:** The SEC strives to maintain an organizational climate in which high-performing employees wish to remain. Although turnover can fluctuate based on a variety of factors, including the health of the economy and the number of outside job opportunities available for SEC staff, the agency aims to keep its turnover rate relatively low, below 8 percent per year.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
Percent turnover	6.2%	3.7%	5%	6.4%	6.58%	<8%	6.58%	<8%	<8%

**Target:** Met

**Analysis:** SEC attrition continues to remain at less than 8 percent annually.

**Responsible Division/Office:** Office of Human Resources

**Data Source:** The National Business Center at Department of Interior (DOI)

**PERFORMANCE GOAL 4.1.4**  
**Expanding staff expertise**

**Description:** Internal training and hiring programs are designed to help the agency recruit and develop its staff so that key skills, industry knowledge, and expertise are maintained. In particular, there is a need to hire more economists, trading specialists, and other experts with knowledge of the marketplace and both investment and trading practices. Annual agency training goals and hiring practices are focused on ensuring staff have the necessary capabilities to address trends in the industry. This measure tracks whether certain areas requiring significant training are being addressed. For example, the agency will monitor the percentage of staff that has received or maintained significant relevant training in fraud detection as measured by achieving the status of a Certified Fraud Examiner, Chartered Financial Analyst, Series 7, or other relevant industry designations.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
Percent of staff with industry designations	Prior year data not available		N/A	9%	N/A	N/A	N/A	N/A	N/A

**Target:** Not Reported

**Analysis:** Re-examination/re-definition of this performance measure is reflected in the new Strategic Plan and FY 2015 APP.

**Responsible Division/Office:** Office of Human Resources

**Data Source:** Association of Certified Fraud Examiners, Chartered Financial Analyst Institute

**PERFORMANCE GOAL 4.1.5**  
**Size of competency gaps**

**Description:** Key competencies will be rated as part of the SEC's performance management process. Once the SEC has implemented a technology system to support the performance management program, the agency will assess its baseline competency gaps annually and work to bring them down over time.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
Percentage reduction for the size of competency gaps	Prior year data not available		N/A	N/A	N/A	N/A	N/A	N/A	N/A

**Target:** Not Reported

**Analysis:** This measure was developed in FY 2010 during the strategic planning process, and it is being re-considered as part of the SEC's Strategic Plan update.

**Responsible Division/Office:** Office of Human Resources

**Data Source:** N/A

**PERFORMANCE GOAL 4.1.6**  
**Number of diversity-related partnerships/alliances**

**Description:** Increased numbers of diversity-related partnerships or alliances with professional associations and educational organizations provide opportunities to educate students about the SEC's work and to recruit career professionals from all segments of society. The SEC will track the number of partnerships and/or alliances with diverse professional associations and educational organizations.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
Number of partnerships/alliances	Prior-year data not available		2	10	12	15	13	15	15

**Target:** Not Met

**Analysis:** OMWI continues to develop its numeric goal of increasing the number of diversity-related partnerships with professional associations. Although OMWI was able to secure only one additional partnership, it continues to develop alliances and relationships beneficial to the SEC. Consistent with Section 342(f) of the Dodd-Frank Act, which requires the SEC to take affirmative steps to seek diversity at all levels of the agency, the SEC formed partnerships with 13 organizations that are focused on developing employment opportunities for minorities and women in the financial services industry. In determining which organizations to partner with, OMWI's goal was to identify well-established organizations that demonstrate integrity and results. OMWI researched numerous organizations, considered factors including whether the organization had partnerships or collaborative relationships with other federal agencies, and the OMWI Director met with organization's leadership prior to establishing the relationship.

**Plan for Improving Program Performance:** OMWI anticipates maintaining and enhancing opportunities for collaboration with its existing partners in FY 2015. Results from OMWI's FY 2014 program evaluation will inform as to the most effective ways to leverage the relationships to benefit the SEC's targeted recruitment, retention and programming efforts.

The plan for improving performance and meeting the target number of 15 partnerships/alliances during FY 2014 involves examining our current list of outside organizations with whom OMWI has extensive relationships (i.e., those organizations for which OMWI participates in numerous conferences, events, and activities during the year, and those where OMWI and/or SEC staff serve as speakers and panelists and featured speakers at events). OMWI will then determine a short list of organizations that can be approached to establish additional partnerships/alliances in FY 2014.

**Responsible Division/Office:** Office of Minority Women and Inclusion

**Data Source:** Office of Minority Women and Inclusion Internal Records and Section 342 of DFA

**PERFORMANCE GOAL 4.1.7**  
**Survey feedback on the quality of the SEC's performance management program**

**Description:** The SEC will construct an index from survey results to determine the extent to which managers and other employees find the performance management program valuable, credible, transparent, and fair.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
Percentage of positive survey responses	Prior-year data not available		N/A	53%	65%	N/A	55%	55%	55%

**Target:** N/A

**Analysis:** OHR's efforts to continually enhance the SEC's evidence-based performance management system are expected to contribute to improvement in the positive responses regarding performance management on the 2014 EVS.

**Responsible Division/Office:** Office of Human Resources

**Data Source:** 2013 Employee Viewpoint Survey results to questions related to Performance Management

**Strategic Objective 4.2: The SEC retains a diverse team of world-class leaders who provide motivation and strategic direction to the SEC workforce.**

**Goal Leader(s):** Director, Office of Human Resources

**PERFORMANCE GOAL 4.2.1**  
**Quality of hire**

**Description:** Data related to each new hire will be gathered from either the immediate supervisor or the selecting official, as appropriate. Data will be gathered three months after entry on board. This early assessment will not only inform the agency’s selection system, but will provide an opportunity to address quickly any developmental needs or performance issues.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
Percentage of hires rated at least four on a five-point scale	Prior-year data not available		N/A	N/A	N/A	75%	86%	87%	90%

**Target:** Exceeded

**Analysis:** The Annual Quality of Hire (QOH) assessment revealed that the SEC exceeded the 75% quality of hire goal and achieved 87% QOH for all SEC employees hired in 2013. More than 89% of the managers indicated that the newly hired SEC supervisors come with the skills necessary for success, and 87% agreed that the employees are a good fit for the SEC in terms of professional interests and values consistent with SEC’s culture. In examining the hiring results, OHR determined a need to further improve the QOH methodology, and will implement the new system in FY 2014.

**Responsible Division/Office:** Office of Human Resources

**Data Source:** N/A

**PERFORMANCE GOAL 4.2.2**  
**Leadership competency gaps**

**Description:** A 360-degree feedback survey will be conducted across all leadership ranks. This will provide an SEC-wide score on each competency measured in the survey. The gap will be determined by subtracting the obtained scores from expected proficiency levels on key competencies. Progress will be determined by comparing this baseline to scores obtained from subsequent administrations of the survey.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
Average percentage of gaps reduced in each survey	Prior-year data not available		N/A	N/A	N/A	4.35	4.15	4.35	4.35

**Target:** Not Met

**Analysis:** The SEC has used a combination of the OPM Leadership 360 assessment that evaluates 28 leadership competencies and the Center for Creative Leadership 360-degree feedback tool, which measures 24 leadership competencies. When the OPM and CCL data is aggregated, there are 470 managers who have received 360 feedback and associated coaching. The assessment of 470 managers through the end of FY 2013 is a significant milestone for the SEC, with the leadership competencies of 60% of our managers having now been completed.

**Plan for Improving Program Performance:** Several new leadership programs have been put into place at the SEC, including the Foundation of Supervision and Leadership Essentials. It is expected that the learning and development opportunities presented by these classes will help improve 360-degree feedback ratings.

**Responsible Division/Office:** Office of Human Resources

**Data Source:** N/A

**PERFORMANCE GOAL 4.2.3**  
**Satisfaction with Leadership Development Program**

**Description:** After each major developmental event participants will complete a survey of items related to key training outcomes. Responses to these items will be compiled to create a composite score.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
Average score on a five-point scale	Prior-year data not available		4.46	4.49	4.38	4.25	4.39	4.35	4.35

**Target:** Exceeded

**Analysis:** The SEC Leadership Development Programs continues to be successful and receive positive evaluations by participants. Post-training/development evaluations will continue and will be used as needed for program enhancements.

**Responsible Division/Office:** Office of Human Resources

**Data Source:** Successful Leaders Program Evaluations

**Strategic Objective 4.3: Information within and available to the SEC becomes a Commission-wide shared resource, appropriately protected, that enables a collaborative and knowledge-based working environment.**

**Goal Leader(s):** Director, Office of Information Technology

**PERFORMANCE GOAL 4.3.1**  
**Percentage of SEC data sources accessible through a virtual data warehouse, and milestones achieved towards the creation of a robust information management program**

**Description:** The SEC intends to reform its information management processes, so that data can be more easily accessed, shared, and analyzed across the organization. This metric will display the percentage of SEC data sources accessible for search and analysis through a virtual data warehouse. In addition, the SEC will track its success in achieving relevant milestones over the course of this multi-year effort. These milestones include establishing a formal information management program in 2010, completing an information catalog by 2011, providing capabilities to support analysis of information by 2012, and developing a capability that allows integration of business operations data for management, reporting and analysis by 2013.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
Percentage	Prior-year data not available		N/A	Data Warehouse /Administrative data and reporting requirements identified	Award contract for hardware and begin requirements definition phase	Procure tools to extract, transform, and load data into EDW  Procure business intelligence tools to support analysis of information	Procured business intelligence tools to support analysis of information  Procured and installed enterprise data warehouse (EDW) platform including data warehouse appliance, extract, transform, and load (ETL) tool, and unstructured data management repository  Operationalized the EDW Environment  Planning and execution for incremental migration of data to EDW	Procure business intelligence tools to support analysis of information  Continue migration of data to EDW  Streamline Data Management – Catalog of Data Assets, Data Dictionary, EDW Model and Data Architecture	Develop a capability that allows integration of business operations data for management, reporting and analysis

**Target:** Met

**Analysis:** OIT has developed a multi-year strategy to make all agency data available within a centralized enterprise data warehouse. This repository will be used to support the Commission’s operational and transactional systems and will provide user access to enterprise-level data sources. Additional data management and support contracts will contribute to OIT’s long-term goal of building software that will edit data that is incorrect or incomplete and then load it into the centralized data warehouse.

**Responsible Division/Office:** Office of Information Technology

**Data Source:** N/A

**PERFORMANCE GOAL 4.3.2**  
**Deployment of document management and workflow tools**

**Description:** This metric will present the SEC’s success in applying document management and workflow tools to the Commission’s mission critical business functions. Over time, the SEC aims to deploy these tools for enforcement case management, the agency’s processes for handling disgorgement and penalties, examination management, management of Commission actions, and rulemaking.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
Business functions served	Prior-year data not available		Enforcement & Examination	Tips, Complaints and Referrals Commission-wide	National Exam Program	OS, IM, TM, OIEA, RSFI, OCOO and CF	Conducted business process reengineering, requirements gathering, and enterprise automation planning  Migrated to an enterprise platform for data sharing and document management	Continued phased deployment of enterprise knowledge management system and data sharing across applications	Maintenance and enhancement analysis to maintain continued process efficiency and automation

**Target:** Not Met

**Analysis:** The SEC.gov Modernization project has made significant progress during Fiscal Year 2013 with the implementation of a more reliable, scalable, and user friendly Web experience. At the beginning of the year, SEC.gov implemented an “active-active” infrastructure configuration that allows continued website availability even when one data center experiences degraded service levels or a total outage. SEC.gov is now utilizing cloud technology to cache and serve content to the public, thereby reducing the load and traffic at both data centers and improving end-user performance.

**Plan for Improving Program Performance:** While plans exist to expand workflow and document management to all the divisions and offices in the Commission in order to extend the range of solutions available and to integrate data, document management and workflow into most management applications, the SEC’s budget situation will impact the its ability to deploy additional capabilities in FY 2014 and FY 2015. However, OIT plans to continue implementing tools within mission-critical applications to make the SEC workforce more effective and efficient.

**Responsible Division/Office:** Office of Information Technology

**Data Source:** OIT Network Operations Center (NOC)

**PERFORMANCE GOAL 4.3.3**  
**Time to process evidentiary material for enforcement investigations**

**Description:** The SEC aims to improve its ability to process evidentiary material gathered during the course of its enforcement investigations, and enhance the agency’s document storage, organization, and analytical capabilities. This metric will gauge whether these efforts succeed in reducing the time required to process evidentiary material, so it can be analyzed by enforcement staff.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
Number of days	Prior-year data not available		N/A	N/A	N/A	N/A	N/A	N/A	N/A

**Target:** Not Reported

**Analysis:** This measure was developed in FY 2010 during the strategic planning process, and it is being re-considered as part of the SEC’s Strategic Plan update.

**Responsible Division/Office:** Office of Information Technology

**Data Source:** Electronic Discovery (eD2) System

**PERFORMANCE GOAL 4.3.4**  
**System availability**

**Description:** The SEC aims to enhance its computing infrastructure to eliminate down time if systems at one site fail, among other objectives. This metric will capture the percentage of systems and applications that can fail over within 4 hours. In addition, the SEC will track the percentage of its systems that have been virtualized, further reducing down time and increasing their accessibility from alternative locations.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
Systems availability	Prior-year data not available		99.97%	99.94%	99%	99%	100%	100%	100%
Percentage fail over within 4 hours	Prior-year data not available		N/A	99%	0%	99%	0%	0%	0%
Systems virtualized	Prior-year data not available		22%	38%	79%	85%	93%	94%	95%

**Target:** Systems availability – Exceeded; Percentage fail over within 4 hours – Not Met; Systems virtualized – Exceeded

**Analysis:** OIT exceeded two of its three systems availability targets. Systems are monitored on a real-time basis by OIT’s Network Operations Center (NOC) using automated network monitoring tools. Currently 100% of all mission-critical applications can fail over to the SEC’s alternate data site within 8 hours.

**Plan for Improving Program Performance:** Currently 100% of all mission-critical applications can fail over to the alternate data center within 8 hours. An objective of the last Disaster Recovery (DR) exercise was to fail over information systems from the primary data center to the alternate data center within their recovery time objective (RTO). Federal Continuity Directive 1 (FCD 1) requires that the “Primary Mission Essential Functions” (PMEFs) must be “resumed within 12 hours of an event” and “be maintained for up to 30 days.” OIT has chosen a 4-hour RTO for information systems supporting the SEC’s PMEF. Full-scale DR exercises are conducted on an annual basis. The primary objective of the most recent DR testing event conducted during the third quarter of FY 2013 was to promote the new D1 data center as the SEC’s primary data center. During this event, SEC enterprise information systems were failed over successfully to the D1 site. This failover, however, was not achieved within the 4-hour RTO currently assigned to enterprise information systems supporting the SEC’s Mission Essential Functions (MEFs).

**Responsible Division/Office:** Office of Information Technology

**Data Source:** OIT NOC – automated network monitoring tools

**Strategic Objective 4.4: Resource decisions and operations reflect sound financial and risk management principles.**

**Goal Leader(s):** Director, Office of Information Technology

**PERFORMANCE GOAL 4.4.1**  
**Milestones achieved towards establishment of a robust data management program**

**Description:** A business process improvement effort will be initiated to identify enhancements needed to create a robust data management program over the next five years. This metric will gauge the agency's success in establishing an integrated enterprise data management, reporting, and analysis capability for mission and back office data.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
Milestone achieved	Prior-year data not available		N/A	Administrative data and reporting requirements identified	N/A	Establish Data Governance Council  Finalize Standard Data Requirements Approach	Established Data Advisory Committee to advise data governance and provisioning priorities  Established an integrated data management program that provides metrics and reporting	Establish new tools, standards and business processes to facilitate data sharing and sound data governance principles	Initiate Data Quality Program

**Target:** Not Met

**Analysis:** In FY 2013 and FY 2014, OIT will implement projects to improve various aspects of its data management program, including modifications to the current data platform technology and the standardization of data governance methodology. The goal of establishing consistent data governance will increase the likelihood of achieving end-state benefits, reduce cost by promoting reusability of common business services, and improve the quality and effectiveness of projects by allowing the reuse of data and enforcing adherence to enterprise-wide data standards. This will result in improved reporting and analysis capabilities for SEC staff.

**Plan for Improving Performance:** In FY 2013, a Data Advisory Committee was formed in partnership with SEC divisions and offices to review and discuss data provisioning and governance priorities and plans, and to facilitate knowledge sharing regarding the management of agency data. A formal data governance review process was established with automated workflow and reporting, and new metrics were established to measure adherence to data management best practices for OIT projects.

**Responsible Division/Office:** Office of Information Technology

**Data Source:** Manual Tracking

**PERFORMANCE GOAL 4.4.2**  
**Financial systems integration**

**Description:** As part of the SEC’s effort to integrate its financial systems, the agency will measure the percentage of secondary systems that are fully interfaced with the core financial system, in compliance with applicable standards.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
Percentage	Prior-year data not available		N/A	N/A	83%	100%	83 %	83%	83%

**Target:** Not Met

**Analysis:** In FY 2012, the SEC completed its migration to the Department of Transportation’s Enterprise Service Center, both for hosting its core financial system and processing its financial transactions. In FY 2014 and FY 2015, the SEC will work to deploy a new budgeting system that will interface with the core financial system, Delphi.

**Plan for Improving Performance:** In FY 2014 and FY 2015, the SEC will work to deploy a new budgeting system that will interface with the core financial system, Delphi. The SEC expects to achieve 100% financial systems integration by FY 2016.

**Responsible Division/Office:** Office of Information Technology

**Data Source:** Department of Transportation DELPHI

**PERFORMANCE GOAL 4.4.3**  
**Financial audit results**

**Description:** Under the Accountability of Taxpayer Dollars Act of 2002, the agency is required to meet all proprietary and budgetary accounting guidelines for federal agencies and to undergo annual audits. The SEC’s audits are conducted by the Government Accountability Office.

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 Plan	FY 2013 Actual	FY 2014 Estimate	FY 2015 Estimate
Unqualified opinion	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Material weaknesses	0	1	2	0	0	0	0	0	0
Significant deficiency	3	6	0	4	2	0	1	0	0

**Target:** Unqualified opinion – Met; Material weaknesses – Met; Significant deficiency – Not Met

**Analysis:** In FY 2013, the SEC successfully remediated the two significant deficiencies in internal controls over financial reporting identified in FY 2012, in the areas of budgetary resources and property and equipment. However, in FY 2013 a new significant deficiency was identified in the area of information security.

**Plan for Improving Program Performance:** While the SEC has made significant strides in its multi-year path towards a strong, sustainable internal control posture, the agency will continue to dedicate its energies towards remediating the significant deficiency in information security. The SEC also will make further financial system enhancements, including a planned upgrade to the financial system and a new travel system.

**Responsible Division/Office:** Office of Information Technology

**Data Source:** GAO FY 2013 SEC Financial Audit Report



## APPENDICES

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## Appendix A – Discontinued Performance Goals and Indicators

These performance goals have been removed and were not included in the new SEC FY 2014-2018 Strategic Plan. These performance goals will no longer be reported on beginning with the FY 2014 APR.

RESPONSIBLE DIVISION/OFFICE	PERFORMANCE GOAL/INDICATOR NUMBER	PERFORMANCE GOAL/INDICATOR TITLE
OIEA	Performance Goal 2.1.1	Survey on quality of disclosure
OCIE	Performance Goal 2.1.2	Number of consultations; joint events, reports, or initiatives; and joint examinations and other mutual supervisory efforts with SROs and other federal, state, and non-U.S. regulators
DERA	Indicator (Contextual) 2.1.1	Average cost of capital in U.S. relative to the rest of the world
DERA	Performance Goal 2.2.2	Average institutional transaction costs for exchange listed stocks on a monthly basis
DERA	Indicator (Contextual) 2.2.1	Average quoted spread for exchange listed stocks on a monthly basis
DERA	Indicator (Contextual) 2.2.2	Average effective spread for exchange listed stocks on a monthly basis
DERA	Indicator (Contextual) 2.2.3	Speed of execution
DERA	Indicator (Contextual) 2.2.4	Average quoted size of exchange listed stocks on a monthly basis
DERA	Indicator (Contextual) 2.2.5	Average daily volatility of exchange listed stocks on a monthly basis
CF	Performance Goal 2.3.2	Survey on whether SEC rules and regulations are clearly understandable
OCIE	Performance Goal 1.1.4	Percentage of attendees at CCO Outreach that rated the program as "Useful" or "Extremely Useful" in their compliance efforts
OCIE	Indicator (Efficiency & Customer Service) 1.1.1	Annual increases or decreases in the number of CCOs attending CCO Outreach programs
OCIE	Performance Goal 1.2.1	Percentage of cause and special exams (sweeps) conducted as a result of risk assessment process that includes multi-divisional input
OCIE	Performance Goal 1.2.2	Percentage of advisers deemed "high risk" examined during the year
TM	Performance Goal 3.1.4	Point of Sale "click-through rate"
IM, TM	Performance Goal 3.1.5	Access to broker-dealer and investment advisor background checks
TM	Performance Goal 3.1.6	Investor demand for disclosures on municipal securities
OIEA	Performance Goal 3.1.7	Satisfaction index for disclosure process
OIEA	Performance Goal 3.2.2	Number of investor educational initiatives organized and produced
OIEA	Performance Goal 3.2.4	Percentage of rules impacting investors that are presented in alternate user-friendly formats
OHR	Performance Goal 4.1.1	Survey of employee engagement
OHR	Performance Goal 4.1.5	Size of competency gaps
OHR	Performance Goal 4.1.7	Survey feedback on the quality of the SEC's performance management program
OHR	Performance Goal 4.2.1	Quality of hire
OHR	Performance Goal 4.2.2	Leadership competency gaps
OHR	Performance Goal 4.2.3	Satisfaction with leadership development program
OIT	Performance Goal 4.3.1	Percentage of SEC data sources accessible through a virtual data warehouse, and milestones achieved towards the creation of a robust information management program
OIT	Performance Goal 4.3.2	Deployment of document management and workflow tools
OIT	Performance Goal 4.3.3	Time to process evidentiary material for enforcement investigations
OIT	Performance Goal 4.3.4	Systems availability
OIT	Performance Goal 4.4.1	Milestones achieved towards establishment of a robust data management program
OIT	Performance Goal 4.4.2	Financial systems integration

## Appendix B: SEC Divisions and Offices

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Craig Lewis, Director and Chief Economist  
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## Appendix C: Glossary of Selected Terms

### Advisers Act

The Investment Advisers Act of 1940 is a U.S. Federal law that was created to regulate the actions of investment advisers.

### Agency Financial Report (AFR)

An annual requirement that provides financial and high-level performance results that enable the President, Congress, and the public to assess an agency's accomplishments each fiscal year (October 1 through September 30). This report includes audited financial statements and provides an overview of an agency's programs, accomplishments, challenges, and management's accountability for entrusted resources. The report is prepared in accordance with the requirements of Office of Management and Budget (OMB) Circular A-136, Financial Reporting Requirements. Under Circular A-136, agencies may prepare an Agency Financial Report and Annual Performance Report, or may combine these two reports into the Performance and Accountability Report.

### Annual Performance Report (APR)

A report that outlines goals and intended outcomes of an agency's programs and initiatives. This report provides program performance and financial information that enables the President, Congress, and the public to assess an agency's performance and accountability over entrusted resources.

### Asset

An asset is a resource that embodies economic benefits or services that the reporting entity controls.

### Statement of Cash Flows

Reports a company's inflows and outflows of cash over time by classification.

### Clawback Policies

Under the Dodd-Frank Act, all listed companies will eventually be required to institute a mechanism for reclaiming executive pay that had been granted under misstated earnings.

### Collateralized Debt Obligation (CDO)

A type of structured asset-backed security (ABS) with multiple "tranches" that are issued by special purpose entities and collateralized by debt obligations including bonds and loans. Each tranche offers a varying degree of risk and return so as to meet investor demand.

### Crowd Funding/Sourcing

In the JOBS Act, a new means of raising capital enabling the raising of small amounts of equity capital without having to register with the SEC.

### Deposit Fund

Consists of funds that do not belong to the Federal Government, such as disgorgement, penalties, and interest collected and held on behalf of harmed investors, registrant monies held temporarily until earned by the SEC, and collections awaiting disposition or reclassification.

### Derivative

A contract between two parties that specifies conditions (dates, resulting values of the underlying variables, and notional amounts) under which payments are to be made between the parties.

### Disgorgement

A repayment of funds received or losses forgone, with interest, as a result of illegal or unethical business transactions. Disgorged funds are normally distributed to those affected by the action, but in certain cases may be deposited in the General Fund of the Treasury.

### Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act)

A Federal law that regulates the U.S. financial industry. The legislation, enacted in July 2010, created new financial regulatory processes that enforce transparency and accountability while implementing rules for consumer protection.

### Entity Assets

Assets that an agency is authorized to use in its operations. For example, the SEC is authorized to use all funds in the Investor Protection Fund for its operations.

### Entity Accounts Receivable

Monies owed to the SEC generated from securities transaction fees and filing fees paid by registrants.

### Exchange Revenue

Exchange revenues are inflows of earned resources to an entity. Exchange revenues arise from exchange transactions, which occur when each party to the transaction sacrifices value and receives value in return. Examples include the sale of goods and services, entrance fees and most interest revenue.

### Family Offices

A family office, or single family office (SFO), is a private company that manages investments and trusts for a single wealthy family. The company's financial capital is the family's own wealth, often accumulated over many family generations.

**Federal Accounting Standards Advisory Board (FASAB)**

A U.S. Federal advisory committee sponsored by the Secretary of the Treasury, the Director of the Office of Management and Budget, and the Comptroller General of the United States, whose mission is to develop generally accepted accounting principles (GAAP) for the United States Government.

**Federal Information Security Management Act (FISMA)**

A law that requires Federal agencies to conduct annual assessments of their information security and privacy programs, develop and implement remediation efforts for identified weaknesses and vulnerabilities, and report on compliance to OMB.

**Financial Industry Regulatory Authority, Inc. (FINRA)**

A private corporation that acts as a self-regulatory organization (SRO). FINRA is the successor to the National Association of Securities Dealers, Inc. (NASD) and is a non-governmental organization that performs financial regulation of member brokerage firms and exchange markets. The Government organization which acts as the ultimate regulator of the securities industry, including FINRA, is the SEC.

**Fund Balance with Treasury (FBWT)**

A Federal entity's fund balance with Treasury (FBWT) is the amount of funds in the entity's accounts with Treasury for which the entity is authorized to make expenditures and pay liabilities and that have not been invested in Federal securities.

**Funds from Dedicated Collections**

Accounts containing specifically identified revenues, often supplemented by other financing sources, that are required by statute to be used for designated activities, benefits or purposes, and must be accounted for separately from the Government's general revenues. For example, Investor Protection Fund resources are funds from dedicated collections and may only be used for the purposes specified by the Dodd-Frank Act.

**General Funds – Salaries and Expenses**

Appropriations by Congress that are used to carry out the agency's mission and day to day operations that may be used in accordance with spending limits established by Congress.

**Generally Accepted Accounting Principles (GAAP)**

Framework of accounting standards, rules, and procedures defined by the professional accounting industry. The Federal Accounting Standards Advisory Board (FASAB) is the body designated by the American Institute of Certified Public Accounting (AICPA) as the source of GAAP for Federal reporting entities.

**Imputed Financing**

Financing provided to the reporting entity by another Federal entity covering certain costs incurred by the reporting entity. For example, some Federal employee retirement benefits are paid by the Federal Government's central personnel office, the Office of Personnel Management. The SEC recognizes a financing source and corresponding expense to represent its share of the cost of providing pension and post-retirement health and life insurance benefits to all eligible SEC employees.

**Insider Trading**

The buying or selling of a security by someone who has access to material, nonpublic information about the security.

**Intragovernmental Costs**

Costs that arise from the purchase of goods and services from other components of the Federal Government.

**Investor Protection Fund**

A fund established by the Dodd-Frank Act to pay awards to whistleblowers. The program requires the Commission to pay an award, under regulations prescribed by the Commission and subject to certain limitations, to eligible whistleblowers who voluntarily provide the Commission with original information about a violation of Federal securities laws that leads to the successful enforcement of a covered judicial or administrative action, or a related action.

**Liability**

A liability is a present obligation of the reporting entity to provide assets or services to another entity at a determinable date, when a specified event occurs, or on demand.

**Limit Up-Limit Down Plan**

A one-year pilot program to protect equity markets from volatile price swings which would pause trading.

**Market Based Treasury Securities**

Debt securities that the U.S Treasury issues to Federal entities without statutorily determined interest rates.

**Microcap Securities**

Low priced stocks issued by the smallest of companies.

**Miscellaneous Receipt Account**

A fund used to collect non-entity receipts from custodial activities that the SEC cannot deposit into funds under its control or use in its operations. These amounts are forwarded to the General Fund of the Treasury and are considered to be non-entity assets of the SEC.

**NASDAQ**

The NASDAQ Stock Market, also known as simply NASDAQ, is an American stock exchange. NASDAQ originally stood for National Association of Securities Dealers Automated Quotations. It is the second-largest stock exchange by market capitalization in the world, after the New York Stock Exchange.

**Non-Entity Assets**

Those assets that are held by an entity but are not available to the entity. Examples of non-entity assets are disgorgement, penalties, and interest collected and held on behalf of harmed investors.

**Office of Management and Budget (OMB) Circular A-123**

Defines management's responsibilities for internal financial controls in Federal agencies.

**Office of Management and Budget (OMB) Circular A-136**

Establishes a central point of reference for all Federal financial reporting guidance for Executive Branch departments, agencies, and entities required to submit audited financial statements, interim financial statements, and Performance and Accountability Reports (PAR), and Agency Financial Reports (AFR) under the Chief Financial Officers Act of 1990, the Accountability of Tax Dollars Act of 2002, and Annual Management Reports under the Government Corporations Control Act.

**Performance and Accountability Reports (PAR)**

An annual report that provides program performance and financial information that enables Congress, the President, and the public to assess an agency's performance and accountability over entrusted resources.

**Performance Indicators Results Summary**

A summary of performance by outcome within each strategic goal.

**Pay to Play Schemes**

Payments or gifts made to influence awarding of lucrative contracts for securities underwriting business.

**Public Company Accounting Oversight Board (PCAOB)**

A nonprofit corporation established by Congress to oversee the audits of public companies in order to protect the interests of investors and further the public interest in the preparation of informative, accurate, and independent audit reports. The PCAOB also oversees the audits of broker-dealers, including compliance reports filed pursuant to Federal securities laws, to promote investor protection.

**Pump and Dump Schemes**

A form of micro stock fraud involving artificially inflating the price of an owned stock through false and misleading positive statements.

**Reserve Fund**

A fund established by the Dodd-Frank Act that may be used by the SEC to obligate amounts up to a total of \$100 million in one fiscal year as the SEC determines it necessary to carry out its functions.

**Resource Extraction Rule**

As implemented by Dodd-Frank, the resource extraction rule requires disclosure of payments of \$100,000 or more made to governments for the commercial development of oil, natural gas, or minerals. This rule applies to U.S. and foreign companies that are 1) engaged in the commercial development of oil, natural gas, or minerals, and 2) required to file annual reports with the SEC.

**Section 31 Fees**

Transaction fees paid to the SEC based on the volume of securities that are sold on various markets. Under Section 31 of the Securities Exchange Act of 1934, self-regulatory organizations (SROs) – such as the Financial Industry Regulatory Authority (FINRA) and all of the national securities exchanges (including the New York Stock Exchange) – must pay transaction fees to the SEC based on the volume of securities that are sold on their markets. These fees recover the costs incurred by the Government, including the SEC, for supervising and regulating the securities markets and securities professionals.

**Securities Exchange Act of 1934 (Exchange Act)**

A law governing the secondary trading of securities (stocks, bonds, and debentures) in the United States. It was this piece of legislation that established the Securities and Exchange Commission. The Exchange Act and related statutes form the basis of regulation of the financial markets and their participants in the United States.

**Self-Regulatory Organization (SRO)**

An organization that exercises some degree of regulatory authority over an industry or profession. The regulatory authority could be applied in addition to some form of Government regulation, or it could fill the vacuum of an absence of Government oversight and regulation. The ability of an SRO to exercise regulatory authority does not necessarily derive from a grant of authority from the Government.

**Strategic Plan**

A report initially required by the Government Performance and Results Act (GPRA) that defines the agency mission, long-term goals, strategies planned, and the approaches it will use to monitor its progress in addressing specific national problems, needs, challenges, and opportunities related to its mission. The Plan also presents general and long term goals the agency aims to achieve, what actions the agency will take to realize those goals, and how the agency will deal with challenges and risks that may hinder achieving result. Requirements for the Strategic Plan are presented in OMB Circular A-11, Preparation, Submission and Execution of the Budget.

**U.S. Commodity Futures Trading Commission (CFTC)**

An independent agency of the U.S. Government that regulates futures and option markets.

**U.S. Exchanges**

A place (physical or virtual) where stock traders come together to decide on the price of securities.

**U.S. Securities and Exchange Commission (SEC)**

The SEC is an independent agency of the U.S. Government established pursuant to the Securities Exchange Act of 1934 (Exchange Act), charged with regulating the country's capital markets. It is charged with protecting investors, maintaining fair, orderly and efficient markets; and facilitating capital formation.

## Appendix D: Acronyms

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ADA	Antideficiency Act	FMFIA	Federal Managers' Financial Integrity Act of 1982
AFR	Agency Financial Report		
AICPA	American Institute of Certified Public Accountants	FMOC	Financial Management Oversight Committee
APR	Annual Performance Report	FOIA	Freedom of Information Act
ATS	Alternative Trading Systems	FSB	Financial Stability Board
CBOE	Chicago Board Options Exchange	FSIO	Financial Systems Integration Office
CDO	Collateralized Debt Obligation	FSSP	Federal Shared Services Provider
CEO	Chief Executive Officer	FTC	Federal Trade Commission
CFO	Chief Financial Officer	FTE	Full-Time Equivalents
CFR	Code of Federal Regulations	FY	Fiscal Year
CFTC	Commodities Futures Trading Commission	GAAP	Generally Accepted Accounting Principles
CRQA	Center for Risk and Quality Analysis	GAO	Government Accountability Office
CSRS	Civil Service Retirement System	GPRA	Government Performance and Results Act
DERA	Division of Economic and Risk Analysis	GSA	U.S. General Services Administration
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act	GSS	General Support System
DOL	U.S. Department of Labor	IAC	Investor Advisory Committee
EDGAR	Electronic Gathering, Analysis and Retrieval	ICFR	Internal Control over Financial Reporting
ESC	Enterprise Service Center	IOSCO	International Organization of Securities Commissions
Exchange Act	Securities Exchange Act of 1934	IPERA	Improper Payments Elimination and Recovery Act of 2010
FASAB	Federal Accounting Standards Advisory Board	IPIA	Improper Payments Information Act of 2002
FBWT	Fund Balance with Treasury	IPO	Initial Public Offering
FCPA	Foreign Corrupt Practices Act	JAB	Joint Authorization Board
FECA	Federal Employees' Compensation Act	JOBS Act	Jumpstart Our Business Startups Act
FedRAMP	Federal Risk Authorization Management Program	MD&A	Management's Discussion and Analysis
FERS	Federal Employees Retirement System	MIDAS	Market Information Data and Analytics System
FFMIA	Federal Financial Management Improvement Act	NEP	National Examination Program
FINRA	Financial Industry Regulatory Authority	NIST	National Institute of Standards and Technology
FISMA	Federal Information Security Management Act	NPA	Non-Prosecution Agreement
		NRSRO	Nationally Recognized Statistical Rating Organization

OA	Office of Acquisitions	REITS	Real Estate Investment Trusts
OCIE	Office of Compliance Inspections and Examinations	Reserve Fund	Securities and Exchange Commission Reserve Fund
OFM	Office of Financial Management	RMBS	Residential Mortgage-Backed Securities
OGC	Office of the General Counsel	S/L	Straight-Line
OIA	Office of International Affairs	SBR	Statement of Budgetary Resources
OIG	Office of Inspector General	SEC	U.S. Securities and Exchange Commission
OIP	Order Instituting Cease-and-Desist Proceedings	SFFAS	Statement of Federal Financial Accounting Standards
OIT	Office of Information Technology	SIPA	Securities Investor Protection Act of 1970
OMB	Office of Management and Budget	SIPC	Securities Investor Protection Corporation
OPM	Office of Personnel Management	SRO	Self-Regulatory Organization
PCAOB	Public Company Accounting Oversight Board	TCR	Tips, Complaints and Referrals
PIA	Privacy Impact Assessment	TSP	Thrift Savings Plan
RAS	Office of Risk Analysis and Surveillance	UDO	Undelivered Order

This report was produced through the energies and talents of the SEC staff. To these individuals we offer our sincerest thanks and acknowledgment. To comment on this report, please send an e-mail to [performanceplanning@sec.gov](mailto:performanceplanning@sec.gov).



**U.S. SECURITIES AND EXCHANGE COMMISSION**

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