

# U.S. SECURITIES AND EXCHANGE COMMISSION



## SUMMARY OF PERFORMANCE AND FINANCIAL INFORMATION

FISCAL YEAR 2015

# The Securities and Exchange Commission at a Glance

**Introduction:** The U.S. Securities and Exchange Commission (SEC) publishes a Summary of Performance and Financial Information (SPFI), which is a brief overview of financial and performance information. The SPFI is electronically available at [www.sec.gov/about/secreports.shtml](http://www.sec.gov/about/secreports.shtml). The SEC also produces the Agency Financial Report (AFR), which has a primary focus on financial results, and an Annual Performance Report (APR), which focuses on strategic goals and performance results. The APR is expected to be available in February 2016 at [www.sec.gov/about/secreports.shtml](http://www.sec.gov/about/secreports.shtml). The AFR is electronically available at <http://www.sec.gov/about/secafr2015.shtml>. To comment on the AFR or SPFI, email [SECAFR@sec.gov](mailto:SECAFR@sec.gov).

## Mission

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

## Vision

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

- Transparent disclosure to investors of the risks of particular investments;
- Oversight of key market participants, including exchanges, brokers and dealers, investment advisers, and others;
- Focus on strengthening market structure and systems;
- Promotion of disclosure of market-related information;
- Protection against fraud and abuse; and
- Evaluation, development, and maintenance of appropriate rules and regulations.

## Values

Integrity	Excellence	Accountability
Effectiveness	Teamwork	Fairness

## About the SEC

The SEC is an independent Federal agency established pursuant to the Securities Exchange Act of 1934. The SEC consists of five presidentially appointed Commissioners, with staggered five-year terms. One of them 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 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, Municipal Securities Rulemaking Board, and Public Company Accounting Oversight Board. The SEC also seeks to restore investor confidence in our capital markets by providing investors and the markets with more reliable information and clear rules of honest dealing.

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), the agency's jurisdiction was expanded to include certain participants in the derivatives markets, private fund advisers, and municipal advisors, among other changes.

The agency's functional responsibilities are organized into five divisions and 23 offices, each of which is headquartered in Washington, DC. The SEC also has 11 regional offices, which are comprised primarily of staff from the national enforcement and examination programs. The agency employs over 4,300 people.

# Fiscal Year 2015 in Review

Fiscal Year (FY) 2015 marked another strong year of achievement for the SEC under the leadership of Chair Mary Jo White. The SEC acted to meet the challenges of an increasingly complex marketplace through strong and effective rulemakings; innovative strategies for vigorous enforcement; enhanced examinations and oversight; furthering its mission through sound economic analysis, enhanced investor education, and expanded international cooperation; and making the agency's workforce and technology more dynamic and efficient.

## Transformative Policy Initiatives for Safer, Stronger Markets

- The Commission advanced critical reforms to protect investors and build stronger markets, including addressing products and practices that contributed directly to the financial crisis. These reforms combined strong efforts to complete the agency's mandatory rulemaking obligations with new programs to enhance equity market structure, the management of risks in the asset management industry, and the effectiveness of disclosure.
- The Commission has now completed all of its mandatory rulemaking in six of the eight most significant areas targeted for SEC action by the Dodd-Frank Act: the regulation of private fund advisers; restrictions on proprietary trading; enhanced standards for clearing agencies; a new regulatory framework for municipal advisors; better regulation of credit rating agencies and credit ratings; and credit risk retention and improved disclosures for asset-backed securities.
- The SEC also made significant advances in completing final rules for the remaining two areas of mandatory rulemaking under the Dodd-Frank Act: security-based swaps and executive compensation. With all of the security-based swap rules proposed, the Commission finalized rules for the regulation of trade reporting and dissemination for security-based swaps, as well as a comprehensive framework for registering security-based swap dealers. The Commission also completed its proposals for all of the executive



Chair Mary Jo White

compensation requirements and began the final rule stage with the approval of rules on pay ratio disclosures.

- With the adoption of final rules for smaller offerings under Regulation A, the Commission neared completion of the transformative, mandated rulemakings under the Jumpstart Our Business Startups (JOBS) Act.<sup>1</sup>
- Beginning a new phase of rulemaking to enhance the U.S. equity market structure, the Commission adopted Regulation Systems Compliance and Integrity, which mandates comprehensive new controls to strengthen key technological systems, promoting greater transparency, resiliency, and accountability. The Commission also proposed rules to enhance regulatory oversight of active proprietary trading firms.
- The Commission also initiated a broad-based program of regulation for the modern asset management industry and the risks it faces. In May 2015, the Commission proposed rules to modernize and enhance the information reported

<sup>1</sup> Final rules for crowdfunding were adopted in October 2015 thus completing all of the major JOBS Act mandates.

by investment companies and investment advisers. And in September 2015, the Commission proposed reforms to promote effective liquidity risk management throughout the open-end fund industry.<sup>2</sup>

- The Commission also actively engaged on the staff's ongoing work to review the effectiveness of securities disclosures, with the agency issuing a request for comment on certain requirements in Regulation S-X.

## Aggressive and Innovative Approach to Enforcement

- The SEC ended the year with 807 enforcement actions in FY 2015 and obtained orders for \$4.2 billion in penalties and disgorgement, both record highs. Of the 807 enforcement actions, a record 507 were independent actions for securities law violations.
- The Division of Enforcement's (Enforcement) extremely strong fiscal year was due in no small part to the use of innovative analytical tools to leverage data to detect and investigate complex and intricate violations of the Federal securities laws.
- The SEC continued to blaze new trails in enforcement of the Federal securities laws by bringing many first-of-their-kind cases. These cases involved essential areas, including gatekeepers, whistleblower protection, private equity, market structure, municipal bonds, securities-based swaps, dark pool disclosure, and credit ratings agencies.
- During FY 2015, Enforcement continued to prioritize market structure issues, bringing a number of significant actions involving alternative trading systems, stock exchanges and other market participants to help ensure that our markets continue to operate fairly and efficiently.
- The SEC charged 87 parties with insider trading actions, which sends a strong message of deterrence to would-be violators. Comprehensive, accurate, and reliable financial reporting is the bedrock upon which the markets are based. Rooting out financial and disclosure fraud continued to be an Enforcement priority in FY 2015. During FY 2015, Enforcement also remained focused on potential violations

by gatekeepers. Gatekeepers are integral to protecting investors in our financial system because they are best positioned to detect and prevent the compliance breakdowns and fraudulent schemes that cause investor harm.

- Enforcement broadened its efforts to combat microcap fraud to encompass significant actions involving international schemes, professionals associated with microcap frauds, and recidivist offenders.
- Enforcement brought actions against a wide range of investment advisers, including those who failed to disclose conflicts of interest, engaged in fraudulent conduct, and otherwise breached their fiduciary duties to their clients.
- The SEC brought a number of actions involving complex financial instruments, which built on the SEC's already strong record of pursuing financial crisis-related cases.
- In coordination with the SEC's Office of International Affairs (OIA), Enforcement continued to expand its international enforcement efforts. FY 2015 included several significant actions involving cooperation with the SEC's law enforcement and regulatory counterparts both at home and abroad.



Commissioner Luis A. Aguilar

<sup>2</sup> A new rule designed to enhance the regulation of the use of derivatives by registered investment companies was proposed in December 2015.

## Continued Excellence in the Examination Program

- The Office of Compliance Inspections and Examinations (OCIE) conducted nearly 2,000 formal examinations of registrants, including broker-dealers, investment advisers, investment companies, national securities exchanges, self-regulatory organizations, transfer agents, and clearing agencies, marking an increase over each of the prior five fiscal years. OCIE's examinations resulted in the return of approximately \$120 million to investors.
- When OCIE uncovers information in an examination that establishes or suggests misconduct, examiners refer the matter to Enforcement for investigation and appropriate action. In FY 2015, OCIE made more than 200 referrals, many of which resulted in enforcement investigations and/or actions.
- OCIE also continued to make significant enhancements in data analytics. This effort has made OCIE more efficient and effective in analyzing massive amounts of data from registrants to detect potential violations of laws, rules, and regulations.

## Protecting Investors and Markets through Analysis, Education, and Cooperation

- The Division of Economic and Risk Analysis (DERA) continued to expand its functions, serving as a hub for the Commission's intake, processing, and use of data. DERA's staff economists, analysts, database administrators and other technologists serve as experts on how to analyze the economics of an issue and deploy these data for analytical purposes across the rulemaking, enforcement, and other functions of the Commission.
- FY 2015 was also marked by a continued and intensified commitment to providing investors with the information they need to avoid securities fraud and make informed investment decisions. The SEC's Office of Investor Education and Advocacy continued to enhance its support of the Commission's investor protection mission, including handling investment-related complaints and questions from tens of thousands of individual investors.



Commissioner Daniel M. Gallagher

- Working in close collaboration with divisions and offices across the agency, OIA continued to facilitate the enforcement and regulation of activities in today's global securities markets, where the SEC has many internationally active registrants and where the U.S. market is impacted by cross-border transactions and developments in other markets. In FY 2015, OIA handled approximately 135 supervisory cooperation requests to foreign authorities and 113 responses to supervisory cooperation requests from foreign authorities.

## Continuing to Enhance Operations

- The Chief Operating Officer continued to provide strategic leadership and oversight of the SEC human, financial, technological, and administrative resources focused on infrastructure and operational activities that enabled the agency to accomplish its tripartite mission.
- The collaborative interaction of the Office of Information Technology (OIT), Office of Human Resources (OHR), Office of Financial Management, Office of Acquisitions, Office of Support Operations, and Office of the Chief Operating Officer (OCCO) continued to support these interdependent efforts, allowing for flexible, efficient, and cost-effective actions by the agency regardless of the challenges at hand.



# Fiscal Year 2015 Performance Highlights

## Strategic Goals and Costs

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

The SEC's FY 2015 APR will be issued with the agency's FY 2017 Congressional Budget Justification, and will provide a complete discussion of all of the agency's strategic goals, including a description of performance goals and objectives, data sources, performance results and trends, and information about internal reviews and evaluations. The APR also includes a summary of the SEC's verification and validation process for all performance data.

Provided below are the SEC's strategic goals and objectives, and a summary of the agency's FY 2015 results for its key performance goals.

### 6 **Strategic Goal 1: Establish and maintain an effective regulatory environment**

- **Strategic Objective 1.1:** The SEC establishes and maintains a regulatory environment that promotes high-quality disclosure, financial reporting and governance, and that prevents abusive practices by registrants, financial intermediaries and other market participants.
- **Strategic Objective 1.2:** The SEC promotes capital markets that operate in a fair, efficient, transparent and competitive manner, fostering capital formation and useful innovation.
- **Strategic Objective 1.3:** The SEC adopts and administers regulations and rules that are informed by robust economic analysis and public comment and that enable market participants to understand clearly their obligations under the securities laws.
- **Strategic Objective 1.4:** The SEC engages with a multitude of stakeholders to inform and enhance regulatory activities domestically and internationally.

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

- **Strategic Objective 2.1:** The SEC fosters compliance with the Federal securities laws.
- **Strategic Objective 2.2:** The SEC promptly detects and deters violations of the Federal securities laws.
- **Strategic Objective 2.3:** The SEC prosecutes violations of Federal securities laws and holds violators accountable through appropriate sanctions and remedies.

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

- **Strategic Objective 3.1:** The SEC works to ensure that investors have access to high-quality disclosure materials that facilitate informed investment decision-making.
- **Strategic Objective 3.2:** The SEC works to understand investor needs and educate investors so they are better prepared to make informed investment decisions.

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

- **Strategic Objective 4.1:** The SEC promotes a results-oriented work environment that attracts, engages, and retains a technically proficient and diverse workforce, including leaders who provide motivation and strategic direction.
- **Strategic Objective 4.2:** The SEC encourages a collaborative environment across divisions and offices and leverages technology and data to fulfill its mission more effectively and efficiently.
- **Strategic Objective 4.3:** The SEC maximizes the use of agency resources by continually improving agency operations and bolstering internal controls.

## Key Performance Achievements

As part of the SEC's efforts to promptly detect and deter violations of the Federal securities laws (Strategic Objective 2.2), the agency's National Examination Program (NEP) conducts inspections of regulated entities, covering as much of the securities industry as resources will allow. Overall, the program exceeded expectations and completed more examinations than in any of the previous five fiscal years (Performance Goal 2.2.1).

### PERFORMANCE GOAL 2.2.1

#### Percentage of investment advisers, investment companies, and broker-dealers examined during the year

**Description:** This metric indicates the number of registrants examined by the SEC or a Self-Regulatory Organization (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 the Financial Industry Regulatory Authority (FINRA).

Fiscal Year	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015 Plan	FY 2015 Actual	FY 2015 Results
Investment advisers	9%	8%	8%	9%	10%	10%	10%	Met
Investment companies	10%	13%	12%	11%	10%	12%	15%	Exceeded
Broker-dealers (exams by SEC and SROs)	44%	58%	49%	46%	49%	50%	51%	Exceeded

**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)

Prosecuting violations of Federal securities laws and holding violators accountable (Strategic Objective 2.3) are among the most important aspects of the Commission's work. The SEC has implemented controls and strategies to resolve actions quickly and on a favorable basis, while at the same time, it does not hesitate to file matters on a contested basis where a favorable settlement was unavailable before filing (Performance Goal 2.3.1). The SEC has dedicated the necessary resources to ensure that the agency will continue to have a strong record of success.

7

### 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 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015 Plan	FY 2015 Actual	FY 2015 Results
Percentage	92%	93%	89%	93%	94%	92%	95%	Exceeded

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

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

An educated investing public ultimately provides the best defense against fraud and costly mistakes. The starting point for shaping company disclosure is remembering its purpose, which is, that investors have access to high-quality disclosure materials that facilitate informed investment decision-making (Strategic Objective 3.1). Consistent with Section 408 of the Sarbanes Oxley-Act of 2002, the SEC completed its review of disclosures made by certain public issuers, including issuers' financial statements, no less frequently than once every three years (Performance Goal 3.1.1).

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

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

Fiscal Year	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015 Plan	FY 2015 Actual	FY 2015 Results
Division of Corporation Finance								
Corporations	44%	48%	48%	52%	52%	33%	51%	Exceeded
<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	35%	33%	36%	34%	35%	33%	35%	Exceeded
<b>Responsible Division/Office:</b> Division of Investment Management								
<b>Data Source:</b> Microsoft Office Suite Tools								

8

Understanding the interests and concerns of investors is critical to carrying out the Commission's investor protection mission. The SEC advances this mission by seeking to understand investor needs and educate investors so they are better prepared to make informed investment decisions (Strategic Objective 3.2). The SEC had 23.6 million page views of online investor education content and participated in 71 in-person events (Performance Goal 3.2.1).

**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 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015 Plan	FY 2015 Actual	FY 2015 Results
Number of page views (in millions)	Prior-year data not available			12.1	22.2	20	23.6	Exceeded
Number of "in-person" events	Prior-year data not available			52	51	50	71	Exceeded
<b>Responsible Division/Office:</b> Office of Investor Education and Advocacy								
<b>Data Source:</b> Google Analytics, Microsoft Office Suite Tools								



# Management Assurances

In FY 2015, the SEC demonstrated its continued commitment to maintaining strong internal controls. Internal control is an integral component of effective agency management, providing reasonable assurance that the following objectives are being achieved: effectiveness and efficiency of operations, reliability of financial reporting, and compliance with laws and regulations.

**Assurance Statement On Internal Control Over Operations:** The SEC management is responsible for establishing and maintaining effective internal control that meets the objectives of the Federal Managers' Financial Integrity Act of 1982 (FMFIA). In accordance with Office of Management and Budget (OMB) Circular A-123, the SEC conducted its annual assessment of the effectiveness of internal controls. Based on the results of the assessment for the period ending September 30, 2015, the SEC is able to provide a statement of assurance that the internal controls, both for the agency as a whole and for the Investor Protection Fund, meet the objectives of the FMFIA. No material weaknesses were found in the design or operation of the internal controls for the fiscal year ended September 30, 2015.

**Assurance Statement On Internal Control Over Financial Reporting (ICFR):** In accordance with Appendix A of OMB Circular A-123, the SEC conducted its assessment of the effectiveness of internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations. Based on the results of the assessment, the SEC is able to provide reasonable assurance that internal controls over financial reporting, both for the agency as a whole and for the SEC's Investor Protection Fund, met the objectives of FMFIA and were operating effectively as of September 30, 2015. No material weaknesses were found in the design or operation of controls.

SEC also conducted reviews of its financial management systems in accordance with OMB Circular A-123 Appendix D, *Compliance with the Federal Financial Management Improvement Act of 1996 (FFMIA)*. Based on the results of these reviews, SEC can provide reasonable assurance that its financial management systems substantially comply with the requirements of the FFMIA as of September 30, 2015.

## Summary of Financial Statement Audit

**Audit Opinion:** Unmodified

**Restatement:** No

### INDEPENDENT AUDITOR'S INTERNAL CONTROL FINDINGS

Category	FY 2015 Audit Finding
Material Weaknesses	None
Significant Deficiencies	None

Category	FY 2014 Audit Finding
Material Weaknesses	None
Significant Deficiency	Accounting for Disgorgement and Penalties

For FY 2015, the SEC's independent auditor, the U.S. Government Accountability Office (GAO), has issued an unmodified opinion (clean opinion) on our financial statements and internal controls. The SEC also successfully downgraded the significant deficiency identified in FY 2014 related to accounting for disgorgement and penalties. The SEC has worked diligently to address GAO's recommendations in this highly complex area. For example, the SEC reevaluated its business processes and bolstered controls related to the timely recording of court judgments impacting the financial statements. The SEC has also developed the requirements for a new disgorgement and penalty sub-ledger system and expects the effort to implement the system to commence in FY 2016. This system is aimed towards streamlining the controls in this key area by providing more comprehensive information in a more automated fashion.

# Looking Forward Fiscal Year 2016

In FY 2016, the SEC will continue to promote policies and programs to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation. The SEC will continue to make progress on important rulemakings – both those mandated by Congress and those initiated by the SEC to enhance our program in mission-critical areas. In FY 2016, the SEC will aim to:

- Finish implementation of a regulatory regime for security-based swaps;
- Complete final rules related to executive compensation required by the Dodd-Frank Act, including requirements relating to “pay versus performance,” disclosures of employee and director hedging, and compensation clawbacks;
- Develop revised rules to require reporting issuers engaged in the commercial development of oil, natural gas, or minerals to disclose in an annual report certain payments made to the United States or a foreign government;
- Advance the remaining rules, studies, and reports required by the Dodd-Frank Act, JOBS Act, and Fixing America’s Surface Transportation Act;

- Continue to pursue enhanced regulations for equity market structure and asset managers, as well as further develop potential changes to improve the effectiveness of securities disclosures; and
- Continue to advance a potential proposal for a uniform standard of conduct for broker dealers and investment advisers, as well as third party reviews of certain adviser activities.

The SEC will also continue to enhance its robust enforcement and examination programs using innovative data analysis and cutting-edge technology.

- Enforcement and OCIE will continue to build on their very strong results from FY 2015 by focusing on current and emerging high-priority areas, and on leveraging cutting-edge technology and analytics.
- Enforcement’s priorities for the coming year include a continued focus on data to target and streamline their efforts, complex financial products, gatekeepers, financial reporting, market structure, insider trading, investment advisers and private funds, and municipal securities.



From left to right: Commissioner Kara M. Stein, Commissioner Luis A. Aguilar, Chair Mary Jo White, Commissioner Daniel M. Gallagher, and Commissioner Michael S. Piowar



**Commissioner Michael S. Piwowar**

- OCIE will continue to use data analytics that enable preemptive detection of risk throughout entire industries and more effective identification of fraud during examinations.

OCOO will continue to strengthen the human, financial, and technical infrastructure that allows the agency to effectively advance its mission in a dynamic and cost-effective manner.

- OHR will focus on identifying and recruiting an increasingly talented and diverse team; elevating individuals' performance and retention through personalized development strategies; providing targeted training and education opportunities; and offering effective career guidance and support, including leadership training for potential senior managers and executives.
- The SEC will continue a review of administrative processes across the agency. The analysis will identify and assess the current state of administrative requirements within the agency to identify process improvements, implement a governance structure, develop tools and technologies, and clarify roles and responsibilities for the SEC administrative community.

- OIT will continue its leadership role in the overall management for the SEC's information technology (IT) program including application development, infrastructure operations and engineering, user support, IT program management, capital planning, security, and enterprise architecture.

In FY 2015, the SEC continued to achieve important results by leveraging technology; employing sophisticated data analytics; and pursuing focused rulemaking and policy initiatives, aggressive enforcement, and risk-based examinations. Through the work of its talented and dedicated staff, the SEC is committed to building on its successes in FY 2016. The agency will continue to promote its strategic values of integrity, accountability, effectiveness, teamwork, fairness and a commitment to excellence, through enhancing collaboration and coordination among its divisions and offices, employing new technology, and supporting the more than 4,000 talented men and women who work tirelessly to fulfill the agency's important mission.



**Commissioner Kara M. Stein**



# Inspector General's Statement on Management and Performance Challenges

The Reports Consolidation Act of 2000 requires the U.S. Securities and Exchange Commission (SEC or agency) Office of Inspector General (OIG) to identify and report annually on the most serious management challenges that the SEC faces.

A summary of the FY 2015 management challenges as noted in *The Inspector General's Statement on the SEC's Management and Performance Challenges, September 2015* are:

- **Regulatory Oversight:** As a regulatory agency, the SEC must be able to keep pace with changes in the size and complexity of the securities markets and the market participants the SEC oversees and regulates. In 2014, the OIG reported that the SEC (specifically, the SEC Chair and the Investor Advocate) had identified resource constraints and an immediate and pressing need for ensuring sufficient examination coverage of registered investment advisers as a challenge and a “substantial and continuing risk to investors.”<sup>1</sup> The SEC also continues to recognize needed technological improvements to achieve its mission.
- **Information Security:** To accomplish the SEC’s mission, the agency shares sensitive information internally among its divisions and offices and externally with the regulated community and financial regulators. During FY 2015, we identified and assessed weaknesses in the agency’s controls over information security.
- **Acquisition Management:** The SEC has made progress in improving its acquisitions policies and procedures; however, the OIG continues to find improvements the SEC can make in the area of contract management.

- **Financial Management:** During GAO’s FY 2014 audit, GAO identified continuing and new deficiencies in the SEC’s internal controls over disgorgement and penalty transactions that constituted a significant deficiency in the SEC’s internal control over financial reporting.<sup>2</sup> In addition to this significant deficiency, in April 2015, GAO reported other new deficiencies in the SEC’s internal control over financial reporting. While not considered to be material weaknesses or significant deficiencies, either individually or collectively, according to GAO these deficiencies warrant SEC management’s attention. The OIG will continue to monitor the SEC’s financial management and reporting controls and actions to address open recommendations.
- **Human Capital Management:** Human capital management remains a challenge. The agency further reported that additional steps were being taken in FY 2015 to finalize SEC-wide strategic initiatives and incorporate all elements of effective workforce planning into the overall plan, to be completed by the end of FY 2015. However, as of September 30, 2015, the SEC did not expect to complete the comprehensive workforce plan until Spring 2016.

**Management’s Response to the Inspector General’s Statement:** The SEC remains committed to enhancing the financial and operational effectiveness of the agency and appreciates the OIG’s role in the effort. The SEC has actions—taken and planned to be taken—to address each of the challenges identified in the OIG statement.

<sup>1</sup> U.S. Securities and Exchange Commission, Office of the Investor Advocate, *Report on Objectives Fiscal Year 2015*.

<sup>2</sup> This significant deficiency pertained to the SEC’s overall financial reporting but not that of the Investor Protection Fund because the Investor Protection Fund does not include disgorgement and penalty transactions.

# Fiscal Year 2015 Financial Highlights

## SELECTED FINANCIAL DATA FOR FY 2015 AND FY 2014

(DOLLARS IN MILLIONS)	FY 2015	FY 2014
Total Assets	\$ 11,456	\$ 10,591
Total Liabilities	\$ 3,773	\$ 2,900
Net Position	\$ 7,683	\$ 7,691
Annual Net Position Change	0%	0%
Total Program Costs	\$ 1,584	\$ 1,441
Revenues	\$ 2,070	\$ 1,906
Net (Income) Cost from Operations	\$ (486)	\$ (465)
Total Budgetary Resources	\$ 1,713	\$ 1,551
Actual FTEs	4,301	4,150

## Sequestration Order for FY 2015

On March 1, 2013, the President issued the Sequestration Order for FY 2013 which reduced FY 2013 budget authority. As determined by OMB, for FY 2015, the sequestration order was applicable to mandatory appropriations, which included the Reserve Fund.

For example, in FY 2015 the budget authority of \$75 million was reduced by 7.3 percent or \$5 million.

## Reserve Fund

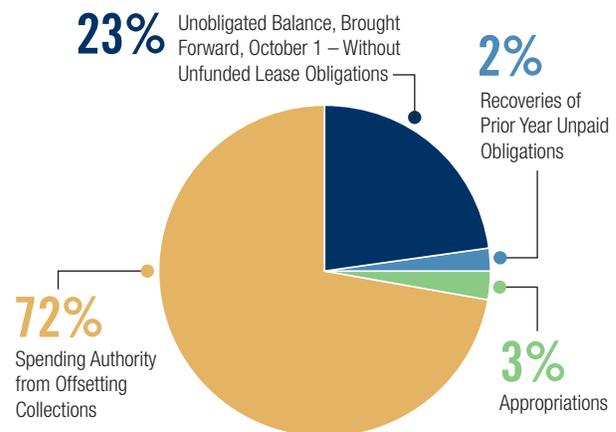
Section 991(e) of the Dodd-Frank Act authorized the creation of a Securities and Exchange Commission Reserve Fund (Reserve Fund). Funded from filing fee collections, the SEC can deposit up to \$50 million per fiscal year, and the fund cannot hold more than \$100 million in total. Excess filing fees are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

For the period ended September 30, 2015, filing fee revenues were \$581 million. Fifty million dollars was deposited into the Reserve Fund, of which \$5 million was sequestered. The excess of \$531 million was earned on behalf of the U.S. Treasury General Fund.

Filing fees deposited to the Reserve Fund can be used to fund the SEC's operations, create budgetary authority, and are reported as a component of Appropriations (Discretionary and Mandatory) on the SEC's Statement of Budgetary Resources. Filing fees deposited in the U.S. Treasury General Fund cannot

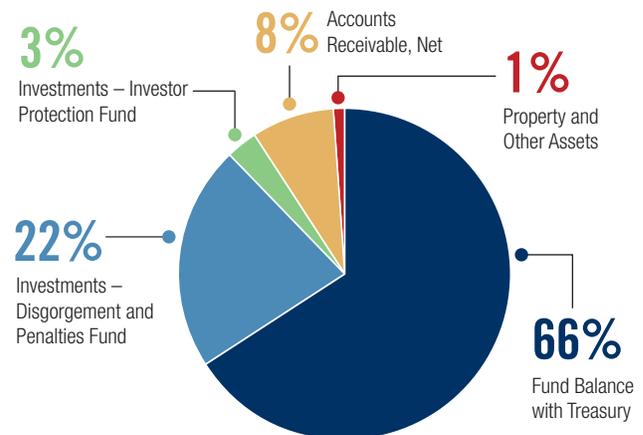
be used to fund the SEC's operations. These amounts do not create budgetary authority, and are reported as a component of *Other Financing Sources: Other* on the SEC's Statement of Changes in Net Position.

## FY 2015 SOURCES OF FUNDS

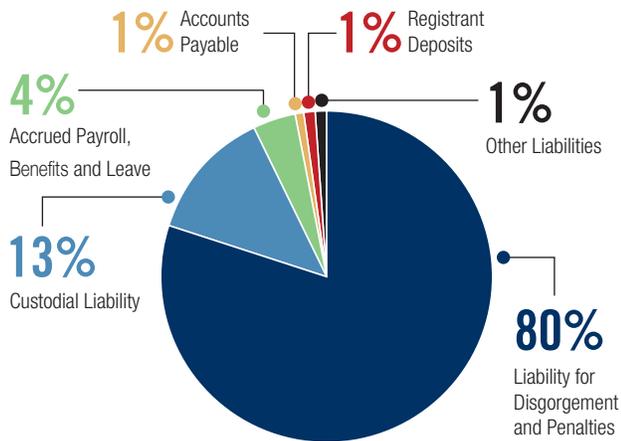


Percentages do not include the Unobligated Balance Brought Forward, October 1 - Interpretation for Lease Obligations.

## FY 2015 ASSETS BY TYPE



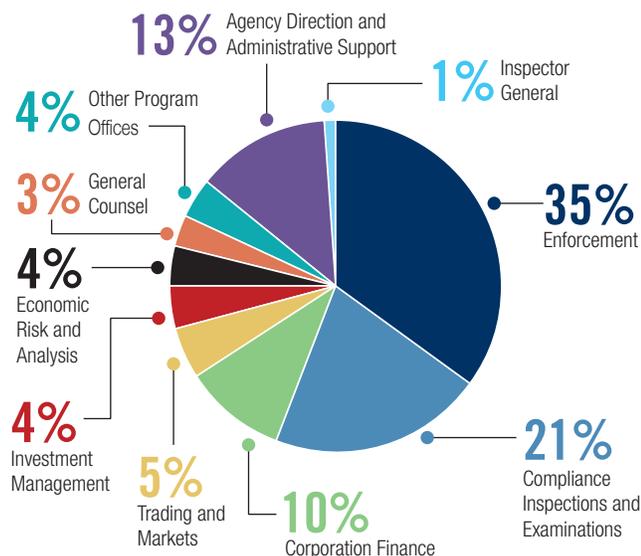
### FY 2015 LIABILITIES BY TYPE



### FY 2015 Program Costs

Total Program Costs were \$1.6 billion for the period ended September 30, 2015, an increase of \$143 million, or 10 percent, compared to FY 2014. Salary and Benefit Expenses increased more than \$79 million, as the result of increased staffing and compensation. Other Expenses increased more than \$64 million, which includes \$3 million in accrued expenses for whistleblower payments from the SEC's Investor Protection Fund, and \$49 million in additional expenses for contractual services.

### FY 2015 PROGRAM COSTS



The SEC had increased expenses in the areas of personnel compensation and benefits, which correlates to the increase in full-time equivalent employees; information technology service contracts and licensing; capitalized and noncapitalized information systems software and hardware; and whistleblower award payments.

### Investor Protection Fund

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

### INVESTOR PROTECTION FUND ACTIVITY FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

(DOLLARS IN THOUSANDS)	FY 2015	FY 2014
Balance of Fund at beginning of fiscal year, October 1	\$414,660	\$439,197
Amount of earnings on investments during the fiscal year	867	579
Amount paid from the Fund during the fiscal year to whistleblowers	(28,397)	(25,069)
Amount paid from the Fund during the fiscal year for expenses incurred by Employee Suggestion Program	(19)	(47)
<b>Balance of the Fund at the end of the reporting period</b>	<b>\$ 387,111</b>	<b>\$ 414,660</b>

Note: Table is presented as "Dollars in Thousands" in order to detail the Investor Protection Fund Activity.

This report and other agency reports are available at [www.sec.gov/about/secreports.shtml](http://www.sec.gov/about/secreports.shtml).  
Please send your comments to [SECAFR@sec.gov](mailto:SECAFR@sec.gov).

Issued February 11, 2016



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

---

100 F Street, NE, Washington, DC 20549