

# U.S. SECURITIES AND EXCHANGE COMMISSION



FY 2016 CONGRESSIONAL BUDGET JUSTIFICATION  
FY 2016 ANNUAL PERFORMANCE PLAN  
FY 2014 ANNUAL PERFORMANCE REPORT

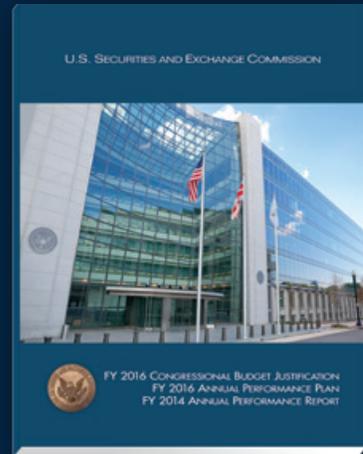
## About This Report

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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. This report also includes the Annual Performance Plan (APP) for fiscal year (FY) 2016 and the Annual Performance Report (APR) for FY 2014, 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 2016 CBJ and APP and FY 2014 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) is pleased to submit its budget request for fiscal year (FY) 2016. The SEC is requesting \$1.722 billion in support of 5,205 permanent positions and 4,815 FTE for FY 2016. This requested budget level is essential to support the agency's mission to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation. With these resources, the agency will focus on strengthening core programs and operations, including its examination and enforcement functions, further bolstering its improved technology, hiring additional staff with skill sets necessary to enhance the agency's oversight of the increasingly complex securities markets, and continuing to effectively operationalize the significant new responsibilities assigned to the agency.

In recent years, the SEC has made substantial progress in a number of critical areas and in implementing important internal enhancements. The agency has proposed or adopted nearly all of the mandatory rulemakings required by the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) and the Jumpstart Our Business Startups Act (JOBS Act), in addition to adopting other key rules that protect investors and our markets. The SEC has intensified its review of equity and fixed income market structure issues, undertaken a Disclosure Effectiveness initiative seeking ways to improve the public company disclosure regime for investors and companies, and continued to act aggressively to hold securities law violators accountable. At the same time, the agency has revitalized and restructured its examination function, improved internal collaboration, significantly bolstered the agency's risk assessment capacity, and recruited more staff with specialized expertise and experience.

While changes such as these have made the SEC more efficient and effective, more remains to be done. Additional resources are necessary to permit the agency to keep pace with the growing size and complexity of the securities markets and fulfill the agency's broad mandates and responsibilities. Currently the SEC is charged with overseeing over 25,000 market participants, including nearly 12,000 investment advisers, approximately 10,500 mutual funds and exchange traded funds, nearly 4,500 broker-dealers, and about 450 transfer agents. The agency also oversees 18 national

securities exchanges, 10 credit rating agencies, and eight active registered clearing agencies, 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). In addition, the SEC is responsible for selectively reviewing the disclosures and financial statements of some 9,000 reporting companies.

In recent years, the agency's responsibilities have dramatically increased, with new or expanded jurisdiction over securities-based derivatives, hedge fund and other private fund advisers, credit rating agencies, municipal advisors, and clearing agencies, as well as a requirement to implement and oversee a new regime for securities offerings that utilize crowdfunding, among other changes. As the SEC's jurisdiction has grown, so too has the size and complexity of the markets and entities within it. From fiscal year 2001 to the start of fiscal year 2015, assets under management of SEC-registered advisers increased approximately 252 percent from \$17.5 trillion to approximately \$62 trillion, and assets under management of mutual funds grew by some 143 percent to \$15.6 trillion. Trading volume in the equity markets for 2014 was in excess of \$67 trillion, and the speed at which market participants access the markets continues to increase.

It is critically important that the agency be able to keep pace with the rapid expansion of the securities markets and the entities in its jurisdiction. Taken together, the entities in the SEC's jurisdiction manage Americans' savings for college, their hopes for a secure retirement, and their reserves for a rainy day. While the recent growth in the SEC's budget will permit the agency to begin to address gaps, more is needed. Because the SEC's funding is deficit-neutral, any amount appropriated to the agency will be offset by transaction fees, and as such does not impact the deficit or the funding available for other agencies.

As described in more detail below, this budget request seeks to address the SEC's resource challenges through:

- Increased examination coverage of investment advisers and other key entities who deal with retail and institutional investors;

- Further leveraging cutting-edge technology to permit the SEC to better keep pace with the entities and markets we regulate;
- Protecting investors by expanding our enforcement program's investigative capabilities and strengthening our ability to litigate against wrongdoers;
- Strengthening the SEC's economic and risk analysis functions; and
- Hiring experts capable of permitting the agency to fulfill its expanded rulemaking and oversight responsibilities.

## Expanding Oversight of Investment Advisers and Strengthening Compliance

There remains an immediate and pressing need for significant additional resources to permit the agency to increase its examination coverage of registered investment advisers and investment companies so as to better protect investors and the nation's securities markets. The number of registered advisers has increased nearly 35 percent over the last decade, and the assets managed by these advisers has increased more than two-fold. At the same time, the industry has become more complex, as evidenced by the increasing use of new and sophisticated products such as derivatives and structured products; the increased use of technologies that facilitate high-frequency and algorithmic trading; and the growth of complex families of financial services by companies with integrated operations that include both broker-dealer and investment adviser affiliates.

Despite the SEC's efficient use of limited resources to improve its risk assessment capabilities and focus its examination staff on areas posing the greatest risk to investors – efforts that helped to increase the number of investment adviser examinations approximately 20 percent from FY 2013 – the SEC was only able to examine 10 percent of registered investment advisers in FY 2014. A rate of adviser examination coverage at that level presents a high risk to the investing public.

Under the FY 2016 request, a top priority will be to hire 225 additional examiners, primarily to conduct additional examinations of investment advisers and other staff. Once fully on-board and trained, the investment adviser examiners would assist the agency's National Examinations Program (NEP) in increasing its examination coverage of advisers to an anticipated rate of approximately 14 percent per year.

The NEP also would add positions to improve oversight and examination functions related to broker-dealers, clearing agencies, transfer agents, self-regulatory organizations (SROs), swap data repositories, municipal advisors, and, in the future, crowd-funding portals, among others.

## Continue to Leverage Technology

In FY 2016, the SEC plans to build on the substantial progress made over the past few years to modernize its technology systems, streamline operations, and increase the effectiveness of its programs. The SEC's FY 2016 budget request, which includes full use of the Reserve Fund, would support a number of key information technology (IT) initiatives, including:

- **Data Analytics Tools** that assist in the integration and analysis of huge volumes of financial market data, employing algorithms and quantitative models that can lead to earlier detection of fraud or suspicious behavior.
- **Electronic Data Gathering, Analysis and Retrieval (EDGAR) modernization**, an ongoing, 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 improved access to better data.
- **Examination improvements**, aimed toward improving risk assessment and surveillance tools that will help the staff monitor for trends and emerging fraud risks, as well as improving the workflow system supporting SEC examinations.
- **Tips, Complaints, and Referral system (TCR)** to bolster the flexibility, configurability, and adaptability of the system. TCR enhancements will provide more flexible and comprehensive intake, triage, resolution tracking, searching, and reporting functionalities, with full auditing capabilities.
- **Enforcement investigation and litigation tracking**, to support enforcement teams with handling the substantial volume of materials produced during investigations and litigation. Among other initiatives, the SEC hopes to build the capability to permit the electronic transmittal of data for tracking and loading (versus the current practice of receiving content via the mail); implement a document management system for Enforcement's internal case files; and revamp the tools used to collect trading data from market participants.

- **Enterprise Data Warehouse (EDW)**, a centralized repository for the SEC to organize its disparate sources of data 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 for easier and more efficient analysis across the agency.
- **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 further automate controls, continue the transition to a posture of continuous monitoring, build the agency's risk management capabilities, and strengthen the privacy program.
- **Business Process Automation and Improvement**, to build workflow applications that will improve the efficiency and effectiveness of the agency in serving the public.

The FY 2016 request includes 14 new positions for Office of Information Technology (OIT) to better execute these and other technology initiatives. These staff will serve as project managers, business analysts, and technical resources who will improve technology and data management support for the SEC's business areas. In addition, the positions will enhance information security through monitoring, and drive further improvements in IT equipment management and reporting.

## Bolster Enforcement

It is vital to the SEC's mission to bring timely, high-quality enforcement actions when violations of the Federal securities laws are identified. The agency must expand its enforcement function to keep pace with the growing size and complexity of the nation's markets and to send strong messages to wrongdoers that misconduct will be swiftly and aggressively addressed. For FY 2016, the SEC is requesting 93 new positions for the Division of Enforcement in three areas: staff proficient in conducting intelligence processing and analysis; investigative staff to permit the agency to more swiftly and effectively identify and respond to the high volume of securities-related misconduct; and litigation staff to reinforce the growing number of contested enforcement matters nationwide.

Analysis of large datasets, including SEC filings and trading data in equities, options, municipal bonds, and other securities, helps to limit investor harm by permitting earlier detection

of misconduct. The SEC's Enforcement program expects that both an increasing number of high-quality TCRs and its improved data analysis capabilities will yield additional case leads through FY 2016. The Enforcement program anticipates dedicating 20 of the requested positions to further develop its data analytic function, increase the number of staff responsible for reviewing and triaging incoming TCRs, and bolster the number of staff to whom TCRs are sent for further investigation.

The Enforcement program also requires increased staffing to promptly detect complex frauds and other difficult-to-detect misconduct; respond to misconduct involving the changing equity markets, including misconduct related to algorithmic trading or "dark pools"; address large-scale insider trading or stock manipulations; investigate potential accounting or reporting fraud; and generally keep pace with a rapidly growing and evolving industry. As a result, the Division is seeking 50 new positions in FY 2016 to reinforce its investigative functions. These new positions will help the Division continue progress on existing investigations and handle its increasing case load, while quickly investigating and bringing emergency actions in matters where investors' money may dissipate if immediate action is not taken.

In addition, in recent years an increasing percentage of enforcement actions have been filed as contested matters, as opposed to being fully settled at the outset. This has led to more trials than in the past, a volume that is expected to continue to grow. As a result, the Enforcement program needs additional resources to handle an expansive and sophisticated docket of litigation and trials, often against well-funded adversaries. Enforcement requests 23 new positions in FY 2016 to reinforce its litigation operations nationwide.

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

The SEC remains committed to strengthening the economic and risk analysis functions housed in its Division of Economic and Risk Analysis (DERA). For FY 2016, the SEC plans to add 6 new positions to DERA, building upon the 14 positions being added in FY 2015. Specifically, in FY 2016, the SEC is requesting three additional positions for DERA to provide economic analytical capabilities to support enforcement litigation, particularly in the SEC's regional offices. In addition, DERA is seeking three positions to expand the agency's capability to provide high quality economic data in support of

risk assessment and policy initiatives across the SEC. These employees would continue to expand DERA's ability to support SEC programs with data cleansing, normalization, and analysis; statistical programming, text analytics, and risk modeling; and quantitative research services.

### **Meet Expanded Rulemaking and Oversight Responsibilities**

The agency also is requesting 12 additional positions in FY 2016 for its Division of Trading and Markets (TM). Recent legislation and rulemaking – including relating to over-the-counter derivatives, clearing agencies, and crowdfunding – have substantially expanded TM's responsibilities. As registration requirements for these rules become effective, scores of new entities will require Division oversight. Moreover, as the SEC's oversight of regulated entities and analysis of market

events become more data-driven, TM is expanding its use of advanced quantitative skills, tools, and data to assess evolving markets. The Division therefore is expanding its efforts to recruit professionals with expertise in quantitative analysis, risk management, and equity and fixed income market structure. The additional positions will enhance supervision of securities markets, securities market infrastructure, securities intermediaries, and other market participants.

In addition, the SEC is seeking 12 new positions for its Division of Investment Management (IM) to operationalize new rulemaking requirements, and offer enhanced guidance to registrants, expand the disclosure review program's ongoing analysis of industry trends, and provide additional oversight of private fund advisers. The new positions would also monitor money market funds compliance with the new requirements adopted in FY 2014 by the Commission.

## 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<sup>1</sup> (Securities Act). This law, along with the Securities Exchange Act of 1934<sup>2</sup> (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>3</sup> (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 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 (see *Appendix A: Chair and Commissioners*). President Franklin Delano Roosevelt appointed Joseph P. Kennedy to serve as the first Chairman of the SEC.

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 its website at [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.

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<sup>1</sup> *Securities Act of 1933* [www.sec.gov/about/laws/sa33.pdf](http://www.sec.gov/about/laws/sa33.pdf)

<sup>2</sup> *Securities Exchange Act of 1934* [www.sec.gov/about/laws/sea34.pdf](http://www.sec.gov/about/laws/sea34.pdf)

<sup>3</sup> *Dodd-Frank Wall Street Reform and Consumer Protection Act* [www.sec.gov/about/laws/wallstreetreform-cpa.pdf](http://www.sec.gov/about/laws/wallstreetreform-cpa.pdf)

## Organizational Structure and Resources

### SEC Office Locations

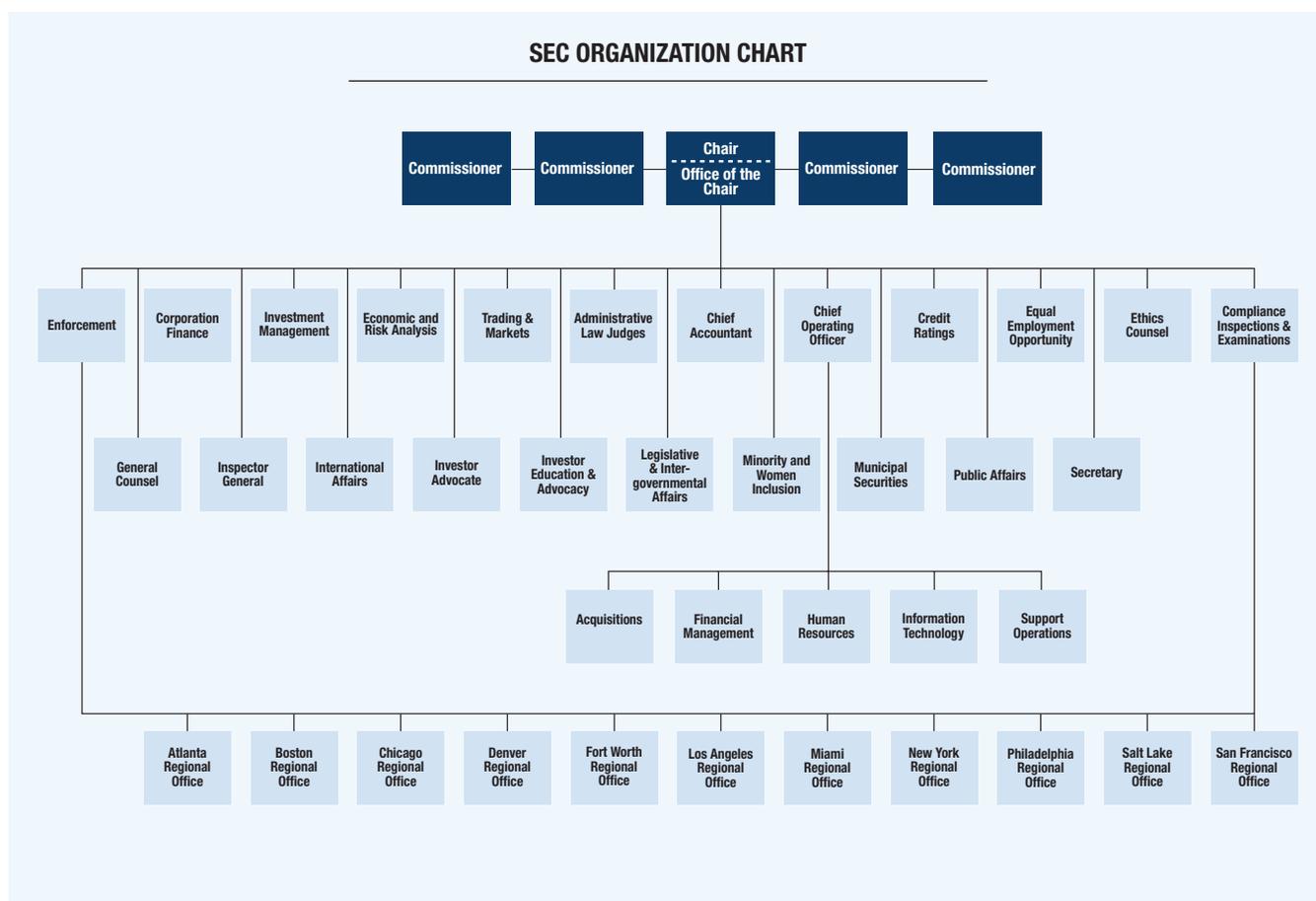
The SEC’s headquarters are in Washington, DC, and the agency has 11 regional offices located throughout the country. The regional offices are responsible for investigating and litigating potential violations of the securities laws. The offices also have examination staff, who inspect regulated entities 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 (see Appendix A: Chair and Commissioners). The Chair serves as the chief executive. 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.

In fiscal year (FY) 2014, the agency employed 4,150 full-time equivalents (FTE), including 4,013 permanent and 137 temporary FTEs. The SEC organization chart below is as of September 30, 2014.



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## **FY 2016 BUDGET REQUEST TABLES**

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## FTE and Positions by Program

	FY 2014 Actual		FY 2015 Enacted		FY 2016 Request	
	FTE	Actual Positions	FTE	Budgeted Positions	FTE	Budgeted Positions
<b>Enforcement</b>	1,266	1,373	1,343	1,400	1,410	1,493
<b>Compliance Inspections and Examinations</b>	902	975	964	1,080	1,106	1,305
<b>Corporation Finance</b>	457	497	474	506	494	513
<b>Trading and Markets</b>	242	271	256	279	282	291
<b>Investment Management</b>	165	190	186	198	204	210
<b>Economic and Risk Analysis</b>	56	150	140	164	164	170
<b>General Counsel</b>	122	140	131	144	136	148
<b>Other Program Offices</b>						
Chief Accountant	31	47	45	48	49	51
Investor Education and Advocacy	42	45	41	46	45	50
International Affairs	46	54	50	55	57	58
Administrative Law Judges	10	14	14	14	14	15
Investor Advocate	2	6	5	8	7	9
Credit Ratings	32	44	41	47	49	51
Municipal Securities	4	8	7	9	9	10
Total	167	218	203	227	230	244
<b>Agency Direction and Administrative Support</b>						
Executive Staff	44	49	46	49	48	50
Public Affairs	9	11	10	12	12	13
Secretary	19	21	19	22	21	23
Chief Operating Officer	23	26	26	30	31	32
Financial Management	88	101	96	102	104	103
Information Technology	153	175	170	181	183	195
Human Resources	104	122	121	130	137	149
Acquisitions	48	59	58	59	59	59
Operations Support	90	104	102	105	106	110
Ethics Counsel	15	16	16	17	18	18
Minority and Women Inclusion	8	9	9	10	11	12
Equal Employment Opportunity	10	11	10	11	11	13
Total	611	704	683	728	742	777
<b>Inspector General</b>	25	34	36	48	47	54
Total FTE and Positions	4,150	4,663	4,460	4,818	4,859	5,249
Permanent	4,013	4,552	4,416	4,774	4,815	5,205
Temporary	137	111	44	44	44	44

## Obligations by Object Class

<i>(DOLLARS IN THOUSANDS)</i>	FY 2014 Actual	FY 2015 Enacted	FY 2016 Request
<b>Personnel Compensation &amp; Benefits</b>			
Total Personnel Compensation (11.9)	\$ 681,000	\$ 782,005	\$ 880,936
Civilian Personnel Benefits (12.1)	219,788	236,381	270,695
<b>Subtotal Cost of Salaries</b>	<b>\$ 900,788</b>	<b>\$ 1,018,386</b>	<b>\$ 1,151,631</b>
<b>Other Expenses</b>			
Benefits for Former Personnel (13.0)	1,826	1,738	1,766
Travel and Transportation of Persons (21.0)	11,292	13,501	14,148
Transportation of Things (22.0)	82	283	287
Rent, Communications & Utilities (23.0) <sup>1</sup>	108,827	113,947	115,986
Printing and Reproduction (24.0)	8,833	9,150	9,296
Other Contractual Services (25.0)	344,653	358,270	364,218
Supplies and Materials (26.0)	1,994	3,488	3,767
Equipment (31.0)	32,260	44,071	46,931
Building Alterations (32.0)	5,032	10,390	12,751
Claims and Indemnities (42.0)	227	1,200	1,219
Refunds (44.0)	—	—	—
Undistributed (92.0)	—	—	—
<b>Subtotal Cost of Other Expenses</b>	<b>\$ 515,026</b>	<b>\$ 556,038</b>	<b>\$ 570,369</b>
<b>Spending Authority</b>	<b>\$ 1,415,814</b>	<b>\$ 1,574,424</b>	<b>\$ 1,722,000</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.

## Strategic Goal and Program

(DOLLARS IN THOUSANDS)

SEC Program	FY 2014 Actual	FY 2015 Enacted	FY 2016 Request					Change over FY 2014 Actual		Change over FY 2015 Enacted		
			Goal 1 Effective Regulatory Environ.	Goal 2 Enforce Securities Laws	Goal 3 Facilitate Access To Info.	Goal 4 Align & Manage Resources	FY 2016 Request	\$	%	\$	%	
<b>FY 2014 Actual</b>			<b>\$ 151,349</b>	<b>\$ 785,418</b>	<b>\$ 217,457</b>	<b>\$ 261,591</b>						
<b>FY 2015 Enacted</b>			<b>\$ 163,355</b>	<b>\$ 874,259</b>	<b>\$ 200,199</b>	<b>\$ 336,611</b>						
Enforcement	\$ 455,777	\$ 494,704	\$ 5,281	\$ 501,820	\$ 5,281	\$ 15,847	\$ 528,229	\$ 72,452	16	\$ 33,525	7	
Compliance Inspections and Examinations	277,689	305,034	3,496	332,133	3,496	10,487	349,612	71,923	26	44,578	15	
Corporation Finance	135,470	144,510	21,678	3,096	120,775	9,289	154,838	19,368	14	10,328	7	
Trading and Markets	74,633	81,149	43,254	22,527	24,330	—	90,111	15,478	21	8,962	11	
Investment Management	52,808	57,793	25,069	17,997	19,927	1,285	64,278	11,470	22	6,485	11	
Economic and Risk Analysis	51,956	60,971	38,206	21,149	6,140	2,728	68,223	16,267	31	7,252	12	
General Counsel	39,204	42,414	8,611	27,191	1,359	8,156	45,317	6,113	16	2,903	7	
Other Program Offices	59,348	67,199	21,989	30,424	21,512	1,813	75,738	16,390	28	8,539	13	
Agency Direction and Administrative Support	259,971	307,547	8,436	4,205	16,057	300,900	329,598	69,627	27	22,051	7	
Inspector General	8,958	13,103	—	—	161	15,895	16,056	7,098	79	2,953	23	
<b>Total SEC Funding</b>	<b>\$1,415,814</b>	<b>\$1,574,424</b>	<b>\$ 176,020</b>	<b>\$ 960,542</b>	<b>\$ 219,038</b>	<b>\$ 366,400</b>	<b>\$1,722,000</b>	<b>\$ 306,186</b>	<b>22%</b>	<b>\$ 147,576</b>	<b>9%</b>	
Percent Increase over Prior Year			8%	10%	9%	9%						

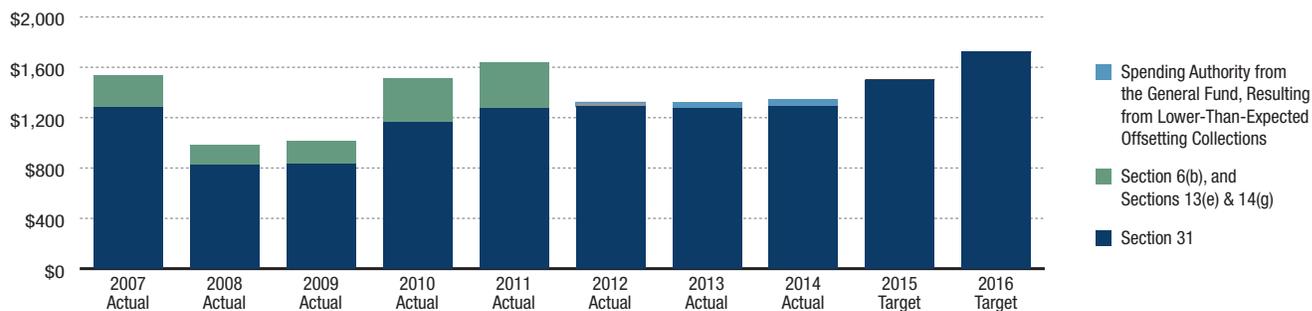
## Summary of Changes

	Positions	FTE	Amount
<b>FY 2015 Enacted Levels</b>	<b>4,774</b>	<b>4,416</b>	<b>\$ 1,574,424</b>
<b>FY 2016 Base Changes:</b>			
Annualization of FY 2015 staffing increases	—	288	+61,328
FY 2016 Pay Raise, 1.0% effective January 2016	—	—	+10,184
Merit pay and other increases for eligible staff	—	—	+36,000
Non-compensation inflation (1.6%)	—	—	+8,897
Increase in agency contributions to the Federal Employee Retirement System	—	—	+3,815
<b>Subtotal, Base Changes</b>	<b>—</b>	<b>288</b>	<b>+120,224</b>
<b>FY 2016 Current Services Level</b>	<b>4,774</b>	<b>4,704</b>	<b>\$ 1,694,648</b>
<b>FY 2016 Program Increases:</b>			
Staffing increase of 431 positions (111 FTE)			
Enforcement	93	24	
Compliance Inspections and Examinations	225	57	
Corporate Finance	7	2	
Trading and Markets	12	3	
Investment Management	12	3	
Economic and Risk Analysis	6	2	
General Counsel	4	1	
Other Program Offices	17	4	
Agency Direction and Administrative Support	49	13	
Inspector General	6	2	
<b>Subtotal, Program Changes</b>	<b>431</b>	<b>111</b>	<b>+27,352</b>
<b>Total FY 2016 Request</b>	<b>5,205</b>	<b>4,815</b>	<b>\$ 1,722,000</b>

## Offsetting Collections and Spending Authority

### OFFSETTING COLLECTIONS AND SPENDING AUTHORITY

(DOLLARS IN MILLIONS)



### SOURCE OF OFFSETTING COLLECTIONS

(DOLLARS IN THOUSANDS)	FY 2014 Actual	FY 2015 Estimate	FY 2016 Estimate
Securities Transaction Fees under the Securities Exchange Act of 1934 (Section 31)	\$ 1,290,987	\$ 1,500,000	\$ 1,722,000
<b>Total Offsetting Collections</b>	<b>\$ 1,290,987</b>	<b>\$ 1,500,000</b>	<b>\$ 1,722,000</b>

### SPENDING AUTHORITY

(DOLLARS IN THOUSANDS)	FY 2014 Actual	FY 2015 Enacted	FY 2016 Request
Current Year Appropriated Offsetting Collections	\$ 1,290,987	\$ 1,500,000	\$ 1,722,000
Available Balances from Prior Years	—	74,000	—
Spending Authority from the General Fund, Resulting from Lower-Than-Expected Offsetting Collections	59,013	—	—
<b>Total Authority</b>	<b>\$ 1,350,000</b>	<b>\$ 1,574,000</b>	<b>\$ 1,722,000</b>



## **FY 2016 APPROPRIATIONS LANGUAGE**

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## FY 2016 Appropriations Language

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### Securities and Exchange Commission Salaries and Expenses

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, \$1,722,000,000, to remain available until expended; of which not less than \$11,315,971 shall be for the Office of Inspector General; of which not to exceed \$75,000 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 \$1,722,000,000 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 2016 shall be reduced as such offsetting fees are received so as to result in a final total fiscal year 2016 appropriation from the general fund estimated at not more than \$0.



# FY 2014 ANNUAL PERFORMANCE REPORT & FY 2016 ANNUAL PERFORMANCE PLAN

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

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The following chapters comprise the agency's FY 2014 Annual Performance Report (APR) and FY 2016 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, Strategic Objectives, and Performance Goals and Performance Indicators.

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.

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

**FY 2014 Performance:** A brief summary is provided that spotlights the year's performance achievements, including resource data and an overall discussion of performance.

**Budgeting for the Future (FY 2016):** A brief discussion is provided on how the SEC plans to use the resources requested in FY 2016 to achieve the strategic goal.

**Performance Goals and Indicators:** Each strategic goal section includes a presentation of performance goals and performance indicators by outcome, comparing planned and actual performance levels for FY 2014. Four years of historical data is provided for performance goals and performance indicators where available. The APP will include an analysis of performance expectations for each goal.

## FY 2014 APR and FY 2016 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. In FY 2014, total SEC obligations were \$1.416 billion in support of 4,150 total full-time equivalents (FTE). Of 53 total performance targets, the agency met or exceeded 39, did not meet 11, and did not have FY 2014 targets established to report on for three.

The budget request for FY 2016 totals \$1.722 billion, an increase of about \$147.6 million (9 percent) over the agency's FY 2015 available funding amount of \$1.574 billion. The FY 2016 budget funds 4,859 full-time equivalents (FTE), an increase of about 399 FTE (9 percent) over the FY 2015 level, and increases the number of positions by 431 to a total of 5,249.

The additional resources requested for FY 2016 would bolster the SEC's efforts to achieve each of its four strategic goals, and improve the agency's ability to oversee the new markets and market participants that have been added to the SEC's

jurisdiction. Resources that directly support establishing an effective regulatory environment would increase approximately 8 percent from FY 2015 to FY 2016; resources utilized in fostering and enforcing compliance with the securities laws would increase by approximately 10 percent compared to FY 2015; and resources that support activities that aim to facilitate access to the information investors need to make informed investment decisions would receive an estimated 9 percent increase.

The agency is aware that increasing staffing in the program areas requires a commensurate increase in staff and funding for support offices. The requested funding will provide necessary resources for attracting and retaining a diverse and talented workforce, administering programs to enhance employee engagement and leadership development, and leveraging information technology that will improve the efficiency and effectiveness of agency programs.

To complement the FY 2014 APR, the agency also presents its FY 2014 budget by program (beginning on page 59). Each program chapter provides detailed information on program priorities, initiatives, and workload figures for the relevant divisions and offices.

## 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. The SEC performs data verification and validation to evaluate whether data has been generated according to specifications, satisfies acceptance criteria, and is appropriate and consistent with its intended use. Data verification is a systematic process for evaluating a dataset compared to a series of standards regarding 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 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 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, as well as 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 and Strategic Objective

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

The Commission believes that its rules and regulations should be drafted to 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 rulemaking processes are necessary to confirm that intended results are being achieved.

In FY 2014, approximately \$151.3 million and 450 full-time equivalents (FTEs) were directed at achieving results in Goal 1. Of 10 performance targets, the agency met or exceeded seven, did not meet one, and did not have FY 2014 targets established to report on for two. During FY 2016, the SEC plans to pursue a vigorous investor-focused rulemaking agenda that will help protect investors and ensure that markets operate fairly. Under the Dodd-Frank Act the agency will continue to implement a more effective regulatory structure. In FY 2016, the agency is requesting a total of \$176.0 million and 519 FTEs toward achieving results in establishing 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 prevents abusive practices by registrants, financial intermediaries, and other market participants.**

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

#### FY 2014 Performance

Although the SEC did not conduct any investor testing research projects in FY 2014, the agency has future plans to gather feedback from individual investors that will help to advance the investor education program.

#### Budgeting for the Future (FY 2016)

The Federal securities laws entrust the SEC with authority to craft a regulatory framework that provides investors with high-quality disclosure about their investments. Understanding the needs and concerns of investors is therefore critical to executing the SEC’s investor protection mission. The Office of Investor Education and Advocacy (OIEA) will advance this mission by communicating daily with investors, responding to their complaints and inquiries, and providing educational programs and materials.

Current regulatory developments highlight the need to publicize educational resources that individual investors can use to make prudent investment decisions. In response, the agency plans to launch its first public awareness campaign in FY 2016 and engage in other investor education initiatives including publicizing online resources for researching investment advisers, investments, understanding fees, and identifying fraud. The agency plans to continue conducting research that will help assess OIEA’s investor education programs and inform future efforts.

#### 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 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014 Actual
Number of projects	0	0	2	2	0	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

**FY 2014 Performance**

SEC’s rulemaking agenda prioritizes investor protection, market stability, and capital formation. Through rulemaking and other initiatives, the agency works to assure that investors have fair access to securities markets and that their orders are handled in an efficient and transparent manner from order to settlement.

Additionally, the SEC oversees self-regulatory organizations (SRO) to ensure that securities markets operate in a fair, efficient and orderly manner; that they are competitive; and that they promote capital formation. The SEC has authority over the rulemaking and other activities of SROs, which include national securities exchanges, the Financial Industry Regulatory Authority (FINRA) and clearing agencies. The SEC, in approving SRO rules, must determine that these rules are constructed to prevent fraudulent and manipulative practices, promote just and equitable principles of trade, and foster cooperation in the clearing and settling of trades, and that they do not impose an unnecessary or inappropriate burden on competition. During FY 2014, the SEC approved or disapproved 234 SRO rule changes filed pursuant to Section 19(b)(2) of the Exchange Act. Of that number, 75 percent were approved or disapproved within the 45 day standard for publication, exceeding the goal by 5 percentage points (**Performance Goal 1.2.1**).

**Budgeting for the Future (FY 2016)**

In FY 2016, the SEC will continue to assume the substantial new responsibilities required of it under the Dodd-Frank Act and the JOBS Act. In addition, the SEC must sustain and enhance its existing supervision of securities markets, securities market infrastructure, securities intermediaries, and other market participants.

The SEC supervises the major participants in the U.S. securities markets. As of FY 2014, these participants included 18 securities exchanges (equities and options), 87 alternative trading systems (ATs), nearly 4,500 broker-dealers, 8 active clearing agencies, approximately 450 transfer agents, the Financial Industry Regulatory Authority (FINRA), security futures product exchanges, the National Futures Association, and securities information processors (**Performance Indicator 1.2.2. and Performance Indicator 1.2.3**).

The scope of these supervisory responsibilities is expected to continue to increase. Since FY 2006, 9 new securities exchanges registered with the SEC, and the SEC anticipates a further increase in the number of registered securities exchanges in FY 2015 and FY 2016 (estimated at up to 4 additional new registrants) for a total of 13 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 seven new registrants). The SEC 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.

**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 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014 Plan	FY 2014 Actual	FY 2015 Estimate	FY 2016 Estimate
Within 45 days	Prior-year data not available	99%	82%	75%	74%	70%	75%	70%	70%

**Target:** Exceeded

**Analysis:** During FY 2014, the SEC approved or disapproved 234 SRO rule changes filed pursuant to Section 19(b)(2) of the Exchange Act. Of that number, 75 percent were approved or disapproved within the 45 day standard for publication exceeding the goal by 5 percent. 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 other longer time periods noted in the statute.

**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 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014 Actual
Percentage	Prior-year data not available	69%	77%	72%	78%	72%

**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 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014 Actual
Percentage	99%	99%	99%	99%	98%	99%

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

**Data Source:** Depository Trust & Clearing Corporation and NYSE Technologies

**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 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014 Actual
Within 2 hours	87%	74%	88%	71%	80%	80%
Within 4 hours	98%	85%	94%	89%	86%	85%
Within 24 hours	98%	100%	100%	100%	98%	96%

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

**Data Source:** 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

**FY 2014 Performance**

In FY 2014, the SEC continued to pursue an investor-focused rulemaking agenda. 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 outlines 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 devotes resources to responding to no-action letters, and interpretive and other requests from regulated entities, public companies, and other outside parties. In FY 2014, the Divisions of Corporation Finance (CF), and Investment Management (IM) met or exceeded their response rate targets for **Performance Goal 1.3.1**.

**Budgeting for the Future (FY 2016)**

In FY 2016, the SEC plans to continue to devote staff resources to rulemaking and interpretive guidance, including preparing remaining rules to implement the Dodd-Frank Act and JOBS Act, considering the impact of SEC rules and regulations on small business capital formation, and continuing efforts to modernize and simplify disclosure requirements. In addition, the Division of Investment Management (IM) expects to recommend that the Commission issue a proposal to improve the reporting of information about fund operations and portfolio holdings. 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**).

**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 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014 Plan	FY 2014 Actual	FY 2015 Estimate	FY 2016 Estimate
Trading and Markets: No-action letters, exemptive applications, and written interpretive requests (combined figure)									
Percentage within required timeframe	70%	91%	98.5%	89%	93%	85%	83%	85%	85%

**Target:** Not Met

**Analysis:** The SEC did not meet the established target for FY 2014. Our target is based on a fixed deadline for responses to written requests for no-action letters, exemptive applications, and written interpretive requests (collectively, "Requests"). Some requests are extremely complex and require extensive consideration and consultation both within and outside TM. TM's approach has been to allow these requests the thorough consideration they demand, even when that means the request is not closed within the targeted timeframe.

**Plan for Improving Program Performance:** The Division uses an electronic log that tracks the dates requests are submitted and closed. The Division will use periodic reporting generated from this log, to track written inquiries and reply to them in a timely manner. Some requests are extremely complex and require extensive consideration and consultation both within and outside TM. TM's approach has been to allow these Requests the thorough consideration they demand, even when that means the Request is not closed within the targeted timeframe.

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

**Data Source:** TM Request Tracking Log

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

**Target:** No-action letters – Exceeded; Exemptive applications – Exceeded

**Analysis:** For the sixth 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. For the sixth year in a row, IM processed 100 percent of initial comments on no-action letters within three weeks, surpassing its target of "90 percent 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.

**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	85%	97%	97%	98%	98%	90%	97%	90%	90%
Shareholder proposals	100%	100%	100%	100%	100%	100%	100%	100%	100%

**Target:** No-action letters – Exceeded; Shareholder proposals – Met

**Analysis:** CF surpassed its FY 2014 target by providing initial comments on no-action letters within 30 days for 97 percent of requests. CF achieved its target of responding to 100 percent of shareholder proposal requests prior to the company's proxy filing date.

**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 reflects the timeliness of the staff's responses to these requests.

Fiscal Year	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014 Plan	FY 2014 Actual	FY 2015 Estimate	FY 2016 Estimate
Respond to or refer inquiries within 2 weeks		Prior-year data not available			N/A	95%	99%	95%	95%

**Target:** Exceeded

**Analysis:** The Division of Trading and Markets surpassed its FY 2014 target by responding to or referring inquiries within 2 weeks for 99 percent of inquiries.

**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 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014 Actual
Number of reports	N/A	N/A	N/A	N/A	23	15

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

**Data Source:** [www.sec.gov](http://www.sec.gov)

**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 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014 Actual
Number of amendments		Prior-year data not available				117

**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 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014 Actual
Number of registrations					Prior-year data not available	12

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

**Data Source:** ATS Database

**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 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014 Actual
Number of submissions					Prior-year data not available	2,047

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

**Data Source:** Form 19b-4(e) Database

**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

**FY 2014 Performance**

In today's markets, capital can cross jurisdictional boundaries with the tap of a screen. It is more important than ever to coordinate with other U.S. and foreign regulatory authorities and stakeholders on the best regulatory responses to the changing market landscape. Failure to effectively coordinate can significantly hamper the SEC's ability to achieve its policy objectives or avoid significant unintended consequences.

The Office of International Affairs (OIA) handled an increased volume of requests in cross-border supervisory cooperation matters, cross-border examinations, asset verifications and registrations. During FY 2014, OIA worked to streamline its processes to provide assistance in an efficient and timely way. During FY 2014, the SEC received 117 supervisory requests from foreign authorities and trained 2,382 non-U.S. regulators through the SEC technical assistance programs for regulators around the world **(Performance Goal 1.4.1 and Performance Goal 1.4.2)**.

**Budgeting for the Future (FY 2016)**

In FY 2016, the SEC Chair will continue to participate actively in the Financial Stability Oversight Committee (FSOC) with the heads of other FSOC member agencies, such as the Board of Governors of the Federal Reserve, the Department of the Treasury, and the CFTC. The SEC also will continue to actively participate in international multilateral organizations, including the International Organization of Securities Commissions (IOSCO), the Financial Stability Board, the Organization for Economic Cooperation and Development, and the Financial Action Task Force. These efforts will be complemented by direct bilateral consultations with foreign regulatory counterparts on enforcement and regulatory matters. In addition, the SEC continues to promote international coordination and cooperation through its technical assistance programs for foreign regulators **(Performance Goal 1.4.1 and Performance Goal 1.4.2)**.

**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 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014 Plan	FY 2014 Actual	FY 2015 Estimate	FY 2016 Estimate
Supervisory cooperation requests from foreign authorities		Prior-year data not available			118	N/A	117	95	98
SEC requests for assistance on supervisory cooperation from foreign authorities		Prior-year data not available			25	N/A	96	99	102

**Target:** Supervisory cooperation – N/A; SEC requests – N/A

**Analysis:** The supervisory cooperation group handled a high number of requests in cross-border supervisory cooperation matters during FY 2014. During FY 2014, the group worked to streamline its processes to provide assistance in an efficient and timely way. The supervisory cooperation group handled a high volume of requests in cross-border supervisory cooperation matters, including cross-border examinations, asset verifications and registrations. FY 2014 was notable for its increase in supervisory cooperation assistance provided to OCR as well as to OCIE.

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

**Data Source:** 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 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014 Plan	FY 2014 Actual	FY 2015 Estimate	FY 2016 Estimate
Number of non-U.S. regulators	Prior-year data not available	1,997	1,765	1,785	1,716	1,400	2,382	1,800	2,000

**Target:** Exceeded

**Analysis:** FY 2014 actual figures exceeded FY 2014 target by 70 percent. The significant increase in regulatory and law enforcement officials trained can be attributed in part to: (1) a single large training program, and (2) undertaking an additional Institute – the Foreign Bribery and Corruption Conference, in collaboration with the Division of Enforcement, DOJ and FBI. The increase was facilitated by the authorization to hire additional staff, and technological improvements to automate certain functions.

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

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

## Strategic Goal 2: 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. The SEC's Enforcement program also investigates and prosecutes violations of the law, with the aims of holding wrongdoers accountable, returning funds to harmed investors whenever possible, and building deterrence against future violations. In FY 2014, approximately \$785.4 million and 2,341 full-time equivalents (FTEs) were directed at achieving results in Goal 2. Of 12 performance targets, the agency met or exceeded eight and did not meet four.

In FY 2016, the agency is requesting a total of 2,797 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 reach of the 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 \$960.5 million to enforcing compliance with the Federal securities laws.

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

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

#### FY 2014 Performance

The SEC seeks to encourage within firms that participate in the securities markets a strong culture of compliance that fosters ethical behavior and decision-making. As part of its efforts

to promote compliance within the industry, OCIE conducted 63 outreach and educational programs events during the year, including Compliance Outreach seminars, targeted sessions with never before examined advisers, and various other outreach initiatives with registrants and other regulators. As part of this work, the National Examination Program also issued two National Risk Alerts and published other significant materials during the year (**Performance Goal 2.1.1**).

OCIE works to enforce and foster compliance with Federal securities laws through its examination and inspection program. During examinations in FY 2014, 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, 89 percent of registrants have continued to assert that they are taking corrective action in response to all staff findings. In order to achieve this level of performance, the staff made concerted efforts during the year to improve dialogue and communication with firms, including at the most senior levels (**Performance Goal 2.1.2**).

#### Budgeting for the Future (FY 2016)

In FY 2016, the National Examination program will continue its focus on high-risk entities and activities. The additional resources requested will serve 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; (3) enhance and expand quantitative and data analytic efforts; and, (4) more effectively risk target, monitor, and examine market participants. OCIE will also enhance training and expertise of examiners in data analysis, fraud detection and prevention, technology, new products and trading strategies, and other critical areas. Also, in FY 2016, OCIE will continue its efforts to promote industry compliance efforts through initiatives such as the Compliance Outreach program (**Performance Goal 2.1.1**).

**PERFORMANCE GOAL 2.1.1**

**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 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.

Fiscal Year	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014 Plan	FY 2014 Actual	FY 2015 Estimate	FY 2016 Estimate
Number of major outreach efforts	Prior-year data not available	6	5	12	15	16	63	65	70

**Target:** Exceeded

**Analysis:** The SEC seeks to encourage a strong culture of compliance among organizations, to foster ethical behavior and decision-making. As part of its efforts to promote compliance within the industry, OCIE conducted 63 outreach and educational programs events during the year, including Compliance Outreach seminars, targeted sessions with never before examined advisers, and various other outreach initiatives with registrants and regulators. As part of this work, the NEP also issued two National Risk Alerts and published other significant materials during the year. In addition to these efforts, staff from throughout the program participated in a number of other outreach efforts, including speaking at more than 240 industry conferences and related engagements that are not reflected in the above numbers. The program will continue to expand and improve on these efforts during FY 2015 and 2016 as these are critical elements in fostering and promoting compliance with Federal securities laws.

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

**Data Source:** Internal tracking, although many of the events noted above are referenced in the SEC's website

**PERFORMANCE GOAL 2.1.2**

**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, 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.

Fiscal Year	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014 Plan	FY 2014 Actual	FY 2015 Estimate	FY 2016 Estimate
Percentage	94%	90%	93%	92%	86%	87%	89%	89%	89%

**Target:** Exceeded

**Analysis:** OCIE works to enforce and foster compliance with Federal securities laws through its examination and inspection program. During examinations in FY 2014, the staff reviewed a variety of books and records and 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 dialogue and 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.

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

**Data Source:** 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

### **FY 2014 Performance**

The National Examination Program continued to exert considerable time and effort during the year on enhancing 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. Examinations of high risk firms often take significant time to complete and are frequently of large and complex entities. For example, although the staff examined 10 percent of investment advisers in FY 2014, these advisers represented more than 30 percent of the overall assets under management. In addition, examination resources were 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 other program improvement efforts **(Performance Goal 2.2.1)**.

### **Budgeting for the Future (FY 2016)**

If the requested funds are granted, then the National Examination Program will be hiring 225 additional staff in

FY 2016, which would directly and significantly affect the proportion of registered entities that would be examined each year. Since these staff would be hired during the course of FY 2016, the coverage rates would only begin to rise in that year, but would not reach their new steady state levels until the staff are all on board, trained, and conducting examinations for a full fiscal year. Once that occurs, the percentage of investment advisers and investment companies examined is expected to reach approximately 12 percent and 14 percent, respectively **(Performance Goal 2.2.1)**.

The National Exam program will continue to identify and communicate potential issues to firms to ensure that compliance problems and issues are corrected quickly. In FY 2016, the SEC will continue to complete all examinations within the statutory deadline. Overall, this helps the SEC to ensure that deficiencies are promptly detected and resolved by firms **(Performance Goal 2.2.2)**.

In FY 2016, the SEC will continue to focus on improving coordination with other regulators on areas of mutual interest, both to share expertise and to address key areas of risk. In that regard, the exam program continued to conduct coordinated exams and meetings with other regulators and also maintained a number of agreements with these regulators to help ensure that information could be shared in an appropriate and timely manner **(Performance Goal 2.2.3)**.

**PERFORMANCE GOAL 2.2.1**

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

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

Fiscal Year	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014 Plan	FY 2014 Actual	FY 2015 Estimate	FY 2016 Estimate
Investment advisers	10%	9%	8%	8%	9%	9%	10%	10%	12%
Investment companies	29%	10%	13%	12%	11%	12%	10%	12%	14%
Broker-dealers (exams by SEC and SROs)	54%	44%	58%	49%	46%	48%	49%	50%	50%

**Target:** Investment advisers – Exceeded; Investment companies – Not Met; Broker-dealers – Exceeded

**Analysis:** Building and maintaining sufficient coverage of the industry helps the Commission promptly detect violations of Federal securities laws and promote compliance with such laws. The staff continued to exert considerable time and effort during the year on enhancing 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. 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 2014 represent more than 30 percent of the overall assets under management of currently registered advisers. In addition, examination resources were allocated during the past year to other efforts intended to improve the long-term performance of the program, including industry outreach initiatives, rulemaking projects, and other program improvement efforts.

**Plan for Improving Program Performance:** During FY 2015, the staff will continue to implement improved processes and procedures, particularly in the areas of strategy, people, processes, and technology. The agency expects that these improvements, which include enhancements 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 anticipated that these efforts will result in improved coverage levels in FY 2015. For example, in the investment company industry, the NEP launched a focused initiative in FY 2014 on alternative investment companies; however, these examinations will not be completed until FY 2015.

**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 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 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014 Plan	FY 2014 Actual	FY 2015 Estimate	FY 2016 Estimate
Percentage	Prior-year data not available				100%	100%	100%	100%	100%

**Target:** Met

**Analysis:** The staff’s goal is to identify and communicate potential issues to firms to ensure that compliance problems and issues are corrected quickly. During FY 2014, OCIE met its goal of completing 100 percent of examinations within OCIE’s statutory deadline. Overall, this measure helps the SEC to ensure that deficiencies are promptly detected and resolved by firms.

**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 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014 Plan	FY 2014 Actual	FY 2015 Estimate	FY 2016 Estimate
Number of joint exams, active sharing agreements, and formal meetings		Prior-year data not available				85	391	395	400

**Target:** Exceeded

**Analysis:** The SEC is focused on improving coordination and collaboration with other regulators on areas of mutual interest. This type of communication helps to ensure that expertise is shared and that areas of risk are addressed in an efficient and effective manner. In that regard, the exam program continued to conduct joint/coordinated exams and meetings with other regulators and also maintained a number of sharing agreements with these regulators to help ensure that information could be shared in an appropriate and timely manner.

**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 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014 Actual
Percentage that identify deficiencies	Prior-year data not available	72%	82%	80%	80%	76%
Percentage that result in a “significant finding”	Prior-year data not available	42%	42%	42%	35%	30%
Percentage referred to the Division of Enforcement	Prior-year data not available				13%	12%

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

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

**PERFORMANCE INDICATOR (OUTPUT) 2.2.2**  
**Number of cause exams that result from tips, complaints and referrals**

**Description:** 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.

Fiscal Year	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014 Actual
Number of cause exams	Prior-year data not available				222	149

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

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

**PERFORMANCE INDICATOR (OUTPUT) 2.2.3**  
**Number of rule-making initiatives assisted by the National Exam Program**

**Description:** 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.

Fiscal Year	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014 Actual
Number of rule-making initiatives assisted by the NEP		Prior-year data not available				30
<b>Responsible Division/Office:</b> Office of Compliance Inspections and Examinations						
<b>Data Source:</b> Internal tracking						

**PERFORMANCE INDICATOR (OUTPUT) 2.2.4**  
**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 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014 Actual
Number of investigations	Prior-year data not available	303	349	296	289	291
<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) 2.2.5**  
**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 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014 Actual
Number of investigations	Prior-year data not available	492	586	515	504	501
<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 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014 Actual
Number of requests from foreign authorities	408	457	492	450	508	541
Number of SEC requests	774	605	772	718	717	966

**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

**FY 2014 Performance**

A key part of investor protection is for those who choose to prey on investors to be swiftly and appropriately sanctioned. The Division of Enforcement strives to obtain swift and firm judgments and orders, while remaining fair and reasonable. The Division 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)**.

Filing enforcement actions in a timely manner is an important component of the Division’s effectiveness. In FY 2014, the percentage of first enforcement actions filed within two years of the opening of the matter under investigation (MUI) or investigation was 64 percent, which is an improvement over the prior year result of 58 percent and the highest since FY 2010. In addition, in FY 2014, the average months between opening a MUI or Investigation and commencing an enforcement action was 21 months, which is the same as the prior fiscal year. Timely actions have an increased deterrent impact. 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. Indeed, many of the cases filed by the Division in FY 2014 involved complex financial products, market transactions, and other types of conduct that are difficult to investigate. The Division continued to focus on complex areas of the marketplace, including emerging threats involving new trading technologies such as high-frequency and algorithmic trading, large volume trading, systemic insider trading and manipulation schemes, and financial disclosure, among other areas **(Performance Goal 2.3.2 and 2.3.3)**.

**Budgeting for the Future (FY 2016)**

For FY 2016, the Division of Enforcement has requested an additional 93 staff positions. These new staff, along with its new methods, initiatives, and organizational reforms, will help the program bring successful cases on a timely basis. 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 2016, the SEC plans to obtain relief on one or more claims from approximately 92 percent of enforcement actions **(Performance Goal 2.3.1)**. 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)**.

**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 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014 Plan	FY 2014 Actual	FY 2015 Estimate	FY 2016 Estimate
Percentage	92%	92%	93%	89%	93%	92%	94%	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 when 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 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 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014 Plan	FY 2014 Actual	FY 2015 Estimate	FY 2016 Estimate
Percentage	70%	67%	61%	63%	58%	65%	64%	65%	65%

**Target:** Not Met

**Analysis:** In FY 2014, the percentage of first enforcement actions filed within two years of the opening of the MUI or Investigation was 64 percent, which is an improvement over the prior year result of 58 percent and the highest since FY 2010. Timely actions have an increased deterrent impact. 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. Indeed, many of the cases filed by the Division in FY 2014 involved complex financial products, market transactions, and other types of conduct that are difficult to investigate. The Division continues to focus on complex areas of the marketplace, including emerging threats involving new trading technologies such as high-frequency and algorithmic trading, large volume trading, systemic insider trading and manipulation schemes, and financial disclosure, among other areas.

**Plan for Improving Program Performance:** To achieve its goal of 65 percent on this metric, the Division will continue to look for ways to manage investigations effectively in order to promote speed and efficiency while maintaining an appropriate degree of thoroughness and completeness. The Division will focus on effective management of cases, as well as efforts to promote efficiencies in investigations, such as technology, training, and regular case assessments. Division leadership also will encourage appropriate use of tools such as subpoena enforcement actions in order to ensure that investigations proceed on an appropriate timeframe.

**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 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. 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 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014 Plan	FY 2014 Actual	FY 2015 Estimate	FY 2016 Estimate
Months	Prior-year data not available		22	21	21	20	21	20	20

**Target:** Not Met

**Analysis:** In FY 2014, the average months between opening a MUI or Investigation and commencing an enforcement action was 21 months, the same as the prior fiscal year. Timely actions have an increased deterrent impact. 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. Indeed, many of the cases filed by the Division in FY 2014 involved complex financial products, market transactions, and other types of conduct that are difficult to investigate. The Division continues to focus on complex areas of the marketplace, including emerging threats involving new trading technologies such as high-frequency and algorithmic trading, large volume trading, systemic insider trading and manipulation schemes, and financial disclosure, among other complex areas.

**Plan for Improving Program Performance:** To achieve its goal of 20 months on this metric, the Division will continue to look for ways to manage investigations effectively in order to promote speed and efficiency while maintaining an appropriate degree of thoroughness and completeness. The Division will strive to improve through effective management of cases, as well as by leveraging various processes and initiatives designed to promote efficiencies in investigations, such as technology, training, and regular case assessments. Division leadership also will encourage appropriate use of tools such as subpoena enforcement actions in order to ensure that investigations proceed on an appropriate timeframe.

**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 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014 Plan	FY 2014 Actual	FY 2015 Estimate	FY 2016 Estimate
Percentage	90%	86%	91%	92%	95%	95%	92%	92%	92%

**Target:** Not Met

**Analysis:** In FY 2014, collections activities on delinquent debt of the Commission were centralized within one office. The Division's intent is to leverage this centralized collections function to consistently meet or exceed this goal going forward.

**Plan for Improving Program Performance:** The Division will continue to promote prompt and effective collections efforts through such means as streamlining processes, leveraging of technology and other measures.

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

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

**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 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014 Plan	FY 2014 Actual	FY 2015 Estimate	FY 2016 Estimate
Percentage	Prior-year data not available			80%	73%	78%	81%	80%	80%

**Target:** Exceeded

**Analysis:** In FY 2014, the Division exceeded the target by three percentage points. Going forward, the Division will seek to maintain this higher performance by continuing our efforts to prioritize the timeliness and efficiency of distributing funds, which we have enhanced through such efforts as centralizing the function and implementing various process improvements.

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

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

**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.

Fiscal Year	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014 Actual
Percentage	Prior-year data not available					62%

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

**Data Source:** Qualitative Index Spreadsheet

**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 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014 Actual</b>
Amount distributed (in millions)	Prior-year data not available			815	251	424
Number of Fair Funds	Prior-year data not available			31	22	28

**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; 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 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014 Actual</b>
Percentage	Prior-year data not available		10%	20%	15%	16%

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

**Data Source:** 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.

Fiscal Year	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014 Actual
Number of criminal investigations	Prior-year data not available	139	134	126	126	127

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

**Data Source:** 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 in each fiscal year and the amounts collected in those actions as of the end of FY 2014. The indicator for collected amounts could change over time based on various factors.

Fiscal Year	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014 Actual
Ordered amounts (in millions)	2,442	2,846	2,806	3,104	3,424	4,166
Collected amounts (in millions)	1,695	1,793	1,454	1,069	1,919	2,109

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

**Data Source:** DELPHI

## 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 2014, the agency dedicated approximately \$217.5 million and 712 FTEs toward achieving results in Goal 3. Of 12 performance targets, the agency met or exceeded all 12. The agency is requesting in FY 2016 a total of \$219.0 million and 678 FTEs towards achieving results in Strategic Goal 3.

### 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

#### FY 2014 Performance

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. 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**).

The SEC 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. The SEC does not set a target for the number of filings that are reviewed in a fiscal year because the SEC does not dictate the number of filings that registrants make. The timeliness of filings reviewed by the SEC improved slightly between FY 2013 and FY 2014 and the number of filings reviewed also increased modestly from FY 2013 to FY 2014. The improvement in the timeliness of filings reviewed may be attributable to the reorganization of Division of Investment Management, which allocated greater staff resources to the disclosure review process (**Performance Goal 3.1.3**).

#### Budgeting for the Future (FY 2016)

Investors who have access to information and know what questions to ask are more likely to invest wisely, and to choose professional intermediaries that will best meet their objectives. The SEC understands that not all investors need the same information and that those needs are affected by their backgrounds, resources and goals. In FY 2016, the SEC will continue to structure disclosure requirements so that investors are armed with timely and useful information they need to make informed investment decisions (**Performance Goal 3.1.1**).

As technology and the complexity of financial instruments change, so too do the needs of modern day investors. Providing investors with information in concise, easy-to-use formats that are tailored to their needs helps investors to help themselves. In FY 2016, the Commission will continue to examine its filing review program to explore whether its disclosure requirements, review criteria, approach to comments, and professional and technology resources provide maximum impact to benefit investors.

**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 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014 Plan	FY 2014 Actual	FY 2015 Estimate	FY 2016 Estimate
Division of Corporation Finance									
Corporations	40%	44%	48%	48%	52%	33%	52%	33%	33%

**Target:** Exceeded

**Analysis:** CF exceeded its planned level of companies reviewed in FY 2014. 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	35%	35%	33%	36%	34%	33%	35%	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 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014 Plan	FY 2014 Actual	FY 2015 Estimate	FY 2016 Estimate
Days	25.3 days	24.1 days	24.4 days	24.9 days	25.6 days	<30 days	25.8 days	<30 days	<30 days

**Target:** Met

**Analysis:** CF achieved its goal of having an average response time for initial comments of less than 30 days. The Division's timely review allows companies to raise capital and to build offering schedules around this de facto standard.

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

**Data Source:** Division of Corporation Finance Management Dashboards

**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 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014 Plan	FY 2014 Actual	FY 2015 Estimate	FY 2016 Estimate
Initial registration statements	95%	93%	92%	96%	98%	85%	98%	85%	85%
Post-effective amendments	97%	94%	94%	95%	99%	90%	99%	90%	90%
Preliminary proxy statements	99%	99%	98%	100%	98%	99%	99%	99%	99%

**Target:** Initial registration statements – Exceeded; Post-effective amendments – Exceeded; Preliminary proxy statements – 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. IM may limit the scope of a review, through selective review procedures, to a review of only the disclosure in a filing that has not been previously reviewed. During periods of increased filings, IM is able to handle the increased workload largely through the use of such selective review procedures. IM generally does not set a target for the number of filings that are reviewed in a fiscal year because IM does not dictate the number of filings that registrants make. Instead, other factors, such as registrant business decisions or the implementation of new disclosure requirements, typically drive whether investment companies make filings and the type of filings that they make. IM sets targets for the timeliness of reviews. The timeliness percentages improved slightly between fiscal years 2013 and 2014 and the number of filings reviewed also increased modestly from 2013 to 2014. The improvement in timeliness percentages may be attributable to the reorganization of Division of Investment Management, which allocated greater staff resources to the disclosure review process.

**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 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014 Actual
SEC.gov page views	Prior-year data not available				3.72B	5.57B
Social media followers	1,608	83,141	193,837	236,700	258,733	308,261
Total email/mobile subscriptions	Prior-year data not available		519,602	631,839	740,318	799,055
Total email bulletins sent	875,518	12.80M	23.97M	33.44M	40.85M	47.01M
Total mobile bulletins sent	6,001	62,324	107,848	150,303	238,815	366,302

**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

**FY 2014 Performance**

Understanding the interests and concerns of investors is critical to carrying out the Commission’s investor protection mission. The SEC advances this mission by regularly communicating with investors, responding to their complaints and inquiries, and providing educational programs and materials. The SEC serves thousands of investors each year who contact the SEC with investment-related complaints and questions. During FY 2014, the SEC closed out 62 percent of new investor assistance matters within 7 days and 92 percent of new investor assistance matters in 30 days. The Office of Investor Education and Advocacy (OIEA) was able to achieve these levels in part by identifying and referring key investor assistance matters to the agency’s Tips, Complaints and Referrals (TCR) system (Performance Goal 3.2.2). During FY 2014, the SEC had 22.2 million page views of online investor education content and OIEA participated in 51 in-person events (**Performance Goal 3.2.1**).

**Budgeting for the Future (FY 2016)**

In FY 2016, the SEC will continue to gather feedback on OIEA’s investor education programs and materials and to explore ways to encourage investor input by presenting investors with clear, easily understandable explanations of Commission rules and rule proposals and other activities through a variety of communication channels, including social media (**Performance Goal 3.2.3**). These efforts will complement those of the Investor Advisory Committee, which was constituted to present the views and experience of a broad spectrum of investors, and which will serve as an additional source of information concerning investors’ priorities and perspectives on the Commission’s regulatory agenda.

In FY 2016, the SEC will continue to seek more comprehensive data about investors and build upon the Commission’s investor education efforts. Working in partnership with other Federal and state agencies, financial industry associations, consumer groups and educational organizations, the SEC will develop investor education initiatives that are targeted to specific audiences that will prevent future victims of fraud (**Performance 3.2.4**).

**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 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014 Plan	FY 2014 Actual	FY 2015 Estimate	FY 2016 Estimate
Number of page views (in millions)	Prior-year data not available				12.1	15	22.2	20	30
Number of “in-person” events	Prior-year data not available				52	50	51	50	60

**Target:** Number of page views – Exceeded; Number of “in-person” events – Exceeded

**Analysis:** OIEA exceeded its target for in-person events by identifying new outreach opportunities, including events targeting affinity groups. Use of tools and calculators on Investor.gov helped OIEA exceed its goal of page views of online investor education content.

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

**Data Source:** Google Analytics, 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 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014 Plan	FY 2014 Actual	FY 2015 Estimate	FY 2016 Estimate
Closed within 7 days	70%	72%	67%	54%	62%	60%	62%	60%	60%
Closed within 30 days	90%	93%	92%	93%	93%	90%	92%	90%	90%

**Target:** Closed within 7 days – Exceeded; Closed within 30 days – Exceeded

**Analysis:** OIEA continued to focus its efforts on identifying and referring key investor assistance matters to the agency’s Tips, Complaints and Referrals (TCR) system and exceeded its seven-day and thirty-day targets for FY 2014.

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

**Data Source:** 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 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014 Plan	FY 2014 Actual	FY 2015 Estimate	FY 2016 Estimate
Satisfaction index	Prior-year data not available				81	Benchmark score for Federal government websites (73 for FY 2014)	83	Benchmark score for Federal government websites (TBD)	Benchmark score for Federal government websites (TBD)

**Target:** Exceeded

**Analysis:** During FY 2014, Investor.gov was recognized by a popular global business magazine on its list of “5 Federal websites people use (and actually work)” based on the website’s high customer satisfaction scores, which significantly exceeded Federal government benchmarks.

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

**Data Source:** 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 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014 Plan	FY 2014 Actual	FY 2015 Estimate	FY 2016 Estimate
Number of education materials	Prior-year data not available	16	24	24	26	26	28	26	26

**Target:** Exceeded

**Analysis:** In FY 2014, the SEC published 28 investor alerts and bulletins to exceed its goal, warning investors of possible fraudulent schemes, including affinity fraud and schemes involving virtual currencies, and educating them on investment-related matters.

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

**Data Source:** [www.sec.gov](http://www.sec.gov) and [www.investor.gov](http://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.

<b>Fiscal Year</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014 Actual</b>
Number of projects	0	0	2	2	0	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.

<b>Fiscal Year</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014 Actual</b>
Number of sets of recommendations	Prior-year data not available			0	4	4

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

**Data Source:** [www.sec.gov](http://www.sec.gov)

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

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 2014, approximately \$261.6 million and 647 full-time equivalents (FTEs) were directed at achieving results in Goal 4. Of 19 performance targets, the agency met or exceeded 13, did not meet five, and did not have a FY 2014 target established for one. During FY 2016, 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 industry. Furthermore, the SEC will continue to strengthen internal controls. The agency is requesting a total of \$366.4 million and 865 FTEs in FY 2016 to achieve results in Strategic Goal 4.

**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

### FY 2014 Performance

The SEC's employees are its most vital strategic resource. The agency 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 2014, the SEC continued to refine a series of programs aimed at enhancing employee engagement and to help maintain the agency's turnover rate at well below 8 percent (**Performance Goal 4.1.1**). In order to improve the SEC's ranking in the

survey of best places to work in the Federal government (**Performance Goal 4.1.4**), the agency has continued to focus on improving communications, working constructively on key issues with the National Treasury Employees Union, and other initiatives.

### Budgeting for the Future (FY 2016)

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 2016, the SEC will continue to refine a series of programs to enhance its human capital, such as rewarding high performance, promoting high employee satisfaction and updating staff skills. In FY 2016, the SEC will continue to implement an effective training program to deepen the expertise of its employees in the rapidly evolving markets and the areas of new responsibility for the Commission. The training supports employees directly involved in examinations, investigations, fraud detection, litigation, and other core mission responsibilities of the SEC. Such training can focus on new trends in the securities industry and changing market conditions, as well as analytics and forensics. It also allows staff to obtain certain specialized financial certifications and regulatory credentials, as well as the advanced continuing education credits required for maintaining legal and financial credentials (**Performance Goal 4.1.2**).

The SEC's success at meeting its mission depends upon effective leadership at all levels. From branch chiefs to the Commission's senior leadership, the SEC's leaders must motivate, manage employees effectively, and play a critical role in identifying the key areas on which staff should focus their attention to generate the greatest benefit for investors. Through leadership and employee development programs, the SEC will continue to maintain a diverse group of technically proficient leaders that can conduct their supervisory responsibilities effectively and meet the dynamic challenges of market oversight (**Performance Goal 4.1.5**).

**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 percent per year.

Fiscal Year	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014 Plan	FY 2014 Actual	FY 2015 Estimate	FY 2016 Estimate
Percent turnover	3.7%	5%	6.4%	6.58%	6.58%	<8%	5.6%	<8%	<8%

**Target:** Met

**Analysis:** In FY 2014, retirements increased 35 percent from FY 2013, largely driven by SEC's VERA/VSIP offerings that saw 67 employees accept the early retirement authority. This increase in retirements was offset by decreases in voluntary resignations (down 16 percent from FY 2013) and transfers to other Federal agencies (down 44 percent from FY 2013).

**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 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014 Plan	FY 2014 Actual	FY 2015 Estimate	FY 2016 Estimate
Mission-focused training attendance		Prior year data not available				12,000	16,270	17,000	18,000
Post-course evaluations of mission-focused training		Prior year data not available				4.5	4.14	4.25	4.35

**Target:** Mission-focused training attendance – Exceeded; Post-course evaluations of mission-focused training – Not Met

**Analysis:** SEC University will continue to improve upon the quality of its training programs to ensure that the learner receives the skills and knowledge to perform more effectively. This improved quality will be reflected in increased post-course evaluations. At the same time, SEC University will diversify its methods of delivery to a more blended learning approach. This will result in more learning items, at times delivered in smaller, more focused chunks, aimed at specific knowledge or skill areas.

**Plan for Improving Program Performance:** Work more closely with internal stakeholders to identify specific learning needs. Revise content of training materials and programs to better address needs.

**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 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014 Plan	FY 2014 Actual	FY 2015 Estimate	FY 2016 Estimate
Number of partnerships/alliances	Prior-year data not available	2	10	12	13	15	18	15	18

**Target:** Exceeded

**Analysis:** OMWI met and exceeded its goal for the number of partnerships/alliances in FY 2014. OMWI achieved this by building upon its FY 2013 relationships with various diverse organizations and associations and by seeking to develop additional partnerships.

**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 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014 Plan	FY 2014 Actual	FY 2015 Estimate	FY 2016 Estimate
<i>Best Places to Work</i> ranking	Ranked #11	Ranked #24	Ranked #27	Ranked #19	Ranked #15	Ranked #5	Ranked #14	Ranked #12	Ranked #10
Average of employee engagement and global satisfaction index	Prior-year data not available				61%	75%	66%	67%	68%

**Target:** *Best Places to Work* ranking – Not Met; Average of satisfaction index – Not Met

**Analysis:** In FY 2014, the achievement of 66 percent is a reflection of the work and collaboration between SEC's Managers, Leaders and NTEU toward improving SEC's organizational culture. The "Labor Management Forums" and "All Invested" program served as the primary venues for collaboration and helped drive improvements in measures of employee work-life and organizational culture.

In FY 2014, the SEC was recognized by OPM and the Partnership for Public Service as the "Most Improved Agency" via a gain of 5 percent.

**Plan for Improving Program Performance:** Continue to build a collaborative environment primarily by supporting the work of the Labor Management Forums and promoting activities that enhance internal communication and employee engagement.

**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 internal 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 internal candidates.

Fiscal Year	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014 Plan	FY 2014 Actual	FY 2015 Estimate	FY 2016 Estimate
Percentage		Prior-year data not available				N/A	68%	85%	100%

**Target:** N/A

**Analysis:** The FY 2014 percentage is the actual and serves as the baseline. Each year we expect to send more eligible employees through leadership training which will increase the number of employees prepared to assume Senior Officer positions thus increasing our bench strength.

**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

**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

**FY 2014 Performance**

The SEC’s divisions and offices collaborate in a variety of ways to advance the Commission’s mission. Such coordination is critical for any organization as large and complex as the SEC to bring together different perspectives, decide on the best course of action, and implement that course in the most effective way. Given the importance and complexity of the SEC’s mission, it is imperative that the Commission continuously improve its ability to break down silos, share information and work jointly towards a common purpose through enhanced information technology.

In FY 2014, the SEC continued to consolidate and centralize its collaborative technologies to a commonly used enterprise set and met its target of 35 percent of the SEC’s offices and divisions utilized the centralized enterprise collaboration solutions. The Technology Center of Excellence made continued progress supporting SEC division and offices, including improvement in the ability to share innovation across the SEC (**Performance Goal 4.2.2**).

**Budgeting for the Future (FY 2016)**

In FY 2016, information technology will continue to play a crucial role in the mission of the SEC and its ability to share information and data both internally and externally. The SEC will continue to gather a wide variety of data from corporate disclosures, equity exchange feeds, investigations and examinations, tips, complaints, and referrals, and commercial vendors. The SEC will continue to work to develop systems that will allow more of this information to be quickly shared, analyzed, and combined with other information about the same entity or individual. These efforts should save staff time, provide better information about the firms the SEC regulates, and enhance the ability to uncover hidden risks to investors (**Performance Goal 4.2.2 and Performance Goal 4.2.3**).

The increasing size and complexity of the U.S. markets require that the SEC continue to leverage technology to improve its productivity, as well as identify and address the most significant threats to investors and eliminate down time to SEC systems (**Performance Goal 4.2.1**).

**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 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014 Plan	FY 2014 Actual	FY 2015 Estimate	FY 2016 Estimate
Percentage of servers virtualized	12%	22%	38%	79%	93%	94%	95%	95%	95%
Percentage fail over within 8 hours	Prior-year data not available					100%	100%	100%	100%

**Target:** Percentage of servers virtualized – Exceeded; Percentage fail over within 8 hours – Met

**Analysis:** OIT recognizes that with increased system growth, the percent of servers virtualized will be impacted in future years.

**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 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014 Plan	FY 2014 Actual	FY 2015 Estimate	FY 2016 Estimate
Number of enterprise solutions	Prior-year data not available	10%	20%	25%	30%	35%	35%	40%	45%

**Target:** Met

**Analysis:** In FY 2014, OIT produced cost savings and efficiencies by reducing telecommunications cost, enhanced infrastructure through technology refresh and increased overall bandwidth. As a result of better contract management OIT produced significant savings by changing the contract vehicle for the MI-FI data contract. The Technology Center of Excellence made continued progress supporting SEC division and offices, including improvement in the ability to share innovation across the SEC. In FY 2015, OIT will achieve greater efficiency through expanded WI-FI to allow users to have secure wireless access anywhere in the SEC.

**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 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014 Plan	FY 2014 Actual	FY 2015 Estimate	FY 2016 Estimate
Availability rate for VTC solutions	Prior-year data not available				80%	99.99%	99.99%	99.99%	99.99%

**Target:** Met

**Analysis:** By the end of FY 2014, 99.99 percent of SEC users had the ability to use High Definition video conferencing capability and VoIP technology to host video teleconferences from their workspaces. Attendees were able to participate from their individual workspaces or from a conference room.

OIT monitors the availability of the SEC's video bridges on a 24/7/365 basis as well as the number of VTC sessions which terminate abnormally (as a percentage of the total number of VTC sessions). These metrics indicate that the VTC infrastructure has a consistent 99.99 percent uptime and availability rating. The VTC infrastructure resides on the redundant network architecture, which is being monitored by various tools.

**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 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014 Plan	FY 2014 Actual	FY 2015 Estimate	FY 2016 Estimate
Percent reduction in operational run cost leveraging technology and process efficiencies	Prior-year data not available				18.7% cost reduction in steady state run costs	1% reduction in run costs	1% reduction in cost	1% reduction in cost	1% reduction in cost

**Target:** Met

**Analysis:** OIT will continue its cost reduction strategies, and will monitor costs in light of new program and customer growth.

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

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

**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 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014 Plan	FY 2014 Actual	FY 2015 Estimate	FY 2016 Estimate
Availability rate for the EDW infrastructure components in production		Prior-year data not available				99%	99%	99%	99%

**Target:** Met

**Analysis:** The implementation of the Enterprise Data Warehouse provides various capabilities and efficiencies including: delivers enhanced business intelligence; save times by allowing users to quickly search and access critical data from a single place; enhance data quality and consistency; and provides historical intelligence by allowing users to analyze different time periods and performance trends in order to make future predictions.

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

**Data Source:** 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 Operating Officer

**FY 2014 Performance**

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 2014, the SEC successfully received an unqualified audit opinion with no material weaknesses (**Performance Goal 4.3.1 and Performance Goal 4.3.2**).

**Budgeting for the Future (FY 2016)**

In FY 2016, the SEC will continue to maintain strong financial management practices and robust internal controls (**Performance Goal 4.3.1**). The SEC will continue to focus on enhancing its processes and systems in its budgeting, accounting, and internal controls over operations (**Performance Goal 4.3.2**). In addition, the SEC will continue delivering complete, concise, and meaningful information about the financial and operating performance of the Commission that supports management decision-making.

As an agency of the Federal government entrusted with public funds, the SEC must always strive to enhance the value for investors it creates from every budget dollar. In FY 2016, the SEC will continue to strive to allocate the resources approved by Congress and the President towards the highest and best uses for the agency’s mission (**Performance Goal 4.3.3**). The SEC also constantly reevaluates its operations to identify cost savings and maximize their benefit.

**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 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014 Plan	FY 2014 Actual	FY 2015 Estimate	FY 2016 Estimate
Unqualified opinion	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Material weaknesses	1	2	0	0	0	0	0	0	0
Significant deficiency	6	0	4	2	1	0	1	0	0

**Target:** Unqualified opinion – Met; Material weaknesses – Met; Significant deficiency – Not Met

**Analysis:** The SEC received no material weaknesses in FY 2014, the fourth year in a row. The FY 2014 audit did identify one significant deficiency, in the area of disgorgements and penalties. As described further below, the SEC will focus its energies on improving controls on this critical area, as well as improving its internal controls program and upgrading or replacing key financial systems.

**Plan for Improving Program Performance:** In FY 2015, the SEC is undergoing assessments of the controls, processes, and systems supporting the agency's accounting for disgorgements and penalties. Among other goals, these efforts are aimed at improving the agency's ability to accurately capture new accounting events resulting from the SEC's enforcement cases on a timely basis. In order to strengthen controls in other aspects of the agency's finances, the SEC will focus on modernizing the systems supporting property and equipment and filing fees, and will look to enhance its program for internal control assessments.

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

**Data Source:** 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 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014 Plan	FY 2014 Actual	FY 2015 Estimate	FY 2016 Estimate
Unqualified opinion	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Material weakness	0	0	0	0	0	0	0	0	0

**Target:** Unqualified opinion – Met; Material weakness – Met

**Analysis:** Performance goals were met with an unqualified opinion and no material weaknesses. The Office of the Chief Operating Officer will continue to focus on enhancing management assurance reviews of internal controls over operations, including by augmenting division/office risk control inventories and enhanced testing of controls.

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

**Data Source:** 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 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014 Plan	FY 2014 Actual	FY 2015 Estimate	FY 2016 Estimate
OIG recommendations completed in less than one year		Prior-year data not available			78%	80%	76%	76%	76%

**Target:** Not Met

**Analysis:** SEC policy requires that corrective actions to respond to recommendations should proceed as rapidly as possible, and shall be completed within one year of the issuance of a final OIG report. However, in some cases, final action could be delayed as some recommendations could be challenging to address.

**Plan for Improving Program Performance:** The OCOO will continue to receive regular reports from all SEC divisions and offices with open audit recommendations, and to hold meetings with appropriate offices to ensure timeliness of resolution decisions and corrective actions.

**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 2015.



## FY 2016 BUDGET REQUEST BY PROGRAM

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## Division of Enforcement

<i>(DOLLARS IN THOUSANDS)</i>	FY 2014 Actual	FY 2015 Estimate	FY 2016 Request
<b>FTE:</b> Headquarters	465	499	527
Regions	801	844	883
<b>Total FTE</b>	<b>1,266</b>	<b>1,343</b>	<b>1,410</b>
<b>Cost:</b> Salaries and Benefits	\$ 282,114	\$ 314,798	\$ 343,578
Non-Personnel Expenses	173,663	179,906	184,651
<b>Total Costs</b>	<b>\$ 455,777</b>	<b>\$ 494,704</b>	<b>\$ 528,229</b>

### FY 2016 FTE BY SEC STRATEGIC GOAL

Goal 1	Goal 2	Goal 3	Goal 4
Establish an Effective Regulatory Environment	Foster and Enforce Compliance with Federal Securities Laws	Facilitate Access To Information Investors Need	Align and Manage Resources
14	1,340	14	42

The SEC relies upon a vigorous enforcement program in order to protect investors and instill confidence in the integrity of the markets. The Division of Enforcement supports this mandate by investigating potential violations of the securities laws, and, when appropriate, filing civil charges against wrongdoers in Federal district court or in administrative proceedings. Among other things, the Division can obtain monetary penalties that punish wrongdoers and deter others from committing similar violations; disgorgement of ill-gotten gains that, along with monetary penalties, may be returned to harmed investors; injunctions that prevent wrongdoers from committing additional violations of the securities laws; and bars that prevent wrongdoers from working in the industry where they could otherwise victimize again.

The Division continues to achieve significant results. In the fiscal year that ended September 2014, the SEC filed a record 755 enforcement actions. The SEC also obtained orders for more than \$4.16 billion in disgorgement and penalties in FY 2014, which is also a record.

In FY 2014, the Division filed a number of first-of-their-kind actions. The SEC filed the first series of cases involving violations of the market access rule, the first action enforcing the “pay to play” rule for investment advisers, the first action against a private equity firm relating to its allocation of fees

and expenses, and the first anti-retaliation case to protect a whistleblower who reported improper trading activity. The SEC also is using its penalty authority to ensure that its actions have the appropriate deterrent effect. The SEC obtained the largest penalties ever (by a factor of forty) for net capital violations. The Commission also obtained the largest penalty to date against an alternative trading system, and separately obtained the largest penalty ever against individuals in a Foreign Corrupt Practices Act (FCPA) case.

Notwithstanding these results, the Division faces continued challenges. Accordingly, the Division is requesting 93 additional positions in FY 2016. As described in more detail below, the Division needs resources in each of its three mission-critical functions. First, to effectively identify misconduct, the Division needs sophisticated technology tools to collect and analyze market data, as well as staff to conduct investigations and litigation in critical areas. Second, to maintain an effective investigative function, the Division needs to continue devoting resources to high-priority areas such as accounting and reporting fraud, market structure, and other areas. Third, to maximize the deterrent impact of enforcement actions, the Division needs additional staff to litigate the growing number of contested cases.

## Challenges Facing the Enforcement Program

The Division of Enforcement faces a number of key challenges to its ability to effectively and efficiently prosecute violations of the securities laws. Some of these are discussed below.

### **Fragmented and complex equity markets pose unique challenges**

**to Enforcement:** In recent years, the securities markets have grown increasingly complex and opaque. There has been a proliferation in sophisticated tools and trading methods used in the markets, including the use of high frequency trading, complex algorithmic trading, and off-exchange trading venues. Unlawful trading strategies – such as “layering,” in which a trader sends and then 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. The Division is committed to uncovering and charging violations of the law by all manner of market participants in these new trading venues and elsewhere. Accordingly, the Division needs sufficient analytical tools, as well as staff to analyze data from these tools, to ensure it keeps pace with this constantly evolving environment.

**The Division is filing more cases and conducting more trials:** The Division’s caseload is growing rapidly. In FY 2014, the SEC conducted 30 trials and hearings, almost twice the number of the previous year. As its litigation caseload increases, the Division is incurring greater expenses for experts, consultants, e-discovery, data loading, and contractor support. Although the volume will vary, the Division expects the upward trends in litigation activity and costs to continue, and needs sufficient resources to ensure it can continue to effectively prosecute violations of Federal securities laws and hold violators accountable.

### **Advanced technological capabilities are essential for effective**

**investigations:** Each month, the Division receives seven terabytes of electronic data in its investigations. The sheer volume of digital evidence produced by the SEC in its investigations requires ever-greater storage and processing powers – not to mention the additional time needed for investigators to review that mass of information. In addition, in today’s society, fraudsters have an ever-expanding array of technological options to conceal misconduct and encrypt the evidence of their wrongdoing. The Division needs additional resources to effectively monitor this changing landscape.

**The Division prosecutes resource-intensive and highly technical areas of misconduct:** Certain high-priority areas of misconduct

can be highly technical and particularly resource-intensive. This includes financial reporting matters as well as market structure matters, including actions against securities exchanges and alternative trading systems. Having adequate resources to address these areas is vital to both uncovering the misconduct and doing so in a timely manner. For example, the Division has created a Financial Reporting and Audit Task Force, focused on improving its ability to detect and prevent financial statement and accounting fraud. Indeed, the number of financial reporting and issuer disclosure brought in FY 2014 cases rose by almost 50 percent from the previous fiscal year as the SEC increased its focus on this area. However, these types of investigations often demand a substantial commitment of resources and staff time. Absent additional funds, those resources will have to be drawn from other priority areas.

### **The Division’s whistleblower office takes in thousands of tips per year, generating a fresh stream of case leads that deserve**

**investigation:** In FY 2014, the Division received approximately 15,000 tips, complaints, and referrals, and approximately 3,600 of these were from whistleblowers. Whistleblowers can often provide high-quality information that allows the Division to more quickly and efficiently detect and investigate alleged violations of the law. Staff from the Division’s Office of Market Intelligence (OMI) closely examine each tip to identify those that are sufficiently specific, credible, and timely to warrant the additional allocation of SEC resources. Individuals who voluntarily provide the SEC 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 percent of the monies collected. The Division believes momentum for this program is building. In FY 2014, the Office of the Whistleblower received more tips than ever before, made the largest number of awards, announced its largest award ever of \$30 million to an individual, and returned over 2,700 phone calls from members of the public. The Division anticipates that these significant payments will further incentivize whistleblowers to come forward and submit high quality tips. In turn, the Division expects to initiate more investigations and to bring enforcement actions against violators where it would otherwise have not had sufficient information to do so.

### **The Division’s policy of requiring admissions of wrongdoing in certain cases may require additional resources:**

In FY 2013, the SEC changed its long-standing settlement policy, and now requires 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. By the end of FY 2014, the SEC had obtained admissions in over a dozen cases, and more are in the pipeline. 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 this commitment to litigate such cases in any instances in which the SEC's demands for admissions of wrongdoing are not met.

**New Commission rules must be carefully monitored and any misconduct must be immediately and aggressively addressed:**

As the Commission promulgates new rules, including under the Dodd-Frank Act and JOBS Act, there are additional opportunities for misconduct. The Division is committed to carefully monitoring this landscape, and moving swiftly against those who violate the new rules. For example, the Jumpstart Our Business Startups (JOBS) Act includes a new rule that allows for broader solicitation of certain types of investments. To monitor this new area of the market, the Division created the JOBS Act Task Force, which has created risk-based initiatives to identify parties that are not adhering to the new regulations, including issues related to inadequate efforts to verify accreditation. 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.

**The Division is committed to charging wrongdoing across the spectrum of securities laws violations:** The Division is tasked 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 all market participants. The Division requires additional resources in order to properly address this wide range of violations and violators.

**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, act quickly to halt misconduct and minimize investor harm, and maximize deterrence. These initiatives include:

- **Addressing Violations Through Sweeps and Streamlined Investigations:** 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 FY 2014, the Division used quantitative data analytics to root out and file charges against 34 individuals who had repeatedly violated securities laws by not promptly reporting information about their holdings and transactions in company stock.

- **Using Big Data to Detect and Investigate Violations:** The Division is increasingly leveraging big data to detect and investigate misconduct. As an example, the staff has developed new analytical tools to detect suspicious trading patterns to assist in building insider trading cases. In addition, the Financial Reporting and Audit Task Force is partnering with the Division of Economic and Risk Analysis to refine a tool that will enable the staff to detect anomalous results (and thus potential case leads) in large amounts of public company filing data. Moreover, the recently established Center for Risk and Quantitative Analytics 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. The Division expects that these improved information processing and analysis capabilities will yield a steady stream of additional case leads. The Division accordingly needs commensurate technology tools and staff to review and analyze those leads.
- **Continued Focus on Market Structure, Exchanges, and Broker-Dealers:** As sophisticated trading technologies and trading venues have proliferated, Enforcement is focused on keeping pace with an ever-evolving marketplace. As an example, during FY 2014, the Commission filed significant cases against market participants, such as exchanges, ATSS, and broker-dealers, for failures in controls, failures to safeguard customer information, net capital violations, and manipulative trading.
- **Advanced Relational Trading Enforcement Metrics Investigation System (ARTEMIS):** 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.

- **Operation Broken Gate:** The Division is 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, the staff is also 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 11 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 Task Force:** The Division is continuing its focus on fraud in the promotion and manipulation of stock in thinly traded “penny stock” companies with low capitalization – focusing especially on recidivists and gatekeepers who enable such schemes, including attorneys, auditors, broker-dealers, transfer agents, promoters, and others. 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, particularly to less sophisticated retail investors.
- **Aberrational Performance Inquiry:** The Division continues to charge hedge fund advisers who post suspicious performance returns. Working closely with others in the SEC, including DERA, OCIE, and OIA, 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. Each expert is affiliated with one of the Division’s specialized units, where he or she advises unit staff on particular investigations and helps develop forward-looking risk-based initiatives. In addition, the experts are available to other Division staff as appropriate for consultation on investigations.
- **Municipal Securities and Public Pensions:** The Division’s Municipal Securities and Public Pensions Unit is focused on bringing ground-breaking enforcement actions against cities, states, other public issuers, and their underwriters for misrepresentations in public offerings, inadequate risk disclosures, ignoring pay-to-play restrictions, and other violations. As an example, in FY 2014, the Division launched the Municipalities Continuing Disclosure Cooperation (MCDC) Initiative, which encourages and rewards self-reporting of certain violations by municipal issuers and underwriters. The Commission has already brought its first action arising from this Initiative.
- **Communication and Coordination with Other Divisions, Regulators and Criminal Authorities:** The Division plans to continue coordination with other SEC divisions, as well as with other securities regulators and appropriate criminal authorities, to detect securities violations and prosecute them accordingly. As an example, we recently launched the Broker-Dealer Task Force to promote coordination among OMI, OCIE, TM, OIEA, FINRA, and state regulators. This led to greater focus on issues and practices within the broker-dealer community and development of national initiatives for investigations. The Division expects that such coordination initiatives will continue to generate investigative leads well through FY 2016, and needs sufficient staffing to analyze and pursue these leads.

## 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 Division 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 2016, the Division is requesting 93 additional positions. These additional resources will support the Enforcement program’s current and future initiatives by, among other things:

- hiring experienced forensic accountants, attorneys, industry experts, paraprofessionals, and information technology and support staff, to promptly detect, prioritize, and investigate areas appropriate for enhanced enforcement efforts;

- 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;
- expanding Enforcement's data analytics expertise to assist in the implementation of big data projects; state-of-the-art investigative tools, such as eDiscovery and knowledge management; and improved forensic capabilities; and
- bolstering staffing for intelligence functions including the collection, analysis, triage, referral, monitoring, and follow-through on the thousands of tips, complaints and referrals that the agency receives each year.

The 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. The Division receives and analyzes approximately 15,000 tips, complaints, and referrals a year, and expects these responsibilities for intelligence analysis will only expand in the coming years. Additionally, the Commission will shortly begin receiving security-based swaps (SBS) data, as mandated by the Dodd-Frank Act. As a result, the Division needs to continue to bolster its capabilities to efficiently process, vet, and analyze the information so that the most promising leads can be handed off to investigative staff.

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. Accordingly, the Division is requesting 20 new positions in FY 2016 to continue to develop its data analytics function, its OMI review function, and also 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 requires increased staffing 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 in the changing equity markets 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 50 new positions in FY 2016 to reinforce the investigations function.

These new positions will help the Division 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 2016, 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:**

The Division handles an expansive and sophisticated docket of litigation and trials, often against well-funded adversaries. Ensuring that appropriate resources are devoted to these cases after they are filed is critical to the SEC's investor-protection efforts. Successful litigation deters wrongdoing, sanctions those responsible for misconduct, and can result in relief for victims. In addition to trial victories, the Division's litigation efforts help it obtain strong settlements by making clear that the Division will go as far as required in order to obtain appropriate relief. 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 23 new positions in FY 2016 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.

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

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

- **Analytical toolsets and analysis platforms:** The Division requires new analytical tools and analysis platforms to implement many of its risk-based initiatives.
- **eDiscovery:** The Division must continue to invest in modernizing its eDiscovery technologies and toolsets. The Division's investigations deal with expanding amounts of data and new techniques and capabilities are needed to collect, search, categorize, and review relevant materials. These investments will enable staff to uncover more needles, in larger haystacks, in a shorter period of time.

- **Access to 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 acquire these data feeds and information sources.
- **Blue Sheets modernization:** To better support the Division’s investigations our Blue Sheets system, which is used to analyze stock transactions and which is now more than a decade old, must be modernized. In recent years the system has struggled to keep pace with changes in the market – especially the vast increase in trade data caused by algorithmic trading – while meeting the increased demand for quantitative data and analysis to support our investigations. Modernizing the Blue Sheets system will address these limitations, and provide a robust capability to support complex investigations and feed other analytical tools and analysis platforms.

- **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.
- **Document management:** Enforcement is leading the adoption of a document management technology that will greatly simplify the storage and sharing of electronic documents throughout the national program. A modern document management system will give the staff immediate access to a comprehensive, secure repository of pleadings, correspondence, and other case files and documents.

Many of these technologies will have benefits for divisions and offices across the SEC. Investments made into eDiscovery, knowledge management, document management, and analytical tools and analysis platforms are readily shared agency-wide, including with OCIE, DERA, OGC, IM, and OIG. The Division also will continue working closely with other Federal regulators and law enforcement to share investigative techniques, technologies, and capabilities when appropriate.

**WORKLOAD DATA**

Activity	FY 2014 Actual	FY 2015 Estimate	FY 2016 Request
<b>Intelligence Analysis</b>			
Investor Tips and Complaints	15,472	16,000	16,000
Matters Under Inquiry (MUIs) Opened	1,009	1,050	1,100
FTE	279	295	310
<b>Investigations</b>			
Opened	995	1,050	1,100
Ongoing at End of Year <sup>1</sup>	1,612	1,625	1,650
FTE	696	739	775
<b>Proceedings</b>			
Administrative:			
Opened	610	615	625
Pending at End of Year	714	715	715
Civil Litigation:			
Opened	145	150	160
Pending at End of Year	1,767	1,750	1,750
FTE	291	309	325
<b>Total FTE</b>	<b>1,266</b>	<b>1,343</b>	<b>1,410</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 2014 Actual	FY 2015 Estimate	FY 2016 Request
<b>FTE:</b> Headquarters	181	211	242
Regions	721	753	864
<b>Total FTE</b>	<b>902</b>	<b>964</b>	<b>1106</b>
<b>Cost:</b> Salaries and Benefits	\$ 196,959	\$ 223,185	\$ 264,240
Non-Personnel Expenses	80,730	81,849	85,372
<b>Total Costs</b>	<b>\$ 277,689</b>	<b>\$ 305,034</b>	<b>\$ 349,612</b>

### FY 2016 FTE BY SEC STRATEGIC GOAL

Goal 1	Goal 2	Goal 3	Goal 4
Establish an Effective Regulatory Environment	Foster and Enforce Compliance with Federal Securities Laws	Facilitate Access To Information Investors Need	Align and Manage Resources
11	1,051	11	33

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

In response to an ever-changing and evolving regulatory environment, the examination program has implemented a continuous improvement process across several critical areas, including people, strategy, and technology. The program intends to use the additional resources requested in FY 2016 to continue the implementation of key improvement initiatives 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) lessen the impact of the disparity between the number of exam staff and the growing number and complexity of registered firms, particularly in the

investment management industry and the newly registered Municipal Advisors; (2) continue implementation of certain legislative changes, including provisions of the Dodd-Frank and JOBS Acts; (3) enhance and expand quantitative and data analytic efforts; and, (4) more effectively target risk, and monitor and examine market participants. OCIE will also enhance training and expertise of examiners in data analysis, fraud detection and prevention, technology, new products and trading strategies, and other critical issues. Additionally, in FY 2016, OCIE will continue its efforts to promote industry compliance efforts through initiatives such as the Compliance Outreach program.

OCIE requests an additional 225 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, and those entities that introduce significant financial risks to the market. 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 2016.

**The breadth and complexity of the SEC-regulated securities markets is vast and growing:** Given the examination program’s current resources, it is extremely challenging for OCIE to consistently

provide the Commission and our capital markets with reliable, timely, and actionable information to inform policymaking initiatives and enforcement activity. OCIE anticipates that at the beginning of FY 2016 it will oversee more than 25,000 market participants, including nearly 12,000 investment advisers with more than \$65 trillion in assets under management, more than 800 investment company complexes managing over 10,500 mutual funds and Exchange Traded Funds (ETFs), approximately 4,500 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, four of which have been deemed systemically important, 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 continues to dwarf the size of the current exam program (currently close to 900 staff).

**Exam coverage of the securities markets remains limited:** The staff examined approximately ten percent of registered advisers in FY 2014 and roughly 40 percent of advisers have never been examined. Significant additional resources are critical to the exam program in order to improve the examination coverage of investment advisers. With respect to broker-dealers, the program is supplemented by SRO oversight, and together the SEC and SROs examined approximately 50 percent of broker-dealers in some form during FY 2014. 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 oversight:** The largest increase in registered entities has occurred among investment advisers (IAs). A decade ago, there were approximately 8,500 advisers managing \$24 trillion in assets. OCIE projects that these figures will grow to 12,000 advisers managing \$65 trillion in assets in FY 2016. But the increase in the number of advisers and the

amount of assets are not the only factor. 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 has added hundreds of additional registrants with increasingly complex business lines under the exam program's purview. Other provisions in the Dodd-Frank and JOBS Acts, such as those addressing swap participants, swap data repositories, general solicitation, and crowd-funding, will require additional staff resources in FY 2016 in order for OCIE to proactively address these expanded responsibilities.

**Independent reviews have highlighted insufficient examination resources and recommended additional funding:** 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 (IMF) 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 stated 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 SEC's Office of the Investor Advocate recently stated in a report to Congress that the "SEC needs additional resources to bolster its examination program."<sup>3</sup> Further, the Commission's Study on Enhancing Investment Adviser Examinations,

<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

<sup>3</sup> Report on Objectives, SEC's Office of Investor Advocate, June 2014

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.”

In light of the limited resources currently available to the examination program and the existing challenges, the Office is requesting 225 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 2016, 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 225 additional positions for the examinations program, the SEC plans to dedicate 204 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 has 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 2016, 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 in the range of 10 percent annually. However, if the requested resources become available, then the staff estimates that, once all the requested new positions

are fully hired and trained, adviser coverage should reach 14 percent.

**Examinations of never before examined advisers:** Due to significant resource limitations, roughly 40 percent 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 percent. 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 newly registered municipal advisers:** The Dodd-Frank Act requires the registration of certain entities who meet the definition of “municipal advisers.” In FY 2016, the SEC estimates that more than 800 entities will be registered as municipal advisers. 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 more than 10,000 mutual funds and exchange traded funds (ETFs), which hold nearly \$16 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. Additional focus will also be placed on those investment company complexes that have never before been examined.

**Monitoring and examining changes impacting retail investors:** Financial professionals serving retail investors of all ages are increasingly choosing to operate as an investment adviser or as a dually-registered investment adviser/broker-dealer, rather than solely as a broker-dealer. This migration, which may not be immediately apparent to investors, brings associated changes in the legal and supervisory standards governing conduct, as well as the method and intensity of regulatory oversight. Additionally, registrants are developing and offering to retail investors a variety of new products and services that were formerly characterized as alternative or

institutional, including private and illiquid investments and structured products intended to generate higher yields in a low interest rate environment. In FY 2016, OCIE will continue to examine the risks to retail investors given the changing environment, with a focus on issues such as fee structures, reverse churning, best execution, and oversight of services offered from remote locations.

**Improving coverage of broker-dealer branch offices:** Despite the changing landscape, there are still more than 160,000 broker-dealer branch offices. Due to the volume of such offices, the SEC and SROs do not have sufficient resources to examine a material portion of these offices. However, the activities conducted at these remote locations are often significant and present certain risks (as these locations are frequently the main point of contact between broker-dealers and their retail customers). Given these risks, OCIE intends to use a portion of the additional resources requested on targeting and examining higher risk branch offices.

**Protecting retirement investors:** According to the U.S. Administration on Aging, individuals who are 60 years or older are projected to comprise 25 percent of the U.S. population in 2030. Given the decades long shift of employers offering defined benefit pensions to defined contribution plans, the financial security of these individuals in (or near) retirement is more dependent than ever on their own investments and the services provided by financial advisers. The financial services industry offers a broad array of information, advice, products and services to these investors to help them plan for, and live in, their retirements. In FY 2015 and FY 2016, OCIE will focus resources on examining the risks to retirement investors in areas such as sales practices, suitability, and elder abuse.

**New procedures and practices to address reforms to securities regulations:** OCIE expects to enhance exam procedures and techniques in FY 2016 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. Further, the Volcker rule will present unique resource issues for broker-dealer oversight as FINRA examination authority is limited in this space, the subject matter is complex and presents significant safety and soundness issues, and examinations must be coordinated with multiple regulators.

**Verification of assets and controls at broker-dealers and advisers:** A portion of the additional staff requested for FY 2016 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 2016, staff will also review the processes and controls related to: cyber security practices; wrap fee programs; fees and expenses, particularly in the private equity space; valuation of complex, illiquid assets; and financial controls and the adequacy of net capital of broker-dealer firms.

**Examinations targeting higher risk entities, including an emphasis on tips, complaints and referrals:** In FY 2015 and FY 2016, 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 which 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 2016 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 2016, OCIE will continue to enhance its oversight of clearing agencies given these entities importance to the stability of the market place and consistent with 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 (such as stock plan administration), and review transfer agents’ safeguarding of customer information and custody of shareholder funds (in 2014, transfer agents paid over \$1.2 trillion in dividends, interest, and redemptions). In addition, staff will focus on the custody of lost or escheatable securities and funds to prevent shareholder fraud.

Overall, five 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 2016, 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. 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 2016, 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, and SB SEFs, eight 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 expanded the PCAOB's authority to oversee audits of broker-dealers. In FY 2015 and FY 2016, the examination staff will follow up on prior findings and recommendations related to the PCAOB's inspection program, monitor results of PCAOB inspections of 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 (TCP), outreach initiatives and specialized working groups as described further below.

**Technology Focused Exams:** The capital market's technology has evolved for decades which has increased the complexity, interconnectedness, and speed of transactions, and continues to challenge market participants and regulators. During examinations in FY 2016, 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's Technology Controls Program (TCP) also performs inspections of the automated trading and clearing processes of markets and clearing organizations. In FY 2015 and FY 2016, OCIE, in support of recently adopted Regulation Systems Compliance and Integrity (SCI), 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 system disruptions. The TCP inspection function

is also expanding to incorporate 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 Office of Chief Counsel:** OCIE's OME will continue to support the examination program in a number of critical areas during FY 2016, including risk analysis and surveillance, registration, training, human capital, 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 Office of Chief Counsel will continue to provide legal and other interpretative advice to the program while also overseeing the exam program's internal compliance program. Three additional positions are requested in FY 2016 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 2015 and FY 2016, 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, issuing public

reports and Risk Alerts, and speaking at conferences concerning areas of regulatory interest.

## Developing Technology and Data Analytics

As technology continues to evolve and alter the way entities conduct business, it is imperative that the exam program make appropriate investments to keep pace and to more effectively and efficiently conduct its activities. Continued investment in a multi-year technology and analytics plan is critically important to the success of OCIE's programs. Several of the key initiatives in this area for FY 2016 and beyond are discussed below.

**Data and Quantitative Analytics:** In FY 2015 and FY 2016, OCIE will continue to focus resources on enhancing quantitative and data analytic efforts. Specifically, the program will focus on acquiring and developing tools that will help analyze large amounts of data and generate alerts and exception reports focused on high risk activities and 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. Overall, these capabilities will further expand

and enhance OCIE's ability to fight and deter potential violations of law, rules, and regulations.

### 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 information that allows the staff to conduct exams more effectively and analyze trends across the program.

### Improvements to IT Infrastructure:

In FY 2016, 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 will work with the Office of Information Technology to develop and maintain an appropriate technological infrastructure for this data, so that it can be easily accessed, analyzed, and disseminated.

## WORKLOAD DATA

Activity	FY 2014 Actual	FY 2015 Estimate <sup>1</sup>	FY 2016 Request <sup>1</sup>
Investment Adviser Examinations	1,150	1,225	1,450
Investment Company Examinations (includes administrators)	87	100	110
Market Oversight Inspections	70	50	50
Broker-Dealer Examinations	493	495	500
Transfer Agent Examinations	46	47	50
Clearing Agency Examinations	10	6	7
Municipal Advisor Examinations	7	45	55
Technology Controls Program Inspections	15	20	31
<b>Total FTE</b>	<b>902</b>	<b>964</b>	<b>1,106</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 firms 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 2015 and/or FY 2016 positions will not be realized until later years.

## Division of Corporation Finance

<i>(DOLLARS IN THOUSANDS)</i>	FY 2014 Actual	FY 2015 Estimate	FY 2016 Request
<b>FTE:</b> Headquarters	457	474	494
<b>Cost:</b> Salaries and Benefits	\$ 100,040	\$ 109,203	\$ 118,864
Non-Personnel Expenses	35,430	35,307	35,974
<b>Total Costs</b>	<b>\$ 135,470</b>	<b>\$ 144,510</b>	<b>\$ 154,838</b>

### FY 2016 FTE BY SEC STRATEGIC GOAL

Goal 1	Goal 2	Goal 3	Goal 4
Establish an Effective Regulatory Environment	Foster and Enforce Compliance with Federal Securities Laws	Facilitate Access To Information Investors Need	Align and Manage Resources
69	10	385	30

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 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, compliance and disclosure interpretations, 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 Act and JOBS Act, and an ongoing initiative to develop specific recommendations for updating the disclosure requirements for reporting companies. CF also reviews company filings and provides comments to companies, when appropriate, to assist them in complying with the Commission's disclosure requirements and to improve disclosure to investors. See further description of CF's specific business functions described below.

The Division requests seven additional positions in FY 2016 to meet its goals and enhance its role in promoting full, fair, and timely disclosure of information for investors.

### Filing Review Activities

In FY 2016, CF will continue its regular and systematic review of reporting companies, and intends to continue to exceed the minimum review requirement of the Sarbanes-Oxley Act of 2002 by continuing to review the reports of companies that comprise a substantial portion of total market capitalization. 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 both new issuers and companies already reporting under the Exchange Act. 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.

For FY 2016, CF plans to strengthen its core disclosure review program, and to meet any increased workload resulting from improved market conditions and additional emerging growth companies confidentially submitting registration statements for non-public review as well as the increased workload of the selective review of periodic and current reports and transactional documents they may file.

## 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 facilitate capital formation. CF also provides interpretive guidance to companies, investors, and their advisors through issuance of staff legal and accounting bulletins, 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 2016, the Commission will continue to implement rules mandated by the Dodd-Frank and JOBS Acts. As part of this implementation, CF anticipates receiving and responding to interpretive requests related to the adoption and application of these rules. In addition, CF will continue to respond to requests for interpretative guidance by writing letters and posting information on the Commission’s Web site.

In addition to carrying out these core rulemaking and interpretive advice functions, in FY 2016 CF also anticipates continuing its ongoing “Disclosure Effectiveness” initiative to develop specific recommendations for updating and modernizing the disclosure requirements for reporting companies.

### WORKLOAD DATA

Activity	FY 2014 Actual	FY 2015 Estimate	FY 2016 Request
<b>Review</b>			
Reporting Company Reviews	4,350	4,350	4,350
Number of New Issuer Reviews			
IPO 1933 Act	615	615	615
New 1934 Act	135	135	135
New Issuer Reviews <sup>1</sup>	750	750	750
Total Reviews	5,100	5,100	5,100
<b>Rulemaking and Interpretive</b>			
General Advice and Coordination			
No-Action Letters/Interpretive Requests	145	140	140
No-Action Letters (Shareholder Proposals)	300	320	320
<b>Total FTE</b>	<b>457</b>	<b>474</b>	<b>494</b>

<sup>1</sup> Because of uncertain market and economic conditions, the Division does not project any growth in the level of transactional filings for future periods. 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 2014 Actual	FY 2015 Estimate	FY 2016 Request
<b>FTE:</b> Headquarters	<b>242</b>	<b>256</b>	<b>282</b>
<b>Cost:</b> Salaries and Benefits	\$ 54,340	\$ 60,038	\$ 68,503
Non-Personnel Expenses	20,293	21,111	21,608
<b>Total Costs</b>	<b>\$ 74,633</b>	<b>\$ 81,149</b>	<b>\$ 90,111</b>

### FY 2016 FTE BY SEC STRATEGIC GOAL

Goal 1	Goal 2	Goal 3	Goal 4
Establish an Effective Regulatory Environment	Foster and Enforce Compliance with Federal Securities Laws	Facilitate Access To Information Investors Need	Align and Manage Resources
135	71	76	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. In furtherance of this mission, TM is requesting 12 additional positions in FY 2016. These additional resources will enable the Division to continue to assume its substantial new responsibilities under the Dodd-Frank Act and the JOBS Act, as well as to actively participate in international groups that address the regulation of today's increasingly complex securities markets. In addition, these resources will allow TM to enhance its supervision of securities markets, securities market infrastructure, securities intermediaries, and other market participants.

TM supervises the major participants in the U.S. securities markets, including 18 securities exchanges (equities and options), 87 alternative trading systems (ATs), nearly 4,500 broker-dealers, 8 active clearing agencies, approximately 450 transfer agents, the Financial Industry Regulatory Authority (FINRA), and securities information processors. The Division also works closely with the Office of Municipal Securities (OMS) to supervise the Municipal Securities Rulemaking Board (MSRB) and municipal advisors.

The scope of these supervisory responsibilities is expected to continue to increase. Since FY 2006, nine new securities exchanges have registered with the SEC, and TM anticipates

up to four additional exchanges to register in FY 2015 and FY 2016. During the next few years, the Division also anticipates up to seven new clearing agencies to register with the Commission, as well as a significant number of new registrants under the Dodd-Frank Act and the JOBS Act once registration requirements established by those laws are implemented. The table below shows these new registrant categories and the expected number of new registrants for each category:

Registrant Category	Number of New Registrants Expected
Security-Based Swap Execution Facilities (SEFs)	20
Security-Based Swap Data Repositories (SDRs)	4
Security-Based Swap Dealers (SBSDs)	50
Major Security-Based Swap Participants (MSBSPs)	5
Crowdfunding Portals	50

**Dodd-Frank Act Implementation:** In FY 2015, TM is continuing significant 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 expanded regulation and examination of clearing agencies, including interagency coordination with respect to those agencies deemed to be systemically significant; and (3) together with OMS, implementation of a new regulatory regime for municipal advisors.

The Division is responsible for more than thirty 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 2016. These initiatives and functions include:

- Registration and regulation of Swap Execution Facilities (SEFs), SDRs, SBSs, and Major Security-Based Swap Participants (MSBSPs);
- Regulatory reporting and public dissemination of security-based swap data;
- Mandatory clearing of security-based swaps – the application of security-based swap rules to cross-border activities and persons engaged in those activities;
- Expanded regulation and supervision of clearing agencies; and
- Ongoing 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 further expects that additional responsibilities may arise based on studies conducted under the Dodd-Frank Act – including studies related to the standards applicable to broker-dealers and investment advisers when providing personalized investment advice – as well as the significant implementation and compliance programs that will be required for the rulemaking already underway.

TM is also participating in 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). Also, in conjunction with the Board of Governors of the Federal Reserve (FRB) and the Federal Deposit Insurance Corporation (FDIC), TM will focus on mechanisms for the orderly liquidation of certain large financial companies, including certain large broker-dealers. This coordination is expected to continue into FY 2016 and beyond.

**International and Related Initiatives:** As the Commission advances its OTC derivatives rules in FY 2015 and FY 2016, TM is participating in international coordination efforts

relating to OTC derivatives, including: (1) leadership roles in the Financial Stability Board (FSB) Working Group on Over-the-Counter (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 a group set up by IOSCO and the Basel Committee on Banking Supervision (BCBS) to monitor international standards for margin requirements for non-cleared derivatives, and (3) bilateral discussions with foreign regulators, including negotiating arrangements to share data held in trade repositories.

In addition, as the Commissions OTC derivatives rules are finalized, TM expects to begin to receive applications for substituted compliance from jurisdictions with significant OTC derivatives markets. In order to implement substituted compliance, TM will need to compare U.S. and foreign regimes for OTC derivatives, negotiate memoranda of understanding with foreign regulators, and recommend Commission action through the notice and comment process.

Beyond the international effort related to OTC derivatives reforms, TM continues to represent the SEC on three permanent IOSCO committees responsible for the regulation of secondary markets and intermediaries. Recent areas of focus have included business continuity planning (and cybercrime), the causes of technology-related market disruptions, and how broker-dealers use credit ratings as part of their credit assessments. Through mid-2015, TM 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.

As part of its ongoing duties to regulate the anti-money laundering (AML) and counter-terrorist financing (CTF) obligations of broker-dealers, TM serves on a Treasury-led task force evaluating the government’s AML-CTF regime. TM also continues to represent the SEC in the U.S. delegation to the Financial Action Task Force (FATF), an intergovernmental organization that develops and promotes policies to combat money laundering and terrorist financing. The Division provides technical assistance to the Department of the Treasury, which heads the U.S. delegation to FATF on issues pertaining to the securities industry, including the upcoming evaluation by FATF of U.S.’ AML-CTF efforts.

## Supervision of Securities Markets

The Division will face significant new challenges in FY 2016 regarding regulation and supervision of the U.S. securities markets. In FY 2016, the Division plans to use the 12 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 12 positions will include 8 in the Office of Market Supervision, 2 in the Office of Analytics and Research, and 2 in the Office of Derivatives Policy and Trading Practices. The new staff will have responsibilities in the areas identified below.

**Critical Market Infrastructure and Technology:** In FY 2015 and FY 2016, TM will continue its work with self-regulatory organizations (SROs) to enhance critical market infrastructure. These efforts include enhancing the resilience, governance, and transparency of securities information processors and their backup systems and providing greater clarity regarding trading halts and error rules for the equities and options markets. TM will also work to ensure 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, the new Regulation SCI, and their own rules.

**New Registration Applications and Amendments by Existing Registrants:** Since FY 2006, the number of exchanges registered with the Commission has doubled to 18. In FY 2015 and FY 2016, the Division expects to review and process registration applications by up to four entities seeking exchange registration, which will require TM to assess whether the applicant has the capacity to meet its statutory obligations as an exchange. In addition, in FY 2016 the Division expects to receive and review about 160 registration amendments by exchanges. In FY 2015 and FY 2016, TM also expects to continue its review of proposed rules under the Dodd-Frank Act relating to the registration and registration of SEFs. More broadly, TM expects to continue to review the regulatory framework for exchanges and other trading venues, including the requirements for ownership and management of such venues.

**SRO Rule Filing Processing:** In FY 2016, the Division expects to evaluate a significant number of proposed rule changes submitted by various SROs. As mandated by the Dodd-Frank Act, any proposed rule change filed with the Commission must be approved or disapproved within statutorily-prescribed time

periods. Moreover, given the expected growth in the number of exchanges, the Division expects to receive about 2,700 proposed rule changes in FY 2016, compared with over 2,500 in FY 2014. 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:** 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 trading venues remains an area of priority and focus for TM. In FY 2012, the Commission adopted a rule directing SROs to implement 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 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 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 also expects to expand the use of its current market data analysis system to 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 on 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, the growth of

high-frequency trading and dark liquidity, and the potential for excessive market volatility, among other developments. The Division, working with DERA, will continue its ongoing evaluation of the appropriate minimum tick sizes for various types of securities. TM will also consider initiatives with respect to the OTC equity markets, including a focus on fair competition among these markets.

**Equity and Index Option Markets:** In the options markets, TM will continue to analyze, evaluate, and respond to market structure changes that result from increased automation, 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 ways 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 continue to pursue initiatives to improve the market structure for trading fixed income securities, including municipal and corporate bonds. Current and ongoing initiatives include the adoption of riskless principal markup disclosure rules by FINRA and the MSRB, development of best execution guidance for the corporate and municipal bond markets, and development of Commission rule proposals designed to improve pre-trade price transparency in these markets.

**New Exchange-Traded Products:** TM will continue to analyze new exchange-traded product filings, which are growing in number and complexity, and will continue to evaluate its overall approach to reviewing these filings. 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 will continue administering the short sale rules (such as the short sale price test rule), including responding to interpretive questions and assisting in examination and enforcement of the rules. In FY 2016, 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 2016, TM also will face growing demands in 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.

**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. As with exchanges, many clearing agency rule changes filed with the SEC must be approved or disapproved on a significantly expedited basis under the Dodd-Frank Act. Several factors compel this expanded oversight:

- Clearing agencies designated as systemically important are required to undergo detailed reviews of quantitative and qualitative information by supervisory agencies. TM 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 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. TM will support the SEC's examination staff in this enhanced examination regime.
- TM will need to focus on significant industry initiatives to reform clearing agency practices with respect to disclosure of risk management information, tri-party securities lending activities, and the duration of the standard securities settlement cycle, among other matters.
- The accounting disclosure and related governance practices of clearing agencies that are not part of public companies will require TM to undertake additional work to appropriately oversee the risk management practices of such clearing agencies.

**Security-Based Swap Clearing Agencies:** In FY 2015, the Division anticipates the Commission will consider adopting rules related 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 as the use of security-based swaps expands. TM also expects greater workload associated with SEC rules related to security-based swaps clearing, as many of the standards and the associated registrations are new.

**Additional Clearing Agency Standards:** In FY 2015, TM expects to consider 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 IOSCO (CPSS-IOSCO). In FY 2016, TM expects to continue leading the CPSS-IOSCO committees reviewing clearing agency matters, and to participate in other committees focusing on topics such as capitalizing banks' exposures to central counterparties.

**Transfer Agents:** TM expects to seek to improve the regulation of transfer agents during FY 2015 through proposals designed to modernize the oversight and regulation of the approximately 430 transfer agents regulated by the SEC.

**New Registrations of Clearing Agencies and SDRs:** In FY 2015 the Division expects to consider at least five applications either to register as security clearing agencies, to register as security-based swap clearing agencies, or to seek an exemption from registration. The new registration activity is driven by 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 United States. Depending on the outcome of these applications, in FY 2016 TM will face additional demands on its supervisory resources for clearing agencies. In addition, TM expects to consider at least four applications for SDR registration in FY 2015 and FY 2016.

**Oversight of SDRs:** In addition to work related to the registration of SDRs, TM expects to begin its program for overseeing new SDRs in FY 2015, including: (1) review of 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 fully implemented, TM will work with DERA to perform regular analysis of SDR data to help inform SEC rulemaking and oversight of the security-based swap market.

**Oversight of Non-Central Counterparty Clearing Agencies:** In FY 2016, the Division also expects to consider recommending that the Commission review the appropriate regulation and oversight of approximately 10-15 clearing agencies who do not act as central counterparties, but whose functions are critical to the securities marketplace.

## Supervision of Securities Firms

The Dodd-Frank Act gives the SEC significant new responsibilities over supervision of securities firms, creating new categories of registrants – SBSDs, MSBSPs, 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 implemented by the Division.

**General Regulation of Broker-Dealers:** TM analyzes issues related to broker-dealer registration and regulation, reviews proposed rule filings of FINRA and other SROs pertaining to the regulation and operation of broker-dealers, responds to requests for no-action or exemptive relief, responds to investor questions and requests for interpretations, provides analysis of actions planned by the Division of Enforcement and OCIE, and collaborates with other divisions and offices regarding broker-dealer regulation. In addition, TM 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 rulemaking efforts regarding its supervision of broker-dealers, including by conducting ongoing monitoring of broker-dealers that use VaR models to calculate net capital and assessing risks arising from broker-dealer affiliates through the 17h program. The Division also is reviewing proposals to enhance the capital and liquidity arrangements by these firms. The Division also expects to advance the last set of amendments to the rules regarding the removal of statutory references to credit ratings, as mandated by the Dodd-Frank Act.

**FINRA Oversight and Rulemaking:** In FY 2016, TM will continue to review and monitor FINRA's efforts to consolidate and revise SRO rules governing virtually all broker-dealers. The Division will consider proposed SRO rule changes and amendments

in areas such as broker-dealer sales practices, supervision of personnel and member firms, and SRO arbitration. TM will also monitor developments in the areas of research analysts, pension plan services, and initial public offerings.

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

The Dodd-Frank Act created new categories of regulated securities market participants, SBSs and MSBSPs. TM will continue 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 OCIE, expects to register these entities on a rolling basis, monitor market developments and promulgate new rules where needed, and respond to interpretive requests. 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. After a firm has been authorized to use VaR 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, including the complex liquidations of Lehman Brothers, Inc., Bernard L. Madoff Investment Securities, LLC, and MF Global, Inc.

**WORKLOAD DATA**

Activity	FY 2014 Actual	FY 2015 Estimate	FY 2016 Request
<b>Securities Firm Supervision</b>			
SRO Proposed Rule Changes Reviewed <sup>1</sup>	63	80	81
SEC Rulemaking, Exemptive Orders, and Interpretive and Other Actions	24	20	15
Interpretive, Exemptive, and No-Action Request Letters Closed <sup>2</sup>	31	30	30
Reviews of Potential Enforcement Actions	1,480	1,300	1,300
Registered Representative Reentry Applications Filed	17	20	20
Provision of Interpretation and Guidance and Responding to General Questions <sup>3</sup>	4,947	5,050	5,050
TCRs <sup>3</sup>	781	1,000	1,000
Risk Assessment of Broker-Dealers Filing Form 17-H			
Firms Assessed	50	50	50
Filings Reviewed	250	275	300
Risk Supervision of Alternative Net Capital Broker-Dealers			
Firms Assessed	6	7	8
Filings Reviewed	72	84	96
Risk Supervision of OTC Derivatives Dealers and Security-Based Swap Dealers			
Firms Assessed	4	4	12
Filings Reviewed	24	48	144
Applications Reviewed	0	0	8
Broker-Dealers			
Registrants	4,326	4,200	4,100
Registration Applications Filed	174	160	140
Registration Amendments Filed	14,330	13,750	13,250
Registrations Withdrawn or Cancelled	517	520	520
Financial Reports Filed	6,350	6,300	6,250
Security-Based Swap Dealers <sup>4</sup>			
Registrants	0	0	50
Registration Applications Filed	0	0	50
Major Security-Based Swap Participants <sup>4</sup>			
Registrants	0	0	5
Registration Applications Filed	0	0	5
Funding Portals	0	50	50
<b>FTE</b>	<b>121</b>	<b>128</b>	<b>142</b>
<b>Securities Market &amp; Infrastructure Supervision</b>			
SRO Proposed Rule Changes and Advance Notices Reviewed <sup>1,5</sup>	2,483	2,530	2,620
NMS & SRO Plan Amendments Filed	19	20	20
SEC Rulemaking, Exemptive Orders, and Interpretive and Other Actions	5	10	10
Interpretive, Exemptive, and No-Action Request Letters Closed <sup>2</sup>	12	10	10

(continued on next page)

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

<sup>2</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).

<sup>3</sup> These two items were previously one item captioned "Provision of Interpretation and Guidance, Responding to General Questions, and TCRs."

<sup>4</sup> These data are included because of the expanded responsibilities assigned to the Commission under the Dodd-Frank Act. The requirement for security-based swap dealers and major security-based swap participants to register with the Commission is subject to the completion of Commission rulemaking.

<sup>5</sup> This item has been recaptioned to reflect that it now includes Advance Notice filings that are now submitted electronically on Form 19b-4 via the SRTS system.

**WORKLOAD DATA (continued)**

Activity	FY 2014 Actual	FY 2015 Estimate	FY 2016 Request
Securities Exchanges			
Registrants	18	19	21
Registration Applications Filed	0	4	2
Registration Amendments Filed	117	125	138
Registrations Withdrawn or Cancelled	0	0	0
Alternative Trading Systems			
Registrants	87	91	91
Initial Operations Reports Filed	12	14	14
Initial Operations Report Amendments Filed	130	140	140
Cessations	12	10	10
Quarterly Reports	350	360	360
Security-Based Swap Execution Facilities			
Registrants	0	0	20
Registration Applications Filed	0	0	20
Proposed Rule Changes Filed	0	0	0
Clearing Agencies (Active)			
Registrants	7	9	9
Registration Applications Filed	4	5	2
Security-Based Swap Data Repositories			
Registrants	0	4	4
Registration Applications Filed	0	4	4
Transfer Agents <sup>6</sup>			
Registrants	334	325	315
Registration Applications Filed	3	10	10
Registration Amendments Filed	198	195	195
Registrations Withdrawn or Cancelled	19	35	20
Annual Reports Filed	262	250	250
Large Traders			
Registrants	4,406	5,210	5,910
Registration Applications Filed	1,591	800	700
Registration Amendments Filed	2,326	2,500	2,500
Terminated or Inactive	134	250	200
Annual Reports Filed	2,257	5,210	5,910
<b>FTE</b>	<b>121</b>	<b>128</b>	<b>140</b>
<b>Total FTE</b>	<b>242</b>	<b>256</b>	<b>282</b>

<sup>6</sup> These data include only SEC-registered transfer agents and omit the approximately 100 transfer agents registered with a bank regulatory agency, which the Commission also oversees.

## Division of Investment Management

<i>(DOLLARS IN THOUSANDS)</i>	FY 2014 Actual	FY 2015 Estimate	FY 2016 Request
<b>FTE:</b> Headquarters	<b>165</b>	<b>186</b>	<b>204</b>
<b>Cost:</b> Salaries and Benefits	\$ 39,918	\$ 45,079	\$ 51,205
Non-Personnel Expenses	12,890	12,714	13,073
<b>Total Costs</b>	<b>\$ 52,808</b>	<b>\$ 57,793</b>	<b>\$ 64,278</b>

### FY 2016 FTE BY SEC STRATEGIC GOAL

Goal 1	Goal 2	Goal 3	Goal 4
Establish an Effective Regulatory Environment	Foster and Enforce Compliance with Federal Securities Laws	Facilitate Access To Information Investors Need	Align and Manage Resources
80	57	63	4

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

The financial crisis highlighted the importance of the careful management of risk by funds and their advisers, including portfolio composition risks and operational risks in particular. IM has been focused on such risks for some time, and has expanded and deepened its oversight of the industry, which enables IM to better identify, monitor, and evaluate these risks in order to facilitate appropriate Commission responses.

In FY 2016, IM expects to focus considerable attention on a set of initiatives to enhance investment management industry resilience to portfolio composition risk and operational risk. Portfolio composition risk refers to the risk related to the mix of a fund’s investments and the impact that mix, including the interaction of particular financial instruments, can have on a fund. Portfolio composition risks can include risks associated with the liquidity and leverage of a fund’s holdings. Operational risk refers to risk from inadequate or failed internal processes and systems. The initiatives are designed to:

- **Improve the data and other information used by the Commission** to understand the risks of the asset management industry and develop appropriate regulatory responses. Existing data requirements need to be expanded and updated.

- **Ensure that registered funds enhance their fund-level controls** so they are able to identify and address risks related to the composition of their portfolios, whether those spring from the overall financial profile of a fund, such as its liquidity levels, or the nature of specific instruments, such as derivatives.
- **Ensure that firms have a plan for transitioning their clients’ assets** when circumstances warrant. The process of creating such a plan in advance of a severe disruption in the adviser’s operations could better prepare advisers and their clients to deal with a transition and its attendant risks if one were required.
- **Implement the new requirements for annual stress testing by large investment advisers and large funds**, as required by the Dodd-Frank Act. Building on lessons learned about stress testing through money market reform, the staff is evaluating what protocols would be appropriate for investment advisers and investment companies. As with transition planning, the staff is considering how to tailor these requirements for asset management, as well as for different types of firms.

In FY 2016, six of the twelve positions requested for IM will be dedicated to the initiatives above.

IM requests two positions to improve its oversight of private fund investment advisers. The positions would be used to build

capacity to analyze Form PF data (including further automation of processes to track trends, identify outliers, and generate reports) and to enhance IM's ability to respond to private fund adviser interpretive requests, identify policy issues, and recommend legislative and regulatory changes in light of changing conditions.

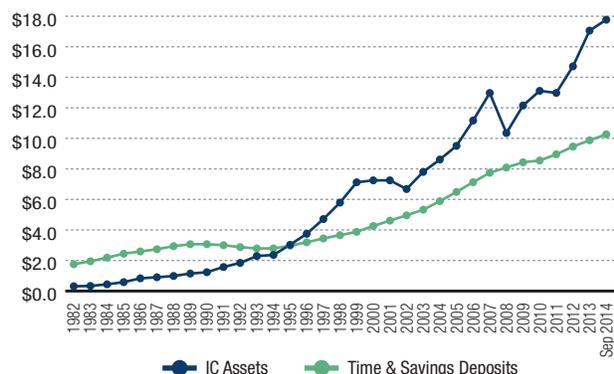
The adoption in FY 2014 by the Commission of money market fund (MMF) reform will subject the MMF industry to a broad range of new requirements for portfolio valuation, liquidity, diversification, stress testing, credit evaluation, share pricing, disclosure to investors and the SEC, and other elements of their operations that will take effect in FY 2016. MMFs will also need to significantly revise existing policies and procedures or adopt new policies and procedures for a number of activities. IM requests two positions in FY 2016 to monitor MMF compliance with the new requirements in order to help ensure that MMF reform is implemented successfully.

IM requests two additional positions to enhance its risk assessment and monitoring program by implementing an automated workflow system that would capture information about the issues revealed by registration statements filed by new mutual funds, Exchange Traded Funds (ETFs) and closed-end funds that are registered with the Commission. The new system would expand the disclosure review program's ongoing analysis of industry trends with a more systematic approach to the compilation and analysis of information.

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), other investment companies, and for investment advisers.

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

(DOLLARS IN TRILLIONS)



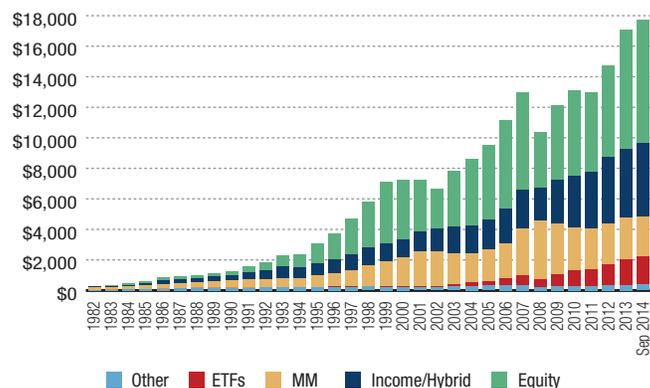
Mutual funds are the largest segment of the investment company industry, accounting for 88 percent of investment company assets. Assets under management have grown from \$94.5 billion at the end of 1979 to \$15.6 trillion at September 30, 2014, a more than 100 fold increase. Over the same period, the number of mutual fund portfolios has increased from 526 to 7,886. Today, assets of mutual funds and other investment companies (\$17.8 trillion) significantly exceed the \$10.3 trillion of time and savings deposits assets at commercial banks.

New types of funds are growing in market share. ETFs – a type of exchange-traded product that must register as investment companies – have grown rapidly in recent years and now account for approximately \$1.8 trillion in assets, or approximately 10 percent of the long-term U.S. open-end investment company industry, primarily in passive, index-based strategies. In October 2014, trading in U.S.-listed ETFs and other exchange traded products made up about a quarter of U.S. equity trading by dollar volume. Private funds have also grown significantly in number and size and many mutual funds are now engaging in alternative investment strategies and using derivatives.

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 September 2014, approximately \$990 billion flowed into bond mutual funds while approximately \$100 billion flowed out of equity funds.

**GROWTH IN ASSETS OF THE INVESTMENT COMPANY INDUSTRY DECEMBER 1982 — SEPTEMBER 2014**

(DOLLARS IN BILLIONS)



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

As of October 1, 2014, there were 11,474 SEC-registered investment advisers reporting approximately \$62.0 trillion in regulatory assets under management, which was a 14 percent increase from the beginning of FY 2014. Approximately 60 percent of these advisers provide investment advice to individuals. Approximately 38 percent provide investment advice to approximately 27,000 private funds such as hedge funds, private equity funds, and venture capital funds with gross assets of about \$9.3 trillion. In addition to registered investment advisers, the SEC also receives reports from approximately 2,768 exempt reporting advisers – advisers whose only clients are private funds and are exempt from registration with the SEC – that report managing over 8,900 private funds accounting for \$2.1 trillion.

## Implementing Statutory Mandates

**JOBS Act:** In FY 2015, the staff expects to continue to monitor and assess private fund offerings under the JOBS Act. Depending on resource availability, the staff may also engage in a related review of investment adviser rules related to advertising and payments made for solicitation, in conjunction with rule changes required by the JOBS Act and other non-mandated priorities, including those related to the offer or sale of interests in private funds.

**Systemic Risk Reporting for Private Fund Investment Advisers:** IM continued to administer and monitor the implementation of reporting requirements for private fund investment advisers to assist the Financial Stability Oversight Council (FSOC) in monitoring for potential systemic risk, a requirement of the Dodd-Frank Act. In FY 2015, the third year of data collection, IM will devote 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.

### Nationally Recognized Statistical Rating Organizations (NRSRO)

**Rating Removal:** In FY 2014, pursuant to a Dodd-Frank Act mandate, the Commission re-proposed amendments to remove references to credit ratings from rule 2a-7 and Form N-MFP under the Investment Company Act. In FY 2015, the Division expects to recommend that the Commission adopt these amendments after addressing issues raised by commenters.

**Stress Testing:** In FY 2014, pursuant to a Dodd-Frank Act mandate, the Division worked on a proposal to implement section 165(i), which requires large financial companies regulated by the Commission to engage in annual stress tests. In FY 2015, IM expects to continue to work on a recommendation that the Commission propose rules providing methodologies and reporting requirements for such stress tests. The staff then would review the comments received and develop a recommendation for Commission adoption.

**Proxy Vote Reporting by Institutional Investment Managers:** In FY 2015, 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 to report how they voted proxies relating to executive compensation matters.

**Coordinated Rulemaking with Federal Banking Regulators:** In FY 2014, the Commission, together with the CFTC and Federal banking agencies, adopted rules implementing provisions of the Dodd-Frank Act that restrict or prohibit banking entities from engaging in proprietary trading and having certain interests in, or relationships with, a hedge fund or private equity fund. IM will continue to work closely in FY 2015 with staff at the five agencies (as well as other SEC staff) to coordinate on the implementation of the agencies' respective rules, and to address interpretive questions, including by issuing coordinated responses to frequently asked questions. In addition, the staff will continue to work with Federal banking regulators in implementing Dodd-Frank Act provisions regarding incentive-based compensation practices at certain investment advisers.

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

In FY 2015, the staff expects to recommend that the Commission propose 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, rulemaking, examination, and enforcement use. The staff expects to issue a proposal that would improve the information reported to the Commission by other types of registered investment companies, such as mutual funds, closed-end funds, and exchange-traded funds. This proposal is expected to modernize and consolidate certain reporting forms and require more frequent and enhanced reporting of portfolio

holdings. If adopted, IM would devote substantial resources to monitor form submissions and data.

## Derivatives

In FY 2014, IM began developing recommendations to the Commission for the proposal and adoption of a new rule that would address the use of derivatives by registered investment companies under Section 18 of the Investment Company Act. The staff expects to issue a recommendation to the Commission in FY 2015 and anticipates reviewing comments received and developing a recommendation for adoption in FY 2016.

## Transition Plans

In FY 2014, IM began developing a proposal requiring investment advisers to create and maintain transition plans reasonably designed to address risks related to the transition of significant numbers of clients. The staff expects to provide such a recommendation to the Commission in FY 2015 and anticipates reviewing comments received and developing a recommendation for adoption in FY 2016.

## Liquidity Management

In FY 2014, IM worked to develop a proposal to require mutual funds and ETFs to establish liquidity risk management programs, as well as measures to ensure the Commission's comprehensive oversight of those programs and options for specific requirements, such as updated liquidity standards and disclosures of liquidity risks. The staff expects to provide such a recommendation to the Commission in FY 2015, and anticipates reviewing comments received and developing a recommendation for adoption in FY 2016.

## Other Rulemaking Initiatives

In FY 2015 and FY 2016, IM anticipates that additional staff time will be devoted to pursuing the following rulemaking initiatives:

**Form ADV Amendments:** Also in FY 2015, in order to assist the Commission's regulatory and examination programs, the staff expects to recommend that the Commission propose amendments to Form ADV to collect additional information regarding separately managed accounts and to accommodate "umbrella registration" concepts that are commonly relied upon by private fund advisers. The staff is currently considering these

recommendations concurrently with the proposal to improve the reporting of information about fund operations and portfolio holdings, which is discussed below.

**Target Date Funds:** In FY 2014, the Commission requested additional comment on a FY 2010 proposal to require 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. The request for additional comment responded to recommendations by the Investor Advisory Committee, concerning the disclosure of risk measures in glide path illustrations and certain other matters. IM evaluated the comment letters submitted to the Commission in FY 2014 and is considering what further actions may be appropriate.

**Investment Advisers/Broker-Dealers:** Section 913 of the Dodd Frank Act grants the Commission authority to adopt rules establishing a uniform fiduciary standard of conduct for all broker-dealers and investment advisers when providing personalized investment advice about securities to retail customers. The Commission issued a public request for information to obtain further data and other information on this important issue. In FY 2015, the staff will continue to consider appropriate next steps.

## Exchange Traded Funds

ETFs have unique attributes that present different regulatory concerns than conventional investment companies. ETFs are rapidly growing and increasingly complex financial products whose activities raise disclosure, conflict of interest, market structure, and macro-prudential issues. In FY 2015 and FY 2016, IM plans to continue to focus considerable attention on product innovation and potential market stresses in this area, including evaluating additional applications for actively managed exchange-traded products that may involve novel and complex structures, trading mechanisms, and index replication methodologies.

## Disclosure

IM's Disclosure Review and Accounting Office (DRAO) reviews and comments on the numerous prospectuses, proxy statements, and other disclosure documents filed by mutual funds, ETFs, variable insurance products issuers, and other investment companies each year. In FY 2015 and FY 2016,

the staff will review almost all 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 certain post-effective amendments that contain material changes in disclosure or in fund operations, as well as certain preliminary proxy statements. Additionally, the staff will continue to fulfill the Sarbanes-Oxley Act requirement to review investment company issuer accounting statements at least once every three years.

In FY 2014, DRAO continued to enhance their monitoring of trends and issues contained in their filings. IM plans in FY 2015 and FY 2016 an initiative to expand DRAO's ongoing analysis of industry trends with a more proactive and systematic approach to the compilation and analysis of information. Specifically, IM would use an automated workflow system to capture information from registration statements filed by new mutual funds, ETFs, and closed-end funds that are registered with the Commission. The information could then be compiled and analyzed with other SEC programs, including the National Exam Program.

At the same time, DRAO is refocusing its efforts to assess the consistency and effectiveness of staff comments on disclosure documents. This is intended to help identify emerging disclosure issues, promote consistency in staff comments, inform policy decisions, and provide improved guidance to registrants on disclosures to investors.

## Interpretive Guidance

IM provides legal guidance through interpretive and no-action letters, interpretive releases, memoranda, and other letters and materials. In FY 2015 and FY 2016, the staff expects to continue to provide legal guidance on a number of issues.

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 also expects to institute new procedures to improve Form ADV reviews in FY 2015, and plans to focus on Form ADV referrals. In FY 2016, the staff expects the number of enforcement-related matters to increase commensurate with

the requested increases in Enforcement staff and the new procedure for Form ADV referrals.

## Exemptive Relief

The staff reviews applications from entities that request exemptions from provisions of the Investment Company Act or the Investment Advisers Act. By granting exemptive relief, the SEC encourages innovation in financial products and services, while assuring that appropriate investor protections remain in place. In FY 2015 and FY 2016, 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. Based on current workload and given the large number of filings of new deregistration applications, the staff estimates it will close about 300 exemptive applications in FY 2016.

## Risk and Examinations Office

The Risk and Examinations Office (REO) manages, monitors, and analyzes industry data; engages in dialogues with senior management and boards of significant asset management firms; provides ongoing financial analysis of the asset management industry, including the risk-taking activities of investment advisers and investment companies; gathers and analyzes through its examination function operational information directly from participants in the asset management industry; and maintains industry knowledge and technical expertise for the Division. In FY 2015 and FY 2016, REO plans to devote additional resources to expand and improve IM's monitoring and oversight of the industry and hire additional staff with industry, quantitative and computerized data analysis expertise.

## International Coordination

IM staff works with staff from international regulatory bodies on emerging issues related to the asset management industry. For example, IM staff participated in international regulatory bodies such as the Financial Stability Board (FSB) and the

International Organization of Securities Commissions (IOSCO). These organizations issued papers in 2014 related to, among other topics, reducing reliance on credit rating agencies and fund custody. In addition, IM reviewed comments related to a joint FSB/IOSCO consultation report on methodologies for

determining non-bank, non-insurance systemically relevant entities, including asset management entities, and has been involved in discussions about potential further action. IM also provided technical assistance to foreign regulators with regard to investment management regulation.

## WORKLOAD DATA

Activity	FY 2014 Actual	FY 2015 Estimate	FY 2016 Request
<b>Industry Statistics<sup>1</sup></b>			
Investment Companies:			
Number	4,187	4,100	4,000
Portfolios and Insurance Contracts	18,647	18,835	19,150
Complexes	833	838	845
Assets (\$ trillions)	16.2	17.8	18.6
Investment Advisers:			
Number	10,899	11,474	12,000
Advisers Reporting on Form PF	2,372	2,496	2,600
Assets under Management (\$ trillions)	54.3	62.0	65.0
<b>Disclosure</b>			
Investment Company Filings:			
New Portfolios and Insurance Contracts Filed on Registration Statements	2,832	2,925	2,975
New Portfolio Disclosures and Insurance Contracts Reviewed	1,841	1,905	1,935
Existing Portfolios and Insurance Contracts Filed on Post-Effective Amendments <sup>2,3</sup>	31,139	31,200	31,650
Existing Portfolio Disclosures and Insurance Contracts Reviewed <sup>3</sup>	4,738	4,875	4,935
Portfolios and Insurance Contracts Filed on Proxy Statements	1,448	1,325	1,350
Portfolios and Insurance Contracts Filed on Proxy Statements Reviewed	1,448	1,325	1,350
Annual and Periodic Reports Filed	13,464	13,620	13,830
Annual and Periodic Reports Partially Reviewed	4,720	4,540	4,610
Total Filings	48,883	49,070	49,800
Total Filings Reviewed	12,747	12,650	12,830
Percent Reviewed	26%	26%	26%
<b>FTE</b>	<b>60</b>	<b>66</b>	<b>72</b>
<b>Interpretive Guidance</b>			
Formal and Informal Requests for Guidance	1,430	1,330	1,350
Enforcement-Related Matters Reviewed	564	1,300	1,050
Exemptive Relief Requests Concluded	296	305	300
<b>FTE</b>	<b>56</b>	<b>63</b>	<b>68</b>
<b>Rulemaking</b>			
<b>FTE</b>	<b>29</b>	<b>32</b>	<b>34</b>
<b>Risk and Examinations</b>			
<b>FTE</b>	<b>20</b>	<b>25</b>	<b>30</b>
<b>Total FTE</b>	<b>165</b>	<b>186</b>	<b>204</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> Included in post-effective amendments are open-end, closed-end, and unit investment trust portfolios.

<sup>3</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.

## Division of Economic and Risk Analysis

<i>(DOLLARS IN THOUSANDS)</i>	FY 2014 Actual	FY 2015 Estimate	FY 2016 Request
<b>FTE:</b> Headquarters	<b>56</b>	<b>140</b>	<b>164</b>
<b>Cost:</b> Salaries and Benefits	\$ 22,038	\$ 33,154	\$ 39,881
Non-Personnel Expenses	29,918	27,817	28,342
<b>Total Costs</b>	<b>\$ 51,956</b>	<b>\$ 60,971</b>	<b>\$ 68,223</b>

### FY 2016 FTE BY SEC STRATEGIC GOAL

Goal 1	Goal 2	Goal 3	Goal 4
Establish an Effective Regulatory Environment	Foster and Enforce Compliance with Federal Securities Laws	Facilitate Access To Information Investors Need	Align and Manage Resources
92	50	15	7

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 risk 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 the 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, and recommending ways staff can use data, including interactive data, as well as providing 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 in 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 2014, DERA made the following significant contributions:

- Continued implementation of and data support for the aberrational performance inquiry model that has led to several enforcement actions against hedge fund managers;
- Developed the “Corporate Issuer Risk Assessment (CIRA)” Program, formerly known as the Accounting Quality Model. This program is designed to assist users in the Divisions of Corporation Finance and Enforcement in assessing risks associated with corporate issuers’ financial reporting and detecting anomalous patterns that may require further investigation;
- Updated and automated the “Broker-Dealer Risk Assessment Program” in preparation for the deployment of its results in the Office of Quantitative Research Information Delivery System (OIDS). The program’s goal is 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;
- Formulated a Risk Assessment Model for SEC registered Investment Companies and Investment Advisers, identifying the major areas of risk for further development of risk rankings. The Risk Model will help contribute to the prioritization of and in preparation for examinations by comparing each investment company against its peers along several dimensions of risk; and
- Strengthened the Division’s analytic capacity with the growth and maintenance of the Quantitative Research Analytical Data Support (QRADS) program, which is designed to develop and refine high quality financial market data and robust analytical processes. QRADS 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 critiquing opposing experts’ reports in trials, calculating harm to investors, and analyzing data on high-speed trades to assist in market manipulation investigations.

DERA also provided significant and ongoing support to a wide range of SEC’s rulemaking and policy development activities:

- 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 crowd funding, 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.
- The Division 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.
- DERA 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.

Altogether, in FY 2014 DERA provided extensive technical input into 64 rule proposals and adoptions. DERA staff also assisted with economic analysis to support 48 SRO rule approvals and disapprovals.

Finally, DERA made notable organizational improvements during FY 2014. DERA re-aligned existing staff to establish the Office of Risk Assessment (ORA) to increase the Division’s focus on the development, application, and support of risk analysis methods and tools, and to address the demand for this expertise from multiple SEC divisions and offices. With the addition of 45 new positions in FY 2014, DERA’s overall staffing level grew to 150 positions. This targeted growth

deepened expertise and addressed Congressional intent to prioritize and enhance the Commission's ability to provide comprehensive economic analysis for rulemaking affecting the capital markets. FY 2014 also marked the strengthening of the Division's regional presence, thereby improving coordination and collaboration with Enforcement staff across the country. By the close of 2014, DERA had a total of 12 economists allocated across six regions.

## 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 order to better support these requirements across the SEC, the request includes three new positions to increase capacity and capabilities in this area.

In this role, DERA, as part of the policy decision-making process, continually seeks to use rigorous data analytics and 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.

Looking ahead, DERA will continue to focus on swap and OTC derivatives regulation for the Dodd Frank Act rulemaking initiatives, as well as facilitating capital formation for the JOBS Act rulemaking activities. In FY 2015, there are expected to be 15 rulemakings under Dodd Frank Act and three under the JOBS Act. In FY 2016, eight Dodd Frank Act rulemakings are expected and one for the JOBS Act.

## 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. Staff in the Division develop and implement novel research on a variety of topics germane to the SEC's mission. In 2014, DERA economists had a total of five published and an additional seven articles accepted for future 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 also posted a total of six working papers and four white papers on-line.

During 2014, DERA and SECU hosted over 20 academics from leading universities across the country to present their research at the SEC. This program contributes to staff development by providing opportunities for SEC economists to learn from and interact with experienced researchers in areas of Commission interest. Topics this year focused on issues related to systemic risk, CEO integrity, insider trading, short selling, order routing, shareholder activism, firm management, CEO pay, and corporate taxes, among others. DERA intends to continue this valuable program in FY 2015 and FY 2016.

## Litigation Support

The 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 provides 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 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. The request includes three new positions to bolster DERA's ability to support this area.

## 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 TCR's. In this capacity, DERA supports system governance; conducts quality assurance; 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 TCR system is undergoing a modernization effort to improve the search capabilities across SEC information systems. This improvement will allow SEC investigators and examiners the capability to cross reference more information systems during the various phases of a TCR's lifecycle. This will allow for a more informed triage process of TCRs, a deeper examination of matters under investigation, and a more accurate disposition overall. The modernized system also will enable analytic capabilities to help the agency better assess trends, emerging risks, and indications of market misconduct.

DERA staff is working with the Divisions of Enforcement and Corporation Finance to integrate the Corporate Issuer Risk Assessment (CIRA) program into the suite of analytical tools available. We intend to devote considerable resources toward developing training plans and materials for the users of the CIRA program, as well as expanding the scope of the CIRA to meet the needs of two Divisions.

DERA supports the SEC as it expands the amount and type of data filed in structured, electronic formats, through a series of 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. DERA supports the development of additional structured data streams resulting from disclosures mandated in the Dodd Frank Act and JOBS Act rulemakings as well as opportunities that arise from updates to existing

Commission forms. 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 better insight into developments in markets and financial instruments.

The Inline eXtensible Business Reporting Language (XBRL) prototype, which is an EDGAR enhancement, will improve the quality and usefulness of disclosures. It streamlines the current process of creating, reviewing, and using structured data disclosed in periodic and registration filings. Smaller filers will benefit from reduced compliance burdens because they will be able to submit a single integrated version of their reports to the Commission instead of two versions as they do today. This integrated filing approach is expected to improve the quality of structured data received by the SEC and will make it available on any Internet connected device. Furthermore, the recent publication of the Condensed XBRL Data Set on SEC.gov advances the agency's strategic goal to facilitate access to the information investors need to make informed investment decisions. The data is presented in a format that best facilitates user analyses and comparisons.

## Information Technology Analytics, Investments, and Initiatives

The QRADS Program addresses the Division's need to develop and refine high quality financial market data and robust analytical processes in support of agency-wide risk assessment programs and economic analyses. QRADS will enable DERA to enhance the capabilities of analytical models and tools that support data-enabled risk assessment programs; increase DERA's capacity to support standardized quantitative reports of financial market and SEC registrant activity; and produce more timely and higher quality financial datasets needed for Commission rulemaking and risk assessment activity. During FY 2014, 11 analytical tasks were funded.

In FY 2015, there are up to 14 tasks under consideration that will focus on the processing and analysis of FINRA-produced financial market data, OTC market transactions data involving security-based swaps, and mutual fund flow data. These tasks will produce a number of anticipated benefits including: high-quality financial market data and supporting technical documentation to maximize the benefits of its use; the aggregation of OTC market securities-based-swap transaction

data in a form that will allow the Commission to monitor market participants' derivatives exposures and the potential build-up of pockets of risk in the financial market; increased access to asset flows across mutual funds that will enable analytical efforts to provide novel insights for mutual fund rulemakings, monitor mutual fund exposures for policy makers, and inform examinations; enhancement of FINRA-produced market data to improve its usability for investment advisor and broker-dealer risk assessment activity, including the generation of regular reports for use across the SEC.

Current plans for the QRADS program in FY 2016 would expand its capabilities 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 FY 2014, DERA, working with the Office of Information Technology, successfully acquired and deployed new infrastructure elements to ensure a reliable and stable environment to support DERA's expanding analytics workload and provide the ability to intake and manage large amounts of data on an on-going basis. As the production of new financial market data and analyses increases with QRADS initiatives, and with the growth of programs requiring data analytics 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 2014 Actual	FY 2015 Estimate	FY 2016 Request
Reviews of Commission Rules <sup>1</sup>	64	68	71
Reviews of SRO Rules	48	50	52
Regulatory Flexibility Analyses	51	67	70
Advice on Regulatory, Enforcement, and Risk Assessment Issues	2,567	2,650	2,970
Interactive Data Compliance Monitoring <sup>2</sup>	9,527	9,530	9,530
Interactive Data Programs Supported <sup>3</sup>	10	12	14
<b>Total FTE</b>	<b>56</b>	<b>140</b>	<b>164</b>

<sup>1</sup> FY 2016 estimates are based on a 5 percent growth 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, rule writing support, implementation guidance, and technical support.

## Office of the General Counsel

(DOLLARS IN THOUSANDS)	FY 2014 Actual	FY 2015 Estimate	FY 2016 Request
<b>FTE:</b> Headquarters	122	131	136
Regions	0	0	0
<b>Total FTE</b>	<b>122</b>	<b>131</b>	<b>136</b>
<b>Cost:</b> Salaries and Benefits	\$ 29,215	\$ 32,851	\$ 35,547
Non-Personnel Expenses	9,989	9,563	9,770
<b>Total Costs</b>	<b>\$ 39,204</b>	<b>\$ 42,414</b>	<b>\$ 45,317</b>

### FY 2016 FTE BY SEC STRATEGIC GOAL

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

The General Counsel serves as the chief legal officer of the Commission and provides independent legal analysis and advice to the Chair, 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 2016, the Office of the General Counsel (OGC) anticipates continued work on 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 that 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 the courts of appeals or will be adjudicated as appeals to the Commission, as well as an increase in the number and time sensitivity of the enforcement actions analyzed by OGC staff.

For these reasons, this request includes four new positions for the Office of the General Counsel.

### Legislative Activity and Technical Assistance

In FY 2016, efforts to strengthen the framework for financial regulation likely will involve continued legislative activity, for which OGC will be tasked to provide ongoing technical assistance to Congress and other financial regulatory agencies.

The Office also expects to prepare or review written testimony for congressional hearings and prepare or review 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. 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 2016, Congressional and public interest in the Commission is expected to remain high, and OGC is requesting one additional position dedicated to handling the increasing demand for documents and legal review.

## Rulemaking Activities

OGC 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 such as rules designed to improve transparency and investor protection, facilitate capital raising in small offerings, improve practices in the asset-backed securities markets, and address market structure developments. For these reasons, the OGC is requesting two additional positions to advise on rulemaking initiatives.

## Investigations Support

In FY 2016, OGC anticipates increased workload related to a larger number of enforcement actions and the high volume of enforcement cases against attorneys practicing before the Commission who may have engaged in unethical or improper conduct. This workload also will be affected by the increase in whistleblower complaints received from outside sources. The Office is requesting one additional position to address this increasing workload. OGC anticipates that the rate of labor and employee relations matters requiring OGC action will rise commensurately 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 (FOIA) requests in FY 2016.

**WORKLOAD DATA**

Activity	FY 2014 Actual	FY 2015 Estimate	FY 2016 Request
<b>General Counsel</b>			
Appellate Cases:			
Open Matters	147	154	162
Adjudicatory Matters:			
Pending Beginning of Year	32	44	73
Received	39	64	65
Completed	27	35	35
Pending End of Year	44	73	103
Legislation:			
Testimony	9	20	20
Correspondence with Congress and Others	108	180	180
Legislative Analysis and Technical Assistance	373	380	380
Other <sup>1</sup>	183	110	110
Advisory Services:			
SEC Statutes			
Analysis of Enforcement Memoranda	1,838	2,050	2,200
Review of Rulemaking and Other Projects	527	600	630
Review of Articles and Speeches	258	280	300
Non-SEC Statutes			
FOIA – Internal Appeals	452	400	400
Personnel Matters	140	165	180
Procurement Matters	650	690	720
Labor Matters	30	35	40
Attorney Misconduct Investigations	282	327	330
Other (Subpoenas)	26	30	30
Corporate Reorganization:			
Petitions Involving Public Investor Interest	39	44	45
Chapter 11 Cases: Appearances			
Filed	25	28	30
Closed	24	26	27
Chapter 11 Cases: Monitored			
Filed	14	16	15
Closed	15	15	15
Disclosure Statement Reviews	101	104	105
Disclosure Statements Commented On	71	74	76
<b>Total FTE</b>	<b>122</b>	<b>131</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 2014 Actual	FY 2015 Estimate	FY 2016 Request
<b>FTE:</b> Headquarters			
Office of Chief Accountant	31	45	49
Office of Investor Education and Advocacy	42	41	45
Office of International Affairs	46	50	57
Office of Administrative Law Judges	10	14	14
Office of the Investor Advocate	2	5	7
Office of Credit Ratings	32	41	49
Office of Municipal Securities	4	7	9
<b>Total FTE</b>	<b>167</b>	<b>203</b>	<b>230</b>
<b>Cost:</b> Salaries and Benefits	\$ 42,374	\$ 48,258	\$ 56,275
Non-Personnel Expenses	16,974	18,941	19,463
<b>Total Costs</b>	<b>\$ 59,348</b>	<b>\$ 67,199</b>	<b>\$ 75,738</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 2014 Actual	FY 2015 Estimate	FY 2016 Request
<b>FTE:</b> Headquarters	31	45	49

### FY 2016 FTE BY SEC STRATEGIC GOAL

Goal 1	Goal 2	Goal 3	Goal 4
Establish an Effective Regulatory Environment	Foster and Enforce Compliance with Federal Securities Laws	Facilitate Access To Information Investors Need	Align and Manage Resources
18	15	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 help 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 2016 budget request would provide OCA with three additional positions related both to International Financial Reporting Standards (IFRS) and to oversight of the FASB and PCAOB.

### Globally-Accepted Accounting Standards

The Commission has engaged in significant efforts to facilitate the development and incorporation of a single set of high-quality, globally accepted accounting standards. In FY 2016, OCA anticipates engaging in further outreach and analysis regarding possible paths forward for incorporating IFRS into the U.S. financial reporting system for U.S. issuers. Further, OCA will be focused on implementation of the new converged accounting standard on revenue recognition. OCA plans to use two of the requested positions to address the related increase in workload.

### Improving the Performance of Public Company Auditors

Given the growth of the PCAOB in recent years and the expansion of its authority, OCA will need to increase its PCAOB oversight efforts. In FY 2016, OCA plans to use one of the requested positions to oversee the PCAOB’s efforts to improve audit quality by taking a fresh look at its standard-setting process, with a focus on improving its timeliness. In addition, in FY 2016, OCA will coordinate with the PCAOB as the Commission considers possible revisions to audit committee disclosures and the PCAOB moves forward with its project to improve transparency through disclosure of the engagement partner and other participants in the audit.

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 PCAOB program area in FY 2016.

**WORKLOAD DATA**

<b>Activity</b>	<b>FY 2014 Actual</b>	<b>FY 2015 Estimate</b>	<b>FY 2016 Request</b>
Rulemaking Initiatives	25	40	40
U.S. Standard-Setting Projects/Issues Monitored	48	50	50
Issues Referred to Private Sector			
International:			
Consultations with Foreign Regulators on Accounting Interpretations/Compliance	59	65	65
IASB Standards/Interpretations Monitored	102	100	100
International Auditing and Independence Standards Monitored	11	13	13
SEC and IOSCO Rulemaking/Policy/Other Statements Issued	1	2	2
Registrant Contacts:			
Written Correspondence/Resolution of Accounting Issues	142	140	140
Consultation on Potential Enforcement Investigations	280	300	300
102 (e) Reinstatement Applications Processed	21	22	22
Member appointments to PCAOB, Financial Accounting Foundation, and FASB	4	6	5
Quality Reviews of Accounting Firms			
Conducted by PCAOB Subject to SEC Oversight	287	295	310
Rules Adopted by PCAOB and Approved by SEC	5	3	5
Auditing Standards/Interpretations Issued by PCAOB and Approved by SEC	7	7	10
Independence Inquiries	425	475	525
Inspection of PCAOB programs	0	1	1
Public Awareness, Outreach and Market Research Initiatives	42	46	48
<b>Total FTE</b>	<b>31</b>	<b>45</b>	<b>49</b>

## Office of Investor Education and Advocacy

<i>(DOLLARS IN THOUSANDS)</i>	FY 2014 Actual	FY 2015 Estimate	FY 2016 Request
FTE: Headquarters	42	41	45

### FY 2016 FTE BY SEC STRATEGIC GOAL

Goal 1	Goal 2	Goal 3	Goal 4
Establish an Effective Regulatory Environment	Foster and Enforce Compliance with Federal Securities Laws	Facilitate Access To Information Investors Need	Align and Manage Resources
5	2	35	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) advance this mission by communicating daily with investors, responding to their complaints and inquiries, and providing educational programs and materials.

Current regulatory developments reinforce the need to generate and publicize educational materials that individual investors can use to make prudent investment decisions. In response, OIEA plans to launch its first public awareness campaign in FY 2016 and engage in other investor education initiatives, including publicizing online resources for researching investments and investment professionals, understanding fees, and identifying fraud. OIEA also plans to continue conducting research to assess its investor education programs and inform future efforts. Additionally, OIEA aims to enhance its outreach to investors, including shortening response times for investor inquires and improving quality assurance.

OIEA requests four additional positions in FY 2016. These new positions would be focused on the following areas:

- Investor Assistance:** As investment products become increasingly complex, it is critical that the Commission has the resources to handle investor questions and complaints, and provide timely and accurate responses. For FY 2016, the Office would use one new position to build out its investor assistance efforts to help provide accurate, timely, and comprehensive responses.

- Investor Education:** Through a new public awareness campaign and other initiatives, OIEA plans to raise awareness about the SEC’s online educational resources, including Investor.gov, and methods for researching investments and investment professionals, understanding fees, and detecting 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.

In FY 2016, OIEA will continue its work to update and add tools, calculators, and other resources to Investor.gov, including resources for certain targeted groups (e.g., seniors, military). These efforts are expected to result in a total of 30 million page views on OIEA Web pages in FY 2016. In addition, OIEA plans to distribute 50,000 brochures and participate in 60 in-person events. For FY 2016, the Office would utilize two new positions to enhance its ability to educate investors through the new public awareness campaign and through existing initiatives.

- 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. Through customer satisfaction surveys and other research, OIEA will seek additional information regarding the behavior of individual investors, the types of information they need and use when making investment decisions, and 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 2016, the Office would use one

new position to expand its policy and research efforts to promote new investor alerts and bulletins and to explore additional opportunities for issuing them jointly with other regulators.

## WORKLOAD DATA

Activity	FY 2014 Actual	FY 2015 Estimate	FY 2016 Request
<b>Investor Assistance</b>			
Total Investor Assistance Matters Closed <sup>1</sup>	21,466	22,000	24,000
Percentage of Investor Assistance Matters Closed Within:			
Seven Days	62%	60%	60%
30 Days	92%	90%	90%
<b>FTE</b>	<b>35</b>	<b>35</b>	<b>36</b>
<b>Investor Education<sup>2</sup></b>			
Publications Distributed <sup>3</sup>	59,706	55,000	50,000
Page Views on OIEA Web Pages	22,200,000	20,000,000	30,000,000
In-Person Investor Events	51	50	60
Direct Mailing Campaign <sup>3,4</sup>	10,000,000	9,000,000	8,100,000
<b>FTE</b>	<b>4</b>	<b>4</b>	<b>6</b>
<b>Legal and Policy</b>			
Number of Investor Alerts and Bulletins Issued	28	26	26
Number of Joint Alerts and Bulletins Issued	1	3	5
Divisions' Initiatives Supported	6	7	8
<b>FTE</b>	<b>3</b>	<b>2</b>	<b>3</b>
<b>Total FTE</b>	<b>42</b>	<b>41</b>	<b>45</b>

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

<sup>2</sup> Workload items for this function have been updated to tie more directly with existing performance measures. The number of visits to OIEA Web pages has been replaced with the number of page views on OIEA Web pages. In addition, the number of investors reached through public appearances has been replaced with the number of in-person events. Both items continue to reflect the range of investor education outreach activities conducted by OIEA.

<sup>3</sup> Numbers are anticipated to drop due to a transition to more Web-based communications.

<sup>4</sup> Numbers are anticipated to drop because fewer individuals receive IRS refund checks via mail resulting in less opportunity for the direct mailing campaign.

## Office of International Affairs

<i>(DOLLARS IN THOUSANDS)</i>	FY 2014 Actual	FY 2015 Estimate	FY 2016 Request
<b>FTE:</b> Headquarters	46	50	57

### FY 2016 FTE BY SEC STRATEGIC GOAL

Goal 1	Goal 2	Goal 3	Goal 4
Establish an Effective Regulatory Environment	Foster and Enforce Compliance with Federal Securities Laws	Facilitate Access To Information Investors Need	Align and Manage Resources
30	21	5	1

The Office of International Affairs (OIA) advances cross-border enforcement and supervisory cooperation, develops and implements strategies to further SEC policy interests in the regulation and oversight of cross-border securities activities, manages and executes the SEC’s participation in international regulatory bodies and engagement in multilateral and bilateral regulatory dialogues, advises the Commission on cross-border regulatory developments, and provides technical assistance to strengthen global financial markets and foster the development of emerging markets.

OIA provides assistance to the Enforcement program on cross-border investigations and litigation. OIA staff uses its foreign law expertise to help obtain foreign evidence and information for enforcement matters, to support the SEC’s litigation efforts when parties, evidence, or assets are located abroad, and to secure and repatriate illegally obtained proceeds. OIA also obtains witness statements, documents and other information located in the U.S. on behalf of foreign counterparts. OIA also focuses on raising 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. A primary example is the implementation of SEC rules 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. OIA assists in developing and implementing supervisory memoranda of understanding (MOUs) and other arrangements with foreign regulatory authorities to enhance oversight of cross-border regulated entities through consultation, cooperation and the exchange of information between the SEC and its counterparts.

OIA’s technical assistance program provides assistance to foreign securities authorities. The program typically delivers between two and four International Institutes in Washington, DC each year, as well as regional and bilateral training programs conducted in Asia, Africa, Latin America/Caribbean, the Middle East, and Europe. The program also provides specific advice and consultation to foreign counterparts.

OIA’s priorities for FY 2016 are described in more detail below.

### Enforcement Activities

**Enforcement:** OIA expects this program area to continue to grow in FY 2016. For example, OIA’s FY 2014 workload projection in matters where the SEC’s Enforcement Division sought international assistance from OIA was exceeded by over 30 percent, so the office anticipates additional OIA staff will be needed to support activities such as obtaining evidence for cross-border securities investigations and litigation. Based on current trends, OIA expects to continue to assist the SEC’s Division of Enforcement with hundreds of requests for international assistance, and staff will be deployed to conduct resource-intensive complex work, particularly coordination of parallel proceedings with foreign securities and law enforcement authorities.

OIA fosters international cooperation and assistance on SEC investigations and litigation matters through a variety of vehicles, including bilateral and multilateral enforcement MOUs, mutual legal assistance treaties, international conventions and other arrangements. In FY 2016, OIA will continue to assess applications to sign the IOSCO Multilateral Memorandum of Understanding. OIA will also make substantial contributions to IOSCO's effort to broaden the scope of assistance that can be provided among IOSCO members. In addition, OIA will work bilaterally with the SEC's foreign counterparts to enhance enforcement cooperation. OIA also will respond to requests from foreign regulators for enforcement assistance to obtain information located in the US, including obtaining formal orders to compel testimony and records.

**Litigation Support:** OIA expects that the SEC's Division of Enforcement will continue to encounter significant and complicated cross-border litigation issues. Matters related to service of process on foreign defendants, obtaining overseas documents, 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:** OIA's efforts to freeze and repatriate assets obtained in violation of U.S. securities laws and transferred abroad will be ongoing and expanded to utilize all possible mechanisms. OIA will also provide guidance to foreign counterparts in their efforts to secure the proceeds of fraud present within the United States.

## Supervisory Cooperation

In FY 2016, OIA's supervisory cooperation 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 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 expertise on 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

29 MOUs with European regulators related to cross-border asset management.

In FY 2016, OIA's supervisory cooperation activities are expected to increase as the Offices of Compliance Inspections and Examinations (OCIE) and Credit Ratings (OCR) continue to expand their examination programs, generating additional demand for international cooperation. Moreover, the demand for supervisory MOUs with foreign regulators will grow as regulators look to share information and exchange views in cross-border supervisory matters. For example, OIA anticipates that the SEC will need to negotiate a number of supervisory memoranda of understandings (MOUs) with regulators in the European Union, Asia, and other jurisdictions related to OTC derivatives markets, including with respect to market participants such as trade repositories and clearing organizations.

## Regulatory Policy Activities

In FY 2016, OIA expects expansion of activities in the regulatory policy area, due to the continued growth in foreign legal and regulatory developments, requests for consultation and discussion with foreign counterparts, and multilateral assessment processes underway.

**Multilateral Institutions:** International bodies such as the International Organization of Securities Commissions (IOSCO) and the Financial Stability Board (FSB) continue to be active in addressing international regulatory issues by developing international guidance, recommendations and standards, and assessing the implementation of financial market reforms, including reforms that the G20 leaders have identified as priorities.

IOSCO is a forum for collaboration and cooperation among market regulatory and supervisory authorities. In FY 2016, OIA will support the SEC's prominent role on the IOSCO Board; guide the SEC's involvement in IOSCO policy committees, working groups and task forces; and influence IOSCO's contributions to the FSB. The SEC will work with IOSCO to develop a toolbox of approaches to cross-border regulation, promote best practices for effective deterrence of securities violations, and conduct assessments and thematic peer reviews of global implementation of selected IOSCO principles and standards.

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 2016, OIA will continue to guide the SEC's involvement in the FSB Plenary, FSB Steering Committee, FSB Standing Committee on Standards Implementation, FSB Standing Committee on Supervisory and Regulatory Cooperation, and various other committees and working groups. OIA will also continue to consult on FSB policy matters with other U.S. agencies and departments including the CFTC, the Treasury Department, and the Federal Reserve Board. Areas of focus are expected to include systemic risk oversight, OTC derivatives, and coordination of efforts to identify globally systemically important non-bank non-insurance financial institutions.

In FY 2016, OIA expects SEC staff to lead or actively participate in over 50 international workstreams designed to address a range of international regulatory and enforcement issues, primarily through IOSCO and the FSB. OIA staff participates directly in many of these groups and also supports staff from other offices and divisions in their representative roles. In addition, OIA manages internal agency briefings and communications about these workstreams.

Furthermore, OIA will continue to work with the Office of the Chief Accountant in managing the SEC's representation in the International Financial Reporting Standards Foundation Monitoring Board. OIA will also participate in 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 designed to increase collaboration and information sharing with foreign regulators. OIA will continue to work and assess developments with respect to the Public Company Accounting Oversight Board's inspection of registered foreign audit firms.

**Relationships with Foreign Counterparts:** In FY 2016, OIA anticipates that the pace of regulatory action in other jurisdictions will increase, particularly in the European Union. OIA will direct additional staff resources to analyses of these regulatory initiatives. OIA will inform and advise the Commission and staff about these developments with the goal of promoting opportunities for converged approaches to high quality regulatory standards.

OIA also will coordinate and participate in regular dialogues with foreign counterparts on securities markets issues, such as the Japan Financial Services Agency, the UK Financial Conduct Authority, European Securities Market Authority (ESMA), and

others. OIA staff also will participate in dialogues led by the Treasury Department, including, but not limited to, the U.S.-EU Financial Markets Regulatory Dialogue, NAFTA Financial Services Committee, U.S.-EU Financial Services Committee, US-China Strategic and Economic Dialogue, and U.S.-India Financial Regulatory Dialogue.

## Technical Assistance

OIA's Technical Assistance program seeks to build capacity of the SEC's international regulatory and law enforcement partners, identify and work to eliminate impediments to capital market growth, and share best practices for lowering the cost of capital to facilitate capital market development. Technical assistance training and projects usually focus on enforcement and examination topics, anti-bribery, anti-money laundering and disclosure related topics. The technical assistance program complements the SEC enforcement and examination programs by building capacity and strong relationships with the same regulatory and law enforcement counterparts that the SEC relies on for assistance in enforcement cases and overseas examinations.

The SEC often partners with DOJ, FBI, FINRA and other authorities to deliver programs and training. OIA's Technical Assistance program builds partnerships and goodwill that have substantially benefited a variety of SEC program areas by making the SEC's foreign counterparts better able to assist the SEC in the international aspects of SEC investigations, litigation and supervisory matters.

**International Institutes:** In FY 2016, OIA anticipates organizing the 21st Annual Institute for International Enforcement and the 26th Annual International Institute for Market Development. OIA also intends to devote staff resources to holding the third Foreign Bribery and Corruption Conference in collaboration with the Enforcement Division, DOJ and FBI in the Fall of 2016. OIA will also hold an Institute for Compliance and Examinations that could enhance international cooperation between foreign authorities and OCIE.

**Foreign Programs:** OIA also anticipates that it will conduct approximately 15 programs in overseas locations in FY 2016, which will be a mix of bilateral assistance and regional training programs. OIA also anticipates increased collaboration with IOSCO's new Capacity Building Initiative to deliver international technical assistance to IOSCO members.

**Assessments:** Foreign authorities continue to ask the SEC to provide customized assessments or “peer reviews” of their regulatory oversight regimes. OIA staff produces reports for foreign authorities identifying deficiencies in market oversight, and provides detailed recommendations on addressing deficiencies. OIA’s work typically leads to substantial improvements in the foreign securities regulators’ supervisory programs and increased reciprocal enforcement assistance to the SEC.

**Special Projects:** OIA’s Technical Assistance program also responds to a large number and variety of inquiries from foreign authorities, presides over foreign visits to the SEC, and has arranged for foreign authorities to accompany SEC staff on

examinations. OIA is also developing an on-line curriculum of training programs for international counterparts. OIA anticipates an increase in each of these special project areas in FY 2016.

**International Organization of Securities Commissions Dues:** For FY 2016, the SEC is requesting to raise the amount specified in its annual appropriation for dues to the International Organization of Securities Commissions (IOSCO) from \$50,000 to \$75,000. This change is needed in anticipation of an increase in IOSCO member dues. The SEC’s continued engagement in IOSCO is critical to coordinate international regulatory responses to rapidly evolving global markets and to secure cross-border assistance on enforcement cases.

**WORKLOAD DATA**

Activity	FY 2014 Actual	FY 2015 Estimate	FY 2016 Request
SEC Enforcement Division Requests to SEC OIA for International Assistance <sup>1</sup>	966	820	900
Responses to Foreign Requests for SEC Enforcement Assistance <sup>2</sup>	541	560	570
Number of International Regulatory and Law Enforcement Officials Trained <sup>3</sup>	2,382	1,800	2,000
SEC Requests for Supervisory Cooperation Assistance <sup>4</sup>	96	99	102
Responses to Foreign Requests for SEC Supervisory Cooperation Assistance <sup>5</sup>	117	95	98
International Regulatory Initiatives <sup>6</sup> (including regulatory initiatives)	143	160	180
<b>Total FTE</b>	<b>46</b>	<b>50</b>	<b>57</b>

<sup>1</sup> OIA’s FY 2016 projection is based upon a 10 percent increase over the average of the actual results for the 2011-2015 period.  
<sup>2</sup> OIA projects a three percent increase in the number of foreign requests for SEC assistance.  
<sup>3</sup> The FY 2014 actual number was higher than earlier projected because of the addition of a single large foreign training program and an anti-bribery and corruption conference during FY 2014.  
<sup>4</sup> OIA projects a three percent increase in the number of requests for supervisory cooperation assistance from SEC staff, including the Office of Compliance Inspections and Examinations, the Office of Credit Ratings, and the Division of Trading and Markets.  
<sup>5</sup> At the end of FY 2014, certain functions captured under this activity were transferred to OIA’s Enforcement group, which will likely result in a decrease of approximately 25 in the workload data captured in this category going forward.  
<sup>6</sup> During the third quarter of FY 2014, the Regulatory Policy Unit implemented a new system for tracking workload data. The Unit’s workload is driven by (1) meetings with foreign counterparts, (2) meetings of multilateral organizations, (3) participation in international working groups, and (4) analysis of foreign regulatory developments. The number for FY 2014 reflects only meetings with foreign counterparts and formal IOSCO and FSB meetings over a partial year. Workload data based on the new system will be reported beginning in FY 2015.

## Office of Administrative Law Judges

(DOLLARS IN THOUSANDS)	FY 2014 Actual	FY 2015 Estimate	FY 2016 Request
<b>FTE:</b> Headquarters	10	14	14

### FY 2016 FTE BY SEC STRATEGIC GOAL

Goal 1	Goal 2	Goal 3	Goal 4
Establish an Effective Regulatory Environment	Foster and Enforce Compliance with Federal Securities Laws	Facilitate Access To Information Investors Need	Align and Manage Resources
0	14	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 2016, 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 because of 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 2014 Actual	FY 2015 Estimate	FY 2016 Request
Proceedings Inventory:			
Pending Disposition Beginning of Year	84	96	96
Ordered for Hearing	235	210	235
Disposed	223	210	223
Canceled Before Hearing	50	75	78
Canceled After Hearing	0	0	0
Initial Decision Issued	173	135	145
Pending Disposition End of Year	96	96	108
<b>Total FTE</b>	<b>10</b>	<b>14</b>	<b>14</b>

## Office of the Investor Advocate

(DOLLARS IN THOUSANDS)	FY 2014 Actual	FY 2015 Estimate	FY 2016 Request
FTE: Headquarters	2	5	7

### FY 2016 FTE BY SEC STRATEGIC GOAL

Goal 1	Goal 2	Goal 3	Goal 4
Establish an Effective Regulatory Environment	Foster and Enforce Compliance with Federal Securities Laws	Facilitate Access To Information Investors Need	Align and Manage Resources
5	0	2	0

The Office of the Investor Advocate (OIAD) is required by Section 915 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) and was established during FY 2014. The Office is responsible for identifying areas in which investors would benefit from changes to Federal laws, SEC regulations, or the rules of self-regulatory organizations (SROs), and for providing assistance to investors in resolving significant problems they may have with the SEC or SROs.

The SEC is requesting one additional position for OIAD in FY 2016. The requested resources in FY 2016 will allow the office to accomplish the following key activities:

- Investor Advocacy:** Consistent with the requirements in Section 915 of the Dodd-Frank Act, OIAD is 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. OIAD will continue to address equity market structure reforms, municipal market reforms, and effective disclosures in FY 2016. The requested position will assist OIAD in its investor advocacy efforts.
- Ombudsman:** In accordance with Sec. 919D of the Dodd-Frank Act, the SEC appointed its first Ombudsman in September 2014. The Ombudsman acts as a liaison between the SEC and any retail investor in resolving problems that retail investors may have with the SEC or SROs. The Ombudsman must evaluate the effectiveness

of this program and submit semiannual reports to the Investor Advocate for inclusion in the reports to Congress. The additional position requested in FY 2016 will support the work of the Ombudsman in the intake and resolution of investor inquiries. This includes the timely distribution of funds to investors in enforcement cases and the SEC's communication with complainants.

- Investor Advisory Committee:** The Investor Advocate serves as a member of the Investor Advisory Committee, which is authorized by Section 911 of the Dodd-Frank Act. This committee advises and consults with the SEC on regulatory priorities and protection of investors. OIAD provides support and assistance to this advisory committee to assist it with fulfilling its statutory mission. The new position will assist OIAD in supporting the four Investor Advisory Committee meetings scheduled for FY 2016.
- Reports to Congress:** OIAD is required to submit two reports to Congress each year. The requested position will assist in preparing these reports. The annual Report on Objectives is to set forth the objectives of the Investor Advocate for the following fiscal year. The annual Report on Activities describes the activities of the Investor Advocate during the immediately preceding fiscal year. Among other things, the Report on Activities must summarize the most serious problems encountered by investors during the reporting period, identify any Commission or self-regulatory organization (SRO) action that was taken to address those problems, and recommend, as appropriate, any administrative and legislative actions to resolve problems encountered by investors.

**WORKLOAD DATA**

Activity	FY 2014 Actual	FY 2015 Estimate	FY 2016 Request
Investor Advocacy:			
Rulemakings Reviewed	6	12	18
Policy Recommendations <sup>1</sup> to SEC, SROs, or Congress	1	6	10
Outreach Events/Speeches	7	18	18
Ombudsman:			
Investor Inquiries <sup>2</sup>	12	350	500
Matters Opened	2	200	400
Matters Closed	2	125	300
Outreach Events/Speeches	0	6	12
Investor Advisory Committee Support:			
In-Person Committee Meetings	2	4	4
Subcommittee Meetings/Briefings	12	36	36
<b>Total FTE</b>	<b>2</b>	<b>5</b>	<b>7</b>

<sup>1</sup> This includes only formal written recommendations of the Investor Advocate, not informal policy recommendations or advocacy. Pursuant to Exchange Act Sec. 4(g)(7), the Commission is required to respond to formal recommendations within 30 days.

<sup>2</sup> This includes all complaints, questions, and other contacts from investors.

## Office of Credit Ratings

<i>(DOLLARS IN THOUSANDS)</i>	FY 2014 Actual	FY 2015 Estimate	FY 2016 Request
<b>FTE:</b> Headquarters	32	41	49

### FY 2016 FTE BY SEC STRATEGIC GOAL

Goal 1	Goal 2	Goal 3	Goal 4
Establish an Effective Regulatory Environment	Foster and Enforce Compliance with Federal Securities Laws	Facilitate Access To Information Investors Need	Align and Manage Resources
4	42	2	1

The Office of Credit Ratings (OCR) was established in June 2012 pursuant to the Dodd Frank Act. It is responsible for the oversight of credit rating agencies registered with the Commission as NRSROs.

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” or “NRSROs.” 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. The Commission adopted rules in all of these areas in June 2007.

The Dodd-Frank Act subsequently amended Section 15E of the Exchange Act to enhance the regulation, accountability and transparency of NRSROs. In August 2014, the Commission adopted new requirements for NRSROs to enhance governance, protect against conflicts of interest, and increase transparency to improve the quality of credit ratings and increase credit rating agency accountability. The new rules and amendments implemented 14 rulemaking requirements under the Dodd-Frank Act.

OCR is charged with administering the rules of the Commission with respect to the practices of NRSROs in determining credit ratings; 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. These monitoring responsibilities include identifying and analyzing risks, monitoring industry trends, and administering and monitoring the NRSRO registration process as well as the periodic updates by the existing registrants of their Forms NRSRO. 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’s examination activities are focused on conducting legislatively mandated annual, risk-based examinations of all registered NRSROs to assess and promote compliance with Federal securities laws and Commission rules. OCR also conducts special risk-targeted examinations based on credit market issues and concerns and to follow up on tips, complaints, and NRSRO self-reported incidents.

The Dodd-Frank Act requires that the SEC conduct examinations of each NRSRO at least annually. There are ten NRSROs as of January 1, 2015, and new registrants are expected. OCR also is conducting on-site examinations of registered international affiliates of globally active U.S.-based NRSROs.

The scope for these 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.

OCR is responsible for policy and rulemaking, and leads the development of Commission rules and forms with respect to NRSROs, which involves consulting with other SEC divisions and offices as appropriate. This responsibility includes implementing and providing training related to the rules approved by the Commission in August 2014.

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. OCR also prepares the Public Examinations Report that summarizes the essential findings resulting from the SEC's annual NRSRO examinations, pursuant to the Dodd-Frank Act. The annual examination report also includes information on whether the NRSROs have appropriately addressed any previous examination recommendations.

OCR collaborates and coordinates with other SEC offices and divisions to enhance OCR's ability to serve the public interest and protect users of credit ratings. Other OCR activities 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 with respect to regulatory and policy initiatives and internationally active and non-U.S. based registrants.

For FY 2016, the SEC is requesting four additional positions for OCR, for a total of 51 positions. These new positions relate to the following responsibilities:

- During the FY 2016 examinations, OCR will focus on NRSRO compliance with the new SEC rules that were adopted in FY 2014, most of which have an effective date in FY 2015. These rules will impose new requirements on NRSROs. In addition, the examination function needs to be bolstered to add capabilities to evaluate credit models, to conduct sweeps and/or risk-based examinations, and

to carry out international and technological initiatives. OCR will also enhance its examination of cybersecurity issues related to the integrity of the NRSRO's ratings and compliance with laws that include the dissemination of ratings, protection of material non-public information, and certain conflicts of interest.

- OCR will participate with the International Organization of Securities Commissions (IOSCO) Committee 6 (C6) by leading the supervisory colleges for certain globally active credit rating agencies (Moody's and Standard & Poor's), and participating on the supervisory college for another globally active credit rating agency (Fitch). This broad assignment requires actively leading and participating in the planning, management, and organization of three separate supervisory colleges, allocating specialized staff to each college, establishing agendas and initiatives, preparing presentations and reports, and conducting meetings throughout the year.
- The SEC will continue to serve as Chair of C6 and, starting in FY 2015, OCR is taking full responsibility for this assignment. The duties include attending and chairing three annual in-person meetings, organizing the relevant preparatory meetings, developing agendas, identifying external speakers, and overseeing and delivering presentations and related materials.
- As a result of OCR's regulatory exams and tips and complaints received from the public, the office continues to increase the number and complexity of referrals to the Enforcement program. The tips and complaints received by OCR also lead to additional complex modules for the staff to examine which, in turn, requires more specialized examiners.
- Additional staffing resources will improve OCR's ability to complete ongoing and new regulatory initiatives related to the adoption of the new rules in August 2014. These additional responsibilities relate to rule writing, rule maintenance, legislative initiatives, exemptive relief requests, and staff guidance. OCR also will further expand its outreach to market participants to inform policy and rulemaking.

**WORKLOAD DATA**

Activity	FY 2014 Actual	FY 2015 Estimate	FY 2016 Request
Annual Examinations and Other Examination Compliance Activities	15	20	23
Studies, Reports and Related Matters	3	6	8
Regulatory and Legislative Initiatives	17	6	6
Orders and No-Action Letters	5	10	10
Monitoring Meetings	30	40	35
Form NRSRO – Initial Applications and Annual Certifications	36	46	46
Enforcement/TCR	30	38	40
International Activities	25	38	43
Business Processes	25	30	35
<b>Total FTE</b>	<b>32</b>	<b>41</b>	<b>49</b>

## Office of Municipal Securities

<i>(DOLLARS IN THOUSANDS)</i>	FY 2014 Actual	FY 2015 Estimate	FY 2016 Request
<b>FTE:</b> Headquarters	4	7	9

### FY 2016 FTE BY SEC STRATEGIC GOAL

Goal 1	Goal 2	Goal 3	Goal 4
Establish an Effective Regulatory Environment	Foster and Enforce Compliance with Federal Securities Laws	Facilitate Access To Information Investors Need	Align and Manage Resources
5	2	2	0

The Office of Municipal Securities (OMS) was created in 2012 as an independent office that reports directly to the SEC Chair, as required by the Dodd-Frank Act. OMS 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 supervises the Municipal Securities Rulemaking Board (MSRB) and coordinates with it on rulemaking and enforcement actions.

The SEC’s FY 2016 budget request for OMS will permit the following key activities:

- **Coordination of the SEC’s Municipal Securities Activities:**

OMS is 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 assists the Municipal Securities and Public Pension Unit of the agency’s Enforcement program, as well as other SEC divisions and offices on a wide array of municipal securities matters. Furthermore, OMS works with the Division of Economic and Risk Analysis to improve surveillance of the municipal securities market for emerging risks, and communicates observations and conclusions within the SEC and to other regulators.

OMS’s initiatives in FY 2016 will include further implementation of 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 in July 2012. OMS will also continue to monitor developments in the municipal securities market (such as pension disclosure, accounting, and municipal bankruptcy issues) and assist in crafting potential 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 is the Commission’s staff liaison to the MSRB, as well as to 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 with respect to municipal securities issues. OMS interacts closely with the MSRB and is responsible for reviewing and processing all MSRB rule filings.

In FY 2016, OMS expects to review several significant MSRB rulemaking initiatives, including new rules to govern municipal advisors. OMS will also lead semiannual meetings with the MSRB and FINRA regarding the municipal securities market as required by the Dodd-Frank Act and continue to coordinate with the IRS and other regulators. OMS will work closely with the municipal securities industry to educate state and local governmental officials and conduit borrowers regarding risk management issues and the Commission’s policies.

- Execution of Dodd-Frank Act Responsibilities with Respect to Municipal Advisors:** OMS has significant responsibilities with respect to implementation of Section 975 of the Dodd-Frank Act, which required 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 was required on July 1, 2014, with a

phased-in registration period through October 31, 2014. In FY 2016, OMS will continue to implement the final rules for municipal advisor registration by monitoring and improving the new registration system for municipal advisors, participating in the review of these registrations, advising OCIE regarding examinations of municipal advisors, and providing interpretive guidance.

## WORKLOAD DATA

Activity	FY 2014 Actual	FY 2015 Estimate	FY 2016 Request
SRO Proposed Rule Changes Reviewed <sup>1</sup>	12	15	15
SEC Rulemaking and Interpretive Actions	2	2	2
Interpretive, Exemptive, and No-Action Request Letters Closed	0	1	2
Reviews of Potential Enforcement Actions	41	55	55
Congressional, Governmental, Industry, and Public Correspondence and Inquiries <sup>2</sup>	750	700	750
Public Awareness and Market Outreach	30	25	30
Municipal Advisors <sup>3</sup>			
Registrants	1,246	830	870
Registration Applications Filed	131	305	100
Registration Amendments Filed	37	930	970
Registrations Withdrawn or Canceled	62	416	60
<b>Total FTE</b>	<b>4</b>	<b>7</b>	<b>9</b>

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

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

<sup>3</sup> This data reflect the expanded responsibilities assigned to the Commission for oversight of municipal advisors by the Dodd-Frank Act. FY 2014 data reflects filings under the temporary registration regime, whereas FY 2015 and FY 2016 data reflect filings under the permanent registration regime. Fewer registrants have registered under the permanent registration regime, although staff believes that all temporary municipal advisors registrants may not have completed their permanent registrations. Data for registrations withdrawn or canceled in FY 2015 include temporary municipal advisors that do not register under the permanent registration regime. The Commission 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. In addition, approximately 4,000 natural persons are expected to register on Form MA-I under the permanent registration regime in FY 2015.

## Agency Direction and Administrative Support

<i>(DOLLARS IN THOUSANDS)</i>	FY 2014 Actual	FY 2015 Estimate	FY 2016 Request
<b>FTE:</b> Headquarters			
Agency Direction			
Office of Executive Staff	44	46	48
Office of Public Affairs	9	10	12
Office of the Secretary	19	19	21
Subtotal	72	75	81
Administrative Support			
Office of the Chief Operating Officer	23	26	31
Office of Financial Management	88	96	104
Office of Information Technology	153	170	183
Office of Human Resources	104	121	137
Office of Acquisitions	48	58	59
Office of Support Operations	90	102	106
Office of the Ethics Counsel	15	16	18
Office of Minority and Women Inclusion	8	9	11
Office of Equal Employment Opportunity	10	10	11
Subtotal	539	608	661
<b>Total FTE</b>	<b>611</b>	<b>683</b>	<b>742</b>
<b>Cost:</b> Salaries and Benefits	\$ 128,337	\$ 143,593	\$ 162,523
Non-Personnel Expenses	131,634	163,954	167,075
<b>Total Costs</b>	<b>\$ 259,971</b>	<b>\$ 307,547</b>	<b>\$ 329,598</b>

This section of the FY 2016 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 the 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 2014 Actual	FY 2015 Estimate	FY 2016 Request
<b>FTE:</b> Headquarters			
Office of Executive Staff	44	46	48
Office of Public Affairs	9	10	12
Office of the Secretary	19	19	21
<b>Total FTE</b>	<b>72</b>	<b>75</b>	<b>81</b>

### FY 2016 FTE BY SEC STRATEGIC GOAL

Goal 1	Goal 2	Goal 3	Goal 4
Establish an Effective Regulatory Environment	Foster and Enforce Compliance with Federal Securities Laws	Facilitate Access To Information Investors Need	Align and Manage Resources
18	9	37	17

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 Chair and the Chair's staff as well as the agency's four other Commissioners and their staffs.

OLIA serves as the liaison between the SEC and Congress and 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 agency's external and internal communications with the media, the general public, and SEC staff. OS reviews all documents issued by the Commission, schedules and coordinates Commission meetings, prepares and maintains records of Commission actions, and advises the Commission and staff about practice and procedure.

### 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; and
- assists in responding to Congressional correspondence.

In FY 2016, OLIA expects to coordinate the provision of technical assistance on legislation impacting the SEC or its mission or in response to Congressional requests for assistance, as well as to assist SEC witnesses in testifying before Congressional committees. OLIA also expects to provide information to Congress in response to oversight requests.

**WORKLOAD DATA**

Activity	FY 2014 Actual	FY 2015 Estimate	FY 2016 Request
Commission Meetings	91	98	100
Calendar Items	586	648	670
Seriatim Actions	449	500	525
Congressional Testimonies	8	10	12
Chair's and Congressional Correspondence	1,877	2,000	2,100
<b>Total FTE</b>	<b>44</b>	<b>46</b>	<b>48</b>

**Office of Public Affairs**

The Office of Public Affairs (OPA), under the direction of the Chair, is responsible for coordinating the SEC'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. OPA also develops content for the SEC's website, which receives more than 10 million page views daily, and other digital media platforms.

In FY 2016, OPA will work to provide effective, transparent communication with investors, market participants and other stakeholders. OPA intends to place a high priority on leveraging the Internet and other digital communication tools to communicate effectively with stakeholders. OPA will continue to modernize the agency's website, and utilize the General Services Administration government-wide agreements with digital media channels to facilitate communication with the public. OPA requests one additional position in FY 2016 to enhance information sharing among SEC staff and with external stakeholders.

**WORKLOAD DATA**

Activity	FY 2014 Actual	FY 2015 Estimate	FY 2016 Request
News Releases and Statements	309	200	200
Press Briefings and News Conferences	220	220	220
Combined Media Inquiries	45,000	45,000	45,000
Foreign and Academic Visitors	210	210	210
Website Content Updates	615	680	700
Email and Mobile Bulletins	6,873	7,000	7,200
Social Media Posts	4,819	5,000	5,200
<b>Total FTE</b>	<b>9</b>	<b>10</b>	<b>12</b>

## 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, and advises the Commission and staff about practice and procedure. OS also maintains the SEC’s website and intranet and handles filings in administrative proceedings. The agency’s rulemaking agenda and enhanced enforcement program will have a significant impact on OS in FY 2015 and FY 2016. OS is requesting one position in FY 2016 to assist with the Office’s increased workload.

**Legal and Operations:** OS’s Legal and Operations Branch handles all of the processes by which the Commission considers matters under its purview. Legal and 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 Branch provide advice to the Commission and the staff on questions of practice and procedure.

**Web Operations:** The Web Operations Branch manages the agency’s public website design and information architecture; publishes the content to the public website; processes all comment letters submitted by the public to the agency; and develops, implements, and manages tools, such as RSS feeds, to improve the dissemination of information on SEC.gov.

During the past year, OS staff worked with the Office of Public Affairs to improve the user experience on the SEC’s website by implementing a Web content management system and updating the site’s search engines. This year, OS began posting filings submitted in administrative proceedings to the public website. OS is working to implement a system to allow users to submit those administrative filings electronically. OS also will continue modernizing its existing information technology applications in FY 2015 and FY 2016.

### WORKLOAD DATA

Activity	FY 2014 Actual	FY 2015 Estimate	FY 2016 Request
Releases Processed	4,686	4,800	4,900
Public Comment Letters Processed	561,857	450,000	495,000
SEC Web Pages Viewed (in millions)	6,381	7,000	7,700
Searches on SEC Website (in millions)	6,103	4,500	4,950
Documents Posted on Website	5,389	5,700	5,900
Administrative Proceedings Items Processed	4,710	5,200	5,700
Service of Process – Administrative Proceedings	10,206	10,700	11,200
<b>Total FTE</b>	<b>19</b>	<b>19</b>	<b>21</b>

## Office of the Chief Operating Officer

<i>(DOLLARS IN THOUSANDS)</i>	FY 2014 Actual	FY 2015 Estimate	FY 2016 Request
<b>FTE:</b> Headquarters			
Office of the Chief Operating Officer	23	26	31
Office of Financial Management	88	96	104
Office of Information Technology	153	170	183
Office of Human Resources	104	121	137
Office of Acquisitions	48	58	59
Office of Support Operations	90	102	106
<b>Total FTE</b>	<b>506</b>	<b>573</b>	<b>620</b>

### FY 2016 FTE BY SEC STRATEGIC GOAL

Goal 1	Goal 2	Goal 3	Goal 4
Establish an Effective Regulatory Environment	Foster and Enforce Compliance with Federal Securities Laws	Facilitate Access To Information Investors Need	Align and Manage Resources
5	3	6	606

The Office of the Chief Operating Officer (OCOO) develops, coordinates and provides executive leadership for the SEC’s management policies, core mission support activities, and compliance with the Government Performance and Results Act and other requirements imposed by Congress and the Executive Branch.

The OCOO’s vision is to be an exemplary service and support organization with a proven reputation as a valued partner that enables the SEC to perform its critical work on behalf of investors. It strives to accomplish this by creating an energizing work environment, increasing public trust through the highest standards of integrity and accountability, delivering extraordinary solutions and services for its internal customers, and exceeding Federal service provisions and benchmarks.

Accordingly, the OCOO’s mission is accomplished by the coordinated activities of its five mission support offices:

- **Office of Financial Management (OFM):** Responsible for directing the SEC’s financial management, formulation and execution of its budget, monitoring resource utilization, developing and maintaining financial systems, and managing financial statements and reporting.

- **The Office of Human Resources (OHR):** Responsible for the SEC’s strategic management of its human capital, including the capacity to recruit, train, develop, reward and retain a talented, multifaceted workforce. OHR collaborates closely with the National Treasury Employees Union on labor relations issues.
- **The Office of Acquisitions (OA):** Responsible for executing and overseeing the SEC’s acquisition strategy, including contract administration and management, compliance with procurement policies, and acquisition workforce certification, training and support.
- **The Office of Information Technology (OIT):** Responsible for developing and executing the agency’s enterprise IT strategy and programs, including application development, infrastructure operations and engineering, user support, program management, capital planning, information security, and enterprise architecture.
- **The Office of Support Operations (OSO):** Responsible for managing the agency’s Freedom of Information and Privacy Act (FOIA) requests and official records. OSO also conducts activities that support the physical safety

and security of the SEC's Federal and contractor staff, and strategic management of the agency's facilities, space, office supplies, transportation, mail distribution and in-house print operations and publications.

Additionally, the OCOO has a small, core staff that performs specialized activities and functions to further enable the five mission support offices to successfully carry out the SEC's mission.

In FY 2015, OCOO remains on track to meet the following strategic objectives defined in the SEC's Strategic Plan:

- 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.

A broad, coordinated effort that gets the highest return on both technical and human capital and constantly searches out creative new approaches to the agency's operational challenges is allowing the OCOO to meet these strategic objectives. With the SEC's back office functions at the forefront of efforts to improve its operations, the agency as a whole now uses budgeted funds more efficiently, executes internal and external actions more rapidly and carries out its mission more effectively. A new acquisitions approach will yield millions in cost savings by embracing economies of scale, more effective vendor negotiations, greater internal coordination and a long-term approach. Hiring time has dropped by 10 percent. FOIA requests are being responded to faster than ever, even as volume continues to rise. Innovative IT solutions, such as the automated Blue Sheets Analysis Platform and a new eDiscovery system are giving SEC enforcement the ability to sift through the mountains of trading data and millions

of documents that may be part of an investigation to better detect suspicious trading patterns including possible insider trading; predict if suspect activity is illegal; and more rapidly resolving investigations and build cases.

OCOO is successfully shouldering more visible, front office initiatives, as well.

Additionally, the OCOO is leading efforts to help drive the successful modernization of the agency's Electronic Data Gathering, Analysis, and Retrieval (EDGAR) system, which performs automated collection, validation, indexing, acceptance, and forwarding of submissions by companies and others, who are required by law to file forms with the SEC. Also, related to mission support, the OCOO continues to pursue improvements to bolster the agency's ability to meet administrative requirements by establishing a small, centralized function which consists of a managing executive with support staff. The group is dedicated to enabling the SEC's offices and divisions to address the annual requirements as they pertain to budget, human resources, management assurance, contracting and other administrative processes.

To successfully support the OCOO's operational objectives in FY 2016, the agency is requesting two additional positions for the OCOO to perform the following functions:

- One position will be allocated to the OCOO Operational Risk Management Office to support the continued development of operational risk management and focus on increasing risk awareness and mitigation in offices throughout the agency. The additional staff will work closely with those offices that do not currently have a dedicated DRO or equivalent.
- One position will be allocated to the OCOO Office of Strategic Initiatives to expand data management expertise. This position will support the data working group and the need to create a data repository for the management and tracking of all the data, electronic information, and physical assets procured by the Library and used by the entire agency.

**WORKLOAD DATA**

Activity <sup>1</sup>	FY 2014 Actual	FY 2015 Estimate	FY 2016 Request
Public Reference – Visitors	720	720	720
Library Password Management – Active Passwords	21,776	22,500	23,500
Library Acquisitions – Contracts Managed	115	120	125
Library Acquisitions – Acquisitions Transactions	282	250	250
Library Reference – In-Depth Research Requests	222	150	115
Library Reference – Quick Reference Requests	8,574	2,400	1,200
<b>Total FTE</b>	<b>23</b>	<b>26</b>	<b>31</b>

<sup>1</sup> The SEC Library organization was moved from the Office of the Secretary to the Office of the Chief Operating Officer in FY 2014 in a Congressionally-approved reprogramming action.

**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; prepares financial statements and reports; manages the formulation and execution of the SEC’s annual budget; coordinates the agency’s performance and cost reporting; and oversees internal controls over financial reporting.

In FY 2014, OFM helped coordinate the development of a new SEC strategic plan. 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 in FY 2016 to formalize its control program around agency performance measures.

In FY 2015, OFM will look to strengthen its internal controls over accounting for disgorgements and penalties via system

and process improvements, including enhancements to the process for recording the financial impact of disgorgement and penalties from SEC cases. System enhancements will yield more detailed information and improve tracking for both accounting and programmatic purposes.

During FY 2015 and FY 2016, OFM will concentrate on further improving other systems that support the SEC’s financial processes and controls. OFM will work to replace the system supporting the SEC’s budget execution and formulation. In addition, OFM will continue efforts to modernize the systems supporting property and equipment and filing fees. The SEC is participating in the Federal government-wide deployment of a new travel system and OFM will continue to work to ensure a smooth transition to the new system. Finally, the SEC is in the early stages of building a financial data mart, which when completed will integrate data from various systems for more comprehensive financial and management reporting.

**WORKLOAD DATA**

Activity	FY 2014 Actual	FY 2015 Estimate	FY 2016 Request
<b>Accounting and Finance</b>			
Quarterly/Annual Financial Statements Issued <sup>1</sup>	36	36	36
Financial Transactions Analyzed <sup>2</sup>	4,805,614	5,100,000	5,400,000
Analysis and Reconciliation Reports Prepared <sup>3</sup>	5,844	5,900	6,000
<b>FTE</b>	<b>75</b>	<b>81</b>	<b>88</b>
<b>Planning and Budget</b>			
<b>FTE</b>	<b>13</b>	<b>15</b>	<b>16</b>
<b>Total FTE</b>	<b>88</b>	<b>96</b>	<b>104</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> These workload metric accounts for all analysis and reconciliation reports prepared during the review of transactions processed by the FSSP.

**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 several years in modernizing technology systems. In FY 2016, the Office of Information Technology (OIT) will continue its leadership role in the overall management for the SEC's IT program including application development, infrastructure operations and engineering, user support, IT program management, capital planning, security, and enterprise architecture.

Investments planned for FY 2016 will continue to focus on improving the agency's ability to analyze data to uncover potential violations of the securities laws; systems to support agency business processes, including in Enforcement and Examinations; and efforts to improve the usability of agency information for the public. Specific projects include efforts to:

- Enhance the data analytics and reporting – to provide a Web-based solution that will enable SEC registrant

disclosures to be analyzed much more quickly and comprehensively.

- Improve the eXtensible Business Reporting Language (XBRL) Distribution System for EDGAR users, to help facilitate the submission and use of this key data.
- Enhance the SEC's quantitative research infrastructure by offering a scalable, multi-tier solution to identify and analyze key risks in the securities markets.
- Address new reporting requirements included in Commission-approved rulemaking.
- Bolster the document management system by adding an automated records management system to facilitate compliance with Federal records management statutes.
- Leverage the data produced by business intelligence tools that enhance the agency's ability to track key performance indicators.
- Implement high-powered data analytical systems for industry-wide investment adviser data.

The SEC also plans to continue investments in its information security program. In FY 2016, OIT plans to further automate security controls, continue the transition to a posture of information security continuous monitoring, enhance its risk management capabilities and response times, implement advanced persistent threat mitigation, and strengthen the privacy program.

The FY 2016 request includes 14 new positions for OIT to better execute these and other technology initiatives and to reduce reliance on contractor personnel. These staff will serve as project managers, business analysts, and technical resources who will improve technology and data management support for the SEC's business areas. In addition, the positions will enhance information security through monitoring, and drive further improvements in IT equipment management and reporting.

### Reserve Fund

In FY 2016, the SEC intends to continue using its Reserve Fund to fund large, multi-year, mission-critical technology projects. The SEC plans to use the Fund for the following programs:

- data analytics;
- EDGAR modernization;
- enforcement investigation and litigation support;
- the Enterprise Data Warehouse;
- 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

that will reduce the burden of producing and consuming the data, and limit the long-term costs of operating and maintaining the system.

Investments planned for FY 2016 for the Enforcement program include:

- expanding an enterprise document management system for users throughout the agency, and possible integration with other legacy systems;
- enhancing a large file transfer capability to permit the electronic transmittal of data directly from entities to replace the current mode of submitting data devices;
- modernizing the current tools used to collect Blue Sheets trade data from market participants;
- expanding the e-discovery approach to include an early assessment of documents and consolidating e-discovery into a single solution; and
- expanding the enterprise data analytics platform to improve the detection of large scale trading abuse.

In FY 2016, 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 to generate alerts, support exams and create exception reports. These efforts are focused on turning the terabytes of data received from numerous sources into actionable information to identify registered entities that require additional scrutiny. 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 with the goal of enabling the staff to allocate and direct SEC resources more effectively and efficiently.

FY 2016 funding will also support enhancements to the system that manages Tips, Complaints, and Referrals (TCRs):

- Additional enhancements to the TCR Intake and Resolution system are planned for FY 2016 in order to provide a more capable and user-friendly system with increased flexibility, configurability, and adaptability. 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 assesses documents and data uploaded by authorized users, to determine where and how such documents and data should be added to the system;
- deployment of a Whistleblower Information Tracking module with full auditing capabilities that will permit users to track and manage communications, work activities, and whistleblower related data;
- implementation of a flexible system that will enable administrators to design and modify the TCR system's workflows as they evolve. The system will be role-based, support configurable question-driven intake questionnaires, and provide users with context-based assistance as they navigate the system; and
- the ability to link TCR data to other SEC data sets to further identify repetitive fraud.

The FY 2016 request would allow further investments toward the modernization of SEC.gov. These efforts will make the site more informative, easier to navigate, and more secure

for investors, public companies, registrants and the general public. Continued migration of SEC.gov's public content to the cloud in FY 2016 will further improve the site's performance and reliability.

OIT will continue to build out the Enterprise Data Warehouse which currently contains over 636 terabytes of data. The implementation of the data warehouse will allow the SEC to eliminate multiple standalone databases resulting in significant cost savings. Currently, the SEC stores multiple copies of the same data. The data warehouse will allow the SEC to have one "single source of truth" and eliminate large amounts of data storage that also translates to large cost savings.

OIT will build on the enterprise-wide platform to rapidly automate business process workflows to streamline communication, reinforce accountability, and adapt to changing business needs and legislative requirements while minimizing costs due to manual errors and inefficiency. Integrating and sharing data will enable the SEC to effectively manage how data and information flows, and achieve significant progress in Business Process Improvements.

**WORKLOAD DATA**

Activity	FY 2014 Actual	FY 2015 Estimate	FY 2016 Request
<b>EDGAR Filings, Disclosure and Review</b>			
Online Searches for EDGAR Filings (in millions)	6,102	8,400	9,240
Number of Electronic Filings Received (in millions) <sup>1</sup>	1.8	1.9	2.0
<b>Internal Process Improvements and Employee Productivity</b>			
User Requests for Helpdesk Assistance	104,697	105,000	100,000
Amount of Network-Based Storage (Terabytes)	15,900	17,200	19,200
Network Users	5,946	5,950	5,950
<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 and E-mail Inquiries	541	570	600
Technical Support Telephone Inquiries	21,276	21,900	22,600
<b>Total FTE</b>	<b>153</b>	<b>170</b>	<b>183</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.

## Office of Human Resources

The Office of Human Resources (OHR) provides operational and consulting services in the areas of recruitment, staffing, organizational development, leadership and employee development, compensation and benefits administration, position management and classification, workforce planning, and employee and labor relations.

In FY 2014, OHR achieved significant success in meeting goals established in its recruitment and hiring action plan. OHR implemented a series of business process re-engineering recommendations that have streamlined the hiring process and significantly reduced the hiring timeline, increased the Office's marketing and outreach activities via social media outlets, and reorganized its staffing Branches to add team lead and staff positions to improve customer service.

OHR also continued to develop its workforce planning capabilities in FY 2014. Most notably, the staff successfully introduced and conducted its first series of human capital reviews with divisions and offices. In addition, OHR made significant strides in implementing the provisions of the new Collective Bargaining Agreement, to include adding flexible work schedule options, expanding the telework program, and sponsoring benefits programs specific to the agency. OHR also continued to implement agency-wide action plans for improving employee satisfaction as measured by the Federal Employee Viewpoint Survey (EVS).

SEC University (SECU) implemented a comprehensive suite of e-learning, training, and educational resources covering securities market structure and trading issues, legal and accounting skills, investor protection, regulatory oversight, management strategies, and other areas needed for effective operations.

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 automation of the Employee and Labor Relations Case Management System, automation of the SEC Performance Management System, and the transition of additional manual forms and processes into an electronic environment. OHR will continue to engage and collaborate with customers across the agency to execute targeted recruitment strategies and hiring plans

to attract and retain employees. This will include deploying a targeted focus on special emphasis hiring, such as initiatives to hire veterans and persons with disabilities.

In FY 2016, OHR will continue to focus on the modernization of its structure, policies, processes, and customer-service model. To achieve these objectives, OHR is requesting an increase of 19 new positions. These new hires will continue efforts to:

- Accelerate the hiring process significantly and increasing a range of services to attract and maintain a high-quality workforce;
- Support divisions and offices in all phases of workforce planning and talent acquisition;
- Develop tools, metrics, and processes to track all employees' individual development plans;
- Sustain and improve EVS results and employee engagement; and
- Automate manual and paper-based processes.

Additionally, OHR, through the work of SECU, will support training and development for employees directly involved in examinations, investigations, fraud detection, litigation, and other core mission responsibilities of the SEC. SEC University will provide specialized in-depth training concerning changing market conditions, analytics and forensics, and the SEC's response to the Dodd-Frank Act. The SECU will also oversee training for certain specialized financial certifications and regulatory credentials, as well as the advanced continuing education required for maintaining legal and financial credentials. Finally, SECU will support ongoing management training to improve the capabilities of managers and supervisors in the management and development of their employees.

Overall, OHR's FY 2016 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 and negotiated agreements.

To achieve these objectives, OHR is requesting an increase of 19 positions for FY 2016.

**WORKLOAD DATA**

Activity	FY 2014 Actual	FY 2015 Estimate	FY 2016 Request
Personnel Actions Processed <sup>1,2</sup>	29,107	30,600	32,100
Recruitment Actions <sup>3</sup>	765	700	730
Training Sessions Held <sup>4</sup>	927	970	1,020
Number of Training Session Attendees	27,839	29,200	30,700
Studies, Reviews, and Policies Issued <sup>5</sup>	4,561	5,020	5,520
<b>Total FTE</b>	<b>104</b>	<b>121</b>	<b>137</b>

<sup>1</sup> FY 2014 data reports personnel actions completed.

<sup>2</sup> The figures for FY 2015 are projected based on actual FY 2014 personnel actions completed with a growth factor of approximately 5 percent (with rounding). FY 2016's figures are a similar projection from the FY 2015 figure.

<sup>3</sup> FY 2014 numbers are a count of vacancy announcements plus excepted appointments made without a posting. FY 2015 projections reflect recruitment actions required for new FTE and replacement of attrition.

<sup>4</sup> FY 2014 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 and Employee & Labor Relations Groups. Projections assume a 10 percent growth in workload.

**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 certification programs for Contracting Officer's Representatives and Program Managers. 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 relating to procurement.

OA 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 the Buy American Act information; awards by Congressional District, state, vendor, business type, and competition information; and small business and other data necessary to ensure transparency and accountability with respect to numerous Federal programs.

In FY 2016, OA will further strengthen internal controls over the contractual aspects of financial reporting. In FY 2014 and FY 2015, OA focused on refining contracting processes. In FY 2016, OA plans to initiate an Electronic Contract File Project that will result in greater ability to analyze contract information, facilitate telework, and eventually reduce space footprint for paper files. The planned project will improve operations by enabling simultaneous access to documents by multiple users, reduce paper usage, improve records management efficiency and ensure all pertinent records are included in the official contract file. OA's workload continues to increase as the Office expands its contract administration functions and as the volume and complexity of contract awards increases. In FY 2016, OA will continue to seek savings in operations by:

- reducing the proportion of cost reimbursement, time and materials, and labor-hour contracts by converting to firm fixed price contracts, where appropriate;
- improving acquisition planning for recurring contracts to manage costs through review and adjustment of labor categories, where appropriate;

- 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 returning 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 OA's workload will continue to increase. OA plans to continue to improve its

oversight and reporting functions, including those related to the Acquisition Requisition Management System (ARMS) and the Small Business Program. OA will also continue to monitor and track Management Assurance controls and will play an active role in the SEC's Contract Review Board, which reviews large dollar procurement actions to make sure the most effective contracting approach is taken.

In FY 2016, OA will also continue strengthening the Contracting Officers' Representative (COR) program and the Program/Project Management programs, to include enhanced training and monitoring. OA will also continue to assist the SEC in tracking contractor personnel by using the "Contractor Personnel List," which provides OCOO with increased ability to control network and facility access, retrieve government-furnished property, and plan and control office space in SEC facilities.

**WORKLOAD DATA**

Activity	FY 2014 Actual	FY 2015 Estimate	FY 2016 Request
Procurement Actions (Contracts and Purchase Orders)	2,367	2,450	2,500
Total value of Contracts with Business Funded by SEC	\$ 467,647,340	\$ 480,000,000	\$ 500,000,000
Additional Value of Interagency Agreements Obligated (In Dollars)	\$ 39,013,710	\$ 40,000,000	\$ 41,000,000
GPC Cardholders Audited	96	115	120
Closeout Actions Processed	463	460	450
Dollars Recovered for Reuse (Closeouts & ULO De-obligations)	\$ 26,669,263	\$ 15,000,000	\$ 10,000,000
CORs Managed	170	269	251
Small Business Actions Processed	1,350	1,600	2,000
Dollars Spent with Small Business	\$ 226,250,906	\$ 275,000,000	\$ 300,000,000
Percent Small Business Dollars (23% Federal-wide Minimum Goal)	58%	60%	60%
Multi-Agency Collaborative Actions	665	685	705
Multi-Agency Contract Value Awarded	\$ 198,831,745	\$ 205,000,000	\$ 211,000,000
<b>Total FTE</b>	<b>48</b>	<b>58</b>	<b>59</b>

## Office of Support Operations

The Office of Support Operations (OSO) provides a variety of services in support of the SEC Headquarters and Regional Offices. OSO is comprised of four functionally organized offices: Office of Freedom of Information Act (FOIA) Services (OFS), Office of Records Management Services (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.

The workload of these offices is expected to increase in FY 2015 and FY 2016. OSO is requesting five new positions to handle this increased workload. These positions include an architect and general engineer in OBO, a Branch chief, and business finance specialist in BMO, and a physical security specialist in OSS.

- **Office of FOIA Services:** OFS is responsible for 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 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 16,000 FOIA requests in FY 2016.
- **Office of Records Management Services:** ORMS maintains SEC records schedules and develops policies and procedures under the Federal Records Act and other 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 continues to lead the agency's move towards a centralized automated records management system designed to maintain, manage, and safeguard the SEC's electronic information. In FY 2014, ORMS completed its records assessment visits to all headquarters and regional offices. ORMS convened 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 physical and personnel security, emergency management, safety, background investigations, and Continuity of Operations (COOP). OSS develops policies and procedures to implement Federal security-related statutes and regulations. OSS also manages the HSPD-12 and National Security programs for the SEC.

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 validated the COOP plan during the National Level Eagle Horizon exercise in April 2014 and will update the plan during FY 2015.

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 requirements. In FY 2015 and FY 2016, 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. In FY 2015 and FY 2016, OSO will oversee 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 and the SEC is working with the General Services Administration to attain that goal.

**WORKLOAD DATA**

Activity	FY 2014 Actual	FY 2015 Estimate	FY 2016 Request
Records Management – Official Certs	4,366	4,400	4,400
Records Management – Document Requests	1,295	1,300	1,300
FOIA Requests Carried Forward From Prior FYs	595	1,100	1,600
New FOIA/PA Requests Received	14,862	16,000	16,000
FOIA/PA Requests Completed	14,757	15,500	15,500
Security Services – Interim Suitability Determinations Made <sup>1</sup>	2,382 <sup>2</sup>	2,500	2,750
Security Services – HSPD-12 Credentials Issued	1,728	1,815	2,000
Security Services – HSPD-12 Credential Certificates Updated <sup>3</sup>	1,055	1,600	1,300
Print Production (Millions of Pages)	4.6	5	5
<b>Total FTE</b>	<b>90</b>	<b>102</b>	<b>106</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 678 interns. Total number may vary based on hiring initiatives and contractor turnover.

<sup>3</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 2014 Actual	FY 2015 Estimate	FY 2016 Request
<b>FTE:</b> Headquarters	15	16	18

### FY 2016 FTE BY SEC STRATEGIC GOAL

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

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.

OEC expects its workload and responsibilities to increase significantly in FY 2016 due to increased compliance efforts and systems and process improvements the Office is conducting. As a result of recommendations from a recent audit of OEC by the SEC’s Office of Inspector General, OEC will be implementing several enhancements to the SEC’s Personal Trading Compliance System (PTCS). Examples include developing a search capability in the system, working with the Division of Enforcement to supplement the ticker information used by PTCS, and enhancing the securities feed used by PTCS.

In addition, OEC provides counseling and training to SEC staff on compliance with ethics laws and regulations. OEC currently processes well over 25,000 requests annually for clearance of securities transactions for SEC employees. The Office also reviews an increasing number of OGE 450 forms for compliance with applicable ethics guidance. 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 estimates that the demand for its counseling and training services will increase roughly 10 percent during FY 2016, primarily due to recent increases in SEC staff.

The expected increase in the number and complexity of the agency’s enforcement actions in FY 2016 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 percent each fiscal year.

**WORKLOAD DATA**

<b>Activity</b>	<b>FY 2014 Actual</b>	<b>FY 2015 Estimate</b>	<b>FY 2016 Request</b>
Ethics Counseling Inquiries <sup>1</sup>	6,315	6,950	7,640
Review of Public Financial Disclosure Forms <sup>2</sup>	185	190	195
Commission Memoranda Review <sup>3</sup>	1,100	1,210	1,330
Review of Confidential Financial Disclosure Forms <sup>4</sup>	3,200	3,520	3,870
Clearance of 8b Requests <sup>5</sup>	217	240	260
Pre-clearance of Requests for Trading <sup>6</sup>	28,100	30,910	34,000
Employees Trained in Ethics <sup>7</sup>	4,209	4,630	5,090
<b>Total FTE</b>	<b>15</b>	<b>16</b>	<b>18</b>

<sup>1</sup> Assisting current and former employees with questions regarding ethics law, rules and regulations.

<sup>2</sup> Review of the OGE 278 forms of senior officials.

<sup>3</sup> Reviews of 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

<i>(DOLLARS IN THOUSANDS)</i>	FY 2014 Actual	FY 2015 Estimate	FY 2016 Request
<b>FTE:</b> Headquarters	8	9	11

### FY 2016 FTE BY SEC STRATEGIC GOAL

Goal 1	Goal 2	Goal 3	Goal 4
Establish an Effective Regulatory Environment	Foster and Enforce Compliance with Federal Securities Laws	Facilitate Access To Information Investors Need	Align and Manage Resources
0	0	0	11

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. OMWI directly supports the SEC’s strategic efforts to attract, engage and retain a diverse workforce.

The agency’s request for two additional positions in FY 2016 for OMWI will allow the Office to accommodate the expanding workload associated with conducting contract reviews and monitoring program effectiveness. OMWI objectives for FY 2016 are described below.

- Diversity in SEC’s Workforce:** The SEC remains committed to being an employer of choice as demonstrated by its continued efforts to attract, hire, develop and retain a high-quality, diverse and results-oriented workforce. In FY 2016, to expand awareness of employment opportunities at the SEC, OMWI plans to maintain a broad outreach strategy, which includes targeted advertisements in publications that primarily serve minorities and women.

To maximize its reach, OMWI also will utilize social media to encourage diverse applicants to apply to advertised vacancies. In collaboration with SEC divisions and offices, OMWI also plans to sponsor and participate in events

held by diverse professional associations and other organizations to promote a diverse talent pipeline for current and future employment opportunities. The SEC also intends to visit schools identified in Section 342(f) to educate students about future careers in the financial services industry.

In FY 2016, OMWI will continue to develop a wide variety of training opportunities to enhance cultural awareness and inclusiveness in the SEC workforce, in some cases in partnership with the Offices of Acquisitions (OA), Equal Employment Opportunity (EEO), and Human Resources (OHR). In FY 2016, OMWI also will work to enhance the knowledge and understanding of the Section 342 requirements to SEC staff engaged in hiring and business activities.

- Diversity of SEC’s Contracting and Business Activities:** In FY 2016, OMWI plans to continue to enhance its supplier diversity initiatives across the SEC, to ensure the fair inclusion of minority-owned and women-owned businesses in the agency’s business activities. OMWI will attend business opportunity events to attract diverse suppliers, and provide technical assistance for minority-owned and women-owned businesses. Additionally, OMWI, in collaboration with OA, plans to host vendor fair events to promote a wider pool of potential suppliers and to educate potential businesses of future opportunities. These events will be designed to allow minority-owned and women-owned businesses to present their capabilities directly to SEC staff involved in contracting.

In FY 2015, OMWI plans to finalize the “good faith” contract standard that requires contractors to demonstrate the fair inclusion of minorities and women in their workforce, as required by Section 342(c)(1) of the Dodd-Frank Act. In FY 2015 and FY 2016, OMWI anticipates conducting training on the requirements of Section 342 concerning the new standards for supplier diversity and the agency’s business case for supplier diversity. OMWI expects that the “good faith” contract standard will be incorporated in all SEC contracts for services that exceed the \$100,000 threshold as early as FY 2016, and OMWI will begin conducting contract reviews to evaluate the fair inclusion of women and minorities in the workforce of existing contractors and, as applicable, of subcontractors. OMWI is requesting one additional position to support its supplier diversity efforts.

In FY 2016, OMWI plans to deploy a new automated system that features a centralized database of diverse suppliers interested in doing business with the SEC, as well as capabilities for tracking and reporting on OMWI’s performance.

Additionally, in FY 2016, OMWI anticipates continued collaboration with the Divisions of Corporation Finance, Trading and Markets, and the Office of Investor Education and Advocacy, and in partnership with the U.S. Small Business Administration, to conduct outreach to inform several business communities, including minority-owned businesses and women-owned businesses, of the changes made by the Jumpstart Our Business Startups (JOBS) Act.

- **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 awareness of diversity policies and practices within Federally regulated financial institutions. OMWI anticipates that once the final policy statement and joint standards are issued in FY 2016, OMWI will provide technical assistance to the regulated entities related to implementing the joint standards.

- **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. In FY 2016, OMWI requests one additional position to ensure that all of the SEC’s statutorily mandated diversity efforts are being evaluated for effectiveness, and to make recommendations for program improvement, where appropriate.

**WORKLOAD DATA**

Activity	FY 2014 Actual	FY 2015 Estimate	FY 2016 Request
Reporting Requirements and Data Analyses <sup>1</sup>	3	60	70
Diversity and Inclusion Programs <sup>2</sup>	51	70	90
Diversity and Inclusion Training <sup>3</sup>	17	15	15
Roundtable or Public Meetings <sup>4</sup>	1	2	2
Vendor Outreach <sup>5</sup>	59	55	60
Targeted Advertisement Sources <sup>6</sup>	407	125	145
Diversity Standards and Policies <sup>7</sup>	N/A	3	8
<b>Total FTE</b>	<b>8</b>	<b>9</b>	<b>11</b>

<sup>1</sup> Workload activities for Legal and Other Reporting Requirements have been revised to Reporting Requirements and Data Analyses. This workload activity includes customized analyses of workforce and supplier diversity data, in addition to OMWI's Annual Report to Congress, 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, meetings, career fairs or other events to promote both workforce and supplier diversity pipeline development for employment and business opportunities at SEC.

<sup>3</sup> OMWI continues to develop a variety of instructor-led training opportunities to enhance cultural awareness and inclusiveness for all levels of the SEC's workforce.

<sup>4</sup> OMWI plans to host a series of roundtable discussions in order to provide technical assistance to industry representatives once the Interagency Policy establishing standards for Assessing the Diversity Policies and Practices of Regulated Entities are final. In addition, OMWI, in collaboration with the SBA and SEC Divisions and Offices, will host public meetings in accordance with the JOBS Act.

<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> The Workload figures for "Targeted Advertisements" have been revised to "Targeted Advertisement Sources" utilized to promote job vacancies that are open to the public.

<sup>7</sup> This data was added in FY 2015.

## Office of Equal Employment Opportunity

<i>(DOLLARS IN THOUSANDS)</i>	FY 2014 Actual	FY 2015 Estimate	FY 2016 Request
<b>FTE:</b> Headquarters	10	10	11

### FY 2016 FTE BY SEC STRATEGIC GOAL

Goal 1	Goal 2	Goal 3	Goal 4
Establish an Effective Regulatory Environment	Foster and Enforce Compliance with Federal Securities Laws	Facilitate Access To Information Investors Need	Align and Manage Resources
0	0	0	11

The mission of the SEC’s Office of Equal Employment Opportunity (OEEO) is to provide equality of employment 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 SEC’s personnel policies, practices and operations.

OEEO’s primary responsibilities include:

- 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 recommends proactive measures to eliminate such barriers and provides continuing oversight of the results of the implementation of those measures;
- preparing and submitting the SEC’s annual MD-715 report on workforce demographics and barriers to equality of opportunity with the Equal Employment Opportunity Commission;
- conducting assessments of SEC divisions and offices to ensure compliance with EEO laws and regulations;
- 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, as well as on emerging EEO topics;
- conducting anti-harassment inquiries and providing coaching and consultations on workplace disputes that are perceived as discriminatory;
- providing No FEAR Act reporting to Congress, the Equal Employment Opportunity Commission and the Office of Personnel Management on complaints of employment discrimination;
- compiling data and preparing regular and ad-hoc EEO-related reports; and
- leading SEC Employee Resource Groups to deliver educational and cultural heritage programs to heighten the awareness of the richness of the SEC’s diverse workforce. The Office also provides these groups with ongoing support and career/leadership development opportunities to enhance their members’ careers at the SEC, thus supporting employee engagement and retention.

In FY 2016, OEEO will continue to deliver on the programs described above. Analyzing barriers to EEO will be an area of particular focus in order to fulfill the SEC’s commitments in response to OIG Audit Report No. 528 (Nov. 20, 2014) and compliance with EEOC requirements. Beyond traditional EEO

training covering basic EEO laws and regulations, training content will be enhanced to address emerging EEO topics of interest for both managers and employees.

OEEEO will continue to provide support and oversight, and enriching initiatives to be delivered to the SEC workforce by the SEC's Employee Resource Groups. This support will include providing members a platform for developing winning leadership styles.

Given EEOC mandates and OIG recommendations, as well as the myriad of programming and initiatives highlighted above, the request includes two additional positions for the Office in FY 2016.

**WORKLOAD DATA**

Activity	FY 2014 Actual	FY 2015 Estimate	FY 2016 Request
Training and Instructional Programs	99	100	100
Inquiries Handled	141	143	157
Legal and Other Reporting Requirements	96	96	96
Internal EEO Programs/Employee Resource Groups	60	60	60
Proactive Prevention Activities <sup>1</sup>	26	27	35
Barrier Analyses and Recommendations <sup>2</sup>	4	9	9
<b>Total FTE</b>	<b>10</b>	<b>10</b>	<b>11</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.  
<sup>2</sup> This category of workload counts each barrier analysis and the oversight of recommendations resulting from the analysis as one item. It is reported separately from the Legal and Other Reporting Requirements category for the first time. Prior year counts for the Legal and Other Reporting Requirement category were higher because they included barrier analyses recommendations and the related tasks.

## Office of the Inspector General

<i>(DOLLARS IN THOUSANDS)</i>	FY 2014 Actual	FY 2015 Estimate	FY 2016 Request
<b>FTE:</b> Headquarters	<b>25</b>	<b>36</b>	<b>47</b>
<b>Cost:</b> Salaries and Benefits	\$ 5,452	\$ 8,227	\$ 11,000
Non-Personnel Expenses	3,506	4,876	5,056
<b>Total Costs</b>	<b>\$ 8,958</b>	<b>\$ 13,103</b>	<b>\$ 16,056</b>

### FY 2016 FTE BY SEC STRATEGIC GOAL

Goal 1	Goal 2	Goal 3	Goal 4
Establish an Effective Regulatory Environment	Foster and Enforce Compliance with Federal Securities Laws	Facilitate Access To Information Investors Need	Align and Manage Resources
0	0	0	47

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. 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 2016, 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 2016.

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 (ESP). 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 ESP allegations of waste, abuse, misconduct, or mismanagement within the SEC. During FY 2016, the OIG will continue to monitor, track, and analyze information received through the ESP, and produce the required annual report to Congress on the ESP. In addition, the OIG will operate a program for recognizing employees who make suggestions, through the ESP, 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 2016 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 2016 will 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 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 fiscal year.
- 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 2016.
  - The aggregate budget request for the operations of the OIG is \$11,315,971.
  - 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 2016 OIG training costs of \$110,500. The IG certifies that the aggregate amount of the request satisfies all training requirements for the OIG for FY 2016 and also any assessment required to support CIGIE.
  - The estimated amount of the SEC OIG’s contribution to CIGIE is 0.27 percent of the budget request, or \$30,471.

### WORKLOAD DATA

Activity	FY 2014 Actual	FY 2015 Estimate	FY 2016 Request
Audits/Evaluations <sup>1</sup>			
Pending Beginning of Year	6	6	5
Opened	9	12	10
Completed	9	13	10
Pending End of Year	6	5	5
<b>Total FTE</b>	<b>25</b>	<b>36</b>	<b>47</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.

Note: The Office of Audits typically completes its audit planning process for a single fiscal year. As such, there is no audit plan for fiscal year 2016. The estimates of audits/evaluations/other projects for fiscal year 2016 are based on mandated projects only (i.e. FISMA, Improper Payments, etc.).

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## OTHER INFORMATION

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## Major Management Priorities, Challenges and Risks

As markets, products, and participants that the SEC oversees and regulates increase in size and complexity, the agency's mandate to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation becomes more challenging. To maximize the use of the SEC's resources for the agency's mission, the agency continually strives to allocate its time and funds towards the highest and best uses. As the agency turns from rule writing to implementation and enforcement of the Dodd-Frank Act and JOBS Act, agency resources need to stretch further to cover the statutory expansions in the SEC's jurisdiction. The SEC also constantly must reevaluate its operations to identify risks and ensure the agency is operating most efficiently to achieve agency priorities. To accomplish these objectives, the SEC continues to make progress on several initiatives:

- **Harnessing technology for the benefit of the SEC's mission:** A multi-year technology transformation plan called "Working Smarter" is ensuring the SEC's business processes are streamlined, integrated, and implemented with the best technology to reduce costs and increase efficiencies and effectiveness; deliver better services to employees and the public; and provide greater accountability, transparency, and security. Leveraging modern, reliable, and innovative technologies and predictive analytics is transforming the way the SEC performs its mission and provides a proactive view into how technology impacts capital markets. By ensuring people "work smarter," the SEC is deriving significant and measurable performance improvements in core operations and increased value through the use of automated processes.
- **Focusing on training and development for SEC staff:** The SEC continues to invest in the development of its employees to enhance their performance and help them keep abreast of rapidly changing markets. SEC University (SECU) works on development opportunities for staff directly involved in examinations, investigations, fraud detection, and litigation, as well as other core aspects of the agency's mission. SECU will provide specialized in-depth training concerning changing market conditions, analytics and forensics, and the SEC's response to the

Dodd-Frank Act. The SECU will also oversee training for certain specialized financial certifications and regulatory credentials, as well as the advanced continuing education required for maintaining legal and financial credentials. Finally, SECU will continue working to improve the capabilities of supervisors in the management and development of their employees.

- **Better integrating data from SEC operational functions into management decisions:** To accomplish the SEC's mission, it is essential that management decisions are based on the best available information from multiple sources. This requires SEC leaders to consider information from human resources, financial management, and information technology and support operations functions when making management decisions. To improve decision-making and reporting capabilities, the SEC continues to explore improvements to its data collection, analysis, and reporting methods.
- **Further enhance financial systems and controls to achieve operational efficiency and effectiveness:** The SEC is participating in the Federal government-wide deployment of a new travel management system, evaluating replacements for systems supporting budget execution and formulation, and focusing on reforming the systems related to property and equipment, filing fees and disgorgements and penalties. In FY 2016, the SEC expects to begin the effort to develop a financial datamart as part of a broader Commission-wide enterprise data warehouse initiative. The datamart will integrate data from various systems to provide more comprehensive management and financial reporting on a regular basis, to facilitate better decision-making.

The following tables describe (1) the challenges facing the SEC as identified by the SEC Inspector General's Statement on the U.S. Securities and Exchange Commission's Management and Performance Challenges letter dated September 30, 2014; and (2) SEC management's response to the statement detailing actions taken and planned to address each of the findings. The tables also provide the SEC's plans to address these challenges through the resources requested in this request.

## Management Challenge Identified by the Inspector General

### REGULATORY OVERSIGHT

#### Current Efforts to Address the Challenge

During the past decade the SEC's regulatory responsibilities have increased in size and complexity. The Dodd-Frank Wall Street Reform and Consumer Protection (Dodd-Frank) and the Jumpstart Our Business Startups (JOBS) Acts gave the SEC significant new duties and required the agency to undertake the largest rulemaking agenda of its history. While the SEC has made significant progress, more remains to be done on both our Dodd-Frank Act and JOBS Act rulemakings, and we continue to work with intensity focused on creating fundamental and lasting reforms supported by robust economic analysis.

The overall responsibilities of the SEC cannot be handled appropriately with the agency's existing resource levels, particularly as we turn from rule writing to implementation and enforcement of the Dodd-Frank and JOBS Act rules. While the SEC will continue to do its utmost to maximize the use of its resources, current funding levels make it increasingly difficult for the SEC to detect, pursue, and prosecute violations of our securities laws; continue to improve transparency through our disclosure program; and enhance market structure as the size, speed, and complexity of the markets grow around us.

#### How the FY 2016 Request Addresses the Challenge

The President's Budget Request seeks additional staff and technology investments to allow the SEC to accomplish several key and pressing priorities. As discussed in more detail elsewhere in this document, these priorities include bolstering examination coverage for investment advisers and other key areas; continuing the agency's investments in the technologies needed to keep pace with today's high-tech, high-speed markets; strengthening our enforcement program's efforts to detect, investigate, and prosecute wrongdoing; and enhancing the agency's oversight of the rapidly changing markets and ability to carry out its increased regulatory responsibilities.

## Management Challenge Identified by the Inspector General

### INFORMATION SECURITY

#### Current Efforts to Address the Challenge

Our Office of Information Technology (OIT) continues to take corrective actions on issues identified during prior Federal Information Security Management Act evaluations. This year, OIT Security initiated a targeted review on select contractor systems to ensure they are compliant with the government-mandated control baseline for cloud computing systems, and began assisting OIT Operations in a manual account validation of all Unix system accounts to ensure all accounts are necessary for the proper operation of our Unix environment. OIT Operations undertook a project to centralize account validation to ensure timely response in the future. In addition, OIT Operations is in the final stages of a project to enable the use of our Personal Identity Verification cards for authentication to our network.

To address the proper sanitizing of digital information system media, OIT Security assumed responsibility for the main media destruction contract. The staff coordinated an SEC-wide inventory of digital media awaiting disposal, updated formal policies and procedures, and initiated backlog disposal pickups at both Headquarters and all Regional Offices. OIT Security also began working with OIT Operations and Asset Management to ensure and verify all laptop computer hard drives are encrypted.

In response to the Government Accountability Office's (GAO) audits of the financial statements in FY 2012 and FY 2013, OIT completed numerous corrective actions to address all but a small number of identified weaknesses. Those that remain are actively being addressed and should be remediated in the coming months.

To strengthen controls over non-public information, the Office of Records Management Services implemented procedures that require all departing SEC personnel, regardless of the type or duration of their appointment, to provide formal acknowledgement on SEC Form 2888, Record Clearance Form, that they have not removed documentary materials upon separation unless they have obtained the proper approvals. This records clearance form includes a signature from the departing employee's supervisor or other approving official attesting that they have conducted a review of documents that the employee plans to remove from the SEC.

#### How the FY 2016 Request Addresses the Challenge

The SEC has been taking steps to improve both its privacy and security processes and its digital media sanitation and disposal practices, as requested in IG's letter. Maintaining proper controls over sensitive, nonpublic information, including OIT's security controls for the SEC's information systems, is a priority for the SEC. In FY 2016, OIT plans to further automate controls, continue the transition to a posture of continuous monitoring, build its risk management capabilities, and strengthen the privacy program.

**Management Challenge Identified by the Inspector General**      **ACQUISITION MANAGEMENT**

**Current Efforts to Address the Challenge**      The SEC remains focused on implementing effective contract management. As noted above, OIT Security assumed responsibility for the main media destruction contract to address the proper sanitizing of digital information system media. With respect to the agency's physical security program, the Office of Security Services (OSS) is working to increase oversight and performance monitoring of the agency's security systems contractor by having the access control notifications and intrusion detections replicated in the SEC's Command Center.

In addition, the SEC is planning to provide training opportunities for Physical Security Specialists to ensure they meet or exceed the baseline knowledge and core competency skills developed by OSS in accordance with Interagency Security Committee standards.

**How the FY 2016 Request Addresses the Challenge**      In FY 2016, OA will further strengthen internal controls over the contractual aspects of financial reporting. In FY 2014 and FY 2015, OA has focused on refining contracting processes. In FY 2016, OA will transition to an Electronic Contract File and Scanning Project that will result in time savings for staff who will no longer need to print and scan key documents. The project will improve operations by enabling simultaneous access to documents by multiple users, and will reduce paper usage. The system will also improve records management efficiency and ensure all pertinent records are included in the official contract file.

**Management Challenge Identified by the Inspector General**      **FINANCIAL MANAGEMENT**

**Current Efforts to Address the Challenge**      FY 2014 marks our second full year of operations with the Delphi financial system and contracted services provided by a Federal Shared Service Provider (FSSP), the Department of Transportation's (DOT) Enterprise Services Center (ESC). This year, the SEC continued our progress in achieving more efficient and effective financial operations under the FSSP model. For 2013, GAO identified one significant deficiency in internal controls over financial reporting, in the area of information security. During 2014 the SEC focused on improving the internal controls related to risk management and project oversight in its information systems operations. The 2014 GAO audit report found that this significant deficiency has been remediated.

GAO's 2013 report also identified several control deficiencies in the SEC's internal controls over financial reporting that are not considered to be material weaknesses or significant deficiencies. The SEC made significant improvements to remediate these control deficiencies, as specified below.

**Procedures for transferring disgorgement and penalty-related funds to the Department of the Treasury:** The SEC developed and implemented specific procedures for validating funds availability prior to transferring disgorgement and penalty-related funds to the Department of the Treasury.

**Monitoring of disgorgement and penalty related cases filed in courts:** The SEC enhanced the process for monitoring the daily automated feed of court case information, so we can properly capture and record the accounting events that result from such cases.

**Segregation of duties for recording disgorgement and penalty-related financial data:** The agency enhanced the access controls for ImageNow, a workflow system used to warehouse all of SEC judgments and orders and to transmit all disgorgement and penalty-related information to ESC, our shared-service provider. The agency also increased the segregation of duties for recording disgorgement and penalty data and instituted recurring monitoring of user accounts.

**Safeguarding SEC cash receipts received at its service provider:** The SEC tested the controls over cash receipts at its service provider for FY 2014. The service provider will include an assessment of these controls in its SSAE-16 report for FY 2015.

**Recording of property and equipment transactions:** The agency worked to improve processes for capturing and recording property and capitalized assets on a timely basis.

**Management's review of legal contingencies and significant events:** The SEC implemented control procedures for timely assessment and recording of significant events with financial consequences.

In FY 2014, the SEC also continued its efforts to strengthen the agency's internal controls program. The agency streamlined the key controls for all process cycles and fully implemented a quarterly internal controls self-assessment. In FY 2015, the SEC will continue to build on this progress, by further strengthening its internal controls program and remediating deficiencies identified by GAO.

*(continued on next page)*

## Management Challenge Identified by the Inspector General

### FINANCIAL MANAGEMENT *(continued)*

#### How the FY 2016 Request Addresses the Challenge

In FY 2016, the SEC will be finalizing its reforms to the controls, processes, and systems supporting the agency's accounting for disgorgements and penalties, which was found to be a significant deficiency in GAO's FY 2014 audit. Among other goals, these efforts are aimed at improving the agency's ability to accurately capture new accounting events resulting from the SEC's enforcement cases, on a timely basis. In order to strength controls in other aspects of the agency's finances, the SEC will focus on modernizing the systems supporting property and equipment, filing fees, and agency budgeting. In addition, the agency will begin to develop a Financial Datamart, a repository for accounting and budget-related information which will strengthen financial and management reporting.

## Management Challenge Identified by the Inspector General

### HUMAN CAPITAL MANAGEMENT

#### Current Efforts to Address the Challenge

The SEC made substantial progress with implementing GAO's recommendation to improve personnel management. Below are updates on the key areas referenced in the Statement on Management and Performance Challenges.

**Workforce planning.** SEC is currently developing a comprehensive workforce plan, including a plan to assist the agency in identifying future leaders. Although we have established a robust succession plan which has been approved by the Office of Personnel Management (OPM), the succession plan is just the initial building block for the workforce plan. Additional steps are being taken in FY 2015 to finalize SEC-wide strategic initiatives and we will work to incorporate all elements of effective workforce planning into the overall plan, to be completed by the end of FY 2015.

**Performance management.** The SEC recently agreed with its union, National Treasury Employee Union (NTEU), to work collaboratively to create a new four-tier bargaining unit performance management system that will differentiate pay based upon merit. Once the new four-tier system is in place, the SEC and NTEU have agreed to implement a new performance based raise and bonus program, which will further allow the SEC to reward outstanding performance.

SEC non-bargaining unit employees are currently under a five-tier Evidence Based Performance management system that assesses employees' overall performance each year. Once the bargaining unit system has been completed, the SEC will work to bring both systems into alignment with GAO's recommendations, which is anticipated to occur in FY 2016.

**Communication and collaboration.** Based on GAO's recommendations, SEC made significant efforts to improve internal communication and collaboration. In an effort to optimize communications and collaboration, the SEC benchmarked and implemented a variety of best practices used both within the public and private sector, including cross-agency working groups, an agency-wide culture change initiative and a more robust internal communication strategy. Work continues in this area to ensure that employees across the SEC are sharing critical information.

**OPM review.** The purpose of OPM's audit was to determine SEC's adherence to merit system principles, laws, and regulations, and to assess the efficiency and effectiveness in administering human resources programs under the Talent Management System of the Human Capital Framework. The Office of Human Resources (OHR) currently is in the process of addressing all of the required and recommended actions identified in the OPM audit and anticipates that all recommendations will be resolved by the end of FY 2015.

#### How the FY 2016 Request Addresses the Challenge

In FY 2016, OHR will continue to focus on the modernization of its structure, policies, processes, and customer-service model. Work will continue to:

- Accelerate the hiring process significantly and increasing a range of services to attract and maintain a high-quality workforce;
- Support divisions and offices in all phases of workforce planning and talent acquisition;
- Develop tools, metrics, and processes to track all employees' individual development plans;
- Sustain and improve EVS results and employee engagement; and
- Automate manual and paper-based processes.

The SEC is requesting an overall increase of 19 positions for OHR in FY 2016, to support the Office's implementation of new initiatives and programs to enhance performance and increase productivity. Of particular note, OHR would add 12 staff to support the entire human capital lifecycle, including human capital strategy and workforce planning and analysis; recruitment, selection, and compensation; and employee and labor relations.

## Operational Risk Management

The SEC has further enhanced operational efficiency and effectiveness via an agency-wide operational risk management program. The SEC will continue to build its Operational Risk Management program to manage internal risks that may impact its ability to successfully fulfill its mission. Risk management processes and procedures are being institutionalized and consistently applied within all operating units, to ensure

that internal operating risks are identified, analyzed, and managed at all levels of the organization. The Operational Risk Management Oversight Committee (RMOC) provides oversight of the development and implementation of operational risk policies, framework, methodologies, and provide leadership and monitoring of agency-wide operational risks.

## Cross Agency Collaboration

The SEC places great emphasis on building and maintaining close partnerships with other entities across various regulatory and market segments, and national boundaries. Several SEC divisions and offices collaborate with other regulatory entities to oversee the financial markets. For example:

- The Office of Compliance Inspections and Examinations (OCIE) works closely with Financial Industry Regulatory Authority (FINRA) to manage the oversight of broker-dealers. The SEC and FINRA have regular contact to discuss strategic initiatives, examination coordination, risk assessment efforts, rule-making issues, and industry risks. This type of coordination is ultimately intended to make oversight of broker-dealers more effective and efficient and to improve compliance within the industry. In addition, OCIE and FINRA, along with the SEC's Division of Trading and Markets, coordinate to formally present Compliance Outreach Seminars.
- OCIE also coordinates frequently with other regulators including the Federal Reserve, the Commodity Futures Trading Commission (CFTC), the Public Company Accounting Oversight Board (PCAOB), and state regulators. These include periodic meetings to discuss mutual areas of interest in the financial markets and the oversight of certain entities. This also may include joint examinations of certain entities. In addition, OCIE and the Office of International Affairs (OIA) are continually working to develop and improve formal sharing agreements with a number of other regulators.
- The Division of Corporation Finance (CF) regularly consults with Federal banking regulators per Section 241 of the Gramm-Leach-Bliley (GLB) Act that requires the SEC to consult and coordinate with the appropriate Federal banking agencies before issuing comments to banks regarding loan loss allowances. Furthermore, SEC staff also meets quarterly with the Chief Accountants of the banking regulators to discuss and consult on relevant accounting issues in the banking industry.
- CF also works closely with the Food and Drug Administration (FDA). CF staff frequently review filings submitted by drug and medical device companies and request information and input from the FDA. These communications occur pursuant to a formal memorandum of understanding between the SEC and FDA that authorizes the FDA to share certain non-public information with the SEC, upon request, provided that the SEC does not disclose the information without the FDA's written permission.
- The Division of Economic and Risk Analysis (DERA) collaborates with several organizations in order to improve data-driven economic and risk analyses that inform the agency's policymaking, rulemaking, enforcement, and examinations activities. These committees include IOSCO Committee on Emerging Risk (CER), Legal Entity Identifier, Regulatory Oversight Committee and Committee on Evaluation & Standards (CES); and the Financial Stability Board (FSB) Standing Committee on Assessment of Vulnerabilities/Analytic Group on Vulnerabilities (SCAV/AGV). Other collaboration partners include the IOSCO Research Department, the CFTC, other financial regulatory agencies, and some 16 foreign securities market regulatory authorities.
- The Division of Investment Management (IM) and Division of Trading and Markets (TM) participated in collaborative efforts across the agency, the Federal banking regulators,

and the CFTC on final rules implementing Section 619 of the Dodd Frank Act, better known as the Volcker Rule. The final rules, adopted in December 2013, place limitations on banking entities' ability to engage in proprietary trading and have certain interests in, or relationships with, a hedge fund or a private equity fund. In FY 2014, IM and TM staff and their colleagues reviewed and analyzed comments received and engaged in discussions to formulate and adopt a final rule, and also worked together with the same group of agencies on a companion interim final rule adopted in January 2014. Banking entities have until July 2015 to conform their activities to the final rules. Since December 2013, IM and TM has continued to work with Federal banking regulators and the CFTC on implementation of the final rules and expects to continue this collaborative work in FY 2015 and FY 2016.

- In FY 2016, the Office of Investor Education and Advocacy (OIEA) will continue to participate in numerous collaboration activities. For example, OIEA represents the SEC on the Financial Literacy and Education Commission (FLEC), which was established under the Fair and Accurate Credit Transactions Act of 2003. FLEC is chaired by the Secretary of the Treasury and made up of the heads over twenty additional Federal agencies.

OIEA also is a part of the Elder Justice Interagency Working Group/Elder Justice Coordinating Council (EJWG), an opportunity for Federal officials responsible for carrying out elder justice activities, including elder abuse prevention, research, grant and program funding, and prosecution, to coordinate and share ideas. The Elder Justice Coordinating Council (EJCC) is a Federal entity charged with identifying and proposing solutions to the problems surrounding elder abuse, neglect and financial exploitation. Among other roles, OIEA helps inform the groups of the SEC's initiatives to protect older Americans from investment fraud and abusive sales practices.

The SEC works closely with other regulatory and enforcement jurisdictions, within the U.S. and internationally through groups such as the International Organization of Securities Commissions (IOSCO), and the Financial Stability Board (FSB) as well as in bilateral regulatory dialogues like the U.S. – E.U. Financial Markets Regulatory Dialogue. In FY 2016, the Office of International Affairs (OIA) expects SEC staff to lead or actively participate in over 50 international workstreams designed to address a range of international regulatory and enforcement issues, primarily

through IOSCO and the FSB. IOSCO is a forum for collaboration and cooperation among market regulatory and supervisory authorities. 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. OIA staff participates directly in many of these groups and also supports staff from other offices and divisions in their representative roles. A few examples of the agency's international efforts include:

- OIEA supports IOSCO's Committee on Retail Investors, whose primary mandate is to conduct IOSCO's policy work on retail investor education and financial literacy.
- IM coordinated with international organizations to issue papers in FY 2014 related to, among other topics, shadow banking, hedge funds, and credit rating agencies. In addition, IM devoted considerable resources to 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. A second consultation is planned for FY 2015. IM also provided technical assistance to foreign regulators with regard to investment management regulation.
- TM participates in numerous international groups, including the FSB to review the risks of shadow banking, the Financial Action Task Force (FATF) on anti-money laundering (AML) projects, the G20, the Joint Forum, and three IOSCO Standing Committees: (1) Regulation of Secondary Markets; (2) Regulation of Market Intermediaries (broker-dealers); and (3) Regulation of Credit Rating Agencies, along with the IOSCO cross-border task force. TM also is working on projects with the Committee on Payment and Settlement Systems (CPSS). TM also participates in Cross-border Crisis Management Groups to share information regarding planning for the resolution of a G-SIFI, systematically important financial institution.

Finally, the Commission's administrative offices often work collaboratively with other agencies to help further enhance the effectiveness of our core operations. Examples include:

- The Office of Information Technology routinely meets with GSA and Federal Acquisition Services for Technology (FAST) to learn how best to provide a flexible, responsive

and cost effective vehicle for telecommunications and data requirements from the commercial providers.

- The Office of Human Resources belongs to the OPM Classification Working Group and the OPM Interagency Classification Forum along with multiple other agencies. In FY 2016, and into FY 2017, OHR will participate with OPM in forums and studies to discuss classification issues that affect agencies government-wide. The goal of the group is to create a “solutions pipeline” and enable “rapid prototyping” of solutions in conjunction with OPM.
- The Office of the Chief Operating Officer’s Project Management Office (PMO) has initiated the PMO Roundtable. The purpose of this roundtable is to build

relationships between project management staff across Federal agencies, to share lessons learned in PMO development and project delivery and to establish a forum for collaboration and idea-sharing. Currently the SEC’s Project Management Office collaborates with the Consumer Financial Protection Bureau and Commodity Futures Trading Commission. Expansion to other financial regulatory agencies is expected in the near future.

- The Office of the Chief Operating Officer and the Office of Support Operations are working with GSA in various regions across the country and in its headquarters site to achieve optimum space allocations and to identify space in an effort to provide cost effective leases for the SEC.

## Evidence Building

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. In FY 2014, there were twelve Government Accountability Office (GAO) reports and seven Office of Inspector General reports related to agency operations. Beyond this, examples of reviews and evaluations that the agency has initiated and plan to continue include:

- The agency initiated and advanced broad-based reviews of core agency programs involving equity market structure, including enforcement actions against exchanges and alternative trading systems (ATS), and the effectiveness of its public company disclosure rules to protect investors and promote capital formation. These initiatives will continue in FY 2015.
- The agency will review potential updates and improvements to agency regulatory activities, including the regulatory framework for transfer agents, and the regulatory treatment of exchange-traded funds and target date funds.
- The Division of Trading and Markets will continue to pursue ideas to improve the market structure for trading fixed income securities, including municipal and corporate bonds. Current and ongoing initiatives include the

adoption of riskless principal markup disclosure rules by FINRA and the MSRB, development of best execution guidance for the corporate and municipal bond markets, and development of SEC rules designed to improve pre-trade price transparency in these markets.

- In FY 2016, the Division of Investment Management (IM) expects to focus on a set of initiatives to enhance investment management industry resilience to portfolio composition risk and operational risk.
- Through customer satisfaction surveys and other research, OIEA will seek additional information regarding the behavior of individual investors, the types of information they need and use when making investment decisions, and the usefulness of OIEA’s investor education programs and materials.

Additionally, the SEC reviews performance goal 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 performance goals and indicators and determine whether the agency is on target for achieving the performance goals 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). The SEC's 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. Findings from reviews conducted in fiscal years 2012 and 2013 were used to establish and revise the agency's performance goals that were developed as part of the 2014-2018 Strategic Planning process.

While the SEC is not required to comply with OMB Memorandum M-14-06, the agency is supportive of the aims to make greater use of existing administrative data to the extent it fits with the agency's objectives and activities. The SEC is already implementing activities that are consonant with the guidance outlined in the Memorandum. Examples of such activities are highlighted below.

- The SEC's Division of Economic Research and Analysis (DERA) has recently established the Commission's Quantitative Research and Analytic Data Support (QRADS) organization, and a formal governance committee to manage the flow of SEC data/analytic projects is being organized.
- In October 2013, the Securities and Exchange Commission unveiled a new website to provide investors and others with the ability to interactively explore a range of new market metrics and access empirical research and analyses that further inform the broader public debate on market structure. The website is located at [www.sec.gov/marketstructure](http://www.sec.gov/marketstructure). It serves as a central location for the SEC to publicly share evolving data, research, and analysis as the agency continues its review of equity market structure. The data and related observations address the nature and quality of displayed liquidity across the full range of U.S.-listed equities – from the lifetime of quotes and the speed of the market to the nature of order cancellations.

## Hyperlinks to Other Information and Resources

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SEC Strategic Plan for 2014-2018 . . . . .	<a href="http://www.sec.gov/about/sec-strategic-plan-2014-2018.pdf">http://www.sec.gov/about/sec-strategic-plan-2014-2018.pdf</a>
FY 2014 Agency Financial Report . . . . .	<a href="http://www.sec.gov/about/secifr2014.shtml">http://www.sec.gov/about/secifr2014.shtml</a>
Prior Year Congressional Budget Justifications . . . . .	<a href="http://www.sec.gov/about/secreports.shtml">http://www.sec.gov/about/secreports.shtml</a>
SEC's 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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## Appendix A: SEC Divisions and Offices

### Headquarters Offices

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**DIVISION OF TRADING AND MARKETS**

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## Appendix B: Glossary of Selected Terms

### 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.

### Alternative Trading Systems (ATS)

A privately operated platform to trade securities outside of traditional exchanges.

### The Annual Performance Plan (APP)

A plan that outlines the level of performance to be achieved by the agency during the year in which the plan is submitted and the next fiscal year. The plan describes the strategies the agency will follow, explains why those strategies have been chosen, and identifies performance targets and key milestones that will be accomplished in the current and next fiscal year.

### 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.

### Anti-Deficiency Act (ADA)

Prohibits Federal employees from making or authorizing an expenditure from, or creating or authorizing an obligation under, any appropriation or fund in excess of the amount available in the appropriation or fund unless authorized by law; involving the government in any obligation to pay money before funds have

been appropriated for that purpose, unless otherwise allowed by law; accepting voluntary services for the United States, or employing personal services not authorized by law, except in cases of emergency involving the safety of human life or the protection of property; making obligations or expenditures in excess of an apportionment or reappportionment, or in excess of the amount permitted by agency regulations.

### Appropriation

Authorization by an act of parliament to permit government agencies to incur obligations, and to pay for them from the treasury. Appropriation does not mean actual setting aside of cash, but represents the prescribed limit on spendings within a specified period.

### Asset

An asset is a resource that embodies economic benefits or services that the reporting entity controls.

### Blue Sheets

*Blue Sheets* are requests from the SEC that are sent out to investment companies which have executed a trade that considerably affected the price of a security. A blue sheet asks for information like the name of the investment house, the name of the security traded and the specific parties involved in the trade. The Blue Sheet system has been digitized through an electronic blue sheet system.

### 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.

### Crowdfunding

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.

**Dark Pool**

Alternative trading systems that display little or no information about customer orders are known as dark pools.

**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.

**Electronic Data Gathering Analysis and Retrieval (EDGAR) Database**

The SEC's Electronic Data Gathering, Analysis and Retrieval database system that performs automated collection, validation, indexing, acceptance, and dissemination of submissions sent to the SEC in electronic format.

**Exchange Act**

With the Securities Exchange Act of 1934, Congress created the Securities and Exchange Commission. The Act empowers the SEC with broad authority over all aspects of the securities industry. This includes the power to register, regulate, and oversee brokerage firms, transfer agents, and clearing agencies as well as the nation's securities self-regulatory organizations (SROs). The various securities exchanges, such as the New York Stock Exchange, the NASDAQ Stock Market, and the Chicago Board of Options are SROs. The Financial Industry Regulatory Authority (FINRA) is also an SRO. The Act also identifies and prohibits certain types of conduct in the markets and provides

the Commission with disciplinary powers over regulated entities and persons associated with them. The Act also empowers the SEC to require periodic reporting of information by companies with publicly traded securities.

**Exchange Traded Fund (ETF)**

ETFs are investment companies that are legally classified as open-end companies or Unit Investment Trusts (UITs), but that differ from traditional open-end companies and UITs in the following respects:

ETFs do not sell individual shares directly to investors and only issue their shares in large blocks (blocks of 50,000 shares, for example) that are known as "Creation Units."

Investors generally do not purchase Creation Units with cash. Instead, they buy Creation Units with a basket of securities that generally mirrors the ETF's portfolio. Those who purchase Creation Units are frequently institutions.

After purchasing a Creation Unit, an investor often splits it up and sells the individual shares on a secondary market. This permits other investors to purchase individual shares (instead of Creation Units).

Investors who want to sell their ETF shares have two options: (1) they can sell individual shares to other investors on the secondary market, or (2) they can sell the Creation Units back to the ETF. In addition, ETFs generally redeem Creation Units by giving investors the securities that comprise the portfolio instead of cash. So, for example, an ETF invested in the stocks contained in the Dow Jones Industrial Average (DJIA) would give a redeeming shareholder the actual securities that constitute the DJIA instead of cash. Because of the limited redeemability of ETF shares, ETFs are not considered to be – and may not call themselves – mutual funds.

**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.

**Financial Stability Board (FSB)**

The Financial Stability Board (FSB) is an international body that monitors and makes recommendations about the global financial system. It was established after the 2009 G-20 London summit in April 2009 as a successor to the Financial Stability Forum (FSF). The Board includes all G-20 major economies, FSF members, and the European Commission. It is based in Basel, Switzerland.

**Freedom of Information Act (FOIA)**

The Freedom of Information Act (FOIA), which can be found in Title 5 of the United States Code, section 552, was enacted in 1966 and provides that any person has the right to request access to Federal agency records or information. All agencies of the United States government are required to disclose records upon receiving a written request for them, except for those records that are protected from disclosure by the nine exemptions and three exclusions of the FOIA. This right of access is enforceable in court.

**Full-time Equivalent (FTE)**

FTE is a calculation of the cost of labor. It is the basic measurement of the levels of employment used in the budget. It is derived by taking the total number of hours worked (or to be worked) divided by the number of compensable hours application to each fiscal year.

**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.

**Insider Trading**

The buying or selling of a security by someone who has access to material, nonpublic information about the security.

**International Accounting Standards Board (IASB)**

The International Accounting Standards Board (IASB) is an independent, private-sector body that develops and approves International Financial Reporting Standards (IFRSs). The IASB operates under the oversight of the IFRS Foundation. The IASB was formed in 2001 to replace the International Accounting Standards Committee.

**International Organization of Securities Commissions (IOSCO)**

The International Organization of Securities Commissions (IOSCO) is the international body that brings together the world's securities regulators and is recognized as the global standard setter for the securities sector. IOSCO develops, implements and promotes adherence to internationally recognized standards for securities regulation. It works intensively with the G20 and the Financial Stability Board (FSB) on the global regulatory reform agenda.

**International Financial Reporting Standards (IFRS)**

International Financial Reporting Standards (IFRS) is a single set of accounting standards, developed and maintained by the IASB with the intention of those standards being capable of being applied on a globally consistent basis – by developed, emerging and developing economies – thus providing investors and other users of financial statements with the ability to compare the financial performance of publicly listed companies on a like-for-like basis with their international peers.

**Jumpstart Our Business Startups (JOBS) Act**

A Federal law enacted on April 5, 2012 intended to encourage small businesses within the U.S. by easing securities regulations for those businesses.

**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.

**Matters Under Inquiry (MUI)**

Matters under inquiry, or MUIs, are the Enforcement division's preliminary looks into potential violations of securities law. MUIs may or may not lead to a formal investigation.

**Microcap Securities**

Low priced stocks issued by the smallest of companies.

**Municipal Securities Rulemaking Board (MSRB)**

The Municipal Securities Rulemaking Board (MSRB) was established by Congress as a self-regulatory organization to protect investors and the public interest by promoting a fair and efficient municipal securities market. The MSRB's role includes developing rules to regulate the securities firms and banks involved in underwriting, trading, and selling municipal securities dealers.

**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.

**Nationally Recognized Statistical Rating Organization (NRSRO)**

A credit rating agency that the Securities and Exchange Commission in the United States uses for regulatory purposes. Credit rating agencies provide assessments of an investment's risk. The issuers of investments, especially debt securities, pay credit rating agencies to provide them with ratings. Investments must receive a high rating from two or more nationally recognized statistical ratings organizations before banks in the United States may purchase them.

**Non-Entity Assets**

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-11**

Provides an overview of the budget process, covers the development of the President's Budget and tells you how to prepare and submit materials required for OMB and Presidential review of agency requests. Also includes instructions on budget execution and describes requirements under GPRA Modernization Act and the Administration's approach to performance management.

**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.

**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.

**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.

**Sarbanes-Oxley Act (SOX)**

The Sarbanes-Oxley Act became law in the US in 2002 and the Act mandated a number of reforms to enhance corporate responsibility and financial disclosures and to combat corporate and accounting fraud. It also created the Public Company Accounting Oversight Board (PCAOB), to oversee the activities of the auditing profession.

**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.

**Swap Data Repositories (SDR)**

Swap data repositories (“SDRs”) are new entities created by the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”) in order to provide a central facility for swap data reporting and recordkeeping. Under the Dodd-Frank Act, all swaps, whether cleared or uncleared, are required to be reported to registered SDRs.

**Swap Execution Facility (SEF)**

It is defined by the Dodd-Frank Act as “a facility, trading system or platform in which multiple participants have the ability to execute or trade swaps by accepting bids and offers made by other participants that are open to multiple participants in the facility or system, through any means of interstate commerce.”

**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 C: Acronyms

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<b>ADA</b>	Antideficiency Act	<b>CRQA</b>	Center for Risk and Quality Analysis
<b>AFR</b>	Agency Financial Report	<b>CSRS</b>	Civil Service Retirement System
<b>AICPA</b>	American Institute of Certified Public Accountants	<b>CTF</b>	Counter-Terrorist Financing
<b>AML</b>	Anti-Money Laundering	<b>DFA</b>	Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act)
<b>APP</b>	Annual Performance Plan	<b>DERA</b>	Division of Economic and Risk Analysis
<b>APR</b>	Annual Performance Report	<b>DOL</b>	U.S. Department of Labor
<b>ARMS</b>	Acquisition Requisition Management System	<b>DOJ</b>	Department of Justice
<b>ARTEMIS</b>	Advanced Relational Trading Enforcement Metrics Investigation System	<b>DRAO</b>	Disclosure Review and Accounting Office
<b>ATS</b>	Alternative Trading Systems	<b>EDGAR</b>	Electronic Data Gathering, Analysis and Retrieval
<b>BCBS</b>	Basel Committee on Banking Supervision	<b>EDW</b>	Enterprise Data Warehouse
<b>C6</b>	Committee 6 (IOSCO)	<b>EEOC</b>	Equal Employment Opportunity Commission
<b>CBOE</b>	Chicago Board Options Exchange	<b>ESC</b>	Enterprise Service Center
<b>CDO</b>	Collateralized Debt Obligation	<b>ESMA</b>	European Securities Market Authority
<b>CEO</b>	Chief Executive Officer	<b>ESP</b>	Employee Suggestion Program
<b>CF</b>	Division of Corporation Finance	<b>ETF</b>	Exchange Traded Fund
<b>CFO</b>	Chief Financial Officer	<b>EU</b>	European Union
<b>CFR</b>	Code of Federal Regulations	<b>EVS</b>	Employee Viewpoint Survey
<b>CFTC</b>	Commodities Futures Trading Commission	<b>Exchange Act</b>	Securities Exchange Act of 1934
<b>CIGFO</b>	Council of Inspectors General on Financial Oversight	<b>FACTS</b>	Filing Activity Tracking System
<b>CIGIE</b>	Council of the Inspectors General on Integrity and Efficiency	<b>FASAB</b>	Federal Accounting Standards Advisory Board
<b>CIRA</b>	Corporate Issuer Risk Assessment	<b>FATIF</b>	Financial Action Task Force
<b>COR</b>	Contracting Officer's Representative	<b>FBI</b>	Federal Bureau of Investigation
<b>CPSS</b>	Committee on Payment and Settlement Systems	<b>FBWT</b>	Fund Balance with Treasury
		<b>FCPA</b>	Foreign Corrupt Practices Act

<b>FDIC</b>	Federal Deposit Insurance Corporation	<b>ICFR</b>	Internal Control over Financial Reporting
<b>FECA</b>	Federal Employees' Compensation Act	<b>IFRB</b>	International Financial Reporting Standards
<b>FedRAMP</b>	Federal Risk Authorization Management Program	<b>IOSCO</b>	International Organization of Securities Commissions
<b>FERS</b>	Federal Employees Retirement System	<b>IM</b>	Division of Investment Management
<b>FDA</b>	Food and Drug Administration	<b>IMF</b>	International Monetary Fund
<b>FFMIA</b>	Federal Financial Management Improvement Act	<b>IPO</b>	Initial Public Offering
<b>FINRA</b>	Financial Industry Regulatory Authority	<b>IRIS</b>	Investor Response Information System
<b>FISMA</b>	Federal Information Security Management Act	<b>IT</b>	Information Technology
<b>FLEC</b>	Financial Literacy and Education Committee	<b>JAB</b>	Joint Authorization Board
<b>FMFIA</b>	Federal Managers' Financial Integrity Act of 1982	<b>JOBS Act</b>	Jumpstart Our Business Startups Act
<b>FOIA</b>	Freedom of Information Act	<b>MCDC</b>	Municipalities Continuing Disclosure Cooperation
<b>FRB</b>	Federal Reserve Board	<b>MD&amp;A</b>	Management's Discussion and Analysis
<b>FSB</b>	Financial Stability Board	<b>MIDAS</b>	Market Information Data and Analytics System
<b>FSOC</b>	Financial Stability Oversight Council	<b>MMF</b>	Money Market Fund
<b>FSIO</b>	Financial Systems Integration Office	<b>MOU</b>	Memoranda of Understanding
<b>FSSP</b>	Federal Shared Services Provider	<b>MSBSP</b>	Major Security --Based Swap Participants
<b>FTC</b>	Federal Trade Commission	<b>MSRB</b>	Municipal Securities Rulemaking Board
<b>FTE</b>	Full-Time Equivalents	<b>MUI</b>	Matter Under Investigation
<b>FY</b>	Fiscal Year	<b>NAFTA</b>	North American Free Trade Agreement
<b>GAAP</b>	Generally Accepted Accounting Principles	<b>NEP</b>	National Examination Program
<b>GAO</b>	Government Accountability Office	<b>NIST</b>	National Institute of Standards and Technology
<b>GPRA</b>	Government Performance and Results Act	<b>NMS</b>	National Market System
<b>GSA</b>	U.S. General Services Administration	<b>NOC</b>	Network Operations Center
<b>GSS</b>	General Support System	<b>NPA</b>	Non-Prosecution Agreement
<b>IA</b>	Investment Adviser	<b>NRSRO</b>	Nationally Recognized Statistical Rating Organization
<b>IAC</b>	Investor Advisory Committee	<b>NYSE</b>	New York Stock Exchange
<b>IASB</b>	International Accounting Standards Board		

<b>OA</b>	Office of Acquisitions	<b>OPA</b>	Office of Public Affairs
<b>OALJ</b>	Office of Administrative Law Judges	<b>OPM</b>	Office Of Personnel Management
<b>OAR</b>	Office of Analytics Research	<b>ORA</b>	Office of Risk Assessment
<b>OBO</b>	Office of Building Operations	<b>ORMS</b>	Office of Record Management Services
<b>OCA</b>	Office of the Chief Accountant	<b>OS</b>	Office of the Secretary
<b>OCIE</b>	Office of Compliance Inspections and Examinations	<b>OSO</b>	Office of Support Operations
<b>OCOO</b>	Office of the Chief Operating Officer	<b>OSS</b>	Office of Security Services
<b>OCR</b>	Office of Credit Ratings	<b>OTC</b>	Over-the-Counter
<b>OEC</b>	Office of the Ethics Counsel	<b>PCAOB</b>	Public Company Accounting Oversight Board
<b>OEEEO</b>	Office of Equal Employment Opportunity	<b>PIA</b>	Privacy Impact Assessment
<b>OFM</b>	Office of Financial Management	<b>PMO</b>	Project Management Office
<b>OFS</b>	Office of Financial Services	<b>PTCS</b>	Personal Trading Compliance System
<b>OGC</b>	Office of the General Counsel	<b>QRADS</b>	Quantitative Research Analytical Data Support
<b>OHR</b>	Office of Human Resources	<b>RAS</b>	Office of Risk Analysis and Surveillance
<b>OIA</b>	Office of International Affairs	<b>REITS</b>	Real Estate Investment Trusts
<b>OIAD</b>	Office of the Investor Advocate	<b>REO</b>	Risk and Examinations Office
<b>OICR</b>	Office of Investment Company Regulation	<b>Reserve Fund</b>	Securities and Exchange Commission Reserve Fund
<b>OIDS</b>	Office of Quantitative Research Information Delivery	<b>SBA</b>	Small business Administration
<b>OIEA</b>	Office of Investor Education and Advocacy	<b>SBR</b>	Statement of Budgetary Resources
<b>OIG</b>	Office of Inspector General	<b>SBSD</b>	Security-Based Swap Dealer
<b>OIP</b>	Order Instituting Cease-and-Desist Proceedings	<b>SBSEF</b>	Security-Based Swap Execution Facility
<b>OIT</b>	Office of Information Technology	<b>SCI</b>	Systems Compliance and Integrity
<b>OLIA</b>	Office of Legislative and Intergovernmental Affairs	<b>SEF</b>	Swap Execution Facility
<b>OMB</b>	Office of Management and Budget	<b>SDR</b>	Swap Data Repositories
<b>OMI</b>	Office of Market Intelligence	<b>SEC</b>	U.S. Securities and Exchange Commission
<b>OMS</b>	Office of Municipal Securities	<b>SECU</b>	SEC University
<b>OMWI</b>	Office of Minority and Women Inclusion		

<b>SFFAS</b>	Statement of Federal Financial Accounting Standards
<b>S/L</b>	Straight-Line
<b>SIPA</b>	Securities Investor Protection Act of 1970
<b>SIPC</b>	Securities Investor Protection Corporation
<b>SRO</b>	Self-Regulatory Organization
<b>SRTS</b>	SRO Rule Tracking System
<b>TM</b>	Division of Trading and Markets

<b>TCP</b>	Technology Controls Program
<b>TCR</b>	Tips, Complaints and Referrals
<b>TRENDS</b>	Tracking and Reporting Exam National Documentation System
<b>TSP</b>	Thrift Savings Plan
<b>UDO</b>	Undelivered Order
<b>UIT</b>	Unit Investment Trust
<b>VOIP</b>	Voice Over Internet Protocol

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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