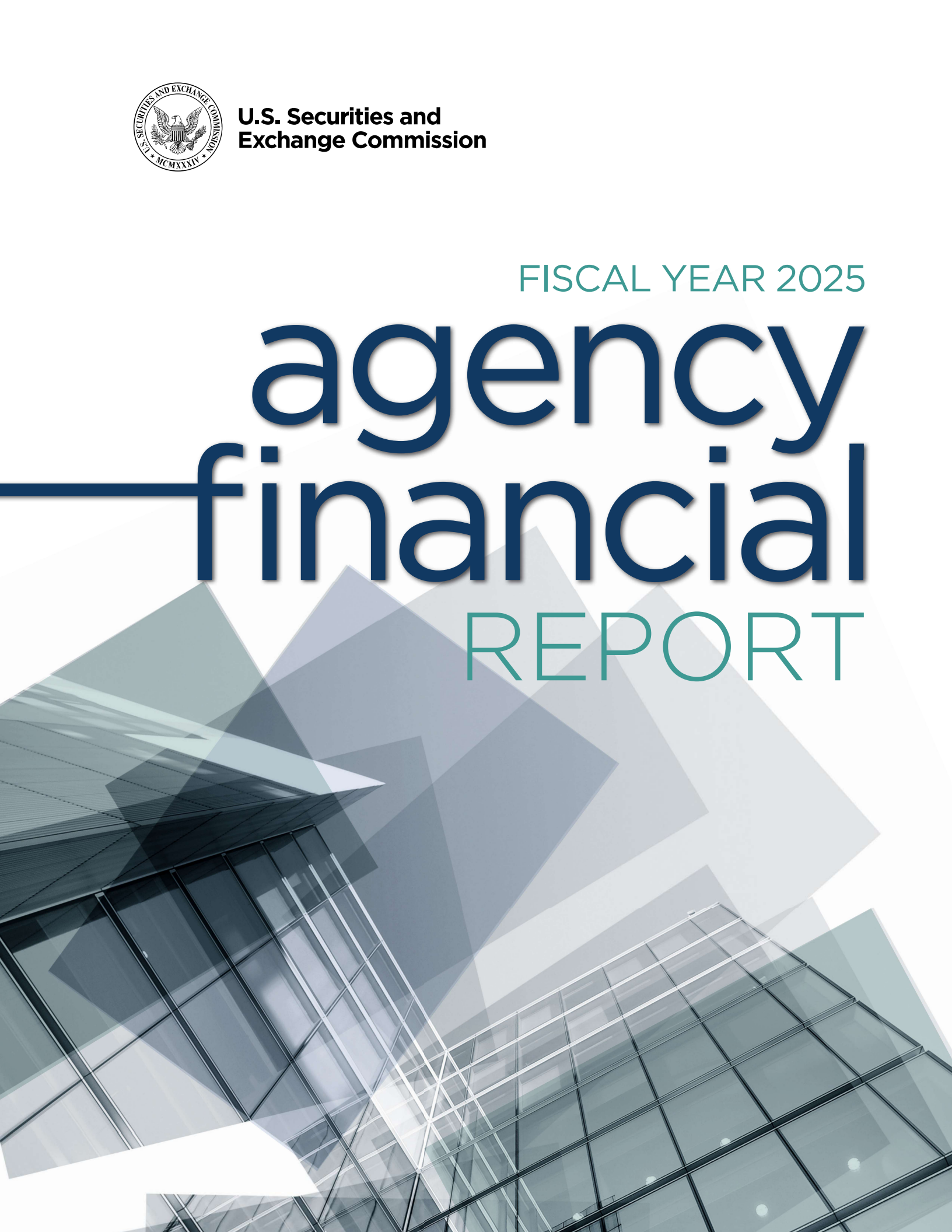
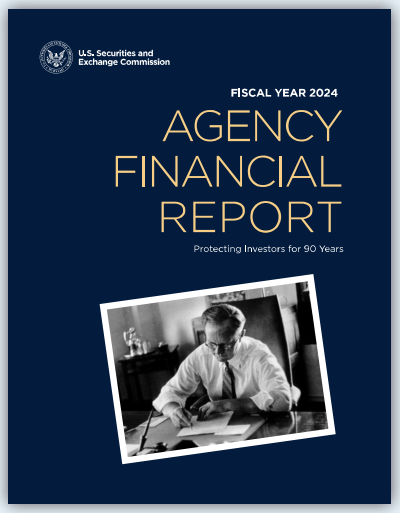
U.S. Securities and Exchange Commission

FISCAL YEAR 2025

agency financial REPORT







Certificate of Excellence in Accountability Reporting

The U.S. Securities and Exchange Commission's (SEC) fiscal year (FY) 2024 Agency Financial Report (AFR) received the Certificate of Excellence in Accountability Reporting from the AGA for the 19th consecutive year. This award is presented to federal government agencies whose annual reports achieve the highest standards in demonstrating accountability and communicating results.

MESSAGE FROM THE CHAIRMAN



OUR MISSION

To protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation.

On my appointment as Chairman, I noted that it is a new day at the U.S. Securities and Exchange Commission (SEC) as we return to our core mission of protecting investors, maintaining fair, orderly, and efficient markets, and facilitating capital formation. This work, described more fully in the pages that follow, is as relevant and essential today as it was when Congress first entrusted us with it over 90 years ago. Together with my fellow Commissioners, Congress, and SEC staff, I look forward to ensuring that the United States is well-positioned to seize on the new excitement for investment and economic opportunity that President Trump's leadership and pro-growth policies have inspired.

Investor protection—holding accountable those who lie, cheat, and steal—is vital to our mission, for while capital markets thrive on many factors, they endure on trust. The SEC will remain vigilant in our role to ensure that investors have confidence to participate in the markets. Capital formation—fostering a direct, economical route for investors' capital to find its way to entrepreneurs and industry—is also at the root of what we do. The agency must be attuned to the distinct headwinds businesses face and work to unlock, rather than undermine, capital raising in a manner consistent with the SEC's mission. Our task, as well as our responsibility, is to ensure that the agency's regulatory framework keeps pace with their ambition. The third pillar of our mission is maintaining fair, orderly, and efficient markets. Congress calls on the Commission to ensure that our regulations balance costs and benefits, and that they do not become unduly burdensome by adding needless friction to the marketplace. During my tenure as Chairman, the SEC will not stray from these core functions.

Of course, the dynamism of today's markets compels us to align the agency's enduring principles with emergent possibilities. For example, a key priority of my Chairmanship will be to develop a rational regulatory framework for crypto asset markets that establishes clear rules of the road for the issuance, custody, and trading of crypto assets while

continuing to discourage bad actors from violating the law. Clear rules of the road are necessary for investor protection against fraud—not the least to help them identify scams that do not comport with the law. This undertaking requires coordination across multiple offices and divisions within the Commission, which is why I launched Project Crypto and directed the SEC's policy divisions to work with the Crypto Task Force. For too long, policymaking silos have hindered the Commission. The Crypto Task Force, led by Commissioner Hester Peirce, exemplifies how our policy divisions can come together to provide long-needed clarity and certainty to the American public.

In this work, the SEC's greatest strength remains its people. Across our Washington, DC, headquarters and 10 regional offices, approximately 4,000 dedicated public servants advance the agency's mission with integrity and skill. For context, the agency currently oversees more than 30,000 entities, including over 13,500 registered funds, 15,900 investment advisers, 3,200 broker-dealers, and 419 municipal advisors, as well as 366 transfer agents, 111 alternative trading systems, 29 national securities exchanges, 10 credit rating agencies, 6 active registered clearing agencies, and 3 security-based swap data repositories. Our oversight responsibilities extend also to other organizations, including the Public Company Accounting Oversight Board, the Financial Industry Regulatory Authority, the Municipal Securities Rulemaking Board, the Securities Investor Protection Corporation, and the Financial Accounting Standards Board. The breadth of this mandate reflects the complexity and vitality of modern capital markets.

Looking ahead, I am confident in the direction of our work at this pivotal moment for the American economy. Entrepreneurs, businesses, and individuals here at home and around the globe are eager to invest in America. This SEC will work to protect investors from fraud, keep politics out of how our securities laws and regulations are applied, and advance clear rules of the road that encourage investment in our economy to the benefit of all Americans. We will strive to promote capital formation rather than stifle it. We will work together to ensure American investors get disclosures that actually help them to understand the true risks of an investment. And we will make every effort to position the U.S. as the best and most secure place in the world to invest and to do business.

I am pleased, therefore, to present the Fiscal Year (FY) 2025 Agency Financial Report (AFR), which details our progress in advancing these priorities—and reflects the dedication of the staff who make it possible. The AFR also includes the results of an independent audit of our FY 2025 financial statements. The financial and performance data in this report are complete and accurate under the Office of Management and Budget guidance.



PAUL S. ATKINS
Chairman
January 12, 2026

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At the SEC, we work together to make a positive impact on the U.S. economy, our capital markets, and people's lives.

Since our founding in 1934 at the height of the Great Depression, we have stayed true to our mission of protecting investors, maintaining fair, orderly, and efficient markets, and facilitating capital formation.

—SEC.GOV/ABOUT/MISSION

INTRODUCTION

The SEC's FY 2025 AFR provides detailed financial and performance information that enables the President, Congress, and the public to assess the agency's accomplishments and understand its financial and operational picture. In lieu of a combined Performance and Accountability Report, the SEC will also publish an Annual Performance Report (APR) to provide a more in-depth review of strategic goals and performance results. The APR will be included in the FY 2027 Congressional Budget Justification Report available in 2026.

The FY 2025 AFR satisfies the requirements contained in the Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*, and contains three main sections and supplemental appendices.

Management's Discussion and Analysis

Provides a high-level overview of the SEC, including its mission, history, organization, and purpose, as well as the agency's FY 2025 overall performance. This section also includes management's assurances on internal controls and an analysis of the SEC's financial position and operations.

Financial Section

Contains audited financial statements and accompanying notes for the SEC and the SEC's Investor Protection Fund, required supplementary information, independent auditor's report on these statements, and management's response to that report.

Electronic copies of this AFR and prior year budget reports are available at SEC.gov/reports.

Other Information

Details the agency's compliance with, and commitment to, specific regulations. Included in this section are performance and management challenges identified by the Office of Inspector General in accordance with the Reports Consolidation Act of 2000; a detailed explanation of any significant erroneous payments and overpayments recaptured as required by the Payment Integrity Information Act of 2019; and recent inflationary adjustments made to civil monetary penalties in accordance with the Federal Civil Penalties Inflation Adjustment Act of 1990, as amended.

Appendices

Offers additional resources related to the agency and this report, including a glossary of selected terms and frequently used acronyms, initialisms, and abbreviations.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section provides a high-level overview of the agency and its FY 2025 program and financial performance.

About Us

Explains the SEC's mission, organization, history, and purpose.

Our Year in Review

Summarizes the agency's mission-focused priorities throughout FY 2025, and details specific areas upon which the SEC will continue focusing to fulfill its regulatory and oversight responsibilities.

Financial Highlights

Provides an overview of the SEC's financial information, including an analysis of the financial data presented in the audited financial statements, the limitations of the financial statements, and the sources and uses of the SEC's funds.

Performance Highlights

Discusses the SEC's performance planning framework, the FY 2025 performance results, the process used to verify and validate that data, and key performance accomplishments.

Analysis of Systems, Control, and Legal Compliance

Provides management's assessment and assurances on the SEC's internal controls under the Federal Managers' Financial Integrity Act of 1982, and on the compliance of the SEC's financial systems with federal requirements under the Federal Financial Management Improvement Act of 1996. It also addresses the SEC's compliance with the Federal Information Security Modernization Act of 2014 and other laws and regulations.

Our Mission

Protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation.



ABOUT US

Our Organization

The SEC is an independent federal agency led by a bipartisan, five-member Commission—one of whom is designated as the Chairman—with staggered five-year terms.

Each member of the Commission is appointed by the President and confirmed by the Senate. The Chairman serves as the chief executive and, by law, no more than three of the Commissioners may belong to the same political party.

The SEC's headquarters are in Washington, DC, and there are 10 regional offices across the United States. (See SEC.gov/about/regional-offices.)

In FY 2025, the agency's functional responsibilities were organized into 6 divisions and 25 offices. A detailed organizational chart is available at SEC.gov/files/secorg.pdf.

Our History

Prior to the Great Crash of 1929, there was little support for federal regulation of the securities markets.

When the stock market crashed in October 1929, public confidence in the markets plummeted. Congress held hearings to identify problems and search for solutions.

Based on those hearings, Congress passed the Securities Act of 1933 (Securities Act)—the first federal law to regulate the issuance of securities—followed by the Securities Exchange Act of 1934 (Exchange Act).

The SEC was established to regulate and enforce this legislation.

Our Purpose

The SEC is responsible for overseeing the nation's securities markets and certain primary participants, including broker-dealers, investment companies, investment advisers, clearing agencies, transfer agents, credit rating agencies, and securities exchanges, as well as organizations such as the Financial Industry Regulatory Authority, Municipal Securities Rulemaking Board, and the Public Company Accounting Oversight Board. In addition, the SEC is responsible for reviewing the disclosures and financial statements of all public companies in the United States. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act), the agency's jurisdiction was expanded to include certain participants in the derivatives markets, private fund advisers, and municipal advisors.

OUR YEAR IN REVIEW

During FY 2025, the SEC focused on its core mission that Congress set for it more than 90 years ago. The SEC's three-part mission was enunciated by Congress in the Securities Exchange Act of 1934 (Exchange Act): protecting investors, maintaining fair, orderly, and efficient markets, and facilitating capital formation.

Rulemaking has returned to regular order. The public is given ample time to provide feedback. And the SEC is taking into consideration how rules overlap and how regulatory burdens build, in keeping with the agency's obligation to consider their costs and benefits.

The following summarizes the agency's priorities, including the establishment of a framework for digital assets, reinvigorating the market for initial public offerings (IPOs) and modernizing or revising many other aspects of the Commission's ruleset and operations.

Digital Assets

The SEC under Chairman Atkins's leadership is working toward a rational regulatory framework for crypto asset markets that establishes clear rules of the road for the issuance, custody, and trading of crypto assets while continuing to discourage bad actors from violating the law. Clear rules of the road are necessary for investor protection.

On January 21, 2025, the agency launched its Crypto Task Force. The task force is working to lay out a framework for coherent, transparent treatment of crypto

Crypto Task Force

In FY 2025, the SEC established its Crypto Task Force, which aims to provide clarity on the application of the federal securities laws to the crypto asset market, and to recommend practical policy measures that foster innovation and protect investors.

For more information about the Crypto Task Force, visit SEC.gov/about/crypto-task-force.



The Crypto Task Force exemplifies how our policy divisions can come together to expeditiously provide long-needed clarity and certainty to the American public.

–CHAIRMAN PAUL S. ATKINS

assets under the federal securities laws, grounded in economic reality. Led by Commissioner Hester Peirce, it collaborates with Commission staff and the public.

The task force has held multiple roundtables, including on further defining security status, tailoring regulation for crypto trading, custody considerations, tokenization, decentralized finance (also known as "DeFi"), and financial surveillance and privacy.

In July, President Trump signed the GENIUS Act into law and the President's Working Group on Digital Asset Markets released its PWG Report, the blueprint to make America first in blockchain and crypto technology. Chairman Atkins shortly thereafter announced the launch of "Project Crypto"—a Commission-wide initiative to modernize the securities rules and regulations to enable America's financial markets to move onchain.



BLOCKCHAIN

A type of distributed ledger, or peer-to-peer database spread across a network, that records all transactions in the network in theoretically unchangeable, digitally recorded data packages called blocks. Each block contains a batch of records of transactions, including a timestamp and a reference to the previous block, linking the blocks together in a chain. The system relies on cryptographic techniques for secure recording of transactions. A blockchain can be shared and accessed by anyone with appropriate permissions.

In accord with the PWG Report's recommendations, Chairman Atkins directed the Commission staff to draft proposals for clear and simple rules of the road for crypto asset distributions, custody, and trading for public notice and comment. While the Commission staff works to draft these proposed regulations, the Commission and its staff are considering interpretative, exemptive, and other authorities to make sure that archaic rules and regulations do not smother innovation and entrepreneurship in America.

The SEC voted on July 29, 2025, to approve orders to permit in-kind creations and redemptions by authorized participants for crypto asset exchange-traded product (ETP) shares. Bitcoin and Ether ETPs, consistent with other commodity-based ETPs approved by the Commission, will be permitted to create and redeem shares on an in-kind basis.

On September 2, 2025, SEC and the Commodity Futures Trading Commission (CFTC) staff issued a joint statement regarding the trading of certain spot crypto asset products. This joint statement clarifies the staff's views that SEC- and CFTC-registered exchanges are not prohibited from facilitating the trading of certain spot commodity products. The joint effort exemplifies how the staff of the two agencies can coordinate to promote trading venue choice and optionality for market participants.

Make IPOs Great Again

Chairman Atkins has made it a priority to "Make IPOs Great Again." The Commission is working to make being a public company an attractive proposition for more firms by eliminating compliance requirements that yield no meaningful investor protections, minimizing regulatory uncertainty, and reducing legal complexities throughout the SEC's rulebook.

Chairman Atkins detailed the concrete steps the SEC is taking to restore the core principles of capital formation and investor protections, including the SEC's current agenda items to "Make IPOs Great Again." These steps include:

- Simplifying and scaling the SEC's disclosure requirements to reduce the costs of preparing SEC filings and, at the same time, making them more comprehensible.
- De-politicizing shareholder meetings and returning focus to voting on director elections and significant corporate matters.

- Reforming the litigation landscape for securities lawsuits to eliminate frivolous complaints, while maintaining an avenue for shareholders to continue to bring meritorious claims.

On March 3, 2025, the SEC announced that its Division of Corporation Finance is further facilitating capital formation by enhancing the accommodations available to companies for nonpublic review of draft registration statements.

In 2012, the Jumpstart Our Business Startups Act permitted certain companies to confidentially submit for staff review a draft registration statement for an IPO. In 2017, the staff expanded these accommodations to all companies conducting certain securities offerings, including IPOs and follow-on offerings within one year of their IPO.

With the SEC's action in March, the accommodations for companies submitting draft registration statements for nonpublic review was further enhanced, expanding the types of forms eligible to be submitted as draft registration statements for nonpublic review and permitting reporting companies to submit draft registration statements for nonpublic review regardless of how much time has passed since their IPO. In addition, companies now have added flexibility to start the review process earlier by omitting certain underwriter disclosures from their initial submissions.

On September 17, 2025, the SEC published a policy statement to announce that decisions about whether to accelerate the effectiveness of a registration statement will not be affected by the presence of a provision requiring arbitration of investor claims arising under the federal securities laws. The Commission's role in this debate is to provide clarity that such provisions are not inconsistent with the federal securities laws. Issuers have periodically asked whether a mandatory arbitration provision for investor claims arising under the federal securities laws would impact the acceleration of the effectiveness of their registration statement. The policy statement provides the Commission's view that, based on the Supreme Court's current interpretation and application of the Federal Arbitration Act, the existence of such a provision will not impact determinations whether to accelerate the effective date of a registration statement. As a result, when deciding on whether to accelerate effectiveness of a registration statement, the Commission staff will focus on the adequacy of the registration statement's disclosures, including disclosure regarding the arbitration provision.



FEDERAL ARBITRATION ACT

Enacted in 1925, this Act provides that written arbitration agreements in "a contract evidencing a transaction involving commerce . . . shall be valid, irrevocable, and enforceable, save upon such grounds as exist at law or in equity for the revocation of any contract."

Consolidated Audit Trail

The SEC has been working to cut the Consolidated Audit Trail (CAT) costs, and Chairman Atkins has instructed staff to undertake a comprehensive review of the CAT to facilitate improvements needed to reduce costs for investors further. That comprehensive review will include, but is not limited to, taking a hard look at the costs of CAT by examining the scope of what is collected and whether any duplicative reporting systems should be retired or otherwise modified.



A single, comprehensive database of orders to trade in the National Market System securities and over-the-counter equities that enables regulators track all trading activity in the U.S. equity and options markets.

On February 10, 2025, the SEC provided an exemption from the requirement to report certain personally identifiable information (PII)—names, addresses, and years of birth—to the CAT for natural persons. Bad actors have become increasingly sophisticated and, in the event of a breach, may be able to use the names, addresses, and years of birth to impersonate a customer or broker-dealer and gain access to a customer's account. Providing an exemption from the requirement to report this PII to the CAT helps mitigate potential security risks.

On September 30, 2025, the SEC issued an order granting conditional exemptive relief related to certain requirements of the National Market System (NMS) Plan governing the CAT, Rule 613 of Regulation NMS, and Rule 17a-1 under the Exchange Act. This conditional exemptive relief allows the self-regulatory organizations that are the CAT NMS Plan participants to expeditiously and meaningfully reduce the operating costs of the CAT while maintaining core regulatory functionality. Chairman Atkins said upon supporting the relief that it was "just the start."

Task Forces

AI Task Force

In addition to the Crypto Task Force, the SEC on August 1, 2025, announced the launch of a task force on artificial intelligence (AI) that will spearhead the agency's efforts to enhance innovation and efficiency in its operations through the responsible use of AI. Recognizing the transformative potential of AI, the SEC's AI Task Force will accelerate AI integration to bolster the SEC's mission. It will centralize the agency's efforts and enable internal cross-agency and cross-disciplinary collaboration to navigate the AI lifecycle, remove barriers to progress, focus on AI applications that maximize benefits, and maintain governance. The task force will support innovation from the SEC's divisions and offices and facilitate responsible AI integration across the agency.

Cross-Border Task Force

The SEC on September 5, 2025, announced the formation of a task force that will strengthen and enhance the Division of Enforcement's efforts to identify and combat cross-border fraud harming U.S. investors. The Cross-Border Task Force will focus initially on investigating potential U.S. federal securities law violations related to foreign-based companies, including potential market manipulation, such as "pump-and-dump" and "ramp-and-dump" schemes. The task force also will focus enforcement efforts on gatekeepers, particularly auditors and underwriters, which help these companies access the U.S. capital markets. In addition, it will examine potential securities law violations related to companies from foreign jurisdictions, such as China, where governmental control and other factors pose unique investor risks.

SEC and CFTC Harmonization

In September 2025, Chairman Atkins and CFTC Acting Chairman Pham issued a joint statement regarding a new beginning for coordination between U.S. market regulators. (This was in addition to the SEC and CFTC staff joint statement regarding the trading of certain spot crypto asset products.) Harmonization between U.S. market regulators is essential to the viability of a broad range of innovative products.

The securities and commodity derivatives regulatory regimes have differing statutorily prescribed jurisdictions, but fostering innovation in both new markets and new products demands that U.S. regulators be flexible and agile.

The statement reaffirmed the need to ensure regulation does not stand in the way of progress. By working in lockstep, the two agencies can harness the nation's unique regulatory structure into a source of strength for market participants, investors, and all Americans. The statement further said that the Commissions should consider harmonizing product and venue definitions; streamlining reporting and data standards; aligning capital and margin frameworks; and standing up coordinated innovation exemptions using each agency's existing exemptive authority.

On September 29, the two agencies hosted a roundtable on regulatory harmonization.

Trade-Through Prohibitions

On September 18, 2025, the SEC held a roundtable on trade-through prohibitions in the NMS stock and listed options markets. Regulation NMS, adopted more than two decades ago, gave the SEC an opening to substitute its own judgment for that of the marketplace. Rule 611, or the Trade-Through Rule, has restricted the price at which investors could trade by mandating execution at or within the National Best Bid and Offer. This led the industry to treat price as the only factor when considering "Best Execution." The roundtable was the start of the staff engaging in a reassessment of Regulation NMS.



Rule 611 was enacted to prevent "trade-throughs," where a trade is executed in one market at a worse price than is displayed on another market.

Foreign Private Issuer Definition

The SEC on June 4, 2025, published a concept release soliciting public comment on the definition of foreign private issuer. Foreign private issuers benefit from certain accommodations and exemptions from the disclosure and filing requirements of the federal securities laws. The concept release solicited public input on whether the definition of foreign private issuer should be amended in light of significant changes in the population of foreign private issuers since 2003. SEC concept releases are a means for the Commission to obtain public input in advance of making decisions about possible rulemaking.

Executive Compensation

Since 1992, when the Commission instituted tabular executive compensation disclosure, requirements for disclosure have been expanded to focus more and more on variations of components of compensation, rather than on total compensation. The resulting disclosures have become increasingly complex and lengthy, but it is less clear if the increased complexity and length have provided investors with additional information that is material to their investment and voting decisions.

It is important for the Commission to engage in retrospective reviews of its rules to ensure that they continue to be cost-effective and result in disclosure of material information without an overload of immaterial information. As part of this review of its executive compensation requirements, the SEC on June 26, 2025, hosted a roundtable with representatives from public companies and investors, as well as other experts in this field.

Residential Mortgage-Backed Securities and Asset-Backed Securities Concept Release

The SEC on September 26, 2025, published a concept release soliciting public comment on how to improve current rules governing residential mortgage-backed securities (RMBS) and certain aspects of asset-backed securities (ABS).

There have been no public RMBS offerings since 2013, yet, as some RMBS market participants have noted, a diverse array of securitization options is an important part of a healthy mortgage market because it provides access to a wider range of issuers and investors, reducing reliance on any one source of liquidity and contributing to lower consumer costs.

The concept release seeks feedback from the public on whether there are SEC regulatory impediments contributing to the absence of public RMBS offerings, including whether certain disclosure requirements should be revised and how certain sensitive information about mortgage loans underlying the RMBS may be shared with investors in light of privacy and confidentiality concerns.

The concept release also seeks comment on whether certain regulatory definitions should be revised, and whether revisions to any other ABS regulations should be considered to facilitate access to the public market.

PCAOB

In July 2025, Chairman Atkins, on behalf of the SEC, solicited candidates for all five Board positions, including the Chairperson, of the Public Company Accounting Oversight Board (PCAOB). The PCAOB was established by the Sarbanes-Oxley Act of 2002 and oversees the audits of the financial statements of public companies, brokers, and dealers through registration, standard setting, inspection, and disciplinary programs. Under the Act, the SEC selects members and the Chairperson of the Board. On July 21, 2025, the SEC announced that George R. Botic would serve as Acting Chair of the PCAOB.

Division of Economic and Risk Analysis New Market Data, Analysis, and Visualizations

The SEC's Division of Economic and Risk Analysis (DERA) in April published new data and analysis on the key market areas of public issuers, exempt offerings, commercial mortgage-backed securities, ABS, money market funds, and security-based swap dealers in an effort to increase transparency and understanding of our capital markets amongst the public. These reports reflect important information that is valuable to investors, other market participants, and academics.

In June 2025, DERA published new reports and data on broker-dealers, mergers and acquisitions (M&A), and business development companies (BDC).

The reports provide the public with information about the changes in broker-dealer and M&A activity over time. In addition, the BDC data allow the public to conduct its own analysis of data filed with the Commission.

Extension of Compliance Dates

Treasury Clearing

On February 25, 2025, the SEC extended by one year the compliance dates for Rule 17ad-22(e)(18)(iv)(A) and (B) under the Exchange Act by one year to December 31, 2026, for eligible cash market transactions, and June 30, 2027, for eligible repo market transactions. This extension was related to rule changes the SEC adopted in December 2023 that would transition the U.S. Treasury securities markets to central clearing. The extension was necessary to provide additional time for further engagement on compliance, operational, and interpretive questions, and to facilitate an orderly implementation of the rules. Chairman Atkins tasked SEC Commissioner Mark T. Uyeda to lead the agency's initiative to facilitate the transition, and the SEC launched a one-stop webpage for updates, staff statements, and other related material.

Form PF

On September 17, 2025, the SEC, along with the CFTC, extended until October 1, 2026, the compliance date of amendments to Form PF. In 2024, the Commissions adopted amendments to Form PF, and the initial compliance date of these amendments was March 12, 2025. The Commissions had extended the dates twice previously to address transitional challenges brought to our attention by market participants.



A confidential reporting form for certain SEC-registered investment advisers to private funds.

On January 20, 2025, President Trump signed a Presidential Memorandum directing agencies to: consider postponing (for 60 days from the date of the Memorandum) the effective date of rules that had not yet taken effect for the purpose of reviewing any questions of fact, law, and policy that they may raise; consider further delaying—or taking other actions to further delay—beyond 60 days, where necessary, to continue to review these questions of fact, law, and policy; and where warranted, to provide notice and take further appropriate action.

To provide time for the Commissions to complete their review in accordance with the Presidential Memorandum, the Commissions granted a further compliance date extension to October 1, 2026.

Names Rule

On March 14, 2025, the SEC announced a six-month extension of the compliance dates for amendments adopted in September 2023 to the Investment Company Act "Names Rule," which addresses fund names likely to mislead investors about a fund's investments and risks. The compliance date for larger fund groups was extended from December 11, 2025, to June 11, 2026, and the compliance date for smaller fund groups was extended from June 11, 2026, to December 11, 2026. The extension is designed to balance the investor benefit of the amended Names Rule framework with funds' needs for additional time to implement the amendments properly, develop, and finalize their compliance systems, and test their compliance plans.

Daily Reserve Computation Requirement

On June 25, 2025, the SEC extended until June 30, 2026, the compliance date for the amendments to Rule 15c3-3 (the broker-dealer customer protection rule) that the Commission adopted on December 20, 2024. The amendments require certain broker-dealers to increase the frequency of required reserve computations under Rule 15c3-3 from weekly to daily. The compliance date for these required daily reserve computations was originally December 31, 2025. This extension will provide more time for broker-dealers to make any necessary systems or operational changes to implement a daily computation requirement and test their new daily processes for compliance.

SEC Staff Numbers

The SEC's offices and divisions have decreased headcount by 17 percent since the beginning of the fiscal year. These departing SEC staff members elected to take advantage of the Administration's Fork in the Road, Voluntary Early Retirement Authority, Voluntary Separation Incentive Payments, or left to pursue other opportunities. Today, the SEC has approximately 4,000 employees and 2,300 contractors.

Technology Review and Optimizing Efficiency

The SEC began a process to review its technology infrastructure and contractual obligations with the goal of optimizing efficiency and eliminating redundancy. Chairman Atkins has also directed the initiation of a comprehensive review of the SEC's Electronic Data Gathering, Analysis, and Retrieval (EDGAR) system to ensure for data integrity.

FINANCIAL HIGHLIGHTS

This section provides an analysis of the financial position, results of operations, and the underlying causes for significant changes in balances presented in the SEC's FY 2025 financial statements.

As described further below, the SEC's finances in FY 2025 have several main components:

- An annual appropriation from Congress;
- Securities transaction fees, charged in accordance with Section 31 of the Securities Exchange Act of 1934 (Exchange Act), which offset the agency's annual appropriation;
- Securities registration, tender offer, and merger fees (also called filing fees), of which $50 million was deposited into the Securities and Exchange Commission Reserve Fund (Reserve Fund) each year. The Reserve Fund provided resources up to $100 million each fiscal year to pay for SEC expenses, and were not subject to annual appropriation or apportionment;
- Disgorgement and penalties ordered and collected from violators of the securities laws, some of which are then returned to harmed investors and the balances are transferred to the U.S. Treasury General Fund; and
- The SEC Investor Protection Fund (IPF), which is funded through disgorgement and penalties not distributed to harmed investors, and which is used to make payments to whistleblowers who give tips to aid the SEC's enforcement efforts in certain circumstances, as well as to cover the expenses of the SEC Office of Inspector General's (OIG) Employee Suggestion Program.

Sequestration Order for FY 2025

On March 1, 2013, the President issued the Sequestration Order. As determined by the Office of Management and Budget (OMB), for FY 2025, the Sequestration Order was applicable to mandatory appropriations, which included the Reserve Fund and the IPF.

Reserve Fund

The budget authority of $50 million was reduced by 5.7 percent, or $3 million.

IPF

The budget authority of $385 million was reduced by 5.7 percent, or $22 million.

Overview of Financial Position

Assets. At September 30, 2025, the SEC's total assets were $15.5 billion.

Fund Balance with Treasury increased due to a $1.5 billion increase in Section 31 fees collected during FY 2025 compared to the previous fiscal year as a result of a higher fee rate in effect through mid-May of FY 2025 compared to the same period of the previous fiscal year. During FY 2024, the fee rate was adjusted from $8 per million on May 22nd to $27.80 per million. This rate was in effect through May 13, 2025. Also impacting the fee collections was an 18.6 percent increase in fee volume through May of FY 2025 compared to the previous fiscal year.

Federal investments increased by $646 million mostly due to investments related to orders established on behalf of harmed investors during FY 2025.

Accounts Receivable, Net decreased by $667 million primarily due to a $364 million decrease in Section 31 fees receivable as a result of the lower fee rate in effect for September of 2025. During FY 2025, the fee rate was adjusted from $27.80 per million on May 14th to $0 per million. Also contributing to the decrease was a reduction in disgorgement- and penalties-related receivables.

Chart 1.1 | 2025 Assets by Type

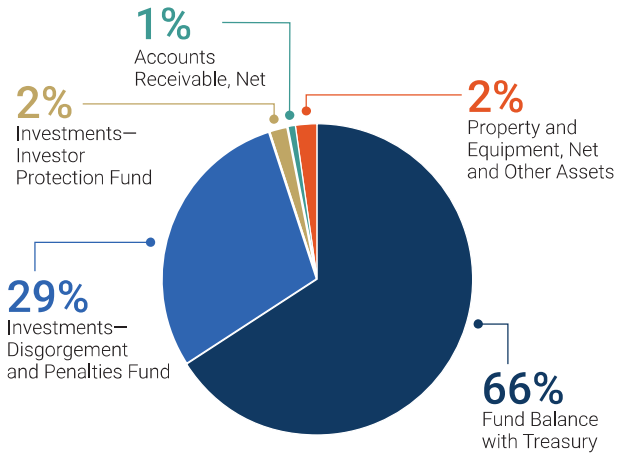


Table 1.1 | Assets as of September 30, 2025

(DOLLARS IN MILLIONS)	2025
Fund Balance with Treasury	$ 10,256
Investments—Disgorgement and Penalties Fund	4,420
Investments—Investor Protection Fund	333
Accounts Receivable, Net	211
Property and Equipment, Net	291
Other Assets	19
Total Assets	**$ 15,530**

Liabilities. At September 30, 2025, the SEC's total liabilities were $6.1 billion.

For the assets received resulting from enforcement judgments, the SEC recognizes a corresponding liability, which is either custodial if the collections are transferred to the U.S. Treasury General Fund or the IPF, or governmental if the collections are held pending distribution to harmed investors.

Liability for Disgorgement and Penalties increased, mostly due to orders established on behalf of harmed investors during FY 2025.

Accounts Payable decreased, mostly due to a $105 million decrease in whistleblower awards payable as of September 30, 2025, compared to the previous fiscal year.

Custodial Liability decreased, mostly due to the reduction in receivables established in FY 2024 and collection of amounts due.

Ending Net Position. The SEC's net position, which includes both unexpended appropriations and the cumulative results of operations, was $9.4 billion as of September 30, 2025.

Chart 1.2 | 2025 Liabilities by Type

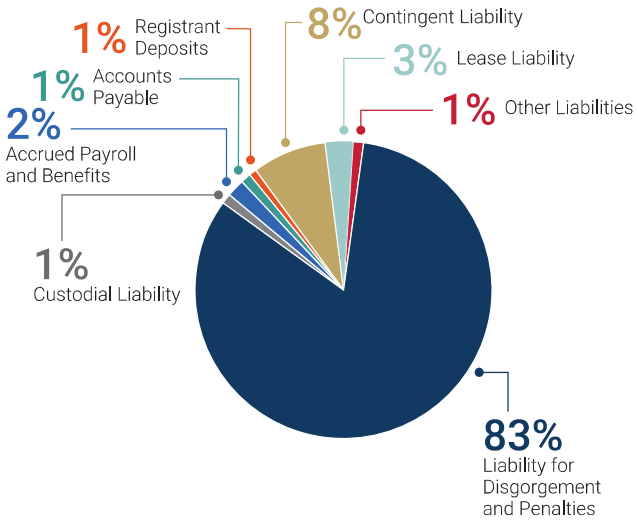


Table 1.2 | Liabilities as of September 30, 2025

(DOLLARS IN MILLIONS)	2025
Liability for Disgorgement and Penalties	$ 5,124
Custodial Liability	19
Accrued Payroll and Benefits	178
Accounts Payable	72
Registrant Deposits	69
Contingent Liability	498
Lease Liability	173
Other Liabilities	9
Total Liabilities	**$ 6,142**

Results of Operations

Earned Revenues. Total Earned Revenues for the year ended September 30, 2025, were $4.4 billion. Fees paid under Section 31 of the Exchange Act remain at the prior fiscal year-end rate until 60 days after the date of enactment of a regular appropriation in the current fiscal year. Due to the Section 31 fee rate of $27.80 per million, and FY 2025 securities transaction volume, offsetting collections resulting from Section 31 transaction fees surpassed the SEC's Budget Authority of $2.2 billion as of February 2025. Therefore, in May 2025, 60 days after the enactment of the 2025 regular appropriation, the fee rate was lowered to $0 for the rest of the fiscal year.

Section 31 fee revenue was the largest source of revenue for the SEC, totaling $3.3 billion. This included $3.7 billion in Section 31 collections and a $400 million reduction in Section 31 receivables. FY 2025 collections in excess of budget authority resulted in $1.5 billion in collections precluded from obligation.

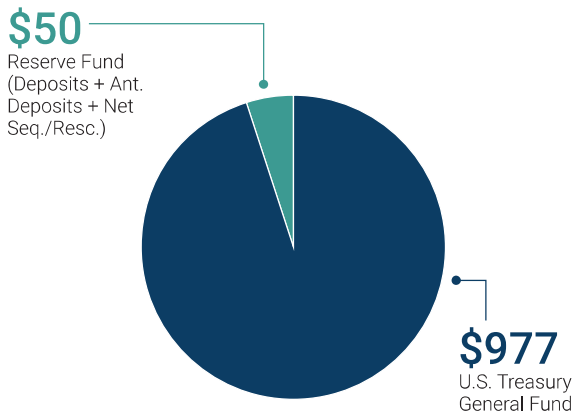
The filing fee rate for securities registration, tender offer, and merger fees was set at $153.10 per million in transaction volume during FY 2025. The Commission must set rates for the fees paid under Section 6(b) to levels that the Commission projects will generate collections equal to annual statutory target amounts. The statutory target for FY 2025 is $865 million effective the first day of the fiscal year.

Reserve Fund. Section 991(e) of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act) authorized the creation of a Reserve Fund. Funded from filing fee collections, the SEC has historically deposited up to $50 million per fiscal year, and the fund cannot hold more than $100 million in total each fiscal year. Excess filing fees are deposited to the U.S. Treasury General Fund. During FY 2025, Public Law 119-21 was enacted, which closes the SEC's Reserve Fund effective October 1, 2025. Existing Reserve Fund obligations and associated property and equipment were transferred into the SEC's salaries and expenses fund during the fourth quarter of FY 2025.

Table 1.3 | Earned Revenues
For the year ended September 30, 2025

(DOLLARS IN MILLIONS)		2025
Section 31 Securities Transaction Fees	$	3,328
Securities Registration, Tender Offer, and Merger Fees (Filing Fees)		1,027
Total Earned Revenues	**$**	**4,355**

Chart 1.3 | 2025 Filing Fee Revenue
(DOLLARS IN MILLIONS)



For the year ended September 30, 2025, filing fee revenues totaled $1.0 billion. In FY 2025, $50 million of filing fee revenues was deposited into the Reserve Fund, of which $3 million was sequestered. The excess of $977 million was earned on behalf of the U.S. Treasury General Fund.

Obligations incurred for the Reserve Fund during FY 2025 totaled $13 million, and the remaining unobligated balance totaled $44 million.

Program Costs. Total Program Costs were $2.4 billion for the year ended September 30, 2025. FY 2025 program costs were comprised of $1.6 billion in salaries and benefits, $696 million in non-payroll contractual costs, and $35 million in net costs related to whistleblowers made from the IPF.

In FY 2025, to comply with Presidential mandates to streamline the federal workforce, the Office of Personnel Management established the Deferred Resignation Program (DRP) allowing employees to voluntarily resign effective no later than September 30, 2025. Upon acceptance of resignation, employees were placed on administrative leave, maintaining their pay and benefits. The SEC had 170 employees participate at a cost of $37.1 million.

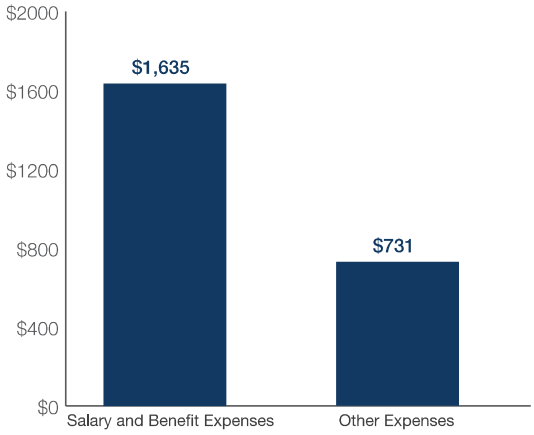
Following the conclusion of the DRP acceptance period, the SEC also provided all employees with a Voluntary Early Retirement Authority (VERA)/ Voluntary Separation Incentive Payment (VSIP) opportunity. The SEC offered one additional VERA/ VSIP opportunity at fiscal year-end to all managers within the agency as well as to staff within the Office of Information Technology who expressed interest by September 30th. VERA lowers the retirement age or years of service requirement for eligible employees, while VSIP offers payment in exchange for separation from the SEC. As of September 30, 2025, 472 employees participated at a cost of $23.9 million.

Budgetary Resources

For the year ended September 30, 2025, the SEC's total budgetary resources equaled $3.1 billion.

Unobligated Balance from Prior Year Budget Authority. The primary sources of unobligated balance brought forward for FY 2025 consisted of the cancellation of the headquarters' lease contract by the U.S. Government Services Administration, special lease funding carried forward, and the IPF carry forward.

Chart 1.4 | Program Costs
(DOLLARS IN MILLIONS)



Appropriations and Spending Authority from Offsetting Collections. For FY 2025, the SEC's appropriation, per H.R. 1968–Full-Year Continuing Appropriations Act, 2025, Public Law PL-119-47, totaled $2.2 billion. The total appropriation included $2.1 billion of regular appropriation, and $39.7 million for move, replication, and related costs associated with replacement leases for the Commission's office facilities. The current year appropriation is available until expended.

For FY 2025, the SEC collected $3.7 billion in Section 31 transaction fees as of September 30, 2025, resulting in a full budget authority of $2.2 billion being collected on, and returned to, Treasury, and $1.5 billion in collections in excess of budget authority that are precluded from obligation by the SEC.

Investor Protection Fund

The SEC prepares standalone financial statements for the IPF as required by the Dodd-Frank Act. The IPF was established in FY 2010 to provide funding for a Whistleblower Award Program, and to finance the operations of the SEC OIG's Employee Suggestion Program.

For the year ended September 30, 2025, the balance of the IPF was $318 million.

During FY 2025, the SEC deposited $15 million from investment interest in Treasury securities. The SEC paid $171 million to whistleblowers, while $12 million in awards were accrued as payable.

Also, $29 million in the prior fiscal year sequestration was returned to the IPF and $22 million in FY 2025 funding was sequestered, resulting in a net sequestration totaling $7 million.

Limitations of the Financial Statements

The financial statements are prepared to report the financial position, financial condition, and results of operations, consistent with the requirements of 31 U.S.C. § 3515(b). The statements are prepared from records of Federal entities in accordance with Federal generally accepted accounting principles (GAAP) and the formats prescribed by OMB. Reports used to monitor and control budgetary resources are prepared from the same records. Users of the statements are advised that the statements are for a component of the U.S. Government.

Table 1.4 | Investor Protection Fund Activity
For the year ended September 30, 2025

(DOLLARS IN MILLIONS)	2025
Balance of Fund at Beginning of Fiscal Year, October 1	$ 362
Amount Deposited Into or Credited to the Fund During the Fiscal Year	15
Amount Awarded but Unpaid During the Fiscal Year	105
Amount Paid from the Fund During the Fiscal Year to Whistleblowers	(171)
Net Sequestration	7
Balance of the Fund at the End of the Reporting Period*	**$ 318**

*Note: Balance of the Fund does not include Anticipated Resources

PERFORMANCE HIGHLIGHTS

The SEC's performance data provides a foundation for both programmatic and organizational decision making, and is critical for ensuring the work of the agency remains aligned with its mission. The SEC is committed to using performance management best practices to promote greater accountability. In addition to the SEC Programs and Program Descriptions table, this section also provides a summary table of all agency performance metrics and highlights a few key performance metrics for FY 2025. Overall, it outlines the SEC's program and performance planning framework and highlights the agency's progress toward reaching its performance targets.

The SEC's FY 2025 Annual Performance Report (APR) will be issued with the agency's FY 2027 Congressional Budget Justification Report and will provide a complete discussion of the agency's performance goals, data sources, performance results and trends, and information about internal reviews and evaluations. The below summary of the SEC's verification and validation of all performance data will also be included in the APR. The SEC's APR is expected to be available in 2026 at SEC.gov/reports.

Verification and Validation of Performance Data

The SEC's programs require accurate data to properly assess program performance and make sound management decisions. To ensure data is correct, a system of data verification and validation is used. Data verification is a systematic process for evaluating a set of data against a set of standards to ascertain its completeness, correctness, and consistency using the methods and criteria defined in the project documentation. Data validation follows the data verification process in an effort to ensure that performance data are free of systematic error or bias, and that what is intended to be measured is actually measured. Together, these processes are used to evaluate whether the information has been generated according to specifications, satisfies acceptance criteria, and is appropriate and consistent with its intended use.

Below is a list of steps taken to ensure the performance data presented in this report is complete, reliable, and accurate.

1. The agency develops performance goals through its strategic planning process.
2. The SEC's divisions and offices provide:
   - The procedures used to obtain assurance as to the accuracy and reliability of the data;
   - The data definitions for reference;
   - Documentation and explanation of the performance goal calculations; and
   - The sources of the underlying data elements.
3. The performance data is approved by the division directors and office heads. This process ensures that the data used in the calculation of performance goals is accurate and reliable, and that internal control is maintained throughout the approval process.

Program and Performance Framework

To enhance transparency, this section now includes the SEC Programs and Program Descriptions table, a link to the Statement of Net Cost, and key performance results by program. The SEC is committed to providing readers with an integrated view of the connection between program costs and performance data.

PROGRAMS

The SEC organizes its divisions and offices within the 10 major programs outlined below, which aligns with how the SEC presents its costs of operations by programs in the Statement of Net Cost on page 43. This is also consistent with the presentation used by the agency in submitting its budget requests.

Table 1.5 | SEC Programs and Program Descriptions

ENFORCEMENT	
Division of Enforcement (ENF)	Investigates and brings civil charges in federal district court or in administrative proceedings based on violations of the federal securities laws. An integral part of this program's function is seeking penalties and the disgorgement of ill-gotten gains in order to return funds to harmed investors. Also within this program is the Office of the Whistleblower, which rewards individuals who provide the agency with tips that lead to successful enforcement actions.
EXAMINATIONS	
Division of Examinations (EXAMS)	Conducts examinations of registrants such as investment advisers, investment companies, broker-dealers, self-regulatory organizations (SRO), transfer agents, and clearing agencies.
CORPORATION FINANCE	
Division of Corporation Finance (CF)	Helps investors gain access to materially complete and accurate information about companies and the securities they offer and sell, to facilitate capital formation and to deter fraud and misrepresentation in the public offering, trading, voting, and tendering of securities.
TRADING AND MARKETS	
Division of Trading and Markets (TM)	Supervises major market participants and conducts activities to maintain fair, orderly, and efficient standards that foster investor protection and confidence in the markets.
INVESTMENT MANAGEMENT	
Division of Investment Management (IM)	Administers the Investment Company Act of 1940[1] and Investment Advisers Act of 1940,[2] which includes developing regulatory policy for investment companies and for investment advisers, monitoring for risks and trends, reviewing regulatory and financial disclosures for compliance with regulatory requirements, and providing guidance to relevant market participants.
ECONOMIC AND RISK ANALYSIS	
Division of Economic and Risk Analysis (DERA)	Provides economic analyses as part of the Commission's rulemaking process and assists its rule review, examination, and enforcement programs with data-driven, risk-based analytical methods.
GENERAL COUNSEL	
Office of the General Counsel (OGC)	Serves as the chief legal officer of the Commission and provides independent legal analysis and advice to the Chairman, Commissioners, and operating divisions on all aspects of Commission activities. This office also defends the Commission in federal district courts.

1 More information about the Investment Company Act of 1940 can be found at SEC.gov/about/about-securities-laws#invcoact1940.
2 More information about the Investment Advisers Act of 1940 can be found at SEC.gov/about/about-securities-laws#invadvact1940.

Table 1.5 | Continued from previous page

OTHER PROGRAM OFFICES	
Office of Administrative Law Judges (OALJ)	Conducts public hearings throughout the United States in a manner similar to non-jury trials in the federal district courts. As independent adjudicators, administrative law judges issue initial decisions on allegations set out in Commission Orders Instituting Proceedings, issue subpoenas, hold prehearing conferences, and rule on motions and the admissibility of evidence.
Office of the Advocate for Small Business Capital Formation (OASB)	Works with small businesses and their investors to understand their capital formation issues through education and outreach, analyzes the potential impact of proposed SEC and SRO rules and regulations likely to significantly affect small businesses and their investors, and helps small businesses and their investors resolve issues with the SEC and SROs by recommending policy changes to Congress and the Commission.
Office of the Chief Accountant (OCA)	Establishes accounting and auditing policies, 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 Credit Ratings (OCR)	Administers the rules of the Commission with respect to the practices of nationally recognized statistical rating organizations (NRSRO) 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 International Affairs (OIA)	Advances international regulatory, supervisory, and enforcement cooperation; promotes converged high regulatory standards worldwide; and facilitates technical assistance programs in foreign countries.
Office of the Investor Advocate (OIAD)	Helps investors resolve significant problems with the SEC or with SROs, and identifies areas in which investors would benefit from changes to federal laws or to SEC regulations or SRO rules.
Office of Investor Education and Advocacy (OIEA)[3]	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 Municipal Securities (OMS)	Oversees the municipal securities market and administers the agency's rules pertaining to municipal securities brokers and dealers, advisors, investors, and issuers. This office also coordinates with the Municipal Securities Rulemaking Board on rulemaking and enforcement actions.
AGENCY DIRECTION AND ADMINISTRATIVE SUPPORT	
EDGAR Business Office (EBO)	Provides direct executive-level oversight for the ongoing transformation of specific functions and programs to include business ownership of the Electronic Data Gathering, Analysis, and Retrieval (EDGAR) system and the EDGAR modernization program initiative.
Office of Acquisitions (OA)	Provides advice on acquisition planning, development, and sourcing; awarding contracts and interagency agreements; and ensures contract terms and conditions are met through timely contract closeouts and de-obligation of funds.
Office of the Chairman	Oversees all aspects of agency operations. The Chairman and Commissioners are responsible for reviewing and approving enforcement cases as well as overseeing the development, consideration, and execution of policies and rules.
Office of the Chief Data Officer (OCDO)	Enables data analytics to support enforcement, examinations, policymaking, and other agency activities, and supports the agency to ensure effective and efficient data security.
Office of the Chief Operating Officer (OCOO)	Provides strategic leadership and operational oversight of the SEC's core mission support activities and compliance with administrative requirements from Congress and the Executive Branch.
Office of Equal Employment Opportunity (OEEO)	Strives to enhance access to employment opportunities for the best and brightest talent, and to foster a fair and equitable work environment in compliance with federal laws and SEC standards.

3 In FY 2026, the SEC's Office of Investor Education and Advocacy was renamed the Office of Investor Education and Assistance.

Table 1.5 | Continued from previous page

AGENCY DIRECTION AND ADMINISTRATIVE SUPPORT *(CONTINUED)*	
Office of the Ethics Counsel (OEC)	Administers the Commission's Ethics Program and interprets the SEC's Supplemental Ethics Rules as well as government-wide ethics laws, rules, and regulations.
Office of Financial Management (OFM)	Oversees the agency's financial systems and internal controls over financial reporting, prepares financial statements and reports, manages the formulation and execution of the SEC's annual budget, and coordinates the agency's performance and cost reporting.
Office of Human Resources (OHR)	Assists with recruitment, staffing, organizational development, leadership and employee development, compensation and benefits administration, position classification, workforce planning, and labor relations.
Office of Information Technology (OIT)	Maintains responsibility for the Commission's infrastructure operations and engineering, user support, program management, capital planning, cybersecurity, and enterprise architecture.
Office of Legislative and Intergovernmental Affairs (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.
Office of Minority and Women Inclusion (OMWI)	Implements Section 342 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.
Office of Public Affairs (OPA)	Assists the Commission in making the work of the SEC is accessible to the public, understandable to investors, and accountable to taxpayers.
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 receives and tracks filings in administrative proceedings.
Office of Support Operations (OSO)	Processes requests under the Freedom of Information Act and the Privacy Act; maintains all agency records in accordance with the Federal Records Act; oversees the security and safety of SEC facilities; and manages property, equipment, and overall building operations.
INSPECTOR GENERAL	
Office of Inspector General (OIG)	Conducts audits of the SEC's programs and operations, and investigates allegations of misconduct by staff or contractors. This is an independent office whose mission is to detect fraud, waste, and abuse, and promote integrity, economy, efficiency, and effectiveness throughout the agency's programs and overall operations.

PERFORMANCE AT A GLANCE

The following table summarizes the status of the SEC's performance—as measured by each individual performance goal (PG)—in support of the agency's mission.

Program	Performance Goal	Measurement	FY 2025
ENF	**PG 1.** Percentage of enforcement actions in which the Commission obtained relief on one or more claims	Percentage	✗
ENF	**PG 2.** Percentage of Fair Fund and disgorgement fund plans that have distributed 80 percent of the available funds for distribution within 24 months of the approval of the distribution plan	Percentage	✓
EXAMS	**PG 3.** Percentage of investment advisers and broker-dealers examined during the year	Investment advisers	✓
EXAMS		Broker-dealers	✓
CF	**PG 4.** Number of regulatory initiatives to improve investor disclosure	Division of Corporation Finance	✗
IM		Division of Investment Management	✗
TM		Division of Trading and Markets	✓
CF	**PG 5.** Percentage of disclosure-based regulatory initiatives that consider whether it would be appropriate to include a provision to structure disclosures (to the extent that the benefits justify the economic costs) to enhance comparability	Division of Corporation Finance	✗
IM		Division of Investment Management	✓
TM		Division of Trading and Markets	✓
OIAD	**PG 6.** Investor Engagement Activities	Activities	✓
CF	**PG 7.** Number of regulatory initiatives that enhance transparency in private markets or update the disclosure framework to reflect evolving technologies, business models, and capital markets	Division of Corporation Finance	✓
IM		Division of Investment Management	✓
TM		Division of Trading and Markets	✓
OIA	**PG 8.** Number of supervisory cooperation requests from foreign authorities for SEC assistance and SEC requests for assistance on supervisory cooperation from foreign authorities	Requests from foreign authorities	✓
OIA		SEC requests for assistance	✓
TM	**PG 9.** Percentage of supervisory engagements with broker-dealers and clearing agencies to address systemic and infrastructure risks	Percentage	✓
EXAMS	**PG 10.** Number of examinations that request information related to an entity's information security	Examinations	✓
EXAMS	**PG 11.** Percentage of Systemically Important Financial Market Utilities examined by the examinations program	Percentage	✓
OIEA	**PG 12.** Number of new investor education materials on emerging and popular investment topics	New investor education materials issued	✓
OIEA		Users indicating a positive change	✓

Program	Performance Goal[1,2]	Measurement	FY 2025
OEEO	**PG 16.** Equal Employment Opportunity Compliance – Sentiment and Assessment	Percentage of "yes" (or N/A) responses to EEOC questions[3]	N/A
OIT	**PG 18.** Percentage of Plan of Action and Milestones (POA&Ms) closed within six months from identification	Percentage	✓
OIT	**PG 19.** Percentage of SEC information systems encrypting data-at-rest and encrypting data-in-transit, as reported per FISMA[4]	Data-at-rest	✓
OIT		Data-in-transit	✓
OCRO[5]	**PG 20.** Timely completion of corrective actions responsive to audit findings	Submitted within 12 months	✓
OCRO		Not yet submitted within 12 months	✓
OIT	**PG 21.** Number of innovative or analytical models, tools, capabilities, platforms, and other solutions deployed or made available to SEC staff	Number	✗
OIT	**PG 22.** Percentage of FISMA-reportable systems that are current (not legacy systems)	Percentage	✓

Note: For more detailed information, please refer to the SEC's FY 2025 APR, which will be available in 2026 at SEC.gov/reports.

✓ *Target met* ✗ *Target not met*

1 In accordance with guidance provided by the Office of Personnel Management, the Federal Employee Viewpoint Survey (FEVS) was not administered in FY 2025; as such, Performance Goal 13, *Results of Federal Employee Viewpoint Survey*, Performance Goal 16, Data Point 1, *Positive Rating on FEVS Q8 (I can disclose a suspected violation of any law, rule, or regulation without fear of reprisal)*, and Performance Goal 17, *Employee Views on Intra-Agency Cooperation*, have been removed.

2 In accordance with Executive Order 14151, *Ending Radical and Wasteful Government DEI Programs and Preferencing*, Performance Goal 14, *Index Results from SEC Federal Employee Viewpoint Survey: Diversity, Opportunity, and Employee Inclusion*, and Performance Goal 15, *Diversity Outreach*, have been removed.

3 As prescribed by the Equal Employment Opportunity Commission, 156 questions for evaluating whether agencies have in place policies and procedures necessary to support a Model EEO Program. Data will be published in 2026.

4 Federal Information Security Modernization Act

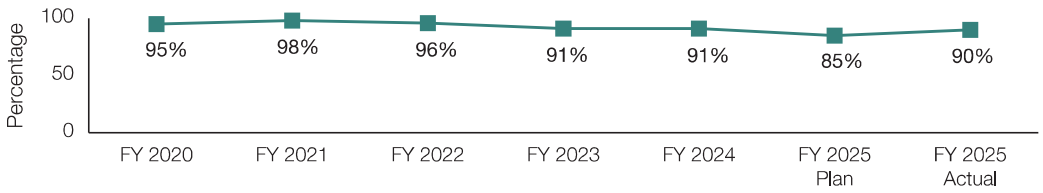
5 Office of the Chief Risk Officer

SELECT METRICS

Below are key performance metrics that highlight major achievements and efforts in alignment with the agency's mission.

Chart 1.5

PG 2. Percentage of Fair Fund and disgorgement fund plans that have distributed 80 percent of the available funds for distribution within 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 in law, 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 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.

Target: Exceeded

Responsible Division/Office: Division of Enforcement

Data Source: Case Tracking System for the Division of Enforcement

Investor protection is a key component of the SEC's mission, and a distribution payment is tangible evidence that the SEC provides protection to harmed investors. When an enforcement action results in the collection of monetary relief and harmed investors can be identified and contacted and their harm quantified, the Office of Distributions undertakes an effort to distribute the collected funds. Once it is determined that a distribution is feasible, the Office of Distributions is responsible for managing the distribution. The distribution process involves creating a Disgorgement Fund or Fair Fund; appointing a tax administrator; soliciting and then appointing a fund administrator or distribution agent; developing and implementing a distribution plan for either Commission or court approval; distributing and reconciling payments to harmed investors; and preparing a final fund accounting for approval and termination of the case.

The agency's goal is to return funds to harmed investors in a timely manner once funds have been received. This metric identifies the percentage of Fair Fund and Disgorgement Fund plans that have distributed 80 percent of the available funds for distribution within 24 months of the approval of the distribution plan. In FY 2025, the Office of Distributions exceeded the target by 5 percentage points.

Going forward, the Division of Enforcement will continue to prioritize the timeliness and efficiency of distributing funds, which have been enhanced by centralizing the distributions function to build expertise and improve speed and efficiency in the distribution process, and by implementing various process improvements to better monitor and track distribution deadlines.

Table 1.6

PG 12. Number of new investor education materials on emerging and popular investment topics							
Fiscal Year	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025 Plan	FY 2025 Actual
New Investor Education Materials Issued	Prior-year data not available		16	24	16	16	18
Users Indicating a Positive Change	Prior-year data not available		94%	91%	90%	90%	92%

Description: Through the Office of Investor Education and Advocacy (OIEA),[1] and often in conjunction with other organizations, the SEC issues Investor Alerts and Bulletins to inform investors about different permutations of fraud, new investment products, and other topical issues. This metric measures: (a) the number of new investor education materials issued by OIEA; and (b) the percentage of users who indicated that the investor education materials may positively impact their behavior in the future.

Target: New Investor Education Materials Issued – Exceeded; Users Indicating a Positive Change – Exceeded

Responsible Division/Office: Office of Investor Education and Advocacy

Data Source: Investor.gov; Qualtrics Experience Management Platform

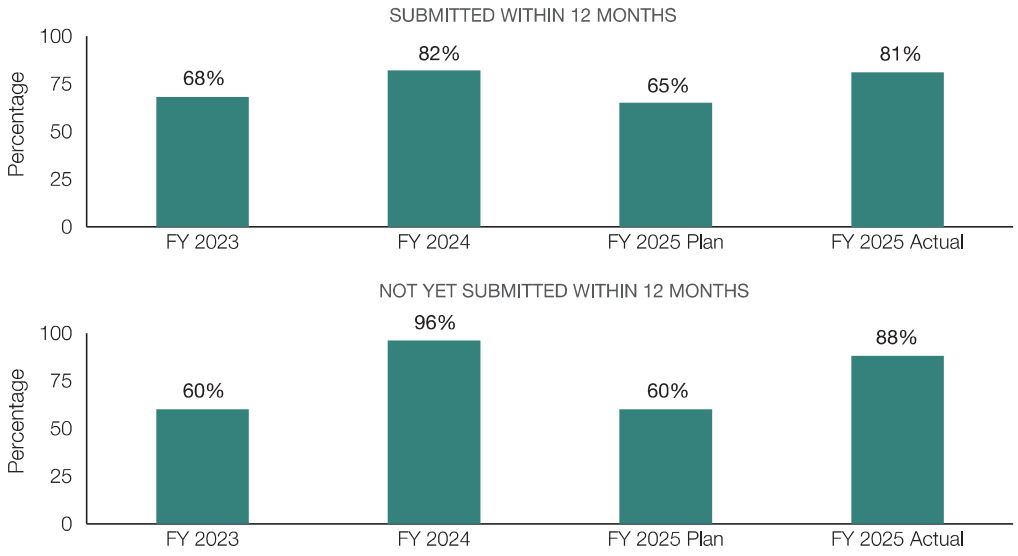
In response to significant developments and trends impacting retail investors, the Office of Investor Education and Advocacy (OIEA) led investor education initiatives focusing on different segments of the population, from students and teachers to older investors, military service members, and veterans. The initiatives focused on equipping these key audiences and other investors with information and tools to make sound investment decisions, including publishing new investor education materials on emerging and popular investment topics. To support these efforts, OIEA continued to gather information regarding the behavior of individual investors, the type of information they need and use when making investment decisions, and the usefulness of the SEC's investor education efforts and related programs.

OIEA issued 18 Investor Alerts and Bulletins to warn investors of possible fraudulent schemes and educate them on other important investing topics. For example, OIEA and the FBI's Criminal Investigative Division warned investors about a significant uptick in tips, complaints, and referrals involving impersonations of investment professionals, including registered representatives and investment adviser representatives. In collaboration with the Financial Industry Regulatory Authority (FINRA) and the North American Securities Administrators Association (NASAA), OIEA also issued an Investor Bulletin to urge investors to consider adding a trusted contact to their brokerage account. In response to the floods in Texas and hurricanes Helene and Milton, OIEA issued Investor Alerts on natural disasters and investment scams to remind investors that bad actors may use natural disasters to lure victims into investment scams, and that fraudsters may directly target individuals receiving money from insurance companies or other sources. Ninety-two percent of respondents to Investor.gov's customer satisfaction survey indicated that the information from Investor Alerts and Bulletins may positively impact them in the future.

1 In FY 2026, the SEC's Office of Investor Education and Advocacy was renamed the Office of Investor Education and Assistance.

Chart 1.6

PG 20. Timely completion of corrective actions responsive to audit findings



Note: Data for FY 2020–2022 are not available.

Description: This metric consists of two data points measuring the SEC's ability to timely develop, complete, and submit for closure corrective actions responsive to Government Accountability Office (GAO) or Office of Inspector General (OIG) recommendations: (1) the percent of GAO and OIG audit recommendations submitted for closure within 12 months of the date of the recommendations' issuance; and (2) the percent of GAO and OIG audit recommendations not yet submitted for closure that are within 12 months of the recommendations' issuance.

Target: Submitted Within 12 Months – Exceeded; Not Yet Submitted Within 12 Months – Exceeded

Responsible Division/Office: Office of the Chief Risk Officer

Data Source: Audit Management System (Archer)

In accordance with Office of Management and Budget Circular A-50, *Audit Follow-Up*, the SEC ensures that prompt and proper corrective action is taken based on auditors' recommendations to improve the effectiveness and efficiency of agency operations. Once a corrective action has been completed in response to a recommendation from the U.S. Government Accountability Office (GAO) or the SEC Office of Inspector General (OIG), the SEC submits documentation to GAO or the OIG to verify that agreed upon corrective actions have been implemented to close the recommendation.

In FY 2025, the SEC submitted 81 percent of audit recommendations for closure within 12 months of receipt, thus exceeding the target goal of 65 percent. Moreover, at the end of FY 2025, 88 percent of recommendations to the SEC that had not yet been submitted to GAO or the OIG for closure were less than one year old, exceeding the 60 percent target goal.

The agency's success on this performance goal is attributed to effective cross-organizational cooperation and mature governance efforts. Agency progress is monitored using near-real-time tracking systems and reported during routine status meetings that provide key stakeholders and agency leadership with ongoing awareness of progress toward closing corrective actions. Timely monitoring and reporting also provides leadership with the opportunity to adjust priorities and resources, as necessary, in response to audit findings.

ANALYSIS OF SYSTEMS, CONTROL, AND LEGAL COMPLIANCE

In FY 2025, the SEC demonstrated its continued commitment to maintaining strong internal controls. Internal control is an integral component of effective agency management, providing reasonable assurance that the following objectives are being achieved: effectiveness and efficiency of operations, reliability of reporting, and compliance with laws and regulations as outlined by the Federal Managers' Financial Integrity Act of 1982 (FMFIA). Guidance for implementing the FMFIA is provided through Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, and the Appendix A, *Management of Reporting and Data Integrity Risk*.

Section 963 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act) describes the responsibility of SEC management to establish and maintain adequate internal controls and procedures for financial reporting. Section 922 of the Dodd-Frank Act requires the SEC to submit audited financial statements of the Investor Protection Fund to the Senate Committee on Banking, Housing, and Urban Affairs, and the House of Representatives Committee on Financial Services. The following Annual Assurance Statement is issued in accordance with the FMFIA, OMB Circular A-123, and the Dodd-Frank Act.

Annual Assurance Statement

SEC management is responsible for establishing and maintaining an effective system of internal control that meets the objectives of the Federal Managers' Financial Integrity Act of 1982 (FMFIA). In accordance with OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, the SEC conducted its annual assessment of its system of internal control. Based on the results of this assessment, the SEC can provide reasonable assurance that its system of internal control over operations, reporting, and compliance was operating effectively as of September 30, 2025.

SEC management is also responsible for establishing and maintaining an adequate internal control structure and procedures for financial reporting. Based on the results of its annual assessment of internal controls, the SEC can provide reasonable assurance that internal controls and procedures over financial reporting were operating effectively during the year ended September 30, 2025.

The SEC also conducted reviews of its financial management systems in accordance with OMB Circular A-123 Appendix D, *Management of Financial Management Systems—Risk and Compliance*. Based on the results of these reviews, the SEC can provide reasonable assurance that its financial management systems substantially comply with the requirements of the Federal Financial Management Improvement Act of 1996 (FFMIA) as of September 30, 2025.



PAUL S. ATKINS
Chairman
January 9, 2026

CARYN E. KAUFFMAN
Chief Financial Officer
January 9, 2026

Management's Assessment of Internal Control

The Chairman and CFO's FY 2025 Annual Assurance Statement for FMFIA provides reasonable assurance that the SEC's system of internal control over operations, financial and non-financial reporting, financial management systems, and compliance was operating effectively as of September 30, 2025.

A central component of the SEC's internal control system was the sub-assurance statement each division or office director provided about their internal control system and were made based on each director's knowledge of their division or office's daily operations and internal reviews, supported by control activity testing and recommendations for improvement from audits, investigations, and reviews conducted by the SEC Office of Inspector General (OIG) or the Government Accountability Office (GAO).

Also critical to management's assessment was the results of testing of the agency's internal control over financial reporting. The agency also tested the operating effectiveness of control activities that were found to be deficient in prior years. SEC management analyzed the magnitude of internal control deficiencies, both individually and in the aggregate, to determine whether a material weakness existed in the financial reporting processes.

Management also considers input from the agency's Financial Management Oversight Committee (FMOC). The FMOC considers significant aspects of the agency's assessments of internal controls and advises the Chairman as to whether the SEC had any internal control deficiencies, either individually or in the aggregate that were determined to be significant.

Additional sources of information utilized to assess and inform management's assurance about SEC's internal control system included:

- An entity-level evaluation of the internal control system's adherence to the GAO's Standards for Internal Control in the Federal Government;
- Reviews of the SEC's financial management systems under OMB Circular A-123 Appendix D, *Management of Financial Management Systems–Risk and Compliance*;
- Reports pursuant to the Federal Information Security Modernization Act (FISMA) and OMB Circular A-130, *Managing Information as a Strategic Resource*;
- Reviews on improper payments;
- Reviews that support compliance with the Digital Accountability and Transparency Act of 2014 (DATA Act);
- Reports and information from other federal entities reflecting the adequacy of internal controls; and
- Other internal reviews and self-assessments relating to a division or office's operations.

Enterprise Risk Management

The SEC's Office of the Chief Risk Officer (OCRO) leads the agency's enterprise risk management (ERM) efforts, and champions risk management throughout the agency. ERM assists the agency in achieving its strategic and operational objectives by providing an enterprise-wide approach for managing the most significant risks and challenges. Identified risks are categorized and prioritized by the SEC's Risk Management Oversight Committee (RMOC). Priority risks are documented in the SEC risk profile.

OCRO supports the Committee's efforts with administrative support and provides leadership and guidance to the Committee and risk advisers on risk management best practices.

The continued integration of internal control and risk management is critical to the full implementation and success of an enterprise risk framework. In FY 2025, OCRO implemented guidance to promote standardized risk management practices, resulting in an enhanced understanding of its operational risks and its management of those risks.

Other Reviews

The Payment Integrity Information Act of 2019

The Payment Integrity Information Act of 2019 (PIIA) updated government-wide improper payment reporting requirements by repealing and replacing all previous improper payment legislation. PIIA requires agencies to review all programs and activities they administer to identify those that may be susceptible to significant erroneous payments. The SEC's risk assessments have consistently indicated that none of the agency's programs are susceptible to significant improper payments; the agency's latest risk assessment was conducted in the current fiscal year. The results of this assessment continued to support the determination that all the SEC-evaluated programs are low risk. Based on these results, and consistent with OMB guidelines, the SEC will not conduct another risk assessment until FY 2028 unless one or more specific changes occur.

For additional information regarding the SEC's compliance with improper payments, please refer to *Payment Integrity Reporting Details* in the *Other Information* section of this report.

Digital Accountability and Transparency Act of 2014 (DATA Act)/Data Quality Plan (DQP)

The DATA Act (Pub. L. 113-101) was enacted to establish government-wide financial data standards to increase the availability, accuracy, and usefulness of federal spending information. The DATA Act requires federal agencies to disclose direct federal agency expenditures and link federal contract spending information to programs of federal agencies to enable taxpayers to track federal spending more effectively using USASpending.gov. The SEC submitted the mandatory monthly transmissions in FY 2025.

The current OMB Circular A-123 Appendix A called for the creation of a DQP. The SEC has a DQP in place, which is reviewed and updated on an annual basis. The SEC DQP utilizes the principles of OMB Circular A-123 Appendix A to highlight internal controls over the related information systems that contain spending information.

Financial Management System Conformance

The Federal Financial Management Improvement Act of 1996 (FFMIA) requires that each agency implement and maintain financial management systems that comply substantially with federal financial management systems requirements, applicable federal accounting standards, and the U.S. Standard General Ledger at the transaction level. Although the SEC, as an independent agency, is exempt from the requirement to determine substantial compliance with the FFMIA, the agency assesses its financial management system annually for conformance with the requirements of OMB Circular A-123 Appendix D and other federal financial system requirements.

Summary of Current Financial System and Future Strategies

The FY 2025 assessment of the current financial system demonstrated that a low-risk rating would be appropriate, and that the agency substantially complied with the requirements of Section 803(a) of the FFMIA. The SEC's utilizes a Federal Shared Service Provider (FSSP) for its financial reporting. The agency's financial system, Delphi, operated by the Department of Transportation's Enterprise Services Center (ESC), meets all the requirements of the FFMIA. In FY 2025, the SEC

continued to work with its FSSP, to enhance its existing system. The SEC believes that continuing to invest in technology-based solutions will further improve the sustainability of the agency's controls.

Federal Information Security Modernization Act (FISMA)

The SEC's Office of Information Security, under the Office of Information Technology (OIT), leads the agency's cybersecurity risk management efforts in alignment with the Federal Information Security Modernization Act (FISMA). FISMA requires federal agencies to develop, document, and implement an agency-wide information security program to protect the information and systems that support agency operations and assets—including those provided or managed by another agency, contractor, or third parties.

The Office of Information Security supports the agency in achieving its strategic and operational objectives by providing a comprehensive, enterprise-wide approach to managing cybersecurity risks. This includes conducting annual assessments of the SEC's information security and privacy programs, implementing remediation efforts for identified vulnerabilities, and reporting compliance to OMB.

The Office of Information Security provides oversight for information security risks in accordance with the National Institute of Standards and Technology Risk Management Framework. It collaborates with stakeholders across the agency to determine acceptable levels of residual cybersecurity risk and develops mechanisms and metrics to provide a shared understanding of the SEC's cybersecurity posture. Identified risks are categorized and prioritized through structured assessments, and mitigation strategies are developed in coordination with system owners and business units. The Office of Information Security facilitates these efforts by managing governance tools, tracking Plans of Action and Milestones, and coordinating internal and external audits.

In FY 2025, the Office of Information Security made progress in strengthening the SEC's information security program. This included completing information system security assessments, conducting privacy reviews, and delivering updated Privacy and Information Security Awareness training to all personnel. These efforts reflect the continued integration of internal controls and cybersecurity risk management as critical components of the agency's enterprise risk framework.

Specifically, the SEC improved its cybersecurity posture by implementing zero trust principles and controls, including the centralization of identity and access management, enforcement of strong authentication through PIV credentials and cryptographic tokens, and standardization of cloud security configurations. The agency also began transitioning to an immutable infrastructure model to enhance reliability and efficiency.

To safeguard sensitive data, the SEC implemented encryption for data at rest and in transit, restricted removable media access and non-business communication platforms, and launched a data protection initiative with the Office of the Chief Data Officer. While the culmination of these efforts has contributed to the increase in effectiveness of our cybersecurity program, we recognize that further action and attention are necessary to improve our security and resilience to both known and unknown threats.

FINANCIAL SECTION

This section contains the SEC's financial statements, the financial statements of the SEC's Investor Protection Fund (IPF), and additional information for FY 2025. Information presented here satisfies the financial reporting requirements of the Accountability of Tax Dollars Act of 2002 and the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act). The SEC prepares these statements and accompanying notes in compliance with U.S. generally accepted accounting principles for the federal government and OMB Circular A-136, *Financial Reporting Requirements*.

SEC Financial Statements

Balance Sheet

Presents, as of a specific time, the amount of resources that embody economic benefits or services owned or managed by the SEC (assets); amounts owed by the SEC (liabilities); and amounts that comprise the difference (net position).

Statement of Net Cost

Presents the gross cost incurred by the SEC, less exchange revenue earned from its activities. The SEC presents cost of operations by program to provide cost information at the program level, and recognizes collections as exchange revenue on the Statement of Net Cost, even when the collections are transferred to other entities.

Statement of Changes in Net Position

Reports the change in net position during the reporting period, including changes to Cumulative Results of Operations and Unexpended Appropriations.

Statement of Budgetary Resources[1]

Provides information about how budgetary resources were made available, and reports their status at year end.

Statement of Custodial Activity

Reports the collection of revenue for the U.S. Treasury General Fund. The SEC accounts for sources and disposition of the collections as custodial activities on this statement. Custodial collections of non-exchange revenue, such as amounts collected from violators of securities laws as a result of enforcement proceedings, are reported only on the Statement of Custodial Activity.

Accompanying Notes to the Financial Statements

Provides a description of significant accounting policies and detailed information on select statement line items.

Required Supplementary Information (Unaudited)[2]

Reports the Combining Statements of Budgetary Resources by fund account.

IPF Financial Statements

IPF Financial Statements

Provides stand-alone, comparative financial statements (Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, and Statement of Budgetary Resources), as required by the Dodd-Frank Act.

Accompanying Notes to the IPF Financial Statements

Provides a description of significant accounting policies and detailed information on select statement line items, as required by the Dodd-Frank Act.

1 Budgetary information aggregated for purposes of the Statement of Budgetary Resources is disaggregated for each of the SEC's major budget accounts and is presented as *Required Supplementary Information*.
2 The SEC does not have stewardship over resources or responsibilities for which supplementary stewardship reporting would be required.

REPORT OF INDEPENDENT AUDITORS

U.S. GOVERNMENT ACCOUNTABILITY OFFICE
441 G St. N.W.
Washington, DC 20548

Independent Auditor's Report

To the Chairman of the United States Securities and Exchange Commission

In our audits of the fiscal year 2025 financial statements of the United States Securities and Exchange Commission (SEC)[1] and its Investor Protection Fund (IPF),[2] we found

- the SEC and IPF financial statements as of and for the fiscal year ended September 30, 2025, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- SEC maintained, in all material respects, effective internal control over financial reporting for SEC and for IPF as of September 30, 2025; and
- no reportable noncompliance for fiscal year 2025 with provisions of applicable laws, regulations, contracts, and grant agreements we tested.

The following sections discuss in more detail (1) our report on SEC and IPF's financial statements and on internal control over financial reporting, a section on required supplementary information (RSI),[3] and a section on other information included with the financial statements;[4] (2) our report on compliance with laws, regulations, contracts, and grant agreements; and (3) agency comments.

[1]Section 963 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), requires that (1) SEC annually submit a report to Congress describing management's responsibility for, and assessing the effectiveness of, internal control over financial reporting during the fiscal year; (2) the SEC Chair and Chief Financial Officer attest to SEC's report; and (3) GAO assess the effectiveness of SEC's internal control over financial reporting and evaluate, attest to, and report on SEC's assessment. Pub. L. No. 111-203, § 963(a), (b), 124 Stat. 1376, 1910, (classified at 15 U.S.C. § 78d-8(a), (b)). SEC evaluated its internal control over financial reporting in accordance with the Office of Management and Budget's Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, based on criteria established under 31 U.S.C. § 3512(c), (d), commonly known as the Federal Managers' Financial Integrity Act of 1982.

[2]IPF was established by section 922 of the Dodd-Frank Act. It funds the activities of SEC's whistleblower award program under that section and the SEC Office of Inspector General Employee Suggestion Program established under section 966 of the same law. Pub. L. No. 111-203, §§ 922(a), 966, 124 Stat. 1376, 1844, 1912-13 (classified as amended at 15 U.S.C. §§ 78d-4(e), 78u-6(b), (g)). IPF is a separate SEC fund, and its financial statements present SEC's financial activity associated with these programs. Accordingly, IPF's financial transactions are also included in SEC's overall financial statements.

[3]The RSI consists of the Management's Discussion and Analysis and the Combined Statement of Budgetary Resources, by Fund, which are included with the financial statements.

[4]Other information consists of information included with the financial statements, other than the RSI and the auditor's report.

Report on the Financial Statements and on Internal Control over Financial Reporting

Opinion on the Financial Statements

SEC is required by law to annually prepare and submit audited financial statements covering all of its accounts and associated activities to Congress and the Office of Management and Budget.[5] Further, the Securities Exchange Act of 1934, as amended in 2010 by section 922 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), requires SEC to annually submit a complete set of audited financial statements for IPF to Congress.[6] IPF's financial transactions are also included in SEC's overall financial statements. In accordance with our authority to audit statements and schedules prepared by executive agencies and their components,[7] we have audited the SEC and IPF financial statements.

SEC's financial statements comprise the balance sheet as of September 30, 2025; the related statements of net cost, changes in net position, budgetary resources, and custodial activity for the fiscal year then ended; and the related notes to the financial statements. IPF's financial statements comprise the balance sheet as of September 30, 2025; the related statements of net cost, changes in net position, and budgetary resources for the fiscal year then ended; and the related notes to the financial statements.

In our opinion, SEC's financial statements present fairly, in all material respects, SEC's financial position as of September 30, 2025, and its net cost of operations, changes in net position, budgetary resources, and custodial activity for the fiscal year then ended in accordance with U.S. generally accepted accounting principles. In our opinion, IPF's financial statements present fairly, in all material respects, IPF's financial position as of September 30, 2025, and its net cost of operations, changes in net position, and budgetary resources for the fiscal year then ended in accordance with U.S. generally accepted accounting principles.

Opinion on Internal Control over Financial Reporting

In accordance with the Dodd-Frank Act, we have assessed the effectiveness of SEC's internal control over financial reporting, evaluated SEC's assessment of such effectiveness, and are attesting to and reporting on SEC's assessment of its internal control over financial reporting.

We also have audited SEC's internal control over financial reporting as of September 30, 2025, based on criteria established under 31 U.S.C. § 3512(c), (d), commonly known as the Federal Managers' Financial Integrity Act of 1982 (FMFIA). In our opinion, SEC maintained, in all material respects, effective internal control over financial reporting as of September 30, 2025, for SEC and for IPF, based on criteria established under FMFIA.

Basis for Opinions

We conducted our audits in accordance with U.S. generally accepted government auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the Financial Statements and Internal Control over Financial

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[5]31 U.S.C. § 3515.

[6]Dodd-Frank Act, § 922(a), 124 Stat. 1844, adding § 21F(g)(5) of the Securities Exchange Act of 1934 (classified at 15 U.S.C. § 78u-6(g)(5)).

[7]31 U.S.C. § 3521(g), (i).

Reporting section of our report. We are required to be independent of the SEC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements and Internal Control over Financial Reporting

Management is responsible for

- the preparation and fair presentation of SEC's and IPF's financial statements in accordance with U.S. generally accepted accounting principles;
- preparing, measuring, and presenting the RSI in accordance with U.S. generally accepted accounting principles;
- preparing and presenting other information included in SEC's agency financial report, and ensuring the consistency of that information with the audited financial statements and the RSI;
- designing, implementing, and maintaining effective internal control over financial reporting relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error;
- assessing the effectiveness of internal control over financial reporting based on the criteria established under FMFIA; and
- its assessment about the effectiveness of internal control over financial reporting as of September 30, 2025, included in the accompanying Management's Report on Internal Control over Financial Reporting.

Auditor's Responsibilities for the Audit of the Financial Statements and Internal Control over Financial Reporting

Our objectives are to (1) obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether effective internal control over financial reporting was maintained in all material respects and (2) issue an auditor's report that includes our opinions.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of the financial statements or an audit of internal control over financial reporting conducted in accordance with U.S. generally accepted government auditing standards will always detect a material misstatement or a material weakness when it exists.[8]

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions,

[8]A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

misrepresentations, or the override of internal control. Misstatements, including omissions, are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit of financial statements and an audit of internal control over financial reporting in accordance with U.S. generally accepted government auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to our audit of the financial statements in order to design audit procedures that are appropriate in the circumstances.
- Obtain an understanding of internal control relevant to our audit of internal control over financial reporting, assess the risks that a material weakness exists, and test and evaluate the design and operating effectiveness of internal control over financial reporting based on the assessed risk. Our audit of internal control also considered SEC's process for evaluating and reporting on internal control over financial reporting based on criteria established under FMFIA. We did not evaluate all internal controls relevant to operating objectives as broadly established under FMFIA, such as those controls relevant to preparing performance information and ensuring efficient operations. We limited our internal control testing to testing controls over financial reporting. Our internal control testing was for the purpose of expressing an opinion on whether effective internal control over financial reporting was maintained, in all material respects. Consequently, our audit may not identify all deficiencies in internal control over financial reporting that are less severe than a material weakness.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Perform other procedures we consider necessary in the circumstances.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the financial statement audit.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel. The objectives of internal control over financial reporting are to provide reasonable assurance that

- transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and

- transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error. We also caution that projecting any evaluation of effectiveness to future periods is subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Required Supplementary Information

U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) require that the RSI be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required under standards issued by FASAB, which considers it to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context.

We have applied certain limited procedures to the RSI in accordance with U.S. generally accepted government auditing standards. These procedures consisted of (1) inquiring of management about the methods used to prepare the RSI and (2) comparing the RSI for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during the audit of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

Other Information

SEC's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. Management is responsible for the other information included in SEC's agency financial report. The other information comprises the following sections: Inspector General's Statement on Management and Performance Challenges, Summary of Financial Statement and Audit and Management Assurances, Payment Integrity Reporting Details, and Civil Monetary Penalty Adjustment for Inflation. Other information does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

In connection with our audits of SEC's and IPF's financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements

consistent with our auditor's responsibilities discussed below.

Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for fiscal year 2025 that would be reportable under U.S. generally accepted government auditing standards. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to SEC and IPF. Accordingly, we do not express such an opinion.

Basis for Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards.

Responsibilities of Management for Compliance with Laws, Regulations, Contracts, and Grant Agreements

SEC management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to SEC and IPF.

Auditor's Responsibilities for Tests of Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our responsibility is to test compliance with selected provisions of laws, regulations, contracts, and grant agreements applicable to SEC and IPF that have a direct effect on the determination of material amounts and disclosures in SEC's and IPF's financial statements and perform certain other limited procedures. Accordingly, we did not test compliance with all provisions of laws, regulations, contracts, and grant agreements applicable to SEC and IPF. We caution that noncompliance may occur and not be detected by these tests.

Intended Purpose of Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering compliance. Accordingly, this report on compliance with laws, regulations, contracts, and grant agreements is not suitable for any other purpose.

Agency Comments

In commenting on a draft of this report, SEC stated that it is pleased that GAO found that its financial statements and notes were presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. The complete text of SEC's response is reprinted in enclosure I.



M. Hannah Padilla
Director
Financial Management and Assurance

January 12, 2026

ENCLOSURE I: MANAGEMENT'S RESPONSE TO AUDIT OPINION

PAUL S. ATKINS
CHAIRMAN

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

100 F STREET, NE, SUITE 10700
WASHINGTON, DC 20549
+1-202-551-2107

January 9, 2026

Ms. M. Hannah Padilla
Director
Financial Management and Assurance
United States Government Accountability Office
441 G Street, N.W.
Washington, DC 20548

Dear Ms. Padilla:

Thank you for the opportunity to review and comment on the draft audit report of the Government Accountability Office (GAO). I am pleased that the GAO's FY 2025 audit found that the Securities and Exchange Commission's (SEC) financial statements and notes were presented fairly, in all material respects, and in conformity with U.S. generally accepted accounting principles. GAO also reported that the SEC had effective internal controls over financial reporting, and that there was no reportable noncompliance with applicable laws and regulations.

I want to thank the GAO staff for their professionalism and dedication during the audit. If you have any questions or concerns, please do not hesitate to contact me.

Sincerely,

Paul S. Atkins
Chairman

SEC FINANCIAL STATEMENTS

U.S. SECURITIES AND EXCHANGE COMMISSION

Balance Sheet

As of September 30, 2025

(DOLLARS IN THOUSANDS)	2025
ASSETS (NOTE 2):	
Intragovernmental:	
Fund Balance with Treasury (Note 3)	$ 10,256,197
Investments, Net (Note 5)	4,753,080
Advances and Prepayments	19,370
Total Intragovernmental	15,028,647
With the Public:	
Cash and Other Monetary Assets (Note 4)	5
Accounts Receivable, Net (Note 6)	210,816
Property and Equipment, Net (Note 7)	290,748
Total With the Public	501,569
Total Assets	$ 15,530,216
LIABILITIES (NOTE 8):	
Intragovernmental:	
Accounts Payable	$ 2,888
Other Liabilities	
Payroll Taxes Payable	1,197
Custodial Liability	18,612
Liability for Non-Entity Assets	739
Benefit Program Contributions Payable	7,565
Total Intragovernmental	31,001
With the Public:	
Accounts Payable	68,693
Federal Employee Salary, Leave, and Benefits Payable	173,376
Post-Employment Benefits Payable	4,840
Registrant Deposits	69,078
Other Liabilities	
Lease Liability (Note 9)	173,583
Liability for Disgorgement and Penalties (Note 16)	5,123,659
Contingent Liabilities (Note 10)	498,096
Other Accrued Liabilities (Note 8)	82
Total With the Public	6,111,407
Total Liabilities	6,142,408
Commitments and Contingencies (Note 10)	
NET POSITION:	
Unexpended Appropriations – Funds from Dedicated Collections (Note 11)	252,795
Cumulative Results of Operations – Funds from Dedicated Collections (Note 11)	9,135,013
Total Net Position	$ 9,387,808
Total Liabilities and Net Position	$ 15,530,216

The accompanying notes are an integral part of these financial statements.

Statement of Net Cost

For the year ended September 30, 2025

(DOLLARS IN THOUSANDS)	2025
PROGRAM COSTS:	
Enforcement	$ 731,850
Examinations	524,157
Corporation Finance	194,202
Trading and Markets	126,359
Investment Management	97,800
Economic and Risk Analysis	94,105
General Counsel	71,273
Other Program Offices	113,672
Agency Direction and Administrative Support	326,146
Inspector General	25,306
Total Program Costs	2,304,870
Cost Not Assigned to Programs	60,995
Total Costs	2,365,865
Less: Earned Revenue Not Attributed to Programs	4,354,710
Net (Income)/Cost of Operations (Note 15)	$ (1,988,845)

The accompanying notes are an integral part of these financial statements.

Statement of Changes in Net Position

For the year ended September 30, 2025

(DOLLARS IN THOUSANDS)	2025		
	Funds from Dedicated Collections	All Other Funds	Consolidated Total
UNEXPENDED APPROPRIATIONS:			
Beginning Balances	$ 252,813	$ —	$ 252,813
Appropriations Used	(18)	—	(18)
Net Change in Unexpended Appropriations	(18)	—	(18)
Total Unexpended Appropriations: Ending	252,795	—	252,795
CUMULATIVE RESULTS OF OPERATIONS:			
Beginning Balances	7,984,820	—	7,984,820
Appropriations Used	18	—	18
Non-Exchange Revenue (Note 12)	15,446	—	15,446
Imputed Financing	122,944	—	122,944
Other (Note 12)	—	(977,060)	(977,060)
Net (Income)/Cost of Operations	(1,011,785)	(977,060)	(1,988,845)
Net Change in Cumulative Results of Operations	1,150,193	—	1,150,193
Cumulative Results of Operations: Ending (Note 11)	9,135,013	—	9,135,013
Net Position	$ 9,387,808	$ —	$ 9,387,808

The accompanying notes are an integral part of these financial statements.

Statement of Budgetary Resources

For the year ended September 30, 2025

(DOLLARS IN THOUSANDS)	2025
BUDGETARY RESOURCES:	
Unobligated Balance from Prior Year Budget Authority, Net (Discretionary and Mandatory) (Note 14)	$ 825,574
Appropriations (Discretionary and Mandatory)	72,039
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	2,189,056
Total Budgetary Resources	$ 3,086,669
STATUS OF BUDGETARY RESOURCES:	
New Obligations and Upward Adjustments (Total)	$ 2,279,687
Unobligated Balance, End of Year:	
Apportioned, Unexpired Accounts	756,940
Exempt from Apportionment, Unexpired Accounts	43,836
Unapportioned, Unexpired Accounts	6,206
Unobligated Balance, End of Year (Total)	806,982
Total Budgetary Resources	$ 3,086,669
OUTLAYS, NET:	
Outlays, Net (Total) (Discretionary and Mandatory)	$ (1,302,409)
Distributed Offsetting Receipts	(16,193)
Agency Outlays, Net (Discretionary and Mandatory) (Note 15)	$ (1,318,602)

The accompanying notes are an integral part of these financial statements.

Statement of Custodial Activity

For the year ended September 30, 2025

(DOLLARS IN THOUSANDS)		2025
REVENUE ACTIVITY:		
Sources of Cash Collections:		
Disgorgement and Penalties	$	911,843
Other		13,023
Total Cash Collections		924,866
Accrual Adjustments (Note 13)		(79,776)
Total Custodial Revenue		845,090
DISPOSITION OF COLLECTIONS:		
Amounts Transferred to:		
Department of the Treasury		924,866
Change in Amounts Yet to be Transferred		(79,776)
Total Disposition of Collections		845,090
NET CUSTODIAL ACTIVITY	$	—

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

As of September 30, 2025

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The U.S. Securities and Exchange Commission (SEC) is an independent agency of the U.S. Government established pursuant to the Securities Exchange Act of 1934 (Exchange Act), charged with regulating this country's capital markets. The SEC's mission is to protect investors; maintain fair, orderly, and efficient markets; and facilitate capital formation. The SEC works with Congress, other executive branch agencies, self-regulatory organizations (SROs) (e.g., stock exchanges and the Financial Industry Regulatory Authority), accounting and auditing standards setters, state securities regulators, law enforcement officials, and many other organizations in support of the agency's mission.

The SEC consists of five presidentially appointed Commissioners with staggered five-year terms. The SEC is organized into six divisions and multiple offices. The six divisions are the Division of Enforcement, the Division of Examinations, the Division of Corporation Finance, the Division of Trading and Markets, the Division of Investment Management, and the Division of Economic and Risk Analysis. The offices include the Office of the General Counsel, the Office of Administrative Law Judges, the Office of the Advocate for Small Business Capital Formation, the Office of the Chief Accountant, the Office of Credit Ratings, the Office of International Affairs, the Office of the Investor Advocate, the Office of Investor Education and Advocacy,[1] the Office of Municipal Securities, the Office of Inspector General, 10 regional offices, and various supporting services.

The reporting entity is a component of the U.S. Government. For this reason, some of the assets and liabilities reported by the entity are eliminated for government-wide reporting because they are offset by assets and liabilities of another U.S. Government entity. These financial statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

The SEC reporting entity includes the Investor Protection Fund. In addition to being included in the SEC's financial statements, the Investor Protection Fund's financial activities and balances are also presented separately as stand-alone financial statements, as required by Exchange Act Section 21F(g)5.

As discussed in *Note 1.R, Disgorgement and Penalties*, disgorgement funds collected and held by the SEC on behalf of harmed investors are part of the SEC reporting entity. However, disgorgement funds held by the U.S. Courts and by non-federal receivers on behalf of harmed investors are not part of the SEC reporting entity.

As discussed in *Note 10.A, Commitments: Securities Investor Protection Act*, the SEC reporting entity does not include the Securities Investor Protection Corporation.

The SEC reporting entity also does not include the Public Company Accounting Oversight Board (PCAOB), a private-sector, nonprofit corporation created to oversee the audits of public companies, brokers, and dealers

1 In FY 2026, the SEC's Office of Investor Education and Advocacy was renamed the Office of Investor Education and Assistance.

registered with the SEC. When the Sarbanes-Oxley Act of 2002 created the PCAOB, it gave the SEC the authority to oversee the PCAOB's operations, to appoint or remove Board members, to approve the PCAOB's budget and rules, and to entertain appeals of PCAOB inspection reports and disciplinary actions.

The PCAOB is not part of the federal government. It is funded by an accounting support fee collected from public companies, brokers, and dealers. The primary duties of the PCAOB include registering public accounting firms that prepare audit reports for public companies, brokers, and dealers; establishing or adopting auditing and related attestation, quality control, ethics, and independence standards; and inspecting and disciplining registered accounting firms and their associated persons.

The SEC's financial statements also do not include the Financial Accounting Standards Board (FASB) or its parent organization, the Financial Accounting Foundation (FAF). The FAF is a Delaware nonprofit non-stock corporation, incorporated in 1972, which was created for the purpose of providing a corporate structure for the FASB, the body whose financial accounting and reporting standards for non-governmental entities have been recognized as authoritative by the American Institute of CPAs and the SEC. The structure of the FAF and the FASB reflects the view that a standard-setter should be independent from preparers of financial statements and from accounting and auditing firms. This independence is necessary to assure that the interests of the users of financial statements remain paramount, and has been critical to the integrity of our financial and capital markets. Although pursuant to Section 109 of the Sarbanes-Oxley Act of 2002, the SEC is required to determine annually that the FASB accounting support fee is within the parameters prescribed by Congress, the SEC does not have authority, and is not required, to approve the FASB budget.

B. Basis of Presentation and Accounting

These notes are an integral part of the SEC's financial statements, which present the financial position, net cost of operations, changes in net position, budgetary resources, and custodial activities of the SEC as required by the Accountability of Tax Dollars Act of 2002. The statements may differ from other financial reports submitted pursuant to Office of Management and Budget (OMB) directives for the purpose of monitoring and controlling the use of the SEC's budgetary resources, due to differences in accounting and reporting principles discussed in the following paragraphs. The SEC's books and records serve as the source of the information presented in the accompanying financial statements.

The agency classifies assets and liabilities in these financial statements according to the type of entity associated with the transactions. Intragovernmental assets and liabilities are those due from or to other federal entities.

The SEC's financial statements are prepared in conformity with generally accepted accounting principles (GAAP) for federal reporting entities and presented in conformity with OMB Circular A-136, *Financial Reporting Requirements*. In accordance with OMB Circular A-136, the Statement of Budgetary Resources is presented on a combined basis, and the Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, and Statement of Custodial Activity are presented on a consolidated basis.

The Balance Sheet, Statement of Net Cost, and Statement of Changes in Net Position are prepared using the accrual basis of accounting. Accordingly, revenues are recognized when services are provided, and expenses are recognized when incurred without regard to the receipt or payment of cash. These principles differ from budgetary accounting and reporting principles on which the Statement of Budgetary Resources is prepared. The differences relate primarily to the capitalization and depreciation of property and equipment, as well

as the recognition of other assets and liabilities. See *Note 15, Reconciliation of Net Cost of Operations to Net Outlays*, for more information. The Statement of Custodial Activity is presented on the modified cash basis of accounting. See *Note 13, Custodial Activity*.

The SEC presents cost of operations by program. The presentation by program is consistent with the presentation used by the agency in submitting its budget requests.

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

C. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and costs. These estimates are based on management's best knowledge of current events, historical experience, actions that the SEC may undertake in the future, and various other assumptions believed to be reasonable under the circumstances. The estimates include, but are not limited to, the allowance for uncollectible accounts and the allocation of costs to the SEC programs presented in the Statement of Net Cost. Estimates also include (a) the recognition and disclosure of any contingent liabilities and the disclosure of other potential future payments as of the date of the financial statements, and (b) the reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates.

D. Intra- and Inter-Agency Relationships

The SEC is a single federal agency composed of various Treasury Appropriation Fund Symbols (Funds), and it has only limited intra-entity transactions. The Investor Protection Fund finances the operations of the Office of Inspector General Employee Suggestion Program on a reimbursable basis. This has given rise to a small amount of intra-entity eliminations of the related revenue and expense transactions between the Investor Protection Fund and the SEC's general Salaries and Expenses Fund. See *Note 1.E, Fund Accounting Structure,* for more information about the SEC's Funds.

E. Fund Accounting Structure

The SEC, in common with other federal agencies, utilizes various Funds to recognize and track appropriation authority provided by Congress, collections from the public, and other financial activity. These Funds are described below:

1. Funds from Dedicated Collections: Statement of Federal Financial Accounting Standards 27, *Identifying and Reporting Funds from Dedicated Collections*, as amended, states that, "funds from dedicated collections are financed by specifically identified revenues, provided to the government by non-federal sources, often supplemented by other financing sources, which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits, or purposes, and must be accounted for separately from the government's general revenues." The SEC's funds from dedicated collections are deposited into Fund X0100, *Salaries and Expenses*; Fund X5567, *Investor Protection Fund*; and Fund X5566, *Reserve Fund*.

- Salaries and Expenses: Earned revenues from securities transaction fees from SROs are deposited into Fund X0100, *Salaries and Expenses, Securities and Exchange Commission*. These collections are used to offset the SEC's annual appropriation and are remitted to the U.S. Treasury General Fund at the end of the year. The Salaries and Expenses Fund is dedicated to carrying out the SEC's mission, functions, and day-to-day operations. Collections in excess of congressional spending limits are unavailable by law and reported as Non-Budgetary Fund Balance with Treasury.

- Investor Protection Fund: The Investor Protection Fund provides funding for the payment of whistleblower awards as required by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act). The Investor Protection Fund is financed by a portion of monetary sanctions collected by the SEC in judicial or administrative actions brought by the SEC. Persons may receive award payments from the Investor Protection Fund if they voluntarily provide original information to the SEC that results in a successful enforcement action and other conditions are met. In addition, the Investor Protection Fund is used to finance the operations of the Office of Inspector General Employee Suggestion Program for the receipt of suggestions for improvements in work efficiency and effectiveness, and allegations of misconduct or mismanagement within the SEC. This activity is recognized in Fund X5567, *Monetary Sanctions and Interest, Investor Protection Fund, Securities and Exchange Commission (Investor Protection Fund)*.

- Reserve Fund: A portion of SEC registration fee collections up to $50 million in any one fiscal year may be deposited in the Reserve Fund, the balance of which cannot exceed $100 million. The Reserve Fund may be used by the SEC to obligate up to $100 million in one fiscal year as the SEC determines necessary to carry out its functions. Although amounts deposited in the Reserve Fund are not subject to apportionment, the SEC must notify Congress when funds are obligated. Resources available in the Reserve Fund may be rescinded or sequestered through congressional action. During FY 2025, Public Law 119-21 was enacted which closes the SEC's reserve fund effective October 1, 2025. Additional information is provided in *Note 14.B, Other Budgetary Disclosures*. This activity is recognized in Fund X5566, *Securities and Exchange Commission Reserve Fund*.

2. Miscellaneous Receipt and Other Accounts: Miscellaneous Receipt Accounts hold non-entity receipts and accounts receivable from custodial activities that the SEC cannot deposit into funds under its control. These accounts include registration fee collections in excess of amounts deposited into the Reserve Fund, receipts pursuant to certain SEC enforcement actions, and other small collections that will be sent to the U.S. Treasury General Fund upon collection. These activities are recognized in Fund 0850.150, *Registration, Filing, and Transaction Fees, Securities and Exchange Commission*; Fund 1060, *Forfeitures of Unclaimed Money and Property*; Fund 1091, *Post Judgement Interest*; Fund 1099, *Fines, Penalties, and Forfeitures, Not Otherwise Classified*; Fund 1435, *General Fund Proprietary Interest, Not Otherwise Classified*; and Fund 3220, *General Fund Proprietary Receipts, Not Otherwise Classified*. Miscellaneous Receipt Accounts are reported as

"All Other Funds" on the Statement of Changes in Net Position. The SEC has custodial responsibilities, as disclosed in *Note 1.L, Liabilities*. Fund X3875, *Budget Clearing Account*, is a suspense account that temporarily holds immaterial cash balances.

3. Deposit Funds: Deposit Funds hold disgorgement, penalties, and interest collected and held on behalf of harmed investors, registrant monies held temporarily until earned by the SEC, and collections awaiting disposition or reclassification. These activities are recognized in Fund X6561, *Unearned Fees, Securities and Exchange Commission*, and Fund X6563, *Disgorgement and Penalty Amounts Held for Investors, Securities and Exchange Commission*. Deposit Funds do not impact the SEC's Net Position and are not reported on the Statement of Changes in Net Position.

F. Entity and Non-Entity Assets

Entity assets are assets that the SEC may use in its operations.

Non-entity assets are assets that the SEC holds on behalf of another federal agency or a third party and are not available for the SEC to use in its operations. See *Note 2, Entity and Non-Entity Assets*.

G. Fund Balance with Treasury

Fund Balance with Treasury reflects amounts the SEC holds in the U.S. Treasury that have not been invested in federal securities. Additional information regarding the SEC's Fund Balance with Treasury is provided in *Note 3, Fund Balance with Treasury*.

The SEC conducts all of its banking activity in accordance with directives issued by the U.S. Department of the Treasury's Bureau of the Fiscal Service.

H. Investments

The SEC has the authority to invest disgorgement funds in Treasury securities, including civil penalties collected under the "Fair Fund" provision of the Sarbanes-Oxley Act of 2002. As the funds are collected, the SEC holds them in a deposit fund account and may invest them in overnight and short-term market-based Treasury securities through the U.S. Department of the Treasury's Bureau of the Fiscal Service.

The SEC also has authority to invest amounts in the Investor Protection Fund in overnight and short-term market-based Treasury securities through the U.S. Department of the Treasury's Bureau of the Fiscal Service. The interest earned on the investments is a component of the balance of the Fund and available to be used for expenses of the Investor Protection Fund.

Additional information regarding the SEC's investments is provided in *Note 5, Investments*.

I. Accounts Receivable and Allowance for Uncollectible Accounts

The SEC's entity and non-entity accounts receivable consist primarily of amounts due from the public. Entity accounts receivable are amounts that the SEC may retain upon collection. Non-entity accounts receivable are amounts that the SEC will forward to another federal agency or to the public after the funds are collected.

ENTITY ACCOUNTS RECEIVABLE

The bulk of the SEC's entity accounts receivable arise from securities transaction fees. Securities transaction fees are payable to the SEC twice a year: in March for the period September through December, and in September for the period January through August. Accordingly, the year-end accounts receivable accrual generally represents fees payable to the SEC for one month of securities transaction fee activity (September).

In addition, the SEC has small amounts of activity arising from the sale of services provided by the SEC to other federal agencies and employee-related debt.

NON-ENTITY ACCOUNTS RECEIVABLE

Non-entity accounts receivable arise mainly from amounts assessed against violators of securities laws, including disgorgement of illegal gains, civil penalties, and related assessed interest. The SEC is responsible for collection, and recognizes a receivable, when an order of the Commission or a federal court directs payment to the SEC or the U.S. Treasury General Fund.

Interest recognized by the SEC on non-entity accounts receivable includes prejudgment interest specified by the court or administrative order as well as post-judgment interest on collectible accounts. The SEC does not recognize interest revenue on accounts considered to be uncollectible.

The SEC's enforcement investigation and litigation activities often result in court orders directing violators of federal securities laws to pay amounts assessed to a federal court or to a non-federal receiver acting on behalf of harmed investors. These orders are not recognized as accounts receivable by the SEC because the debts are payable to, and collected by, another party.

Securities registration, tender offer, merger, and other fees from registrants (filing fee) collections in excess of those deposited into the SEC's Reserve Fund are not available for the SEC's operations and are transferred to the U.S. Treasury General Fund. Accounts receivable amounts arising from filing fees in excess of those deposited into the Reserve Fund are non-entity and are held on behalf of the U.S. Treasury General Fund.

ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

The SEC uses a three-tiered methodology for calculating the allowance for loss on its disgorgement and penalties accounts receivable. The first tier involves making an individual collection assessment of cases that represent at least 65 percent of the portfolio. The second and third tiers are composed of the remaining cases that are equal to or less than 30 days old and over 30 days old, respectively. For the second and third tiers, the SEC applies an allowance rate based on historical collection data analysis.

The SEC calculates the allowance for uncollectible accounts and the related provision for estimated losses for filing fees and other accounts receivable using an analysis of historical collection data. No allowance for uncollectible accounts or related provision for estimated losses has been established for securities transaction fees payable by SROs, as these amounts are fully collectible based on historical experience.

The SEC writes off receivables that are delinquent for two or more years by removing the debt amounts from the gross accounts receivable and any related allowance for uncollectible accounts.

Additional information about the SEC's accounts receivable and allowance for doubtful accounts is provided in *Note 6, Accounts Receivable, Net*.

J. Advances and Prepayments

Payments made in advance of the receipt of goods and services are recorded as advances or prepayments and recognized as expenses when the related goods and services are received. Advances and prepayments are made to other federal agencies such as the U.S. Department of Defense, the U.S. Government Publishing Office, and the U.S. Department of Transportation for expenses that may include investigation services, accounting processing fees, official publications in the Federal Register, and the Federal Transit Benefit Program.

K. Property and Equipment, Net

The SEC's property and equipment consists of software, right-to-use lease assets, general-purpose equipment used by the agency, capital improvements made to buildings leased by the SEC for office space, and, when applicable,

internal-use software development costs for projects in development. The SEC reports property and equipment purchases and additions at historical cost. The agency expenses property and equipment acquisitions that do not meet the capitalization criteria as well as normal repairs and maintenance.

The SEC depreciates property and equipment over the estimated useful lives using the straight-line method of depreciation. For right-to-use lease assets, the SEC amortizes the balance using the straight-line method over the term of the lease. The agency removes property and equipment from its asset accounts in the period of disposal, retirement, or removal from service. The SEC recognizes the difference between the book value and any proceeds as a gain or loss in the period that the asset is removed.

L. Liabilities

The SEC recognizes liabilities for probable future outflows or other sacrifices of resources as a result of events that have occurred as of the Balance Sheet date. The SEC's liabilities consist of routine operating accounts payable, accrued payroll and benefits, lease liabilities, legal liabilities, liabilities to offset non-entity assets such as registrant monies held temporarily until earned by the SEC, disgorgement and penalties collected and receivable, and amounts collected or receivable on behalf of the U.S. Treasury General Fund. See *Note 1.F, Entity and Non-Entity Assets*, and *Note 9, Leases*, for additional information.

ENFORCEMENT-RELATED LIABILITIES

A liability for disgorgement and penalties arises when an order is issued for the SEC to collect disgorgement, penalties, and interest from securities law violators. When the Commission or court issues such an order, the SEC establishes an accounts receivable due to the SEC and a corresponding a liability. The presentation of this liability on the Balance Sheet is dependent upon several factors. If the court or Commission order indicates that collections are to be retained by the federal government by transfer to the U.S. Treasury General Fund, the liabilities are classified as custodial (that is, collected on behalf of the government) and intragovernmental. If the order indicates that the funds are eligible for distribution to harmed investors, the SEC will recognize a liability (that is, a liability of the SEC to make a payment to the public). This liability is not presented as a custodial liability. The SEC does not record liabilities on its financial statements for disgorgement and penalty amounts that another government entity, such as a court, or a non-governmental entity, such as a receiver, has collected or will collect.

In accordance with the provisions of the Dodd-Frank Act, collections not distributed to harmed investors may be transferred to either the Investor Protection Fund or the U.S. Treasury General Fund. See *Note 16, Disgorgement and Penalties,* for additional information.

LIABILITY CLASSIFICATION

The SEC recognizes liabilities that are covered by budgetary resources, liabilities that are not covered by budgetary resources, and liabilities that do not require the use of budgetary resources. See *Note 8, Liabilities Covered and Not Covered by Budgetary Resources*, for more information.

M. Employee Retirement Systems and Benefits

The SEC's employees may participate in either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS), depending on when they started working for the federal government. FERS and Social Security automatically cover most employees hired after December 31, 1983.

All employees are eligible to contribute to a Thrift Savings Plan (TSP). For those employees participating in FERS, the TSP is automatically established, and the SEC makes a mandatory one percent contribution to this plan. In addition, the SEC matches contributions ranging from one to four percent for FERS-eligible employees who contribute to their TSP. Employees

participating in CSRS do not receive matching contributions to their TSP. The SEC also provides a supplemental retirement contribution program that matches an employee's TSP contribution up to an additional three percent of their salary.

The SEC does not report CSRS, FERS, Federal Employees Health Benefits Program, Federal Employees Group Life Insurance Program assets, or accumulated plan benefits payable; the U.S. Office of Personnel Management (OPM) reports this information. In accordance with federal accounting standards, the SEC recognizes costs incurred by the SEC but financed by OPM on behalf of the SEC as an expense. The funding for this expense is reflected as imputed financing on the Statement of Changes in Net Position.

In FY 2025, to comply with Presidential mandates to streamline the federal workforce, OPM established the Deferred Resignation Program (DRP) allowing employees to voluntarily resign effective no later than September 30, 2025. Upon acceptance of resignation, employees were placed on administrative leave, maintaining their pay and benefits. The SEC had 170 employees participate at a cost of $37.1 million.

Following the conclusion of the DRP acceptance period, the SEC also provided all employees with a Voluntary Early Retirement Authority (VERA)/ Voluntary Separation Incentive Payment (VSIP) opportunity. The SEC offered one additional VERA/ VSIP opportunity at fiscal year-end to all managers within the agency as well as to staff within the Office of Information Technology who expressed interest by September 30th. VERA lowers the retirement age or years of service requirement for eligible employees, while VSIP offers payment in exchange for separation from the SEC. As of September 30, 2025, 472 employees participated at a cost of $23.9 million.

FY 2025 DRP, VERA, and VSIP payments were reported as costs not assigned to programs on the SEC's Statement of Net Cost. Costs not assigned to programs includes general management and administrative support costs that cannot be traced, assigned, or allocated to programs.

N. Injury and Post-Employment Compensation

The Federal Employees' Compensation Act (FECA), administered by the U.S. Department of Labor, provides income and medical cost protection to covered federal civilian employees harmed on the job or who have contracted an occupational disease, and dependents of employees whose death is attributable to a job-related injury or occupational disease. See *Note 8, Liabilities Covered and Not Covered by Budgetary Resources*.

O. Annual, Sick, and Other Leave

The SEC accrues annual leave and compensatory time as earned and reduces the accrual when leave is taken. The balances in the accrued leave accounts reflect current leave balances and pay rates. See *Note 8, Liabilities Covered and Not Covered by Budgetary Resources*. The SEC expenses sick leave and other types of non-vested leave as used.

P. Exchange and Non-Exchange Revenue

The SEC's revenues include exchange revenues, which are generated from transactions in which both parties give and receive value, and non-exchange revenues, which arise from the federal government's ability to demand payment.

The SEC does not recognize amounts collected and held by another government entity, such as a court registry, or a non-government entity, such as a receiver.

The following table summarizes the SEC's sources of exchange and non-exchange revenues.

The SEC's Revenues and Financing Sources	Exchange and Non-Exchange Revenue	Revenue Availability	Financial Statement Presentation
Securities transaction fees[1]	Exchange Revenue	Collection of securities transaction fees are used to offset the SEC's annual appropriation, up to the annual limit set by legislation. Collections of transaction fees beyond the amount needed to offset the SEC's annual appropriation cannot be used to fund the SEC's operations, nor transferred to the U.S. Treasury General Fund.	Reported on the Statement of Net Cost[4]
Securities registration, tender offer, merger, and other fees from registrants (filing fees)[1,2]	Exchange Revenue	Collections of filing fees up to $50 million per fiscal year may be transferred to the SEC's Reserve Fund, as directed by legislation. Collections of filing fees that are not transferred to the SEC's Reserve Fund are transferred to the U.S. Treasury General Fund.	Reported on the Statement of Net Cost[4]
Collections of monetary sanctions and related interest[3]	Non-Exchange Revenue	Certain collections of monetary sanctions are deposited into the SEC's Investor Protection Fund in accordance with legislation.	Reported on the Statement of Changes in Net Position
		All other monetary sanctions are not a revenue source for the SEC, and are either: (a) Distributed to harmed investors, or (b) Transferred to the U.S. Treasury General Fund.	Reported as follows: (a) Disclosed in *Note 16, Disgorgement and Penalties* (b) Reported on the Statement of Custodial Activity

1 Transaction fee and filing fee rates are calculated and established by the SEC in accordance with federal law and are applied to volumes of activity reported by SROs or to filings submitted by registrants. Fees are recognized as exchange revenue on the effective date of the transaction or the date of the acceptance of the filing submission. See *Note 1.E, Fund Accounting Structure*. The SEC recognizes amounts remitted by registrants in advance of the transaction or filing date as a liability until earned by the SEC or returned to the registrant.

2 Federal regulations require the return of registrant advance deposits when an account is dormant for three years, except in certain cases where refunds are not permitted. The Securities Act of 1933 and the Exchange Act do not permit refunds to registrants for securities that remain unsold after the completion, termination, or withdrawal of an offering. However, Code of Federal Regulations (CFR) Title 17 Chapter II, Part 230, Section 457(p) permits filers to offset a fee paid (filing fee offset) for a subsequent registration statement (offering) filed within five years of the initial filing date of the earlier registration statement. The total aggregate dollar amount of the filing fee associated with the unsold securities may be offset against the total filing fee due on the subsequent offering. Unused filing fee offsets are not an accounts payable to the SEC because registrants cannot obtain refunds of fees or additional services in relation to securities that remain unsold.

3 The SEC's non-exchange revenues consist of disgorgement of illegal gains, civil penalties, and related interest.

4 The SEC's exchange revenues are a means to recover all or most of the total cost of all SEC programs and to deposit excess collections from registrants to the U.S. Treasury General Fund. As a result, they offset the total costs of the organization in the Statement of Net Cost, rather than individual SEC programs. This presentation is consistent with the financial accounting concepts described in Statement of Federal Financial Accounting Concepts 2, *Entity and Display*.

Q. Budgets and Budgetary Accounting

SALARIES AND EXPENSES

The SEC may use funds from the SEC's Salaries and Expenses account only as authorized by Congress and made available by OMB apportionment, upon issuance of a Treasury warrant. Revenue collected in excess of appropriated amounts is restricted from use by the SEC. Collections in excess of congressional spending limits are unavailable by law and reported as Non-Budgetary Fund Balance with Treasury. Each fiscal year, OMB provides the SEC's Salaries and Expenses account with quarterly apportionments. These apportionments include both new budget authority appropriated by Congress and unused no-year funds (unobligated balances) from prior years. The Salaries and Expenses account also receives a small amount of funds related to reimbursable activity, which are exempt from quarterly apportionment. See *Note 1.E, Fund Accounting Structure*, and *Note 14, Statement of Budgetary Resources and Other Budgetary Disclosures*.

INVESTOR PROTECTION FUND

The Dodd-Frank Act provides that the Investor Protection Fund has permanent authority that is available without further appropriation or fiscal year limitation for the purpose of funding awards to whistleblowers and for the operations of the Office of Inspector General Employee Suggestion Program. However, the SEC is required to request and obtain apportionments from OMB to use these funds. The Investor Protection Fund is financed by transferring a portion of monetary sanctions collected by the SEC under Section 308 of the Sarbanes-Oxley Act of 2002 (15 U.S.C. 7246). As provided by Section 21F of the Exchange Act, sanctions collected by the Commission payable either to the SEC or the U.S. Treasury General Fund will be transferred to the Investor Protection Fund if the balance in that fund is less than $300 million on the day of collection. See *Note 1.E, Fund Accounting Structure*.

RESERVE FUND

The Reserve Fund is a special fund that has the authority to retain certain revenues not used in the current period for future use. The Dodd-Frank Act provides that the Fund is available to the SEC without further appropriation or fiscal year limitation "to carry out the functions of the Commission." Amounts in the Reserve Fund are exempt from apportionment. Collections arising from securities registration, tender offer, and merger fees from registrants, other than those that are deposited in the Reserve Fund, are not available to be used in the operations of the SEC. See *Note 1.E, Fund Accounting Structure*.

BORROWING AUTHORITY

The SEC's borrowing authority is limited to authority to borrow funds from the U.S. Treasury in order to loan funds to the Securities Investor Protection Corporation, as discussed in *Note 10.A, Commitments: Securities Investor Protection Act*.

R. Disgorgement and Penalties

The SEC maintains non-entity assets related to disgorgement and penalties ordered pursuant to civil injunctive and administrative proceedings. The SEC also recognizes a corresponding liability for these assets, as discussed in *Note 1.I, Accounts Receivable and Allowance for Uncollectible Accounts*, and *Note 1.L, Liabilities*. Additional details regarding disgorgement and penalties are presented in *Note 11, Funds from Dedicated Collections*, and *Note 16, Disgorgement and Penalties*.

NOTE 2. ENTITY AND NON-ENTITY ASSETS

The SEC's non-entity assets include the following: (a) disgorgement, penalties, and interest collected and held or invested by the SEC; (b) disgorgement, penalties, and interest receivable that will be collected by the SEC; (c) securities registration, tender offer, merger, and other fees collected and receivable from registrants, in excess of amounts deposited in the SEC's Reserve Fund; and (d) other miscellaneous receivables and collections such as registrant monies held temporarily until earned by the SEC. Additional details are provided in *Note 16, Disgorgement and Penalties*.

At September 30, 2025, SEC entity and non-entity assets consisted of the following:

(DOLLARS IN THOUSANDS)	Entity	Non-Entity	Total
Intragovernmental:			
Fund Balance with Treasury:			
SEC Funds	$ 9,674,251	$ —	$ 9,674,251
Registrant Deposits	—	69,078	69,078
Disgorgement and Penalties (Note 16)	—	512,851	512,851
Custodial and Other Non-Entity Assets	—	17	17
Investments, Net:			
Disgorgement and Penalties (Note 16)	—	4,419,510	4,419,510
Investor Protection Fund	333,570	—	333,570
Advances and Prepayments	19,370	—	19,370
Total Intragovernmental Assets	10,027,191	5,001,456	15,028,647
Cash and Other Monetary Assets:			
Disgorgement and Penalties (Note 16)	—	5	5
Accounts Receivable, Net:			
SEC Funds	172	—	172
Disgorgement and Penalties (Note 16)	—	205,383	205,383
Custodial and Other Non-Entity Assets	—	5,261	5,261
Property and Equipment, Net (Note 7)	290,748	—	290,748
Total Assets	$ 10,318,111	$ 5,212,105	$ 15,530,216

NOTE 3. FUND BALANCE WITH TREASURY

The status of Fund Balance with Treasury as of September 30, 2025, consisted of the following:

(DOLLARS IN THOUSANDS)		2025
Status of Fund Balance with Treasury:		
Unobligated Balance	$	561,669
Obligated Balance not Yet Disbursed		497,529
Non-Budgetary Fund Balance with Treasury		9,196,999
Total Fund Balance with Treasury	$	10,256,197

Obligated and unobligated balances reported for the status of Fund Balance with Treasury differ from the amounts reported in the Statement of Budgetary Resources because budgetary balances are supported by amounts other than Fund Balance with Treasury. These amounts include funds to be reimbursed from other federal agencies as well as Investor Protection Fund investments.

Non-Budgetary Fund Balance with Treasury consists of amounts in deposit funds and offsetting collections temporarily precluded from obligation in the SEC's general Salaries and Expenses Fund (X0100). Amounts temporarily precluded from obligation represent offsetting collections in excess of appropriated amounts related to securities transactions fees, as well as securities registration, tender offer, merger, and other fees collected from registrants (filing fees).

There were no significant differences between the Fund Balance with Treasury reflected in the SEC's financial statements and the corresponding balance in the U.S. Treasury Department accounts.

Fund Balance with Treasury is an intragovernmental asset, and accordingly it is eliminated as part of the consolidation process for the Financial Report of the U.S. Government. For additional information on the nature of intragovernmental assets, see *Note 5, Investments*.

NOTE 4. CASH AND OTHER MONETARY ASSETS

The SEC had a cash balance of $5 thousand as of September 30, 2025. The SEC receives collections throughout the year. Any collections received after the U.S. Treasury Department cut-off for deposit of checks are treated as deposits in transit and recognized as Cash on the Balance Sheet.

NOTE 5. INVESTMENTS

The SEC invests funds in overnight and short-term non-marketable market-based Treasury securities. The SEC records the value of its investments in Treasury securities at cost. Premiums and discounts are amortized on a straight-line (S/L) basis for market-based Treasury bills and on the effective interest basis for market-based Treasury notes. Amortization is calculated through the maturity date of these securities. Non-marketable market-based Treasury securities are issued by the U.S. Department of the Treasury's Bureau of the Fiscal Service to federal agencies. They are not traded on any securities exchange but mirror the prices of similar Treasury securities trading in the government securities market. The market value of Treasury securities is a composite market bid price, using market data provided by the Federal Reserve Bank of New York that reflects the average price that brokers were offering to pay on the reporting date.

At September 30, 2025, investments consisted of the following:

(DOLLARS IN THOUSANDS)	Cost	Amortization Method	Amortized (Premium) Discount	Interest Receivable	Investment, Net	Market Value Disclosure
Non-Marketable Market-Based Securities						
Disgorgement and Penalties						
Market-Based Notes	$ 1,026,064	Effective	$ 518	$ 7,716	$ 1,034,298	$ 1,027,181
Market-Based Bills	923,366	S/L	11,645	—	935,011	935,378
One-Day Certificates	2,450,201	N/A	—	—	2,450,201	2,450,201
Total Disgorgement and Penalties	4,399,631		12,163	7,716	4,419,510	4,412,760
Investor Protection Fund – Entity						
One-Day Certificates	333,570	N/A	—	—	333,570	333,570
Total Investor Protection Fund – Entity	333,570		—	—	333,570	333,570
Total	$ 4,733,201		$ 12,163	$ 7,716	$ 4,753,080	$ 4,746,330

Intragovernmental Investments in Treasury Securities

The federal government does not set aside assets to pay future benefits or other expenditures associated with the investment by federal agencies in non-marketable federal securities. The funds used to purchase these investments are deposited in the U.S. Treasury, which uses the cash for general government purposes. Treasury securities are issued to the SEC as evidence of these balances. Treasury securities are an asset of the SEC and a liability of the U.S. Treasury General Fund. Because the SEC and the U.S. Treasury are both components of the government, these assets and liabilities offset each other from the standpoint of the government as a whole. For this reason, the investments presented by the SEC do not represent an asset or a liability in the U.S. Government-wide financial statements.

Treasury securities provide the SEC with authority to draw upon the U.S. Treasury to make future payments from these accounts. When the SEC requires redemption of these securities to make expenditures, the government finances those expenditures out of accumulated cash balances, by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures. This is the same manner in which the government finances all expenditures.

NOTE 6. ACCOUNTS RECEIVABLE, NET

At September 30, 2025, accounts receivable consisted of the following:

(DOLLARS IN THOUSANDS)	Gross Receivables	Allowance	Net Receivables
Entity Accounts Receivable:			
Other	$ 172	$ —	$ 172
Non-Entity Accounts Receivable:			
Disgorgement and Penalties[1]	7,550,677	7,345,294	205,383
Filing Fees	770	35	735
Other	236,017	231,491	4,526
Total Accounts Receivable	$ 7,787,636	$ 7,576,820	$ 210,816

[1] **Disgorgement and Penalties Accounts Receivable by Tiers (Note 1.I)**

(DOLLARS IN THOUSANDS)	Gross Receivable	Allowance	Net Receivable
Tier 1	$ 6,973,586	$ 6,853,318	$ 120,268
Tier 2	78,155	41,422	36,733
Tier 3	498,936	450,554	48,382
Total Non-Entity Accounts Receivable: Disgorgement and Penalties	$ 7,550,677	$ 7,345,294	$ 205,383

Refer to *Note 1.I, Accounts Receivable and Allowance for Uncollectible Accounts*, for methods used to estimate allowances. The SEC does not recognize interest revenue on accounts considered to be uncollectible. The SEC estimates that accumulated interest on accounts receivable considered to be uncollectible is $233.2 million as of September 30, 2025. This estimate does not include interest accumulated on debts written off or officially waived.

Disgorgement and penalties net accounts receivable of $205.4 million at September 30, 2025, includes amounts designated as payable to the U.S. Treasury General Fund per court order, as well as amounts held for distribution to harmed investors. As discussed in *Note 1.L, Liabilities*, the receivables designated as payable to the U.S. Treasury General Fund, their corresponding liabilities, and the associated revenues, are classified as custodial. As of September 30, 2025, the custodial disgorgement and penalties accounts receivable balance designated as payable to the U.S. Treasury General Fund, net of allowance, was $14.1 million.

NOTE 7. PROPERTY AND EQUIPMENT, NET

At September 30, 2025, property and equipment consisted of the following:

Class of Property *(DOLLARS IN THOUSANDS)*	Depreciation/ Amortization Method	Capitalization Threshold for Individual Purchases	Capitalization Threshold for Bulk Purchases	Service Life (Years)	Acquisition Cost	Accumulated Depreciation/ Amortization	Net Book Value
Furniture and Equipment	S/L	$ 50	$ 300	3–5	$ 67,076	$ 56,038	$ 11,038
Software	S/L	300	300	3–5	296,480	199,017	97,463
Leasehold Improvements	S/L	300	N/A	10	96,876	81,789	15,087
Right-to-Use Lease Assets	S/L	N/A	N/A	Lease Term	267,776	100,616	167,160
Total					$ 728,208	$ 437,460	$ 290,748

During FY 2025, activity impacting Net Book Value consisted of the following:

(DOLLARS IN THOUSANDS)	Net Book Value
Balance Beginning of Year	$ 371,147
Capitalized Acquisitions	39,872
Right-to-Use Lease Assets, Current Year Activity	(8,614)
Dispositions	(32)
Depreciation Expense	(61,182)
Amortization, Right-to-Use Lease Assets	(50,443)
Balance End of Year	$ 290,748

Bulk purchases are acquisitions of a quantity of similar items that individually cost less than the threshold for individual purchases but collectively exceed the designated bulk purchase threshold of $300,000. The SEC recorded two retirements during FY 2025 of personal property assets that were not fully depreciated and resulted in a loss of $32 thousand. These two assets were storage arrays retired via U.S. General Services Administration (GSA) SF-120s.

NOTE 8. LIABILITIES COVERED AND NOT COVERED BY BUDGETARY RESOURCES

Liabilities that are covered by budgetary resources are liabilities incurred for which budgetary resources are available to the SEC during the reporting period without further congressional action.

The SEC also recognizes liabilities not covered by budgetary resources. Budgetary and financial statement reporting requirements sometimes differ on the timing for the required recognition of an expense. For example, in the financial statements, annual leave expense must be accrued in the reporting period when the annual leave is earned. However, in the budget, annual leave is required to be recognized and funded in the fiscal year when the annual leave is either used or paid out to a separating employee, not when it is earned. As a result of this timing difference, accrued annual leave liability is classified as a liability "not covered by budgetary resources" as of the financial statement date.

Liabilities not covered by budgetary resources require future congressional action whereas liabilities covered by budgetary resources reflect prior congressional action. Regardless of when the congressional action occurs, when the liabilities are liquidated, Treasury will finance the liquidation in the same way that it finances all other disbursements, which is to borrow from the public if the government has a budget deficit (and to use current receipts if the government has a budget surplus).

Liabilities that do not require the use of budgetary resources are covered by assets that do not represent budgetary resources to the SEC. Liabilities that do not require the use of budgetary resources include registrant monies held temporarily until earned by the SEC and offsetting liabilities that correspond to non-entity assets that the SEC holds, such as collections and receivables from disgorgement and penalties, as discussed in *Note 1.L, Liabilities*.

At September 30, 2025, liabilities consisted of the following:

(DOLLARS IN THOUSANDS)	Liabilities Covered by Budgetary Resources	Liabilities Not Covered by Budgetary Resources	Liabilities Not Requiring Budgetary Resources	Total
Intragovernmental:				
Accounts Payable	$ 2,888	$ —	$ —	$ 2,888
Other Liabilities				
Payroll Taxes Payable	1,197	—	—	1,197
Custodial Liability	—	—	18,612	18,612
Liability for Non-Entity Assets	—	—	739	739
Benefit Program Contributions Payable	6,600	965	—	7,565
Total Other Liabilities	7,797	965	19,351	28,113
Total Intragovernmental	10,685	965	19,351	31,001
With the Public:				
Accounts Payable	68,693	—	—	68,693
Federal Employee Salary, Leave, and Benefits Payable	36,990	136,386	—	173,376
Post-Employment Benefits Payable	—	4,840	—	4,840
Registrant Deposits	—	—	69,078	69,078
Other Liabilities				
Lease Liability (Note 9)	33,963	139,620	—	173,583
Liability for Disgorgement and Penalties (Note 16)	—	—	5,123,659	5,123,659
Contingent Liabilities (Note 10)	—	498,096	—	498,096
Other Accrued Liabilities				
Other	—	—	82	82
Total Other Liabilities	33,963	637,716	5,123,741	5,795,420
Total With the Public	139,646	778,942	5,192,819	6,111,407
Total Liabilities	$ 150,331	$ 779,907	$ 5,212,170	$ 6,142,408

Other Liabilities (intragovernmental and with the public) totaled $5.8 billion as of September 30, 2025, of which all but $623.3 million is current. Current liabilities are liabilities that are expected to be paid within the fiscal year following the reporting date. The non-current portion of Other Liabilities includes the appropriate portions of Unfunded FECA and Unemployment Liability, Contingent Liabilities, and Lease Liability. Current liabilities not covered by budgetary resources totaled $15.4 million as of September 30, 2025. As of September 30, 2025, the SEC's unfunded leave balance was $134.3 million.

NOTE 9. LEASES

As of September 30, 2025, the SEC has real property leases, both non-intragovernmental and intragovernmental, at 12 locations supporting its headquarters and regional offices.

To comply with Statement of Federal Financial Accounting Standards (SFFAS) 54, *Leases*, federal reporting entities are required to report a right-to-use lease asset and a lease liability for non-intragovernmental, non-short-term contracts or agreements when the entity has the right to obtain and control access to economic benefits or services from an underlying property, plant, or equipment asset for a period of time in exchange for consideration under the terms of the contract or agreement.

The SEC identified three non-intragovernmental real property leases, including the SEC's headquarters (Station Place 1 and Station Place 2) and the Atlanta Regional Office. Additionally, the SEC identified three non-intragovernmental personal property leases for the following contracts: a data center co-location, postage meter equipment, and printer and copier equipment. As of September 30, 2025, the SEC recorded right-to-use assets for non-intragovernmental leases totaling $267.8 million, and accumulated amortization totaling $100.6 million (see *Note 7, Property and Equipment, Net*). The SEC also recorded associated right-to-use liabilities totaling $173.6 million using a range of discount rates between 3.8 and 4 percent in accordance with SFFAS 54 (see *Note 8, Liabilities Covered and Not Covered by Budgetary Resources*). The SEC is not separately charged interest under the terms of its leases; however, the principal and interest components stated were estimated by the SEC.

The following table details future payments for non-intragovernmental real and personal property leases.

As of September 30, 2025, non-intragovernmental future lease payments are as follows:

FISCAL YEAR *(DOLLARS IN THOUSANDS)*	Principal	Interest	Total Future Payments
2026	$ 48,952	$ 6,020	$ 54,972
2027	50,354	4,038	54,392
2028	52,388	1,993	54,381
2029	3,956	783	4,739
2030	4,011	626	4,637
2031–2034	13,922	913	14,835
Total	$ 173,583	$ 14,373	$ 187,956

Additionally, the SEC has intragovernmental leases with GSA at the following regional offices: New York, San Francisco, Fort Worth, Miami, Philadelphia, Los Angeles, Denver, Boston, and Chicago. These leases are budgeted and obligated annually, and the terms range from 10 to 20 years. The SEC has an additional intragovernmental lease with the GSA motor pool for vehicles. For the year ended September 30, 2025, the SEC paid $34.9 million for GSA-owned rental space and $38.0 thousand for the GSA motor pool.

During FY 2021, the SEC entered into a cancelable 15-year occupancy agreement for the new SEC headquarters facility with GSA. On October 1, 2024, GSA announced the termination of the lease contract for the new SEC headquarters facility. The SEC will work with GSA on next steps for the long-term needs at the headquarters location. The SEC's leases of Station Place 1 and Station Place 2 currently run through September 30, 2028.

During FY 2025, the SEC terminated the printer and copier usage service contract that was included in the SFFAS 54 right-to-use asset/lease liability established in FY 2024. This cancellation resulted in the reduction of the right-to-use asset and lease liability in the amount of $10.7 million and a gain of $213 thousand due to the difference between the net asset balance and the lease liability balance. In FY 2025, the SEC recognized a new right-to-use lease asset/liability when it began a five-year printer and copier usage service contract with another vendor.

NOTE 10. COMMITMENTS AND CONTINGENCIES

A. Commitments: Securities Investor Protection Act

The Securities Investor Protection Act of 1970 (SIPA), as amended, created the Securities Investor Protection Corporation (SIPC) to restore funds and securities to investors and to protect the securities markets from disruption following the failure of broker-dealers. Generally, if a brokerage firm is not able to meet its obligations to customers, then customers' cash and securities held by the brokerage firm are returned to customers on a *pro rata* basis. If sufficient funds are not available at the firm to satisfy customer claims, the reserve funds of SIPC are used to supplement the distribution, up to a ceiling of $500,000 per customer, including a maximum of $250,000 for cash claims.

SIPA authorizes SIPC to create a fund to maintain all monies received and disbursed by SIPC. SIPA gives SIPC the authority to borrow up to $2.5 billion from the SEC in the event that the SIPC Fund is or may appear insufficient for purposes of SIPA. To borrow the funds, SIPC must file with the SEC a statement of the uses of such a loan and a repayment plan, and then the SEC must certify to the secretary of the Treasury that the loan is necessary to protect broker-dealer customers and maintain confidence in the securities markets and that the repayment plan provides as reasonable assurance of prompt repayment as may be feasible under the circumstances. The U.S. Treasury would make these funds available to the SEC through the purchase of notes or other obligating instruments issued by the SEC. Such notes or other obligating instruments would bear interest at a rate determined by the secretary of the Treasury. As of September 30, 2025, the SEC had not loaned any funds to SIPC, and there are no outstanding notes or other obligating instruments issued by the SEC.

Based on the estimated costs to complete ongoing customer protection proceedings, the current size of the SIPC Fund supplemented by SIPC's ongoing assessments

on brokers is expected to provide sufficient funds to cover acknowledged customer claims. There are several broker-dealers that are being liquidated under SIPA or that have been referred to SIPC for liquidation that may result in additional customer claims. In the event that the SIPC Fund is or may reasonably appear to be insufficient for the purposes of SIPA, SIPC may seek a loan from the SEC.

B. Commitments and Contingencies: Investor Protection Fund

As discussed in *Note 1.E, Fund Accounting Structure*, the Investor Protection Fund is used to pay awards to whistleblowers if they voluntarily provide original information to the SEC and meet other conditions. Approved awards are between 10 and 30 percent of the monetary sanctions collected in the covered action (and when applicable, in a related action), with the actual percentage being determined at the discretion of the SEC using criteria provided in the legislation and the related rules to implement the legislation adopted by the SEC.

A Preliminary Determination is an assessment made by the Claims Review staff appointed by the director of the Division of Enforcement as to whether the claim should be allowed or denied and, if allowed, the proposed award percentage.

Contingent liabilities are reported as follows:

- A contingent liability is recognized when (a) a positive Preliminary Determination has been made by the Claims Review staff, (b) collection has been made, and (c) the percentage to be paid can be reasonably estimated. A contingent liability is also disclosed as a range for the minimum and maximum totals of whistleblower awards, using 10 percent and 30 percent of collections, respectively.
- A potential liability is disclosed but not recognized when a positive Preliminary Determination is expected and collection has been received, using 10 percent and 30 percent of collections as the minimum and maximum award amounts, respectively.

At September 30, 2025, commitments and contingencies consisted of the following:

		Estimated Range of Loss	
(DOLLARS IN THOUSANDS)	Accrued Liabilities	Lower End	Upper End
2025 Whistleblower Awards:			
Probable	$ 498,096	$ 218,271	$ 654,813
Reasonably Possible	—	44,499	133,498

A liability (accounts payable) is recognized when a Final Determination has been approved by the Commission and collection has been received. In all cases, the whistleblower award is not paid until amounts have been collected, a final order is issued by the Commission, and the appeal rights of all claimants on the matter have been exhausted.

In the event that whistleblower awards reduce the Investor Protection Fund unobligated balance below $300 million, the Investor Protection Fund will be replenished, as described in *Note 1.Q, Budgets and Budgetary Accounting*, "Investor Protection Fund." The unobligated balance of the Investor Protection Fund at September 30, 2025, was $318.5 million. If the contingent liabilities balance exceeds the unobligated balance at September 30, 2025, additional replenishments will be needed before these liabilities are paid.

C. Other Commitments

In addition to future lease commitments discussed in *Note 9, Leases*, the SEC is obligated for the purchase of goods and services that have been ordered but not received. As of September 30, 2025, net obligations for all SEC activities were $497.4 million, of which $116.5 million was delivered and unpaid.

NOTE 11. FUNDS FROM DEDICATED COLLECTIONS

The SEC's funds from dedicated collections consist of transactions and balances recorded in its Salaries and Expenses Fund, Investor Protection Fund, and Reserve Fund. Treasury securities reflect a government commitment to the program and allow the program to continue to provide benefits required by law. See *Note 1.E.1, Funds from Dedicated Collections*, and *Note 5, Investments*, for additional information about intragovernmental investments in Treasury securities.

For FY 2025, the assets, liabilities, net position, and net income from operations relating to funds from dedicated collections consisted of the following:

(DOLLARS IN THOUSANDS)	Salaries & Expenses	Investor Protection Fund	Reserve Fund	Total Combined Funds from Dedicated Collections	Eliminations	Total Consolidated Funds from Dedicated Collections
Balance Sheet as of September 30, 2025						
ASSETS						
Intragovernmental:						
Fund Balance with Treasury	$ 9,608,250	$ 19,250	$ 46,686	$ 9,674,186	$ —	$ 9,674,186
Investments, Net	—	333,570	—	333,570	—	333,570
Advances and Prepayments	19,370	—	—	19,370	—	19,370
Total Intragovernmental	9,627,620	352,820	46,686	10,027,126	—	10,027,126
With the Public:						
Accounts Receivable, Net	172	—	—	172	—	172
Property and Equipment, Net (Note 7)	290,748	—	—	290,748	—	290,748
Total With the Public	290,920	—	—	290,920	—	290,920
Total Assets	$ 9,918,540	$ 352,820	$ 46,686	$ 10,318,046	$ —	$ 10,318,046

NOTE 11. FUNDS FROM DEDICATED COLLECTIONS *(CONTINUED)*

(DOLLARS IN THOUSANDS)	Salaries & Expenses	Investor Protection Fund	Reserve Fund	Total Combined Funds from Dedicated Collections	Eliminations	Total Consolidated Funds from Dedicated Collections
LIABILITIES						
Intragovernmental:						
Accounts Payable	$ 2,888	$ —	$ —	$ 2,888	$ —	$ 2,888
Other Liabilities						
Payroll Taxes Payable	1,197	—	—	1,197	—	1,197
Benefit Program Contributions Payable	7,565	—	—	7,565	—	7,565
Total Intragovernmental Liabilities	11,650	—	—	11,650	—	11,650
With the Public:						
Accounts Payable	56,376	12,317	—	68,693	—	68,693
Federal Employee Salary, Leave, and Benefits Payable	173,376	—	—	173,376	—	173,376
Post-Employment Benefits Payable	4,840	—	—	4,840	—	4,840
Other Liabilities						
Lease Liability	173,583	—	—	173,583	—	173,583
Contingent Liabilities	—	498,096	—	498,096	—	498,096
Total With the Public	408,175	510,413	—	918,588	—	918,588
Total Liabilities	419,825	510,413	—	930,238	—	930,238
NET POSITION						
Unexpended Appropriations	252,795	—	—	252,795	—	252,795
Cumulative Results of Operations	9,245,920	(157,593)	46,686	9,135,013	—	9,135,013
Total Net Position	$ 9,498,715	$ (157,593)	$ 46,686	$ 9,387,808	$ —	$ 9,387,808
Total Liabilities and Net Position	$ 9,918,540	$ 352,820	$ 46,686	$ 10,318,046	$ —	$ 10,318,046

NOTE 11. FUNDS FROM DEDICATED COLLECTIONS *(CONTINUED)*

(DOLLARS IN THOUSANDS)	Salaries & Expenses	Investor Protection Fund	Reserve Fund	Total Combined Funds from Dedicated Collections	Eliminations	Total Consolidated Funds from Dedicated Collections
Statement of Net Cost for the year ended September 30, 2025						
Total Costs	$ 2,291,357	$ 34,448	$ 40,210	$ 2,366,015	$ (8)	$ 2,366,007
Less Earned Revenues Not Attributable to Program Costs	3,327,800	—	50,000	3,377,800	(8)	3,377,792
Net (Income)/Cost of Operations	$ (1,036,443)	$ 34,448	$ (9,790)	$ (1,011,785)	$ —	$ (1,011,785)
Statement of Changes in Net Position for the year ended September 30, 2025						
Unexpended Appropriations:						
Beginning Balances	$ 252,813	$ —	$ —	$ 252,813	$ —	$ 252,813
Appropriations Used	(18)	—	—	(18)	—	(18)
Total Unexpended Appropriations: Ending	252,795	—	—	252,795	—	252,795
Cumulative Results of Operations:						
Beginning Balances	8,006,991	(138,591)	116,420	7,984,820	—	7,984,820
Appropriations Used	18	—	—	18	—	18
Non-Exchange Revenue	—	15,446	—	15,446	—	15,446
Transfers In/Out Without Reimbursement	79,524	—	(79,524)	—	—	—
Imputed Financing	122,944	—	—	122,944	—	122,944
Net (Income)/Cost of Operations	(1,036,443)	34,448	(9,790)	(1,011,785)	—	(1,011,785)
Net Change in Cumulative Results of Operations	1,238,929	(19,002)	(69,734)	1,150,193	—	1,150,193
Cumulative Results of Operations: Ending	9,245,920	(157,593)	46,686	9,135,013	—	9,135,013
Net Position	$ 9,498,715	$ (157,593)	$ 46,686	$ 9,387,808	$ —	$ 9,387,808

NOTE 12. STATEMENT OF CHANGES IN NET POSITION

A. Other

In FY 2025, the negative $977.1 million in "Other" reported in the Statement of Changes in Net Position consists of securities registration, tender offer, merger, and other fees from registrants (filing fees) as well as other non-entity exchange revenue deposited into the U.S. Treasury General Fund. Filing fees and other non-entity exchange revenue are recognized as exchange revenue on the SEC's Statement of Net Cost, and the transfer-out to the U.S. Treasury General Fund is recognized as a negative other financing source on the SEC's consolidated Statement of Changes in Net Position. See *Note 1.P, Exchange and Non-Exchange Revenue*.

B. Non-Custodial Non-Exchange Revenues

The SEC deposits non-exchange revenue to the Investor Protection Fund when the replenishment criteria is met. These collections and related interest from the investment of funds are derived from monetary sanctions that would otherwise be deposited to the U.S. Treasury General Fund. See *Note 1.P, Exchange and Non-Exchange Revenue*, for more information about non-exchange revenue.

For the period ended September 30, 2025, non-custodial non-exchange revenues consisted of the following:

Non-Exchange Revenue *(DOLLARS IN THOUSANDS)*		2025
Deposits of Monetary Sanctions to the Investor Protection Fund	$	(746)
Investment Interest Revenue in the Investor Protection Fund		16,192
Total Amount of Federal Revenues Collected	$	15,446

NOTE 13. CUSTODIAL ACTIVITY

The Statement of Custodial Activity reports custodial collections and accounts receivable on a modified cash basis of accounting. Cash collections and amounts transferred to U.S. Treasury General Fund are reported on a cash basis. The change in receivables and related payables are reported on an accrual basis. The SEC's Miscellaneous Receipt Accounts are used to account for custodial receipts pursuant to SEC enforcement actions and other small collections that will be sent to the U.S. Treasury General Fund. For more information about the SEC's Miscellaneous Receipt Accounts, see *Note 1.E, Fund Accounting Structure*. For information about the estimated collectability of accounts receivable, see *Note 1.I, Accounts Receivable and Allowance for Uncollectible Accounts*.

NOTE 14. STATEMENT OF BUDGETARY RESOURCES AND OTHER BUDGETARY DISCLOSURES

A. Explanation of Differences between the Statement of Budgetary Resources (SBR) and the Budget of the U.S. Government

A comparison between the FY 2025 SBR and the actual FY 2025 data in the Budget of the U.S. Government (Budget) cannot be presented, as the FY 2027 Budget, which will contain FY 2025 actual data, is not yet available. The FY 2027 Budget with actual amounts for FY 2025 will be available at a later date at whitehouse.gov/omb/budget/. The comparison will be presented in next year's financial statements.

There are no differences between the FY 2024 Statement of Budgetary Resources and the FY 2024 data in the Budget.

B. Other Budgetary Disclosures

GENERAL PROVISIONS OF APPROPRIATION

The SEC's annual Appropriations Act provides $2,149,000,000 in new budget authority for FY 2025. The Act contains general provisions that limit the amount that can be obligated for international conferences, International Organization of Securities Commission dues, and representation expenses. The Act requires the SEC to fund its Office of Inspector General with a minimum of $20,050,000 in new budget authority. The Act also provides for costs associated for move, replication, and related costs associated with a replacement leases for the Commission's office facilities, not to exceed $39,658,000, to remain available until expended.

RESERVE FUND

During FY 2025, Public Law 119-21 was enacted, which included a provision to close the SEC's Reserve Fund effective October 1, 2025. Between July 4, 2025, and September 30, 2025, the SEC began the process to terminate the fund as stipulated in section 30003 (c) through (e). During this time, the SEC could only expend amounts that were obligated prior to the enactment of the bill. The SEC will transfer all remaining unobligated balances to the general fund of the Treasury and close the fund on October 1, 2025, per Public Law 119-21.

UNOBLIGATED BALANCE FROM PRIOR YEAR BUDGET AUTHORITY, NET (DISCRETIONARY AND MANDATORY)

For FY 2025, the Unobligated Balance from Prior Year Budget Authority, Net consisted of available unobligated balance brought forward from the prior year in the amount of $506.2 million as well as FY 2025 recoveries of prior-year obligations totaling $319.3 million.

UNDELIVERED ORDERS AT THE END OF THE PERIOD

Undelivered orders consist of orders of goods and services that the SEC has not received.

As of September 30, 2025, the undelivered orders consist of the following:

(DOLLARS IN THOUSANDS)	2025
Intragovernmental:	
Undelivered Orders Prepaid	$ 19,370
Undelivered Orders Unpaid	41,426
Total Intragovernmental	60,796
With the Public:	
Undelivered Orders Prepaid	—
Undelivered Orders Unpaid	339,737
Total With the Public	339,737
Total Undelivered Orders	$ 400,533

LEGAL RESTRICTIONS ON UNOBLIGATED BUDGETARY RESOURCES

Between FYs 2018 and 2025, the SEC received funding for the relocation of its regional and headquarters office spaces. These funds are restricted to procuring replacement leases for designated SEC offices. During FYs 2024 and 2025, the appropriation allowed for any unobligated balances from funds made available in prior Acts for replacement leases to be used for such purposes at any Commission office facility. The following table details the current status of unobligated balances for the funding of the various lease sites. Unobligated budgetary resources are as follows:

(DOLLARS IN THOUSANDS)	Appropriated Resources	Transfers to/ (from) Other Lease Sites	Obligations Incurred – Undelivered	Obligations Incurred – Delivered	Downward Adjustment of Obligations	Unobligated Balance
Lease Site:						
Headquarters Funding FYs 2018–2024	$ 345,805	$	$ (254,189)	$ (2,972)	$ 254,189	$ 342,833
New York Regional Office Funding FYs 2019–2020	47,714	(303)	(23,729)	(16,904)	23,732	30,510
San Fransisco Regional Office Funding FYs 2021–2023	20,409		(6,563)	(9,529)	6,228	10,545
Fort Worth Regional Office Funding FY 2022	6,746		(1,003)	(3,327)	883	3,299
Atlanta Regional Office Funding FY 2024	14,415		—			14,415
Chicago Regional Office Funding FY 2024		303	1			231
Undesignated Funding FY 2025	39,658			(73)		39,658
Total	$ 474,747	$ —	$ (285,484)	$ (32,805)	$ 285,032	$ 441,490

BORROWING AUTHORITY

See *Note 10.A, Commitments: Securities Investor Protection Act*, for information on the SEC's borrowing authority.

NOTE 15. RECONCILIATION OF NET COST OF OPERATIONS TO NET OUTLAYS

Budgetary and financial accounting information differ. Budgetary accounting is used for planning and control purposes and relates to both the receipt and use of cash, as well as reporting the federal deficit. Financial accounting is intended to provide a picture of the government's financial operations and financial position, so it presents information on an accrual basis. The accrual basis includes information about costs arising from the consumption of assets and the incurrence of liabilities. The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information. The reconciliation serves not only to identify costs paid for in the past and those that will be paid in the future, but also to assure integrity between budgetary and financial accounting. The following analysis illustrates this reconciliation by listing the key differences between net cost and net outlays.

Components of net cost of operations that are not part of net outlays represent required timing differences in the Statement of Net Cost and the SBR. One example is depreciation expense. In budgetary reporting, the entire cost of a depreciable asset is recognized in the period when the asset is purchased. However, in financial statement reporting, accrual accounting requires the cost of such assets to be allocated among the reporting periods that represent the estimated useful life of the asset. In the reconciliation, depreciation is recognized as a "component of net cost that is not part of net outlays." Another example is securities registration, tender offer, and other fees from registrants (filing fees). Filing fees are recognized as exchange revenue on the Statement of Net Cost, but collections of filing fees are transferred to either the U.S. Treasury General Fund or to the SEC's Reserve Fund, and have no impact on the SEC's net outlays. See *Note 1.P, Exchange and Non-Exchange Revenue*.

Other components of net cost that are not part of net outlays are:

- revaluations of property, plant, and equipment;
- increases and decreases in assets such as advances and prepayments and accounts receivable;
- increases and decreases in liabilities such as accounts payable and contingent liabilities; and
- imputed financing for expenses that are paid by OPM, as discussed in *Note 1.M, Employee Retirement Systems and Benefits*.

The primary component of net outlays that is not part of net cost is the acquisition of capital assets. In budgetary reporting, the entire cost of a depreciable asset is recognized in the period when the asset is purchased.

Another component of net outlays that is not part of net cost is the collection of non-exchange interest. Non-exchange interest deposited to the U.S. Treasury General Fund is reported on the SBR as distributed offsetting receipts. Distributed offsetting receipts are collections that typically offset the outlays of the agency that conducts the activity generating the receipts. See *Note 1.P, Exchange and Non-Exchange Revenue*, for more information about non-exchange revenue.

For the year ended September 30, 2025:

(DOLLARS IN THOUSANDS)	Intragovernmental	With the Public	Total
Net (Income)/Cost of Operations	$ 511,186	$ (2,500,031)	$ (1,988,845)
Components of Net Cost That Are Not Part of Net Outlays:			
Property and Equipment Depreciation	$ —	$ (61,182)	$ (61,182)
Property and Equipment Disposal Reevaluation	—	(32)	(32)
Right-to-Use Lease Asset Amortization	—	(50,443)	(50,443)
Gains from Lease Modifications	—	213	213
Securities Registration, Tender Offer, Merger, and Other Fees from Registrants (Note 1.P)	—	1,027,049	1,027,049
Treasury Investment Fees	(107)	107	—
Increase/(Decrease) in Assets:			
Accounts Receivable	—	(363,499)	(363,499)
Advances and Prepayments	6,879	—	6,879
(Increase)/Decrease in Liabilities:			
Accounts Payable	2,629	119,647	122,276
Federal Employee Salary, Leave, and Benefits Payable	—	11,310	11,310
Post-Employment Benefits Payable	—	(521)	(521)
Other Liabilities			
Benefit Program Contributions Payable	(440)	—	(440)
Payroll Taxes Payable	(249)	—	(249)
Contingent Liabilities	—	30,863	30,863
Financing Sources:			
Imputed Costs	(122,944)	—	(122,944)
Total Components of Net Cost That Are Not Part of Net Outlays	(114,232)	713,512	599,280
Components of Net Outlays That Are Not Part of Net Cost:			
Acquisition of Capital Assets	—	39,872	39,872
Non-Exchange Interest Receipts Reported as Distributed Offsetting Receipts	(16,192)	8	(16,184)
Reduction of Lease Liability	—	47,275	47,275
Total Components of Net Outlays That Are Not Part of Net Cost	(16,192)	87,155	70,963
Net Outlays	$ 380,762	$ (1,699,364)	$ (1,318,602)

NOTE 16. DISGORGEMENT AND PENALTIES

The SEC's non-entity assets include disgorgement, penalties, and interest assessed against securities law violators by the Commission or a federal court. The SEC also recognizes a corresponding liability for these non-entity assets, as discussed in *Note 1.L, Liabilities*.

When the Commission or court issues a final order for the SEC to collect disgorgement, penalties, and interest from securities law violators, the SEC establishes an account receivable due to the SEC. Upon collection, the SEC may (a) hold receipts in the Disgorgement and Penalty Deposit Fund as Fund Balance with Treasury or Treasury investments pending distribution to harmed investors, (b) deposit receipts in the U.S. Treasury General Fund, or (c) transfer amounts to the Investor Protection Fund. The situations where funds would not be held for distribution to harmed investors arise when the SEC either determines it is not practical to return funds to investors or when court orders expressly state that funds are to be remitted to the U.S. Treasury General Fund. The determination as to whether funds not held for distribution to harmed investors will be deposited in the U.S. Treasury General Fund or transferred to the Investor Protection Fund is made in accordance with the provisions of the Dodd-Frank Act and is dependent on the balance in the Investor Protection Fund on the day the amounts are collected.

Disbursements related to disgorgement and penalties include distributions to harmed investors, payments to tax authorities, and fees paid to plan administrators and the U.S. Department of the Treasury's Bureau of the Fiscal Service. The SEC does not record activity in its financial statements related to enforcement actions that result in amounts ordered to another government entity such as a court, or a non-governmental entity such as a receiver. See *Note 1.R, Disgorgement and Penalties*, and *Note 2, Entity and Non-Entity Assets*.

In FY 2025, total Disgorgement and Penalties assets of $5.14 billion included $5.12 billion held for distribution to harmed investors and $14.1 million to be transferred to the U.S. Treasury General Fund.

At September 30, 2025, the net inflows and outflows for Fund Balance with Treasury, Investments, and Accounts Receivable related to disgorgement and penalties consisted of the following:

(DOLLARS IN THOUSANDS)	2025
Fund Balance with Treasury:	
Beginning Balance	$ 562,893
Collections	1,604,097
Purchases and Redemptions of Treasury Securities	(606,569)
Disbursements	(136,473)
Transfers and Deposits to the Investor Protection Fund	746
Transfers and Deposits to the U.S. Treasury General Fund	(911,843)
Total Fund Balance with Treasury (Note 2)	512,851
Cash and Other Monetary Assets:	
Beginning Balance	109
Net Activity	(104)
Total Cash and Other Monetary Assets (Notes 2 and 4)	5
Investments, Net:	
Beginning Balance	3,634,133
Net Activity	785,377
Total Investments, Net (Notes 2 and 5)	4,419,510
Accounts Receivable, Net:	
Beginning Balance	506,481
Net Activity	(301,098)
Total Accounts Receivable, Net (Notes 2 and 6)	205,383
Total Disgorgement and Penalties Assets	$ 5,137,749

NOTE 17. RECLASSIFICATION OF BALANCE SHEET, STATEMENT OF NET COST, AND STATEMENT OF CHANGES IN NET POSITION FOR COMPILATION PROCESS OF THE FINANCIAL REPORT OF THE U.S. GOVERNMENT

To prepare the Financial Report of the U.S. Government (FR), the U.S. Department of the Treasury's Bureau of the Fiscal Service requires agencies to submit an adjusted trial balance, which is a listing of amounts by U.S. Standard General Ledger account that appear in the financial statements. Treasury uses the trial balance information reported in the Government-wide Treasury Account Symbol Adjusted Trial Balance System (GTAS) to develop a Reclassified Balance Sheet, Reclassified Statement of Net Cost, and a Reclassified Statement of Changes in Net Position for each agency, which are accessed using GTAS. Treasury eliminates all intragovernmental balances from the reclassified statements and aggregates lines with the same title to develop the FR statements. This note shows the SEC's financial statements and the SEC's reclassified statements prior to elimination of intragovernmental balances and prior to aggregation of repeated FR line items. A copy of the 2024 FR can be found at: fiscal.treasury.gov/reports-statements/financial-report/current-report.html.

FY 2025 Balance Sheet

As of September 30, 2025

Financial Statement Line *(DOLLARS IN THOUSANDS)*	FY 2025 SEC Balance Sheet	Line Items Used to Prepare FY 2025 Government-Wide Balance Sheet: Dedicated Collections Combined	Dedicated Collections Eliminations	All Other Amounts (with Eliminations)	Total	Reclassified Financial Statement Line *(DOLLARS IN THOUSANDS)*
ASSETS:						**ASSETS:**
Intragovernmental:						Intragovernmental:
Fund Balance with Treasury	$ 10,256,197	$ 9,674,186	$ —	$ 582,011	$ 10,256,197	Fund Balance with Treasury
Investments, Net	4,753,080	333,570	—	4,419,510	4,753,080	Investments, Net
Advances and Prepayments	19,370	19,370	—	—	19,370	Advances and Prepayments
Total Intragovernmental	15,028,647	10,027,126	—	5,001,521	15,028,647	Total Intragovernmental
With the Public:						With the Public:
Cash and Other Monetary Assets (Note 4)	5	—	—	5	5	Cash and Other Monetary Assets
Accounts Receivable, Net (Note 6)	210,816	172	—	210,644	210,816	Accounts Receivable, Net
Property and Equipment, Net (Note 7)	290,748	290,748	—	—	290,748	General and Right-to-Use Property, Plant, and Equipment, Net
Total With the Public	501,569	290,920	—	210,649	501,569	Total With the Public
Total Assets	$ 15,530,216	$ 10,318,046	$ —	$ 5,212,170	$ 15,530,216	**Total Assets**
LIABILITIES:						**LIABILITIES:**
Intragovernmental:						Intragovernmental:
Accounts Payable	$ 2,888	$ 2,888	$ —	$ —	$ 2,888	Accounts Payable
Other Liabilities						
Payroll Taxes Payable	1,197	1,197	—	—	1,197	Other Liabilities (Without Reciprocals)
Custodial Liability	18,612	—	—	18,612	18,612	Liability to the General Fund of the U.S. Government for Custodial and Other Non-Entity Assets
Liability for Non-Entity Assets	739	—	—	739	739	Liability to the General Fund of the U.S. Government for Custodial and Other Non-Entity Assets
Benefit Program Contributions Payable	7,565	7,565	—	—	7,565	Benefit Program Contributions Payable
Total Other Liabilities	28,113	8,762	—	19,351	28,113	*Total Other Liabilities*
Total Intragovernmental	31,001	11,650	—	19,351	31,001	Total Intragovernmental

FY 2025 Balance Sheet *(continued)*

As of September 30, 2025

Financial Statement Line *(DOLLARS IN THOUSANDS)*	FY 2025 SEC Balance Sheet	Line Items Used to Prepare FY 2025 Government-Wide Balance Sheet: Dedicated Collections Combined	Dedicated Collections Eliminations	All Other Amounts (with Eliminations)	Total	Reclassified Financial Statement Line *(DOLLARS IN THOUSANDS)*
With the Public:						
Accounts Payable	68,693	68,693	—	—	68,693	Accounts Payable
Federal Employee Salary, Leave, and Benefits Payable	173,376	173,376	—	—	173,376	Federal Employee Salary, Leave, and Benefits Payable
Post-Employment Benefits Payable	4,840	4,840	—	—	4,840	Pensions, Other Post-Employment, and Veterans Benefits Payable
Registrant Deposits	69,078	—	—	69,078	69,078	Advances from Others and Deferred Revenue
Other Liabilities						
Lease Liability (Note 9)	173,583	173,583	—	—	173,583	Other Liabilities
Liability for Disgorgement and Penalties (Note 16)	5,123,659	—	—	5,123,659	5,123,659	Other Liabilities
Contingent Liabilities (Note 10)	498,096	498,096	—	—	498,096	Other Liabilities
Other Accrued Liabilities (Note 8)	82	—	—	82	82	Other Liabilities
Total Other Liabilities	5,795,420	671,679	—	5,123,741	5,795,420	*Total Other Liabilities*
Total with the Public	6,111,407	918,588	—	5,192,819	6,111,407	Total with the Public
Total Liabilities	6,142,408	930,238	—	5,212,170	6,142,408	**Total Liabilities**
Commitments and Contingencies						
NET POSITION:						**NET POSITION:**
Unexpended Appropriations – Funds from Dedicated Collections	252,795	252,795	—	—	252,795	Unexpended Appropriations – Funds from Dedicated Collections
Cumulative Results of Operations – Funds from Dedicated Collections	9,135,013	9,135,013	—	—	9,135,013	Cumulative Results of Operations – Funds from Dedicated Collections
Total Net Position	$ 9,387,808	$ 9,387,808	$ —	$ —	$ 9,387,808	**Total Net Position**
Total Liabilities and Net Position	$ 15,530,216	$ 10,318,046	$ —	$ 5,212,170	$ 15,530,216	**Total Liabilities and Net Position**

FY 2025 Statement of Net Cost

For the year ended September 30, 2025

		Line Items Used to Prepare FY 2025 Government-Wide Statement of Net Cost					
Financial Statement Line *(DOLLARS IN THOUSANDS)*	FY 2025 SEC Statement of Net Cost	Dedicated Collections Combined	Dedicated Collections Eliminations	All Other Amounts (with Eliminations)	Eliminations Between Dedicated and All Other	Total	Reclassified Financial Statement *(DOLLARS IN THOUSANDS)*
Program Costs:							**Non-Federal Costs**
Total Program Costs	$ 2,365,865	$ 1,854,671	$ —	$ (249)	$ —	$ 1,854,422	Non-Federal Gross Cost
							Intragovernmental Costs
		259,814	—	—	—	259,814	Benefit Program Costs
		122,944	—	—	—	122,944	Imputed Costs
		62,474	(8)	107	—	62,573	Buy/Sell Costs
		66,112	—	—	—	66,112	Other Expenses
		511,344	(8)	107	—	511,443	**Total Intragovernmental Costs**
Total Program Costs	2,365,865	2,366,015	(8)	(142)	—	2,365,865	***Total Reclassified Gross Costs***
Less: Earned Revenues not Attributed to Programs	4,354,710						**Non-Federal Earned Revenue**
		3,377,535	—	976,918	—	4,354,453	Non-Federal Earned Revenue
							Intragovernmental Revenue
		265	(8)	—	—	257	Buy/Sell Revenue
Total Earned Revenues	$ 4,354,710	$ 3,377,800	$ (8)	$ 976,918	$ —	$ 4,354,710	***Total Reclassified Earned Revenue***
Net (Income)/Cost of Operations	$ (1,988,845)	$ (1,011,785)	$ —	$ (977,060)	$ —	$ (1,988,845)	**Net Cost of Operations**

FY 2025 Statement of Changes in Net Position

For the year ended September 30, 2025

Financial Statement Line *(DOLLARS IN THOUSANDS)*	FY 2025 SEC Statement of Changes in Net Position	Line Items Used to Prepare FY 2025 Government-Wide Statement of Changes in Net Position: Dedicated Collections Combined	Dedicated Collections Eliminations	All Other Amounts (with Eliminations)	Total	Reclassified Financial Statement
UNEXPENDED APPROPRIATIONS:						
Beginning Balances	$ 252,813	$ 252,813	$ —	$ —	$ 252,813	Net Position, Beginning of Period
Appropriations Received	—	—	—	—	—	Appropriations Received as Adjusted
Appropriations Used	(18)	(18)	—	—	(18)	Appropriations Used
Net Change in Unexpended Appropriations	(18)	(18)	—	—	(18)	
Total Unexpended Appropriations	252,795	252,795	—	—	252,795	
CUMULATIVE RESULTS OF OPERATIONS:						
Beginning Balances	7,984,820	7,984,820	—	—	7,984,820	Net Position, Beginning of Period
Adjustments:						
Changes in Accounting Principles	—	—	—	—	—	Changes in Accounting Principles
Beginning Balances, as Adjusted	7,984,820	7,984,820	—	—	7,984,820	Cumulative Results, Beginning Balance, as Adjusted
Appropriations Used	18	18	—	—	18	Appropriations Expended
Non-Exchange Revenue	15,446	(746)	—	(178,810)	(179,556)	Other Taxes and Receipts
	—	16,192	—	178,810	195,002	Federal Securities Interest Revenue, including Associated Gains/Losses (Non-Exchange)
Total Non-Exchange Revenues	15,446	15,446	—	—	15,446	*Total Reclassified Non-Exchange Revenues*
Imputed Financing	122,944	122,944	—	—	122,944	Imputed Financing Sources (Federal)
Other	(977,060)	—	—	(977,250)	(977,250)	Non-Entity Collections Transferred to the General Fund of the U.S. Government
		—	—	190	190	Accrual for Non-Entity Amounts to be Collected and Transferred to the General Fund of the U.S. Government
Total Other	(977,060)	—	—	(977,060)	(977,060)	*Total Reclassified Other*

FY 2025 Statement of Changes in Net Position *(continued)*

For the year ended September 30, 2025

		Line Items Used to Prepare FY 2025 Government-Wide Statement of Changes in Net Position				
Financial Statement Line *(DOLLARS IN THOUSANDS)*	**FY 2025 SEC Statement of Changes in Net Position**	**Dedicated Collections Combined**	**Dedicated Collections Eliminations**	**All Other Amounts (with Eliminations)**	**Total**	**Reclassified Financial Statement**
Net Cost of Operations	(1,988,845)	(1,011,785)	—	(977,060)	(1,988,845)	Net Cost of Operations (+/-)
Net Change in Cumulative Results of Operations	1,150,193	1,150,193	—	—	1,150,193	
Cumulative Results of Operations: Ending	9,135,013	9,135,013	—	—	9,135,013	
Net Position	$ 9,387,808	$ 9,387,808	$ —	$ —	$ 9,387,808	Net Position, End of Period
NON-EXCHANGE STATEMENT OF CUSTODIAL ACTIVITY						
Non-Exchange Custodial Revenue from the Statement of Custodial Activity						
Total Cash Collections	$ 924,866	$ —	$ —	$ 924,866	$ 924,866	Other Taxes and Receipts
Accrual Adjustments	(79,776)	—	—	(79,776)	(79,776)	Other Taxes and Receipts
Total Custodial Revenue	845,090	—	—	845,090	845,090	*Total Reclassified Custodial Revenue*
Disposition of Non-Exchange Custodial Collections from the Statement of Custodial Activity						
Amounts Transferred to Department of the Treasury	924,866	—	—	924,866	924,866	Non-Entity Collections Transferred to the General Fund of the U.S. Government
Amounts Yet to be Transferred	(79,776)	—	—	(79,776)	(79,776)	Accrual for Non-Entity Amounts to be Collected and Transferred to the General Fund of the U.S. Government
Total Disposition of Collections	$ 845,090	$ —	$ —	$ 845,090	$ 845,090	*Total Reclassified Disposition of Custodial Collections*

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

This section provides the Required Supplementary Information as prescribed by OMB Circular A-136, *Financial Reporting Requirements*.

U.S. SECURITIES AND EXCHANGE COMMISSION

Combining Statement of Budgetary Resources by Fund

For the year ended September 30, 2025

(DOLLARS IN THOUSANDS)	Salaries and Expenses and Other Funds	Investor Protection Fund	Reserve Fund	Total
	X0100, 1435, 1492, 3220, 3875	5567	5566	
BUDGETARY RESOURCES:				
Unobligated Balance from Prior Year Budget Authority, Net (Discretionary and Mandatory) (Note 14)	$ 457,311	$ 361,814	$ 6,449	$ 825,574
Appropriations (Discretionary and Mandatory)	—	22,039	50,000	72,039
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	2,189,056	—	—	2,189,056
Total Budgetary Resources	$ 2,646,367	$ 383,853	$ 56,449	$ 3,086,669
STATUS OF BUDGETARY RESOURCES:				
New Obligations and Upward Adjustments (Total)	$ 2,201,761	$ 65,313	$ 12,613	$ 2,279,687
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	438,400	318,540	—	756,940
Exempt from Apportionment, Unexpired Accounts	—	—	43,836	43,836
Unapportioned, Unexpired Accounts	6,206	—	—	6,206
Unobligated Balance, End of Year (Total)	444,606	318,540	43,836	806,982
Total Budgetary Resources	$ 2,646,367	$ 383,853	$ 56,449	$ 3,086,669
OUTLAYS, NET:				
Outlays, Net (Discretionary and Mandatory)	$ (1,519,302)	$ 170,229	$ 46,664	$ (1,302,409)
Distributed Offsetting Receipts	(1)	(16,192)	—	(16,193)
Agency Outlays, Net (Discretionary and Mandatory) (Note 15)	$ (1,519,303)	$ 154,037	$ 46,664	$ (1,318,602)

The accompanying notes are an integral part of these financial statements.

INVESTOR PROTECTION FUND FINANCIAL STATEMENTS

U.S. SECURITIES AND EXCHANGE COMMISSION
INVESTOR PROTECTION FUND

Balance Sheet

As of September 30, 2025

(DOLLARS IN THOUSANDS)	2025
ASSETS:	
Intragovernmental:	
Fund Balance with Treasury (Note 2)	$ 19,250
Investments, Net (Note 3)	333,570
Total Intragovernmental	352,820
Total Assets	$ 352,820
LIABILITIES (NOTE 4):	
With the Public:	
Accounts Payable	12,317
Contingent Liabilities (Note 5)	498,096
Total with the Public	510,413
Total Liabilities	510,413
Commitments and Contingencies (Note 5)	
NET POSITION:	
Cumulative Results of Operations – Funds from Dedicated Collections	(157,593)
Total Cumulative Results of Operations	(157,593)
Total Net Position	$ (157,593)
Total Liabilities and Net Position	$ 352,820

The accompanying notes are an integral part of these financial statements.

U.S. SECURITIES AND EXCHANGE COMMISSION
INVESTOR PROTECTION FUND

Statement of Net Cost

For the year ended September 30, 2025

(DOLLARS IN THOUSANDS)	2025
PROGRAM COSTS:	
Awards to Whistleblowers	$ 34,440
Employee Suggestion Program	8
Total Program Costs	34,448
Net Cost of Operations (Note 7)	$ 34,448

The accompanying notes are an integral part of these financial statements.

U.S. SECURITIES AND EXCHANGE COMMISSION
INVESTOR PROTECTION FUND

Statement of Changes in Net Position

For the year ended September 30, 2025

(DOLLARS IN THOUSANDS)	2025
CUMULATIVE RESULTS OF OPERATIONS:	
Beginning Balances	$ (138,591)
Non-Exchange Revenue	15,446
Net (Income)/Cost of Operations	34,448
Net Change in Cumulative Results of Operations	(19,002)
Cumulative Results of Operations: Ending	(157,593)
Net Position	$ (157,593)

The accompanying notes are an integral part of these financial statements.

U.S. SECURITIES AND EXCHANGE COMMISSION
INVESTOR PROTECTION FUND

Statement of Budgetary Resources

For the year ended September 30, 2025

(DOLLARS IN THOUSANDS)	2025
BUDGETARY RESOURCES:	
Unobligated Balance from Prior Year Budget Authority, Net (Mandatory)	$ 361,814
Appropriations (Mandatory)	22,039
Total Budgetary Resources	$ 383,853
STATUS OF BUDGETARY RESOURCES (NOTE 6):	
New Obligations and Upward Adjustments (Total)	$ 65,313
Unobligated Balance, End of Year:	
Apportioned, Unexpired Accounts	318,540
Unapportioned, Unexpired Accounts	—
Unobligated Balance, End of Year (Total)	318,540
Total Budgetary Resources	$ 383,853
OUTLAYS, NET:	
Outlays, Net (Total) (Mandatory)	170,229
Distributed Offsetting Receipts	(16,192)
Agency Outlays, Net (Mandatory) (Note 7)	$ 154,037

The accompanying notes are an integral part of these financial statements.

NOTES TO THE INVESTOR PROTECTION FUND FINANCIAL STATEMENTS

U.S. SECURITIES AND EXCHANGE COMMISSION

As of September 30, 2025

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Structure

The U.S. Securities and Exchange Commission (SEC) is an independent agency of the U.S. Government established pursuant to the Securities Exchange Act of 1934 (Exchange Act), charged with regulating this country's capital markets. The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act) established the Securities and Exchange Commission Investor Protection Fund. The Investor Protection Fund provides funding for the Dodd-Frank Whistleblower Program and finances the operations of the Office of Inspector General Employee Suggestion Program. The Investor Protection Fund is a fund within the SEC, and these financial statements present a segment of the SEC's financial activity.

B. Basis of Presentation and Accounting

These notes are an integral part of the Investor Protection Fund's financial statements, which present the financial position, net cost of operations, changes in net position, and budgetary resources of the Investor Protection Fund as required by Exchange Act Section 21F(g)(5). The Act requires a complete set of financial statements that includes a balance sheet, income statement, and cash flow analysis. The legislative requirements to prepare an income statement and cash flow analysis are addressed by the Statement of Net Cost and *Note 2, Fund Balance with Treasury*, respectively.

The SEC's books and records serve as the source of the information presented in the accompanying financial statements. The SEC is a federal reporting entity, in accordance with the provisions of the Accountability of Tax Dollars Act of 2002. The SEC's financial statements are prepared in conformity with generally accepted accounting principles (GAAP) for the federal government, and are presented in conformity with the Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*.

Audited financial statements are a special-purpose report required by legislation. As a stand-alone entity, the Investor Protection Fund does not meet the criteria provided in the CFO Act and the Accountability of Tax Dollars Act to constitute a "federal reporting entity." In addition, federal GAAP and OMB Circular A-136 do not provide for either an income statement or a cash flow analysis. However, the Investor Protection Fund financial statements are consistent with the SEC financial statements, except for additional elements, such as cash flow analysis, that are required by legislation.

The agency classifies assets, liabilities, revenues, and costs in these financial statements according to the type of entity associated with the transactions. Intragovernmental assets and liabilities are those due from or to other federal entities, including other funds within the SEC. Intragovernmental revenues and costs result from transactions with other federal entities, including other funds within the SEC.

The Balance Sheet, Statement of Net Cost, and Statement of Changes in Net Position are prepared using the accrual basis of accounting. Accordingly, revenues are recognized when services are provided, and expenses are recognized when incurred without regard to the receipt or payment of cash. These principles differ from the budgetary accounting and reporting principles

on which the Statement of Budgetary Resources is prepared. A reconciliation of differences, if any, between the accrual-based Statement of Net Cost and the budgetary-based Statement of Budgetary Resources is presented in *Note 7, Reconciliation of Net Cost of Operations to Net Outlays*.

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

C. Use of Estimates

The preparation of financial statements on the accrual basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and costs. These estimates are based on management's best knowledge of current events, historical experience, actions that the SEC may undertake in the future, and various other assumptions. The estimates include, but are not limited to, the recognition and disclosure of potential future whistleblower award payments as of the date of the financial statements. Actual results may differ from these estimates.

D. Intra- and Inter-Agency Relationships

TRANSACTIONS WITH OTHER SEC FUNDS

The Investor Protection Fund is comprised of a single Treasury Appropriation Fund Symbol. The Investor Protection Fund is the recipient of non-exchange revenues collected by the SEC. Amounts transferred to the Investor Protection Fund are classified as "retained by the SEC" because the Investor Protection Fund is a fund within the SEC. These intra-agency transfers are required because the Investor Protection Fund finances the operations of the Office of Inspector General Employee Suggestion Program.

TRANSACTIONS WITH OTHER FEDERAL AGENCIES

Whistleblower payments may be made from the Investor Protection Fund as a result of monetary sanctions paid to other federal agencies in related actions, but only if there has been a Commission enforcement action resulting in sanctions of over one million dollars and the Commission has determined that the whistleblower is eligible for an award and recommended the percentage. In those instances, the SEC remains liable for paying the whistleblower. The SEC also may pay whistleblower awards for certain actions brought by other entities, including designated federal agencies, in cases where those awards might otherwise be paid under the other entity's Whistleblower Program, where the other action has a more direct or relevant connection to the SEC's Whistleblower Program. The SEC will pay on the other action, even if the action does not have a more direct or relevant connection to the SEC's Whistleblower Program, when the other entity's program is not comparable to the Commission's own program or if the maximum award that the Commission could pay on the related action would not exceed $5 million.

E. Funds from Dedicated Collections

A fund from dedicated collections is financed by specifically identified revenues, provided to the government by non-federal sources, often supplemented by other financing sources, which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits, or purposes, and must be accounted for separately from the government's general revenues. Investor Protection Fund resources are funds from dedicated collections and may only be used for the purposes specified by the Dodd-Frank Act.

F. Entity Assets

Assets that an agency is authorized to use in its operations are entity assets. The SEC is authorized to use all funds in the Investor Protection Fund for the purposes specified by the Dodd-Frank Act. Accordingly, all assets are recognized as entity assets.

G. Fund Balance with Treasury

Fund Balance with Treasury reflects amounts the Investor Protection Fund holds in the U.S. Treasury that have not been invested in federal securities. The SEC conducts all of its banking activity in accordance with directives issued by the U.S. Department of the Treasury's Bureau of the Fiscal Service.

H. Investments

The SEC has authority to invest amounts in the Investor Protection Fund in overnight and short-term market-based Treasury securities. The interest earned on the investments is a component of the Investor Protection Fund and is available to be used for expenses of the Fund. Additional details regarding Investor Protection Fund investments are provided in *Note 3, Investments*.

I. Liabilities

The SEC records liabilities for probable future outflows or other sacrifices of resources as a result of events that have occurred as of the Balance Sheet date. The Investor Protection Fund's liabilities consist of amounts payable to whistleblowers and amounts recognized as contingent liabilities for whistleblower awards.

The SEC recognizes liabilities that are covered by budgetary resources and liabilities that are not covered by budgetary resources. Budgetary and financial statement reporting requirements sometimes differ on the timing for the required recognition of an expense. Liabilities that are covered by budgetary resources are liabilities incurred for which budgetary resources are available to the SEC without further congressional action. Refer to *Note 4, Liabilities Covered and Not Covered by Budgetary Resources*, for detailed information regarding liabilities covered and not covered by budgetary resources.

The Dodd-Frank Act and the SEC implementing regulations establish the eligibility criteria for whistleblower awards. Refer to *Note 5, Commitments and Contingencies*, for additional information regarding the disclosure and recognition of actual and contingent liabilities for whistleblower awards.

J. Program Costs

The Investor Protection Fund finances payments to whistleblowers under Section 21F of the Exchange Act. The Investor Protection Fund also reimburses the SEC's Salaries and Expenses account (X0100) for expenses incurred by the Office of Inspector General to administer the Employee Suggestion Program.

K. Non-Exchange Revenue

DISGORGEMENT AND PENALTY TRANSFERS

Non-exchange revenue arises from the government's ability to demand payment. The Investor Protection Fund is financed through the receipt of monetary sanctions collected by the SEC in judicial or administrative actions brought by the SEC under the securities laws that are not either: (1) added to the disgorgement fund or other fund under Section 308 of the Sarbanes-Oxley Act of 2002 (15 U.S.C. 7246), or (2) otherwise distributed to victims of a violation of the securities laws. Section 21F of the Exchange Act provides that monetary sanctions collected by the SEC are deposited into the Investor Protection Fund if the balance in the Fund is below $300 million on the day of collection. The Investor Protection Fund recognizes non-exchange revenue for monetary sanctions that are transferred into the Fund. Additional details regarding Investor Protection Fund funding are provided in *Note 5, Commitments and Contingencies*.

INTEREST EARNINGS ON INVESTMENTS WITH TREASURY

Interest earned from investments in U.S. Treasury securities is classified in the same way as the predominant source of revenue to the fund. The Investor Protection Fund is financed through the receipt of non-exchange revenues and thus interest earnings are also recognized as non-exchange revenues.

L. Budgets and Budgetary Accounting

The Investor Protection Fund (X5567) is a special fund established with permanent authority to retain revenues and other financing sources not used in the current period for future use. The Dodd-Frank Act provides that the Fund is available to the SEC without further appropriation or fiscal year limitation for the purpose of paying awards to whistleblowers and funding the activities of the Office of Inspector General Employee Suggestion Program. However, the SEC is required to request and obtain apportionments from OMB to use these funds.

The resources of the Investor Protection Fund are apportioned under Category B authority, which means that the funds represent budgetary resources distributed by a specified project and are not subject to quarterly apportionment. Thus, all obligations incurred as presented on the Statement of Budgetary Resources are derived from Category B funds.

NOTE 2. FUND BALANCE WITH TREASURY

The status of Fund Balance with Treasury as of September 30, 2025, consisted of the following:

(DOLLARS IN THOUSANDS)		2025
Status of Fund Balance with Treasury:		
Unobligated Balance	$	6,933
Obligated Balance not Yet Disbursed		12,317
Total Status of Fund Balance with Treasury	$	19,250

Unobligated balances reported for the status of Fund Balance with Treasury do not agree with the amounts reported in the Statement of Budgetary Resources due to the fact that funds for unobligated balances are held in investments as well as in Fund Balance with Treasury. Investor Protection Fund investments are reversed from the unobligated available amount in order to account for Fund Balance with Treasury only.

There were no differences between the Fund Balance with Treasury reflected in the Investor Protection Fund financial statements and the balance in the Treasury accounts.

Cash Flow

The Investor Protection Fund cash flows during FY 2025 consisted of:

- Net cash inflows from investment redemptions of $138.8 million;
- Net cash inflows from investment interest of $16.2 million;
- Net cash outflows from fund replenishment under the Dodd-Frank Act of $746 thousand; and
- Net cash outflows for payment of whistleblower awards totaling $110.3 million for amounts that were awarded prior to FY 2025, $59.9 million for amounts that were awarded during FY 2025, and payment of expenses of operating the Office of Inspector General Employee Suggestion Program of $8 thousand.

NOTE 3. INVESTMENTS

The SEC invests funds in overnight and short-term non-marketable market-based Treasury bills. The SEC records the value of its investments in Treasury securities at cost. Premiums and discounts are amortized on a straight-line (S/L) basis for market-based Treasury bills and on the effective interest basis for market-based Treasury notes. Amortization is calculated through the maturity date of these securities. Non-marketable market-based Treasury securities are issued by the U.S. Department of the Treasury's Bureau of the Fiscal Service to federal agencies. They are not traded on any securities exchange but mirror the prices of similar Treasury securities trading in the government securities market.

At September 30, 2025, investments consisted of the following:

(DOLLARS IN THOUSANDS)	Cost	Amortization Method	Amortized (Premium) Discount	Interest Receivable	Investment, Net	Market Value Disclosure
Non-Marketable Market-Based Securities						
Investor Protection Fund – Entity						
One-Day Certificates	$ 333,570	N/A	$ —	$ —	$ 333,570	$ 333,570
Total	$ 333,570		$ —	$ —	$ 333,570	$ 333,570

Intragovernmental Investments in Treasury Securities

Market-based Treasury securities are debt securities that the U.S. Treasury issues to federal entities without statutorily determined interest rates. Although the securities are not marketable, the terms (prices and interest rates) mirror the terms of marketable Treasury securities.

The federal government does not set aside assets to pay future benefits or other expenditures associated with the investment by federal agencies in non-marketable federal securities. The balances underlying these investments are deposited in the U.S. Treasury, which uses the cash for general government purposes. Treasury securities are issued to the SEC as evidence of these balances. Treasury securities are an asset of the SEC and a liability of the U.S. Treasury. Because the SEC and the U.S. Treasury are both components of the government, these assets and liabilities offset each other from the standpoint of the government as a whole. For this reason, the investments presented by the SEC do not represent an asset or a liability in the U.S. Government-wide financial statements.

Treasury securities provide the SEC with authority to draw upon the U.S. Treasury to make future payments from these accounts. When the SEC requires redemption of these securities to make expenditures, the government finances those expenditures out of accumulated cash balances, by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures. This is the same manner in which the government finances all expenditures.

NOTE 4. LIABILITIES COVERED AND NOT COVERED BY BUDGETARY RESOURCES

The SEC recognizes liabilities that are covered by budgetary resources and liabilities that are not covered by budgetary resources. Budgetary and financial statement reporting requirements sometimes differ on the timing for the required recognition of an expense.

At September 30, 2025, liabilities consisted of the following:

(DOLLARS IN THOUSANDS)	Liabilities Covered by Budgetary Resources	Liabilities Not Covered by Budgetary Resources	Total
Accounts Payable	$ 12,317	$ —	$ 12,317
Contingent Liabilities	—	498,096	498,096
Total Liabilities	$ 12,317	$ 498,096	$ 510,413

NOTE 5. COMMITMENTS AND CONTINGENCIES

Commitments: Dodd-Frank Whistleblower Program

As discussed in *Note 1.I, Liabilities*, the Investor Protection Fund is used to pay awards to whistleblowers if they voluntarily provide original information to the SEC and meet other conditions. Approved awards are between 10 and 30 percent of the monetary sanctions collected in the covered action (and when applicable, in a related action), with the actual percentage being determined at the discretion of the SEC using criteria provided in the legislation and the related rules to implement the legislation adopted by the SEC.

A Preliminary Determination is a first assessment, made by the Claims Review staff appointed by the director of the Division of Enforcement, as to whether the claim should be allowed or denied, and if allowed, the proposed award percentage.

Contingent liabilities are reported as follows:

- A contingent liability is recognized when (a) a positive Preliminary Determination has been made by the Claims Review staff, (b) collection has been made, and (c) the percentage to be paid can be reasonably estimated. A contingent liability is also disclosed as a range for the minimum and maximum totals of whistleblower awards, using 10 percent and 30 percent of collections, respectively.
- A potential liability is disclosed but not recognized when a positive Preliminary Determination is expected and collection has been received, using 10 percent and 30 percent of collections as the minimum and maximum award amounts, respectively.

At September 30, 2025, commitments and contingencies consisted of the following:

(DOLLARS IN THOUSANDS)	Accrued Liabilities	Estimated Range of Loss	
		Lower End	Upper End
2025 Whistleblower Awards:			
Probable	$ 498,096	$ 218,271	$ 654,813
Reasonably Possible	—	44,499	133,498

A liability (accounts payable) is recognized when a Final Determination has been approved by the Commission and collection has been received. In all cases, the whistleblower award is not paid until amounts have been collected, a final order is issued by the Commission, and the appeal rights of all claimants on the matter have been exhausted.

In the event that whistleblower awards reduce the Investor Protection Fund unobligated balance below $300 million, the Investor Protection Fund will be replenished as described in the "Disgorgement and Penalty Transfers" section of *Note 1.K, Non-Exchange Revenue*. The unobligated balance of the Investor Protection Fund at September 30, 2025, was $318.5 million. If the contingent liabilities balance exceeds the unobligated balance at September 30, 2025, additional replenishments will be needed before these liabilities are paid.

NOTE 6. STATEMENT OF BUDGETARY RESOURCES AND OTHER BUDGETARY DISCLOSURES

A. Explanation of Differences between the Statement of Budgetary Resources and the Budget of the U.S. Government

A comparison between the FY 2025 Statement of Budgetary Resources and the actual FY 2025 data in the Budget of the U.S. Government (Budget) cannot be presented, as the FY 2027 Budget, which will contain FY 2025 actual data, is not yet available. The comparison will be presented in next year's financial statements. The FY 2027 Budget, with actual amounts for FY 2025, will be available at a later date at whitehouse.gov/omb/budget/.

There are no differences between the FY 2024 Statement of Budgetary Resources and the FY 2024 data in the Budget.

B. Other Budgetary Disclosures

There were no budgetary resources obligated for undelivered orders as of September 30, 2025.

There are no legal arrangements affecting the use of unobligated balances of budget authority, such as time limits, purpose, and obligation limitations.

NOTE 7. RECONCILIATION OF NET COST OF OPERATIONS TO NET OUTLAYS

Budgetary and financial accounting information differ. Budgetary accounting is used for planning and control purposes and relates to both the receipt and use of cash, as well as reporting the federal deficit. Financial accounting is intended to provide a picture of the government's financial operations and financial position, so it presents information on an accrual basis. The accrual basis includes information about costs arising from the consumption of assets and the incurrence of liabilities. The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information. The reconciliation serves not only to identify costs paid for in the past and those that will be paid in the future, but also to assure integrity between

budgetary and financial accounting. The following analysis illustrates this reconciliation by listing the key differences between net cost and net outlays.

Components of net cost that are not part of net outlays consist of increases and decreases in liabilities, such as accounts payable and contingent liabilities. For the year ended September 30, 2025, the SEC paid $170.2 million to whistleblowers, including $59.9 million awarded during FY 2025. Refer to *Note 4, Liabilities Covered and Not Covered by Budgetary Resources*, and *Note 5, Commitments and Contingencies*, for more information about accounts payable and contingent liabilities.

The primary component of net outlays that is not part of net cost is the collection of non-exchange interest. Non-exchange interest deposited to the U.S. Treasury General Fund is reported on the Statement of Budgetary Resources as distributed offsetting receipts. Distributed offsetting receipts are collections that typically offset the outlays of the agency that conducts the activity generating the receipts. Refer to *Note 1.K, Non-Exchange Revenue*, for more information about non-exchange interest.

For the year ended September 30, 2025:

(DOLLARS IN THOUSANDS)	Intragovernmental	With the Public	Total
Net Cost of Operations	$ 8	$ 34,440	$ 34,448
Components of Net Cost That Are Not Part of Net Outlays:			
(Increase)/Decrease in Liabilities:			
Accounts Payable	—	104,918	104,918
Other Liabilities (Contingent Liabilities)	—	30,863	30,863
Total Components of Net Cost That Are Not Part of Net Outlays	—	135,781	135,781
Components of Net Outlays That Are Not Part of Net Cost:			
Non-Exchange Interest Receipts Reported as Distributed Offsetting Receipts	(16,192)	—	(16,192)
Total Components of Net Outlays That Are Not Part of Net Cost	(16,192)	—	(16,192)
Net Outlays	$ (16,184)	$ 170,221	$ 154,037

OTHER INFORMATION

This section provides additional information related to the SEC's financial and performance management.

Inspector General's (IG) Statement on Management and Performance Challenges

Details what the Inspector General considers to be the most serious management and performance challenges facing the SEC and assesses the agency's progress in addressing those challenges, in accordance with the Reports Consolidation Act of 2000.

Summary of Financial Statement Audit and Management Assurances

Reveals each material weakness and non-conformance found and/or resolved during the U.S. Government Accountability Office's audit, as well as those found by management during the evaluation of internal control and financial systems, as required by the Federal Managers' Financial Integrity Act of 1982.

Payment Integrity Reporting Details

Provides information about the SEC's commitment to, and progress with, reducing improper payments, and outlines the efforts taken to recapture improperly-made payments.

Civil Monetary Penalty Adjustment for Inflation

Summarizes inflationary adjustments to civil monetary penalties, as required by the Federal Civil Penalties Inflation Adjustment Act of 1990, as amended.

IG'S STATEMENT ON MANAGEMENT AND PERFORMANCE CHALLENGES

Introduction

The Reports Consolidation Act of 2000 requires the U.S. Securities and Exchange Commission's (SEC) Inspector General (IG) to identify and report annually on the most serious management and performance challenges facing the SEC.[1] This report represents the SEC IG's independent perspective on the top management challenges facing the SEC in fiscal year (FY) 2026 and beyond.

To identify this year's top management challenges, we reviewed prior years' Top Management Challenges reports and assessed potential challenges based on the significance of the challenge in relation to the SEC's mission; the potential of the challenge to lead to fraud, waste, and abuse; and the agency's progress in addressing the challenge. Furthermore, we considered our recent oversight work (audits, evaluations, and investigations); changes in the federal landscape; general knowledge of the SEC's operations; and information from the U.S. Government Accountability Office. We also conducted significant outreach to the SEC's leadership, senior officials, and staff across the agency to gain their perspectives on the challenges the agency continues to face, and we deeply appreciate their candor in sharing their perspectives with us. We will use the information we gathered to inform our work in the coming months. We provided a draft version of this report to SEC senior leadership and considered their comments.

This year is a year of transition for the SEC. The Commission has a new Chairman with a new regulatory agenda. In conjunction with the various executive orders issued by the new administration, new procedures are in place for promulgating SEC regulations, hiring and evaluating SEC staff, and managing the federal government contractors that help support the SEC's mission. Like many other federal agencies, in 2025, the SEC experienced attrition of the federal employee workforce as well as reductions in contract staff, which together impact each of the challenge areas we identified. Consequently, the main challenges for the SEC involve navigating this changing landscape.

Through our work, we have identified the following as the SEC's top management and performance challenges in this new fiscal year:

- Meeting Regulatory and Oversight Responsibilities
- Human Capital Management
- Protecting Systems and Data
- Contract Management

[1] Pub. L. No. 106-531, § 3a, 114 Stat. 2537-38 (November 22, 2000).

CHALLENGE: Meeting Regulatory and Oversight Responsibilities

The U.S. Securities and Exchange Commission (SEC, agency, or Commission) is charged with protecting investors; maintaining fair, orderly, and efficient markets; and facilitating capital formation. This includes overseeing the $120 trillion capital markets, as well as the activities of approximately 40,000 entities—including more than 13,500 registered funds, 15,900 investment advisers, 7,400 reporting companies, and 3,200 broker-dealers. The SEC also oversees 29 national securities exchanges, 111 alternative trading systems, 10 credit rating agencies, 6 active registered clearing agencies, and other self-regulatory organizations.

We describe below the continuing challenges of (1) navigating a changing regulatory landscape and (2) overseeing market participants.

Navigating a Changing Regulatory Landscape

This year, the SEC is challenged by a shift in the regulatory landscape:

- A new Chairman has new priorities for the SEC.
- The SEC, like most federal agencies, now participates in centralized regulatory review by the Office of Management and Budget's Office of Information and Regulatory Affairs.
- The SEC is working to bring clarity to how federal securities laws apply to digital assets, the regulation of which may be affected by actual and potential Congressional legislation.

As these changes continue to take shape, including the SEC's role in digital asset regulation and implications for the securities markets and participants, a key consideration for the agency will be articulating and applying logical and consistent responses to market participants.

Completed Office of Inspector General (OIG) Work

We recently completed an audit of the SEC's rulemaking process during which we determined that:

- Some SEC divisions and offices were not always involved in rulemakings within their subject matter expertise.
- Some SEC staff expressed concerns about limited data and time to perform economic analyses.

- Technological errors impacted the receipt of public comments.[2]

Our audit covered SEC rulemaking that occurred from 2018 to 2022. While we made no formal recommendations, we encouraged management to consider our observations as the agency updates rulemaking processes to comply with recent executive directives, some of which directly address the process and substance of federal agency rulemaking.

Overseeing Market Participants

The SEC is the primary overseer of the U.S. $120 trillion capital markets, including approximately 40,000 entities from public companies and investment advisers to credit agencies and self-regulatory organizations. One of the continuing challenges facing the SEC is properly managing its resources to effectively oversee market participants and protect investors.

Completed OIG Work

In August 2025, we issued a report that examined the Division of Corporation Finance's (CF) Disclosure Review Program. While we found that CF has a risk-based process for selecting and reviewing filings and met its statutory requirement for reviewing filers' financial statements, we:

- Recommended that CF require staff to document the reasons for electively selecting company annual reports to review and the scope of annual report reviews.
- Recommended that CF update its guidance around these issues.
- Encouraged SEC and CF management to continue considering opportunities to automate processes and leverage available resources to implement automation where feasible and advisable.[3]

Similarly, in 2024 we issued a report on the Division of Examinations' (EXAMS) oversight of broker-dealers. As part of this report, we reviewed EXAMS' risk-based program, which is intended to focus on firms, market participants, and practices that pose the greatest potential risk of harm to investors and the markets. We likewise found that the metrics for

[2] U.S. Securities and Exchange Commission, Office of Inspector General, *Observations on the SEC's Rulemaking Process* (Report No. 588; September 29, 2025).

[3] U.S. Securities and Exchange Commission, Office of Inspector General, *Improved Documentation and Guidance Can Help Strengthen Corporation Finance's Disclosure Review Program* (Report No. 586; August 26, 2025).

planning the selection and scoping of broker-dealer examinations were too focused on numerical targets, which may have led to EXAMS unintentionally not focusing on risk.[4]

Ongoing and Anticipated OIG Work

In FY 2026, we will initiate reviews of (1) the Division of Enforcement's collection and distribution of disgorgement and penalties, (2) the SEC's oversight of the Public Company Accounting Oversight Board annual budget, (3) the agency's financial market surveillance processes, and (4) the SEC Ombuds' handling and reporting of investor concerns. We will also complete ongoing reviews of the Division of Investment Management's disclosure review program, the Office of Chief Accountant's accounting consultations process, and the EDGAR Business Office's review processes, as well as follow up on open recommendations related to CF and EXAMS.

CHALLENGE: Human Capital Management

Beginning in January 2025, the SEC and many other federal agencies offered resignation and retirement incentives—such as the Deferred Resignation Program, Voluntary Early Retirement Authority, and Voluntary Separation Incentive Payments. Thirteen percent of SEC staff took advantage of those programs and departed the agency in early 2025, with some smaller offices losing as much as 26 percent of their staff. Coupled with the hiring freeze and changes to the federal government hiring process, in FY 2025, the agency experienced an attrition rate of 17.8 percent—which is over five times higher than the previous year—in addition to an approximately 27 percent reduction of contract personnel.[5] SEC officials told us that, despite attrition, the SEC is still able to conduct its regulatory oversight mission with current staffing, although they noted that the impacts from skills gaps may not be immediately apparent.

Managing the new composition of the SEC's workforce by properly deploying and training staff and, where needed, recruiting staff to address knowledge gaps left by departing employees and contractor personnel will be a challenge for the agency. In addition, the SEC must begin implementing changes to its performance management system, which will take additional time and resources. The SEC currently has a pass-fail performance system, which was negotiated between SEC management and the National Treasury Employees Union. In June 2025, the Office of Personnel Management required agencies to transition by

[4] U.S. Securities and Exchange Commission, Office of Inspector General, *Enhanced Planning, Performance Measurement and Evaluation, and Information Can Improve Oversight of Broker-Dealer Examinations* (Report No. 583; September 23, 2024).

[5] Executive Order 14170, *Reforming the Federal Hiring Process and Restoring Merit to Government Service* (January 20, 2025); Executive Order 14210, *Implementing the President's "Department of Government Efficiency" Workforce Optimization Initiative* (February 11, 2025); Presidential Memorandum, *Ensuring Accountability and Prioritizing Public Safety in Federal Hiring* (July 7, 2025); Presidential Memorandum, *Extension of Hiring Freeze* (April 17, 2025); Presidential Memorandum, *Hiring Freeze* (January 20, 2025); U.S. Office of Personnel Management Memorandum, *Merit Hiring Plan* (May 29, 2025).

October 1, 2026, to a multi-tiered, fiscal-year performance system that ensures that a disproportionate number of employees are not rated at the highest performance levels.[6]

Completed OIG Work

In May 2025, we issued a management letter with recommendations to help the SEC attract and onboard highly skilled staff quickly and cost effectively. Specifically, we recommended that the SEC's Office of Human Resources:

- Define processes to consistently monitor the cost effectiveness of recruitment sources used, including processes to improve the accuracy and reliability of SEC recruitment data.
- Establish processes to consistently calculate and assess SEC time-to-hire for the end-to-end hiring process in alignment with government-wide time-to-hire metrics.[7]

Ongoing and Anticipated OIG Work

In FY 2026, we will initiate an audit of the SEC's employee and contractor off-boarding process. We will also continue to monitor for material impacts on SEC programs and operations as a result of changes to the agency's workforce.

CHALLENGE: Protecting Systems and Data

The SEC's information systems contain significant and increasing amounts of sensitive, nonpublic, and/or market-moving information which must be protected from unlawful access and disclosure. As bad actors—and the technologies they employ—become more sophisticated, the magnitude of threats to information security grows, posing significant risk to investors and financial markets. Therefore, information security remains a top priority and perennial challenge for the SEC.

Among the challenges the SEC faces is effectively and efficiently adopting and utilizing artificial intelligence (AI).[8] Adding to that challenge is the fact that many vendors in the AI arena are new to government contracting and federal information technology (IT) security requirements. The SEC has recently launched an AI Task Force[9] and identified a Chief Artificial Intelligence Officer who is surveying how the agency's various divisions and

[6] Office of Personnel Management, *Performance Management for Federal Employees* (June 17, 2025).

[7] U.S. Securities and Exchange Commission, Office of Inspector General, *Final Management Letter: Audit of the SEC's Efforts to Recruit and Retain a Highly Skilled Workforce and Address Related Challenges* (May 14, 2025).

[8] For example, Executive Order 14179, *Removing Barriers to American Leadership in Artificial Intelligence* (January 23, 2025); Office of Management and Budget Memorandum No. M-25-21, *Accelerating Federal Use of AI through Innovation, Governance and Public Trust* (April 3, 2025); and Office of Management and Budget Memorandum No. M-25-22, *Driving Efficient Acquisition of Artificial Intelligence in Government* (April 3, 2025).

[9] The AI Task Force leads the SEC's efforts to enhance innovation and efficiency in its operations through responsible use of AI.

offices use AI resources. However, uncertainty remains across the federal government regarding budgetary resources, acquiring AI expertise, and meeting new and existing federal requirements.[10]

Amid ongoing organizational change, including government-wide and SEC Office of Information Technology (OIT)-specific retirement and resignation incentives, OIT has reorganized and is working to identify and train qualified staff or recruit necessary skill sets to maintain current controls and data protection.

Maturing the SEC's Information Security Program

By statute, the OIG evaluates annually the SEC's implementation of the Federal Information Security Modernization Act of 2014 (FISMA). Over the last several years, the SEC has made progress in improving and maturing its information security program. Remaining challenges prevent its program from being rated "effective" as reported,[11] though this is not unique to the SEC.

Table. The SEC's Assessed Maturity Level for FY 2024

Security Function	FY 2024 Assessed Maturity Level
Identify	Level 3: *Consistently Implemented*
Protect	Level 3: *Consistently Implemented*
Detect	Level 2: *Defined*
Respond	Level 4: *Managed and Measurable*
Recover	Level 3: *Consistently Implemented*
Overall Maturity	Level 3: *Consistently Implemented*

Source: Fiscal Year 2024 Independent Evaluation of the U.S. Securities and Exchange Commission's Implementation of the Federal Information Security Modernization Act of 2014; Report No. 584 (November 25, 2024).

The SEC has not completed all corrective actions to address prior year recommendations, including the results of the 2024 FISMA evaluation, and continues to face challenges with regard to managing vulnerabilities. In addition, during our ongoing 2025 FISMA evaluation, we noted that the agency has not met all zero trust architecture compliance milestones and was challenged to provide us relevant information in a timely manner.

[10] U.S. Government Accountability Office, *ARTIFICIAL INTELLIGENCE Generative AI Use and Management and Federal Agencies* (GAO-25-107653; July 2025).

[11] U.S. Securities and Exchange Commission, Office of Inspector General, *Fiscal Year 2024 Independent Evaluation of the U.S. Securities and Exchange Commission's Implementation of the Federal Information Security Modernization Act of 2014* (Report No. 584; November 25, 2024).

Completed OIG Work

We recently published a report in which we found that OIT implemented a poorly understood and automated policy that caused an enterprise wipe of former Chair Gary Gensler's government-issued mobile device, and the loss of federal records. We recommended that OIT:

- Update applicable system security plans and relevant policies and procedures, including those for change management, mobile device inventory, troubleshooting activities, and notifications from the system used to manage mobile devices.
- Ensure Capstone officials' devices[12] are properly backed up.
- Develop procedures to verify proper logging of relevant data.[13]

Ongoing and Anticipated OIG Work

In FY 2026, we will initiate audits of the SEC's controls over Blue Sheet data in the agency's environment, SharePoint security, and records management processes. We also plan to complete ongoing reviews of the SEC's change control process and FY 2025 compliance with FISMA.

CHALLENGE: Contract Management

Although the SEC procures a wide range of services and supplies, most of its contract obligations are for IT services. Of the approximately $498 million obligated to contract actions in FY 2025, the SEC obligated about 82 percent (or about $407 million) to vendors doing business under three IT service-related North American Industry Classification System codes: (1) computer systems design and related services; (2) computing infrastructure providers, data processing, web hosting, and related services; and (3) software publishers.

The agency has sought to implement cost efficiency and procurement consolidation initiatives related to recent Executive Orders. Specifically, the SEC increased the volume of change order or termination for convenience requests to the Office of Acquisitions and de-obligated approximately $67 million in contract funding in FY 2025, which is substantially

[12] The SEC's Capstone officials include the Chairman, the Commissioners, and their staff; the agency's division directors, their deputies, and their chief counsels; the heads of designated program offices and their chief counsels; the General Counsel and the General Counsel's deputies; principal regional officials; and other designated federal employees and political appointees serving in equivalent or comparable positions.

[13] U.S. Securities and Exchange Commission, Office of Inspector General, *Special Review: Avoidable Errors Led to the Loss of Former SEC Chair Gary Gensler's Text Messages* (Report No. 587; September 3, 2025).

more than in previous years. Of this amount, approximately 57 percent, or $38 million, was for IT-related contracts.

The SEC's FY 2026 budget request included almost $745 million for contractual services and supplies,[14] which represented about 34 percent of the total $2.174 billion requested for agency operations. Given the SEC's recent cost savings initiatives, decreases in the agency's reliance on contractual services and supplies are likely and may require additional preparation to minimize impacts on programs and operations.

Completed OIG Work

In June 2025, during reviews of the SEC's disclosure review programs in CF and the Division of Investment Management, we identified a potential opportunity for IT-related cost savings. We:

- Reported a potential opportunity for consolidation, potential cost savings, and improved compliance with federal efficiency requirements and that the SEC aim to reduce duplicative systems to enhance efficiency and reduce costs.
- Encouraged the agency to analyze the costs and benefits of consolidating its disclosure review systems.[15]

Ongoing and Anticipated OIG Work

In FY 2026, we will initiate an audit of the SEC's use of contract discounts. We will also complete an evaluation to determine whether the SEC effectively manages software license costs and prevents wasteful spending on unused or underused software licenses.

[14] According to the Office of Management and Budget Circular No. A-11, *Preparation, Submission, and Execution of the Budget* (August 2025), the contractual services and supplies object class covers purchases in object classes 21.0 through 26.0 (Travel and transportation of persons; Transportation of things; Rent, Communications, and Utilities; Printing and reproduction; Other contractual services; and Supplies and materials).

[15] U.S. Securities and Exchange Commission, Office of Inspector General, *Final Management Letter: Potential Opportunity to Consolidate the SEC's Disclosure Review Information Technology Systems* (June 24, 2025).

SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

Table 1.7 | Summary of Financial Statement Audit

Audit Opinion: Unmodified

Restatement: No

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Material Weaknesses	—	—	—	—	—

Table 1.8 | Summary of Management Assurances

Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)

Statement of Assurance: Unmodified

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	—	—	—	—	—	—

Effectiveness of Internal Control over Operations (FMFIA § 2)

Statement of Assurance: Unmodified

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	—	—	—	—	—	—

Conformance with Financial Management System Requirements (FMFIA § 4)

Statement of Assurance: Federal Systems Conform

Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Non-Conformances	—	—	—	—	—	—

Compliance with Section 803(a) of the Federal Financial Management Improvement Act (FFMIA)

	Agency	Auditor
1. Federal Financial Management System Requirements	No lack of substantial compliance noted	No lack of substantial compliance noted
2. Applicable Federal Accounting Standards	No lack of substantial compliance noted	No lack of substantial compliance noted
3. USSGL at Transaction Level	No lack of substantial compliance noted	No lack of substantial compliance noted

PAYMENT INTEGRITY REPORTING DETAILS

The Payment Integrity Information Act of 2019 (PIIA) updated government-wide improper payment reporting requirements by repealing and replacing all previous improper payment legislation. PIIA requires agencies to review all programs and activities they administer to identify those that may be susceptible to significant erroneous payments. For all programs and activities in which the risk of erroneous payments is significant, agencies are to estimate the annual amount of erroneous payments made in those programs.

Guidance provided by the Office of Management and Budget (OMB) in Circular A-136, *Financial Reporting Requirements*, and Appendix C of Circular A-123, *Requirements for Payment Integrity Improvement*, requires agencies to report specific details about the agency's Improper Payments Elimination Program, which are below. Additionally, the following link further explains improper payments and the information reported in previous AFRs that is not included in the FY 2025 AFR: paymentaccuracy.gov/.

Risk Assessment

PIIA guidelines state that if an agency deems a program to be low risk for improper payments, the agency will re-assess that program's risk at least every three years. An agency is only required to conduct a formal risk assessment earlier than three years if the program experiences a significant change in legislation, a significant increase in funding level, or a determination of possible significant improper payments in the following year. In conformance with the OMB guidelines referenced above, the agency's latest risk assessment was conducted in FY 2025. Based on the results of this assessment, the SEC determined that all of its evaluated programs continue to be low risk, in which none of its programs were deemed susceptible to significant improper payments at or above the threshold levels set by OMB. These programs have historically had low volumes and risks of improper payments given the controls and processes in place. The SEC recognizes the importance of maintaining adequate internal controls to ensure the accuracy and integrity of payments made by the agency.

To perform its risk assessment, the SEC used a systematic method of reviewing each program by considering risk factors likely to contribute to significant improper payments. The risk assessment encompassed a review of existing data that included the Government Accountability Office and the SEC Office of Inspector General audit reports, prior internal controls over financial reporting assessments, and the results of improper payments testing performed in prior years. These risk assessments were performed for the following programs:

- Vendor payments (includes Purchase Card payments);
- Disgorgement and penalty distributions (made by the SEC to fund tax administrators and directly to harmed investors);
- Returned deposits of registration filing fees under Section 6(b) of the Securities Act of 1933 and Sections 13 and 14 of the Securities Exchange Act of 1934;
- Salaries and benefit payments (includes base pay, overtime pay, and agency contributions to retirement plans, health plans, and thrift savings plans, as well as supplemental retirement payments and student loan repayments);
- Travel payments; and
- Whistleblower payments.

Recapture of Improper Payments

The SEC determined that implementing a payment recapture audit is not cost-effective and notified OMB of this determination in September 2015. The benefits of recaptured amounts associated with implementing and overseeing the program do not exceed the costs—including staff time and payments to contractors—of a payment recapture audit program. In making this determination, the SEC considered its low improper payment rate based on testing conducted over several years. The SEC also considered whether sophisticated software and other cost-efficient techniques could be used to identify significant overpayments at a low cost per overpayment, or if labor intensive manual reviews of paper documentation would be required. In addition, the SEC considered the availability of tools to efficiently perform the payment recapture audit and minimize payment recapture audit costs.

The SEC will continue to monitor its improper payments across all programs and activities it administers and assess whether implementing payment recapture audits for each program is cost-effective. If the SEC determines, through future risk assessments, that a program is susceptible to significant improper payments and implementing a payment recapture program may be cost-beneficial, the SEC will implement a pilot payment recapture audit to gauge whether such audits would be cost-effective on a larger scale.

CIVIL MONETARY PENALTY ADJUSTMENT FOR INFLATION

The Federal Civil Penalties Inflation Adjustment Act of 1990 (FCPIA), 28 U.S.C. 2461 note, as amended by the Debt Collection Improvement Act of 1996, and the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015 (2015 Act), requires agencies to annually adjust for inflation any civil monetary penalties that are assessed or enforced by that agency. This adjustment must be performed for any penalty where either the amount of the penalty or the maximum penalty is set by law. The 2015 Act replaces the inflation adjustment mechanism previously contained in the FCPIA and all previous inflation adjustments made pursuant to the FCPIA with a new mechanism for calculating the inflation-adjusted amount of civil monetary penalties. The 2015 Act implemented this change by first requiring that each agency perform a "catch-up adjustment" to be published by July 1, 2016. Thereafter, agencies are to adjust their penalty amounts every January, starting in January 2017.

The FCPIA also directs the Commission to include in its Agency Financial Report information about the civil monetary penalties within the jurisdiction of the agency, including the adjustment of civil monetary penalties for inflation under the FCPIA. Further, the FCPIA directs the Comptroller General of the United States to annually submit to Congress a report assessing agencies' compliance with the inflation adjustments required by the FCPIA.

The SEC administers four statutes that provide for civil monetary penalties:

- The Securities Act of 1933;
- The Securities Exchange Act of 1934;
- The Investment Company Act of 1940; and
- The Investment Advisers Act of 1940.

In addition, the Sarbanes-Oxley Act of 2002 provides the Public Company Accounting Oversight Board (PCAOB) authority to levy civil monetary penalties in its disciplinary proceedings. These penalties are established by federal law and are enforced by the Commission for purposes of the FCPIA because the Commission may by order affirm, modify, remand, or set aside civil monetary penalties imposed by the PCAOB and may enforce the PCAOB's civil monetary penalty orders in federal district court.

The Commission will adjust for inflation the maximum penalty amounts provided in these statutes as required by the FCPIA and will publish these adjustments in the Federal Register. The catch-up adjustment in July 2016 was published in the Federal Register, Volume 81, No. 127, on July 1, 2016 (81 FR 43042). Annual adjustments have been performed for:

- 2017 (Federal Register, Volume 82, No. 11, on January 18, 2017 (82 FR 5367));
- 2018 (Federal Register, Volume 83, No. 8, on January 11, 2018 (83 FR 1396));
- 2019 (Federal Register, Volume 84, No. 34, on February 20, 2019 (84 FR 5122));[1]
- 2020 (Federal Register, Volume 85, No. 8, on January 13, 2020 (85 FR 1833));
- 2021 (Federal Register, Volume 86, No. 8, on January 13, 2021 (86 FR 2716));
- 2022 (Federal Register, Volume 87, No. 8, on January 12, 2022 (87 FR 1808));
- 2023 (Federal Register, Volume 88, No. 7, on January 11, 2023 (88 FR 1614));
- 2024 (Federal Register, Volume 89, No. 8, on January 11, 2024 (89 FR 1970)); and
- 2025 (Federal Register, Volume 90, No. 7, on January 13, 2025 (90 FR 2767)).

1 This adjustment was performed in February 2019 instead of January 2019 due to a lapse in appropriations that caused the SEC's normal operations to be suspended from December 27, 2018, through January 25, 2019.

APPENDICES

Appendix A: Glossary of Select Terms

Appendix B: Acronyms, Initialisms, and Abbreviations

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APPENDIX A: GLOSSARY OF SELECT TERMS

Accountability of Tax Dollars Act of 2002
A federal law requiring most federal agencies that are not subject to the Chief Financial Officers Act of 1990 to prepare annual audited financial statements.

Agency Financial Report
An annual report 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). The report is prepared in accordance with the requirements of OMB Circular A-136, *Financial Reporting Requirements*.

Alternative Trading System (ATS)
Any organization, association, person, group of persons, or system that constitutes, maintains, or provides a market place or facilities for bringing together purchasers and sellers of securities or for otherwise performing, with respect to securities, the functions commonly performed by a stock exchange. An ATS does not set rules governing the conduct of subscribers other than the conduct of such subscribers' trading on such organization, association, person, group of persons, or system, or discipline subscribers other than by exclusion from trading.

Annual Performance Report
Outlines the goals and intended outcomes of an agency's programs and initiatives.

Appropriations
Budget authority to incur obligations and to make payments from the Treasury for specified purposes.

Asset
A resource that embodies economic benefits or services that the reporting entity controls.

Asset-Backed Securities
Securities backed by any type of self-liquidating financial asset (including, for example, a loan, lease, mortgage, or other receivable) that allows the investors to receive payments that depend primarily on cash flow from the asset.

Bitcoin
Digital assets that are issued and transferred via a distributed, open-source protocol used by a peer-to-peer computer network through which transactions are recorded on a public transaction ledger known as the "Bitcoin blockchain." The Bitcoin protocol governs the creation of new bitcoins and the cryptographic system that secures and verifies bitcoin transactions.

Blockchain
A type of distributed ledger, or peer-to-peer database spread across a network, that records all transactions in the network in theoretically unchangeable, digitally recorded data packages called blocks. Each block contains a batch of records of transactions, including a timestamp and a reference to the previous block, linking the blocks together in a chain. The system relies on cryptographic techniques for secure recording of transactions. A blockchain can be shared and accessed by anyone with appropriate permissions.

Broker-Dealer
A **broker** is any person engaged in the business of effecting transactions in securities for the account of others. A **dealer** is any person engaged in the business of buying and selling securities for his or her own account, through a broker or otherwise.

Chief Financial Officers Act of 1990
Legislation focused on improving the government's financial management, performance, and disclosure.

Commodity Futures Trading Commission
An independent government agency that regulates the U.S. derivatives markets, which includes futures, swaps, and certain kinds of options.

Consolidated Audit Trail
A single, comprehensive database of orders to trade in the National Market System securities and over-the-counter equities that enables regulators track all trading activity in the U.S. equity and options markets.

Contingent Liability
A liability that may occur depending on the outcome of an uncertain future event. Contingent liabilities is recorded if the contingency is likely and the amount of the liability can be reasonably estimated.

Crypto Asset
Also known as a "digital asset," an asset that is issued and/or transferred using distributed ledger or blockchain technology, including, but not limited to, so-called "virtual currencies," "cryptocurrencies," "coins," and "tokens." A crypto asset may or may not have been offered or sold as a "security" under the federal securities laws.

Cryptocurrency
A term used by some to describe a digital asset that relies on cryptography and that purports to act as a substitute for real currency in certain distributed ledger technology ecosystems. However, a so-called cryptocurrency does not necessarily have any or all of the three economic functions associated with money, namely a medium of exchange, a store of value, and a unit of account, and does not have all the attributes of "real" currency, as defined in 31 C.F.R. Section 1010.100(m), including legal tender status.

Custodial Activity
Revenue that is collected, and its disposition, by a federal agency on behalf of other entities is accounted for as a custodial activity of the collecting entity. SEC custodial collections include amounts collected from violators of securities laws as a result of enforcement proceedings.

Customer Protection Rule (Rule 15c3-3)
Designed to ensure that customer property (securities and cash) in the custody of broker-dealers is adequately safeguarded. Net cash owed to customers and other broker-dealers must be held in a special reserve bank account.

Cybersecurity
The steps taken to prevent illegal or unauthorized access to a computer system or network.

Data Quality Plan
Required to be developed and maintained by agencies subject to DATA Act reporting that considers the incremental risks to data quality in federal spending data and any controls that would manage such risks in accordance with OMB Circular A-123.

Decentralized Finance (DeFi)
DeFi protocols, which can include platforms, applications, and exchanges, are an emerging segment of the digital asset ecosystem that uses smart contracts to automate transactions and enforce transparently encoded rules. DeFi applications and platforms offer users the ability to interact with these protocols through web interfaces or mobile apps and access different services.

Deposit Fund
Consists of funds that do not belong to the federal government such as disgorgement, penalties, and interest collected and held on behalf of harmed investors, registrant monies held temporarily until earned by the SEC, and collections awaiting disposition or reclassification.

Digital Accountability and Transparency Act of 2014 (DATA Act)
Aims to make information on federal expenditures more easily accessible and transparent.

Disclosure
Information about a company's financial condition, results of operations, and business that it makes public. Investors can use this information to make informed investment decisions about the company's securities.

Disgorgement
The act of returning or repaying ill-gotten gains obtained from fraudulent activities. When disgorgement is ordered, the judge or the Commission may also order that any money collected, including penalties paid, be placed in a Fair Fund for distribution to investors who were the victims of the violation.

Distributed Ledger Technology
The term distributed ledger refers to databases that maintain information across a network of computers in a decentralized or distributed manner. These networks commonly use cryptographic protocols to ensure data integrity and consensus mechanisms to ensure data congruity. Blockchains are one type of distributed ledger, and they are often used to issue and transfer ownership of crypto assets/digital assets that may be offered and sold as securities, depending on the facts and circumstances.

Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act)
Legislation that enforces transparency and accountability while implementing rules for consumer protection.

Electronic Data Gathering, Analysis, and Retrieval (EDGAR) System
The system that public companies and others use to electronically submit required filings to the SEC.

Entity Accounts Receivable
Monies owed to the SEC generated from securities transaction fees and filing fees paid by registrants.

Entity Assets
Assets that an agency is authorized to use in its operations.

Exchange Revenue
Inflows of earned resources to an entity. Exchange revenues arise from exchange transactions, which occur when each party to the transaction sacrifices value and receives value in return. Examples include the sale of goods and services, entrance fees, and most interest revenue.

Exchange-Traded Product (ETP)
A term that refers to several types of pooled investment vehicles, including those that are registered under the Investment Company Act of 1940 as well as those that are not, that trade on national securities exchanges like a stock. An ETP can have a wide array of investment objectives, including, but not limited to, tracking the performance of an underlying index, commodity, or financial instruments.

Fair Fund
A fund created by the SEC to return money to harmed investors.

Federal Accounting Standards Advisory Board
Establishes generally accepted accounting principles for federal reporting entities.

Federal Civil Penalties Inflation Adjustment Act of 1990
Requires agencies to adjust its civil monetary penalties for inflation and make adjustments at least once every four years thereafter.

Federal Employee Viewpoint Survey
An survey administered by the U.S. Office of Personnel Management that measures federal government employees' perceptions of whether, and to what extent, conditions characterizing successful organizations are present in their agencies.

Federal Financial Management Improvement Act of 1996
Provides for the establishment of uniform financial systems, standards, and reporting.

Federal Information Security Modernization Act of 2014
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.

Federal Managers' Financial Integrity Act of 1982
Establishes management's responsibility to assess and report on internal accounting and administrative controls.

Federal Records Act
Requires all federal agencies to maintain records that document their activities, file records for safe storage and efficient retrieval, and dispose of records according to agency schedules.

Federal Register
The official journal of the federal government of the United States that contains government agency rules, proposed rules, and public notices.

Financial Industry Regulatory Authority (FINRA)
A registered securities association and self-regulatory organization. Generally, all registered broker-dealers that deal with the public must become members of FINRA.

Form PF
A confidential reporting form for certain SEC-registered investment advisers to private funds.

Fraud Reduction and Data Analytics Act of 2015
Requires agencies to implement the Government Accountability Office's *A Framework to Managing Fraud Risks in Federal Programs*, which is: (1) commit to creating an organization that is conductive to manage fraud risk; (2) assess the fraud risks within the organization; (3) design and implement controls that reduce risk of fraud; and (4) evaluate and adapt assessment outcomes.

Freedom of Information Act
Allows for any person to request federal agency records or information, with the exception of protected items that qualify under the nine exemptions of the law.

Fund Balance with Treasury
The amount of funds in the entity's accounts with the U.S. Treasury for which the entity is authorized to make expenditures and pay liabilities, and that have not been invested in federal securities.

Funds from Dedicated Collections
Accounts containing specifically identified revenues—often supplemented by other financing sources—that are required by statute to be used for designated activities, benefits, or purposes, and must be accounted for separately from the government's general revenues.

Gatekeepers
Professionals—such as attorneys, accountants, and other consultants—who are enlisted to help protect investors through the detection and prevention of compliance breakdowns and fraudulent schemes that cause investor harm.

General Services Administration
Acts as a central point for agencies to procure and/or build office space, products, and other workspace items.

Generally Accepted Accounting Principles
A framework of accounting standards, rules, and procedures defined by the professional accounting industry.

GENIUS Act
The Guiding and Establishing National Innovation for U.S. Stablecoins (GENIUS) Act creates a federal framework for regulating payment stablecoins.

Government Accountability Office (GAO)
An independent, non-partisan agency that works for Congress, GAO examines how tax payers' dollars are spent and aims to improve the government as its "congressional watchdog."

Government Performance and Results Act
Requires federal agencies and departments to develop annual performance plans describing the year's goals and performance reports indicating if those goals were met.

Imputed Financing
Financing provided to the reporting entity by another federal entity covering certain costs incurred by the reporting entity.

Initial Public Offering
The first time a company offers its shares of capital stock to the general public. Under the federal securities laws, a company may not lawfully offer or sell shares unless the transaction has been registered with the SEC or an exemption applies.

International Organization of Securities Commissions
An international body consisting of the world's securities regulators. Members are typically primary securities and/or derivatives regulators in a national jurisdiction or the main financial regulator from each country.

Intragovernmental Costs
Costs that arise from the purchase of goods and services from other components of the federal government.

Investment Adviser
A firm or person that, for compensation, engages in the business of providing investment advice to others about the value of, or investing in, securities—stocks, bonds, mutual funds, exchanged-traded funds, and certain other investment products—and/or in issuing reports or analyses regarding securities as part of a regular business.

Investment Advisers Act of 1940
Created to regulate the actions of investment advisers, this federal law requires that firms or sole practitioners compensated for advising others about securities investments must register with the SEC and conform to regulations designed to protect investors (with certain exceptions).

Investment Company Act of 1940
Regulates the organization of companies, including mutual funds, that engage primarily in investing, reinvesting, and trading in securities, and whose own securities are offered to the investing public. It requires these companies to disclose their financial condition and investment policies to investors when stock is initially sold and, subsequently, on a regular basis.

Investor Protection Fund
A fund established by the Dodd-Frank Act to pay awards to eligible whistleblowers who voluntarily provide the Commission with original information about a violation of federal securities laws.

Jumpstart Our Business Startups Act of 2012
A federal law enacted on April 5, 2012, intended to make it easier for small businesses and startups to raise capital within the United States by easing securities regulations for those businesses.

Liquidity
The ease with which an asset, or security, can be converted into ready cash without affecting its market price.

Market-Based Treasury Securities
Debt securities that the U.S. Treasury issues to federal entities without statutorily determined interest rates.

Miscellaneous Receipt Account
A fund used to collect non-entity receipts from custodial activities that the SEC cannot deposit into funds under its control or use in its operations. These amounts are forwarded to the U.S. Treasury General Fund and are considered to be non-entity assets of the SEC.

Money Market Fund
A type of mutual fund registered under the Investment Company Act of 1940 and regulated pursuant to Rule 2a-7 under the Act. Money market funds generally limit their investments to short-term, high-quality debt securities that fluctuate very little in value under normal market circumstances.

Municipal Advisor
A person (not a municipal entity or an employee of a municipal entity) who: (1) provides advice to or on behalf of a municipal entity or obligated person with respect to municipal financial products or the issuance of municipal securities, including advice with respect to the structure, timing, terms, and other similar matters concerning such financial products or issues; or (2) undertakes a solicitation of a municipal entity. This definition includes financial advisors, guaranteed investment contract brokers, third-party marketers, placement agents, solicitors, finders, and swap advisors who provide municipal advisory services, unless they are statutorily excluded.

Municipal Securities Rulemaking Board
The self-regulatory organization for the U.S. municipal securities market that writes rules regulating broker-dealers and banks that transact in municipal securities and municipal advisors.

Mutual Fund
A company that pools money from many investors and invests the money in securities such as stocks, bonds, and short-term debt. Investors buy shares in mutual funds. Each share represents an investor's part ownership in the fund and the income it generates.

Names Rule
Requires a fund whose name suggests a focus in a particular type of investment, in investments in a particular industry or geographic focus, or a name suggesting that the fund focuses in investments that have (or whose issuers have) particular characteristics, to adopt a policy to invest at least 80 percent of the value of its assets in the type of investment suggested by its name.

National Best Bid and Offer
The best available bid and offer for securities calculated and disseminated by the consolidated market data plans.

National Institute of Standards and Technology (NIST)
Develops cybersecurity standards, guidelines, best practices, and other resources to meet the needs of U.S. industry, federal agencies, and the broader public. OMB mandates that all federal agencies implement NIST's cybersecurity standards and guidance for non-national security.

National Market System (NMS)
The system for trading equities in the United States, which includes all facilities and entities that are used by broker-dealers to fulfill trade orders for securities.

National Securities Exchange
An exchange registered as such under Section 6 of the Exchange Act, national securities exchanges are self-regulatory organizations (SROs) and must comply with regulatory requirements applicable to both national securities exchanges and SROs.

Nationally Recognized Statistical Rating Organization
Credit rating agencies that have registered with the Commission and meet certain disclosure, governance, internal controls, conflict of interest, and recordkeeping requirements.

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 Inspector General Employee Suggestion Program
As required by Section 966 of the Dodd-Frank Act, this program allows employees to submit suggestions concerning improvements in the SEC's work efficiency, effectiveness, productivity, and use of its resources. The Office of Inspector General also receives allegations by employees of waste, abuse, misconduct, or mismanagement within the SEC through the program.

Office of Management and Budget (OMB)
Helps the President oversee the federal budget and supervise federal agencies.

Office of Personnel Management
Manages the civil service of the federal government, coordinates recruiting of new government employees, and manages their health insurance and retirement benefits programs.

OMB Circular A-50, *Audit Follow-Up*
Provides the policies and procedures for use by executive agencies when considering reports issued by the Office of Inspector General, other executive branch audit organizations, the Government Accountability Office, and non-federal auditors where follow-up is necessary.

OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*
Provides an overview of the budget process, the basic laws that regulate the budget process, and the development of the President's budget, including how to prepare and submit materials required for agency budget requests and instructions on budget execution.

OMB Circular *A*-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*

Defines management's responsibilities for enterprise risk management and internal financial controls, including administrative and program activities as well as financial activities.

OMB Circular A-123 Appendix A, *Management of Reporting and Data Integrity Risk* (OMB Memorandum 18-16)

Revises the 2004 A-123 Appendix A, *Internal Controls Over Financial Reporting*. The revision was necessary due to the 2016 update to OMB Circular A-123 and the 2014 update to the U.S. Government Accountability Office Standards for Internal Control in the Federal Government. A reexamination was also necessary in light of the implementation of recent statutory requirements, including the Data Accountability and Transparency Act. The revised memorandum goals are to provide updated guidance to: (1) effectively manage taxpayer assets, including government data; (2) improve data quality; and (3) reduce burdens on agencies by shifting away from compliance activities and toward actions that will support the reporting of high-quality data in support of data-driven decisions, federal government-wide management analyses, and transparency.

OMB Circular A-123 Appendix C, *Requirements for Payment Integrity Improvement*

Guidance to assist federal agencies with compliance in payment integrity.

OMB Circular A-123 Appendix D, *Management of Financial Management Systems–Risk and Compliance*

Provides requirements for agencies to comply with the Federal Financial Management Improvement Act to "implement and maintain financial management systems" that comply with system and accounting requirements.

OMB Circular A-130, *Managing Information as a Strategic Resource*

Establishes general policy for information governance, acquisitions, records management, open data, workforce, security, and privacy.

OMB Circular A-136, *Financial Reporting Requirements*

Establishes a central point of reference for all federal financial reporting guidance.

Onchain/Offchain

An "onchain" transaction occurs directly on a network and is validated in accordance with the protocol of the network, with the transaction recorded on the network's public ledger. An "offchain" transaction occurs outside the network where the parties agree that a third party will validate and authenticate the transaction.

Payment Integrity Information Act of 2019 (PIIA)

Requires agencies to review all programs and activities they administer to identify those that may be susceptible to significant erroneous payments. For all programs and activities in which the risk of erroneous payments is significant, agencies are to estimate the annual amount of erroneous payments made in those programs. PIIA updated government-wide improper payment reporting requirements by repealing and replacing the Improper Payments Information Act of 2002, the Improper Payments Elimination and Recovery Act of 2010, the Improper Payments Elimination and Recovery Act of 2012, and the Fraud Reduction and Data Analytics Act of 2015.

Performance and Accountability Report

An annual report that provides program performance and financial information that enables Congress, the President, and the public to assess an agency's performance and accountability over entrusted resources.

Plan of Action and Milestones (POA&Ms)

A document that identifies tasks needing to be accomplished. POA&Ms detail resources required to accomplish the elements of the plan, any milestones for meeting the tasks, and scheduled milestone completion dates.

Public Company Accounting Oversight Board (PCAOB)

A nonprofit corporation established by Congress to oversee the audits of public companies in order to protect the interests of investors and further the public interest in the preparation of informative, accurate, and independent audit reports. The PCAOB also oversees the audits of broker-dealers, including compliance reports filed pursuant to federal securities laws, to promote investor protection.

Pump-and-Dump

An investment scheme in which promoters tout a company's stock through false or misleading statements that often includes claiming to have inside information. Once the stock price is "pumped," the promoters sell—or "dump"—their shares, thus dropping the overall value.

Ramp-and-Dump

A type of pump-and-dump scheme that is often characterized by coordinated trading activity conducted by bad actors over a more extended period of time (weeks or months) than a conventional pump-and-dump. This activity sometimes results in a slower and sustained increase in the share price ahead of the eventual collapse.

Regulation NMS

A series of rules governing the National Market System (NMS) for equities and options that are listed on a national securities exchange. The rules encompass a broad range of issues including the filing and amendment of NMS plans, the collection and distribution of market data, disclosure of order execution and order routing information, access to markets, order protection, and the consolidated audit trail.

Reports Consolidation Act of 2000

Streamlines reporting requirements by allowing each agency to combine its audited financial statements, as required by the Chief Financial Officers Act, and its performance reports, as required by the Government Performance and Results Act. Each consolidated report must include an assessment from the agency head verifying the reliability of the agency's performance data and a summary from the inspector general addressing the agency's management challenges.

Reserve Fund

A fund established by the Dodd-Frank Act that may be used by the SEC to obligate amounts up to $100 million in one fiscal year as the SEC determines is necessary to carry out its functions.

Residential Mortgage-Backed Securities

Securities backed by one or more residential loans, including mortgages and home-equity loans, that allow the investors to receive payments that depend primarily on cash flow from the underlying loan(s).

Retail Investor

An individual who buys securities for personal benefit (e.g., to purchase a home, save for retirement, or send a child to college) rather than for the benefit of an organization.

Risk Management Oversight Committee

Monitors the SEC enterprise risk environment and provides a forum for collaborative, risk-based decision making.

Rule 17a-1

Under the Exchange Act, this rule mandates that each self-regulatory organization, including exchanges, associations, clearing agencies, and the Municipal Securities Rulemaking Board, keep for certain periods records made or received in the course of its business and conduct of its self-regulatory activity and furnish those documents upon request for SEC inspection.

Rule 613
Under Regulation NMS, this rule mandates the creation of the Consolidated Audit Trail, requiring exchanges and associations to develop a system to track trades in U.S. securities for regulators, consolidating order and trade data into a central repository for better market oversight. This rule requires self-regulatory organizations and their members to report detailed information about orders (receipt, origination, routing, modification, cancellation) by 8 a.m. the next trading day to this central system, helping the SEC monitor market activity.

Sarbanes-Oxley Act of 2002
Legislation aimed at enhancing corporate responsibility and financial disclosures, and fighting corporate and accounting fraud that created the Public Company Accounting Oversight Board.

Section 31 Fees
Transaction fees paid to the SEC based on the volume of securities that are sold on various markets. These fees recover the costs incurred while supervising and regulating the securities markets and securities professionals.

Securities
Fungible and tradable financial instruments used to raise capital in public and private markets. There are primarily three types of securities: equity—which provides ownership rights to holders; debt—essentially loans repaid with periodic payments; and hybrids—which combine aspects of debt and equity.

Securities Act of 1933 (Securities Act)
One of the primary federal securities laws, its basic objectives are to ensure investors receive financial and other significant information about securities being offered for public sale, and to prohibit deceit, misrepresentation, and other fraud in the sale of securities.

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 SEC.

Security-Based Swap (SBS)
A **swap** is any agreement, contract, or transaction that provides for one or more payments based on the performance of underlying reference instrument, subject to certain exclusions, including exclusions for futures contracts, options on futures, forward contracts on non-financial commodities, and certain retail investments. An **SBS** is based on: (1) a narrow-based index; (2) a single (non-exempt) security or loan; or (3) a financial event relating to an issuer or issuers in points 1 or 2.

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.

Sequestration
Automatic spending cuts that occur through the withdrawal of funding for certain (but not all) government programs.

Standards for Internal Control in the Federal Government
Published by the U.S. Government Accountability Office, this book sets the standards for an effective internal control system for federal agencies.

Statement of Federal Financial Accounting Standards 54, *Leases*

Starting in FY 2024, federal lessees are required to recognize a lease liability and a right-to-use lease asset, and federal lessors are required to recognize a lease receivable and unearned revenues at the commencement of the lease term, unless the lease meets the definitional criteria of a short-term lease contract, or an agreement that transfers ownership, or an intra-governmental lease.

Strategic Plan

Defines an agency's 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.

Transfer Agent

A trust company, bank, or similar financial institution assigned by a corporation to maintain records of investors and account balances; as such, the transfer agent issues and cancels certificates to reflect changes in ownership and handles lost, destroyed, or stolen certificates.

U.S. Treasury General Fund

Consists of assets and liabilities used to finance the daily and long-term operations of the U.S. Government as a whole. It also includes accounts used in management of the budget of the U.S. Government.

USASpending.gov

The official source for spending data for the U.S. Government, this website allows the American public to see how the federal government spends money.

Whistleblower

A person who, alone or jointly with others, provides the Commission with information related to a possible violation of the federal securities laws (including any rules or regulations thereunder) that has occurred, is ongoing, or is about to occur.

Zero Trust

An approach to cybersecurity in which access to data, networks, and infrastructure is kept to what is minimally required and the legitimacy of that access is continuously verified.

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APPENDIX B: ACRONYMS, INITIALISMS, AND ABBREVIATIONS

AFR	Agency Financial Report
AI	Artificial Intelligence
APR	Annual Performance Report
CAT	Consolidated Audit Trail
CF	Division of Corporation Finance
CFO	Chief Financial Officer
CFR	Code of Federal Regulations
CPA	Certified Public Accountant
CSRS	Civil Service Retirement System
DERA	Division of Economic and Risk Analysis
DQP	Data Quality Plan
EDGAR	Electronic Data Gathering, Analysis, and Retrieval System
ERM	Enterprise Risk Management
ETP	Exchange-Traded Product
EXAMS	Division of Examinations
FAF	Financial Accounting Foundation
FASB	Financial Accounting Standards Board
FBI	Federal Bureau of Investigation
FCPIA	Federal Civil Penalties Inflation Adjustment Act
FDIC	Federal Deposit Insurance Corporation
FECA	Federal Employees' Compensation Act
FERS	Federal Employees Retirement System
FFMIA	Federal Financial Management Improvement Act of 1996
FINRA	Financial Industry Regulatory Authority
FISMA	Federal Information Security Modernization Act of 2014
FMFIA	Federal Managers' Financial Integrity Act of 1982
FR	Federal Register
FSSP	Federal Shared Service Provider
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GAO	U.S. Government Accountability Office
GSA	U.S. General Services Administration
GTAS	Government-Wide Treasury Account Symbol Adjusted Trial Balance System
IM	Division of Investment Management
IPF	Investor Protection Fund
IT	Information Technology
NMS	National Market System
OASB	Office of the Advocate for Small Business Capital Formation
OCRO	Office of the Chief Risk Officer
OIEA	Office of Investor Education and Advocacy
OIG	Office of Inspector General
OIT	Office of Information Technology
OMB	Office of Management and Budget
OPM	U.S. Office of Personnel Management
PCAOB	Public Company Accounting Oversight Board
PG	Performance Goal
PII	Personally Identifiable Information
PIIA	Payment Integrity Information Act of 2019
POA&Ms	Plan of Action and Milestones
RMOC	Risk Management Oversight Committee
RSI	Required Supplementary Information
S/L	Straight-Line
SBR	Statement of Budgetary Resources
SEC	U.S. Securities and Exchange Commission

SFFAS	Statement of Federal Financial Accounting Standards
SIPA	Securities Investor Protection Act of 1970
SIPC	Securities Investor Protection Corporation
SRO	Self-Regulatory Organization
TSP	Thrift Savings Plan
U.S.C.	United States Code
USSGL	U.S. Standard General Ledger



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