



# U.S. Securities and Exchange Commission

*In Brief*

*FY 2011 Congressional Justification*

*February 2010*

# U.S. Securities and Exchange Commission

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## EXECUTIVE SUMMARY

The financial crisis that began in 2008 and continues to resonate through the markets today is, as President Obama has stated, the most serious economic and regulatory crisis this country has faced since the Great Depression. The damage to investors, to taxpayers, to our economy, and to our nation has been real and significant. The crisis has also challenged investor faith in our financial system. The response to this crisis has required extraordinary efforts from every federal financial regulator, including the U.S. Securities and Exchange Commission (SEC) and its staff.

But the job of restoring investor confidence and rebuilding trust in financial institutions and markets is far from done, and will require a sustained regulatory commitment for years to come. That the federal government be successful in these efforts is extremely important. Integral to this success is an SEC that is revitalized and refocused on its core mission to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation.

Between fiscal years (FY) 2005 and 2007, the SEC experienced three years of flat or declining budgets, losing 10 percent of its employees and severely hampering key areas such as the agency's enforcement and examination programs. Even with the funding increases provided by Congress in the last two years, under the SEC's current funding level, the agency's workforce still falls about one percent—or 35 full-time-equivalents (FTE)—short of the FY 2005 level. And yet while the workforce at the SEC has shrunk, the job that the SEC has been asked to do has grown even larger. Since 2005, the number of investment advisers registered with and overseen by the SEC has grown by 32 percent, and the number of broker-dealer branch offices has grown by 67 percent.

The SEC oversees a total of more than 35,000 registrants, including over 10,000 public companies, 7,800 mutual funds, about 11,500 investment advisers, 5,400 broker-dealers, 600 transfer agents, 12 securities exchanges, 10 nationally recognized statistical rating organizations (NRSROs), and self-regulatory organizations (SROs) such as the Financial Industry Regulatory Authority, Municipal Securities Rulemaking Board, and Public Company Accounting Oversight Board. While other financial regulators have close to parity between the number of staff and the number of entities they regulate, in recent years SEC staffing and funding simply have not kept pace with industry growth.

In order to provide sufficient resources to restore the agency as a vigorous and effective regulator of the nation's securities markets, and to implement the Administration's proposal for financial reform, the President has requested \$1.258 billion in FY 2011 for the SEC. This represents an increase of approximately \$139 million over the SEC's FY 2010 funding level of \$1.119 billion, and authority for 4,720 total positions (or 4,190 FTE), an increase of 380 positions (associated with 119 FTE) over FY 2010. Within this amount, \$24 million in FY 2011 is requested contingent upon the enactment of financial reform legislation, to begin implementation of the SEC's new and enhanced authorities under the Administration's financial reform proposal.

It is important to note that this proposed increase in SEC spending would be fully offset by increased SEC collections of fees on securities transactions and registrations. In FY 2011, pursuant to the requirements of the Investor and Capital Markets Fee Relief Act (P.L. 107-123), the SEC will set fees at levels sufficient to raise \$1.7 billion in collections, an increase of \$220 million over FY 2010.

Here is a summary of how the SEC plans to use its FY 2011 resources:

## **Reinvigorating SEC Enforcement**

Enforcement of the securities laws is the foundation of the SEC's mission, and swift and vigorous prosecution of those who have broken the law is at the heart of the agency's efforts to restore investor trust and confidence in the nation's securities markets.

The SEC's top priority is to reinvigorate its enforcement program, which in recent years has operated under a variety of budgetary and procedural constraints. To carry out these efforts, the SEC plans to fill 1,478 positions (or 1,368 FTE) in FY 2011, an increase of 70 positions (associated with 26 FTE) above FY 2010. At these staff levels, the agency estimates the SEC will be able to commence 75 additional inquiries, conduct 314 additional formal investigations, and file charges in 70 additional civil or administrative cases. Without these resources, the SEC would simply not be able to investigate and bring as many cases as projected. These 70 positions will be allocated as follows:

- 39 new positions (associated with 14 FTE) committed to reinforcing the investigations process. This is directly responsive to the findings in the Government Accountability Office's March 2009 report on the agency's enforcement program, which identified an 11 percent decline in investigative staffing levels from FY 2004 to FY 2008. A significant number of these new positions will be for administrative, support, and paralegal staff—a particular need identified in the GAO's report.
- 16 positions (seven FTE) to reinforce the proceedings function, including trial lawyers and support for bringing enforcement cases in federal court or in administrative proceedings.
- 15 positions (five FTE) to strengthen the intelligence analysis function, including the newly created Office of Market Intelligence. The office's functions will include managing the risk-assessment and strategic planning processes to ensure that the agency's investigations are strategic, swift, smart, and successful.

Finally, the SEC is also presently engaged in a strategic review and redesign of the systems for collecting, reviewing, and acting on complaints, tips, and investigative leads provided by whistleblowers or other sources. Over the past ten years, the agency has seen a dramatic increase in the number of tips received annually, and the current infrastructure is simply unable to keep pace. Having an effective process for reviewing these to identify the most valuable tips can give the agency an early jump on detecting and stopping frauds and other violations of securities laws. Staffing for this function will be integrated into the Office of Market Intelligence, and funding for development of systems improvements is a top priority within the agency's information technology budget.

## **Strengthening Examinations and Oversight**

One lesson that has been learned from the recent financial crisis is that strong regulation is essential to the fair, orderly, and efficient operation of markets. The SEC's enforcement program is designed to bring to justice those who violate the securities laws and whenever possible provide restitution to harmed investors. The SEC's rulemaking and examination programs serve the equally important roles of setting forth the rules of appropriate conduct, and examining for compliance with those rules. When these functions are performed well, such as by closing regulatory gaps through the rule-writing process or providing early warning to firms about potential weaknesses in compliance programs, they reduce the opportunities for wrongdoing.

Within the examination function, the SEC plans to fill 1,033 positions (or 912 FTE), an increase of 100 positions (associated with 30 FTE) from FY 2010. This increase will enable the SEC's examination program to begin to address the growing disparity between the number of exam staff and the growing number of registered firms, which include investment advisers, broker-dealers, mutual funds, self-regulatory organizations, and nationally recognized statistical rating agencies. As an example of the challenges the SEC faces in overseeing a growing number of registrants, the agency has approximately 460 examiners and accountants responsible for overseeing roughly 11,500 investment advisers and 7,800 mutual funds. It is also worth noting that the number of registered entities will grow by thousands more if the Administration's legislation is enacted to require oversight of advisers to hedge funds and other private pools of capital.

Decreasing the huge disparity between the number of exam staff and the number of regulated entities will take several years, as the SEC cannot hire and appropriately train an unlimited number of new examiners in a single year. Consequently, the examinations program is designed to target resources where they will do the most good by focusing on high-risk practices and entities. A key part of the agency's FY 2011 budget is devoted to continuing the development of more robust and sophisticated methodology for identifying those high-risk targets.

The agency estimates that the additional staff will enable the SEC to conduct 50 additional exams of investment advisers, 25 additional mutual fund exams, and 75 examinations of newly registered fund advisers, assuming legislation is enacted requiring them to register with the Commission. Without these additional resources, the scope and coverage of examinations will be limited, despite the agency's efforts aimed at further developing a robust risk-based approach to oversight.

Additionally, the FY 2011 budget will enable the SEC to carry out a more robust oversight function for credit rating agencies. In 2006, the SEC took on a major new responsibility with the enactment of the Credit Rating Agency Reform Act, which gave the agency authority to regulate certain internal processes of nationally recognized statistical rating organizations, such as record-keeping and policies to guard against conflicts of interest. Yet the SEC never received any increased or dedicated funding to carry out these new responsibilities, and it has been forced to divert positions from other programs in order to staff this vital function. This budget will staff this function and enable the exam staff to conduct examinations at half of the registered nationally recognized statistical rating organizations in FY 2011.

The Division of Investment Management is responsible for establishing rules that regulate the \$30 trillion investment management industry in the United States, including mutual funds, exchange-traded funds, and investment advisers. As part of these responsibilities, the division also annually reviews disclosures of over 4,000 investment companies. For FY 2011, the agency plans to allocate a total of 194 positions (or 174 FTE) for Investment Management, an increase of 20 positions (associated with 6 FTE). These additional resources are needed to provide more robust oversight in several areas where the recent financial crisis has identified the need for improved regulation.

Ten of these new positions (or three FTE) will be allocated to regulation of advisers to hedge funds and private pools of capital. The President has proposed legislation to require advisers to hedge funds and other private pools of capital to register with and report information to the SEC under the Investment Advisers Act. The additional staff positions requested will be used to conduct rulemaking related to this industry, provide interpretive and other guidance to advisers, and assist with related enforcement matters. (In addition, the budget envisions using approximately 35 of the 100 additional examinations staff positions to conduct compliance exams of hedge fund advisers and others who would be required to register if the President's proposal should become law.)

Another major priority for Investment Management is oversight of money market funds, which hold approximately \$3 trillion in assets, including about one-fifth of U.S. households' cash balances. In the fall of 2008, as liquidity concerns and vulnerabilities in several funds were exposed, the systemic risk implications of this market quickly became clear when investors withdrew \$300 billion, or nearly 15 percent of all assets, during a single week. The SEC has adopted new rules to strengthen the operations of money market funds, including requirement for monthly disclosure of portfolio holdings, which will, in turn, necessitate additional monitoring and oversight by SEC staff. Another priority for Investment Management includes more oversight and strengthened rules relating to investment advisers' custody of client assets to prevent theft and guard against Ponzi schemes and similar frauds.

The Division of Trading and Markets is responsible for establishing rules that regulate the major securities market participants, including broker-dealers, SROs, NRSROs, and transfer agents. The division also processes and reviews more than 1,000 SRO rules annually. For FY 2011, the agency plans to have a total of 279 positions (or 230 FTE) for Trading and Markets, an increase of 40 positions (associated with 12 FTE) above FY 2010. These additional resources will provide more robust oversight in several areas where the recent financial crisis has identified the need for improved regulation.

The new positions within Trading and Markets will be focused on improving supervision of securities firms and markets. The new staff will facilitate new rulemaking and guidance with respect to the fairness and efficiency of market structure, abusive short selling, modernization of transfer agent regulation, and improved disclosure in the municipal securities market. The FY 2011 budget also anticipates the enactment of the Administration's legislation to harmonize the regulatory framework for broker-dealers and investment advisers, which will require new regulations and oversight of broker sales practices, disclosure obligations, and conflicts of interest. The division also anticipates that an additional four to eight securities exchanges will register with the SEC over the next 24 months, and this significantly increased workload is taken into account as part of the FY 2011 budget.

Another priority for the division, which is being executed in collaboration with the Commodity Futures Trading Commission and other members of the President's Working Group on Financial Markets, is to provide more oversight of over-the-counter derivatives, including through central clearing counterparties. These responsibilities will become even more significant if the Congress enacts the Administration's proposal to grant the SEC authority to regulate securities-based over-the-counter derivatives.

The Division of Corporation Finance is responsible for overseeing corporate disclosure of important information to the investing public. In carrying out these responsibilities, the division annually reviews more than 4,500 corporate filings. For FY 2011, the agency plans to have a total of 544 positions (or 496 FTE) for Corporation Finance, an increase of 30 positions (associated with 9 FTE). These additional resources will be used to continue restoring the staffing reductions that the division has absorbed in recent years, and to expand oversight in several key areas. The enhanced scope and frequency of the division's reviews of large and financially significant companies will require the addition of 25 new positions (9 FTE) in FY 2011 to adequately maintain the division's review presence without compromising the quality and frequency of filing reviews for small and mid-sized companies.

An important priority is executive compensation and proxy voting. The market crisis shook not only investor confidence in the financial system, but also shareholder trust in the executives and

management at major financial institutions and other public companies. Ensuring the accountability of management to boards of directors, and in turn to shareholders, is vital to restoring that trust. Corporation Finance's rules and oversight play a vital role in ensuring the fairness of the proxy voting process by which shareholders hold boards accountable. The SEC has adopted rules to require new disclosures in the proxy statement with respect to executive compensation and risk management, as a direct response to the financial crisis. In addition, the SEC has proposed a major rulemaking to facilitate shareholders' access to the corporate proxy for the purpose of nominating directors, as a way of holding boards accountable for their oversight of company management. Both of these new rulemakings will require significant new oversight by the division, and the agency's budget anticipates and accounts for these expanded responsibilities.

### **Spending Wisely by Setting Priorities Based on Risk**

The SEC recently established a new Division of Risk, Strategy and Financial Innovation to better equip the SEC to identify and address emerging risks and long-term issues of critical importance. For FY 2011, the agency will allocate 102 positions (or 68 FTE) to support the work of this new division, an increase of 30 positions (associated with 9 FTE) over FY 2010. The new division was created by merging the staff and operations of the agency's former Offices of Risk Assessment and Economic Analysis. To successfully carry out its mission of integrating considerations pertaining to risk into all aspects of agency decision-making, the division will require additional staff with different skill sets to perform new functions relating to long-term planning, research, and analysis.

The new staff positions contained in the agency's budget request will allow Risk, Strategy and Financial Innovation to establish a deeper reservoir of experts who can conduct risk and economic analysis, spot emerging trends and practices, and advise on appropriate responses to reduce the likelihood that a problem might metastasize into a more potent or systemic risk. The agency anticipates hiring professionals with significant knowledge and expertise in financial markets and products expertise, including economists, academics, lawyers, and financial market professionals, consistent with a recommendation proposed by the GAO in its March 2009 report. In addition, the SEC plans a major initiative to develop new risk assessment tools, in an effort over time to restructure and combine the agency's current repositories of data to uncover hidden risks and trends and give SEC staff a better picture of a firm's operations. While the SEC cannot prevent every fraud, the Division of Risk, Strategy and Financial Innovation will help the agency to be smarter in utilizing resources to have the greatest impact.

### **Managing Agency Growth**

Although the budget calls for significant growth in the size of the SEC, the agency is properly positioned to implement this spending plan. With respect to hiring, the agency would hire hundreds of new staff during the course of FY 2011. To accomplish this, the SEC is streamlining its hiring process in FY 2010, consistent with its current authorities, and enhancing its human resources staff. In addition, the agency expects to benefit from the significant interest it has been experiencing in response to its job postings of the last several months. With these factors aiding the SEC's hiring efforts, the SEC estimates that the 380 additional staff positions in FY 2011 would utilize an estimated 119 full-time equivalents.

This agency budget also includes the necessary space rent, information technology, and other non-compensation expenses necessary to outfit the new staff positions requested for FY 2011. The SEC has already begun identifying, leasing, and building out additional space needed to accommodate the agency's growth in FY 2010. This request also contemplates an appropriate expansion of the

agency's executive leadership and administrative support functions to ensure that the agency continues to manage its resources wisely and efficiently during this period.

A healthy and strong SEC is critically important to healthy and strong capital markets. By restoring investor confidence in the securities markets, the SEC's success in its mission can provide significant benefits to the economy and to the nation as a whole.



## FTE and Positions by Program

	FY 2009 Actual		FY 2010 Enacted		FY 2011 Request	
	FTE	Positions	FTE	Positions	FTE	Positions
<b>Enforcement</b>						
Headquarters	431	469	460	534	515	567
Regions	<u>748</u>	<u>789</u>	<u>777</u>	<u>874</u>	<u>853</u>	<u>911</u>
Total	1,179	1,258	1,237	1,408	1,368	1,478
<b>Compliance Inspections and Examinations</b>						
Headquarters	144	160	146	167	152	172
Regions	<u>676</u>	<u>712</u>	<u>694</u>	<u>766</u>	<u>760</u>	<u>861</u>
Total	820	872	840	933	912	1,033
<b>Corporation Finance</b>	464	489	470	514	496	544
<b>Trading and Markets</b>	177	209	197	239	230	279
<b>Investment Management</b>	154	162	160	174	174	194
<b>Risk, Strategy and Financial Innovation</b>	35	56	49	72	68	102
<b>General Counsel</b>						
Headquarters	121	138	125	148	133	153
Regions	<u>11</u>	<u>11</u>	<u>11</u>	<u>11</u>	<u>11</u>	<u>11</u>
Total	132	149	136	159	144	164
<b>Other Program Offices</b>						
Chief Accountant	58	72	60	77	64	82
Investor Education and Advocacy	67	75	72	81	79	91
International Affairs	32	33	35	37	40	42
Administrative Law Judges	<u>11</u>	<u>12</u>	<u>11</u>	<u>12</u>	<u>11</u>	<u>13</u>
Total	168	192	178	207	194	228
<b>Agency Direction and Administrative Support</b>						
Executive Staff	37	38	39	40	41	45
Public Affairs	8	9	9	10	11	12
Secretary	42	46	42	46	43	49
Executive Director	11	11	11	11	13	17
Financial Management	56	67	60	78	70	88
Human Resources	61	68	66	84	79	99
Administrative Services	91	97	90	106	98	113
Information Technology	126	139	133	156	150	171
Equal Employment Opportunity	<u>8</u>	<u>10</u>	<u>8</u>	<u>10</u>	<u>8</u>	<u>11</u>
Total	440	485	458	541	513	605
<b>Inspector General</b>	15	16	19	19	19	19
<b>Total FTE and Positions</b>	<u>3,656</u>	<u>3,962</u>	<u>3,816</u>	<u>4,340</u>	<u>4,190</u>	<u>4,720</u>
Headquarters Total Permanent	2,149	2,376	2,262	2,615	2,494	2,863
Regional Office Total Permanent	1,435	1,512	1,482	1,651	1,624	1,783
Temporary	72	74	72	74	72	74

## Obligations by Object Class

(\$ in thousands)

	FY 2009 Actual *	FY 2010 Enacted *	FY 2011 Request
<b>Personnel Compensation &amp; Benefits</b>			
<u>Total Personnel Compensation (11.9)</u>	\$517,434	\$581,925	\$647,827
Full-time Permanent (11.1)	507,894	561,761	637,126
Other than Full-time Permanent (11.3)	2,950	3,744	3,883
Other Personnel Compensation (11.5)	6,590	16,420	6,818
Civilian Personnel Benefits (12.1)	141,519	155,404	175,347
<b>Subtotal Cost of Salaries</b>	<b>\$658,953</b>	<b>\$737,329</b>	<b>\$823,174</b>
<b>Other Expenses</b>			
Benefits for Former Personnel (13.0)	479	2,247	73
Travel and Transportation of Persons (21.0)	11,574	14,840	16,716
Transportation of Things (22.0)	110	114	115
<u>Rent, Communications &amp; Utilities (23.0)</u>	<u>108,102</u>	<u>100,301</u>	<u>129,593</u>
Rental Payments to Others (23.2)	96,637	88,379	116,628
Comm., Utilities, and Misc. Charges (23.3)	11,465	11,922	12,965
Printing and Reproduction (24.0)	8,127	9,650	9,884
<u>Other Contractual Services (25.0)</u>	<u>146,352</u>	<u>182,916</u>	<u>203,035</u>
Advisory and Assistance Services (25.1)	26,991	31,077	32,345
Other Services (25.2)	34,893	48,533	54,237
Purchase of Goods & Services from Government Accounts (25.3)	4,568	9,825	9,932
Operation & Maintenance of Facilities (25.4)	6,500	9,730	9,837
Operation & Maintenance of Equipment (25.7)	73,400	83,751	96,684
Supplies and Materials (26.0)	2,267	3,079	3,303
Equipment (31.0)	20,602	55,473	59,161
Building Alterations (32.0)	2,367	12,805	12,946
Claims and Indemnities (42.0)	1,256	0	0
<b>Subtotal Cost of Other Expenses</b>	<b>\$301,236</b>	<b>\$381,425</b>	<b>\$434,826</b>
<b>Spending Authority</b>	<b>\$960,189</b>	<b>\$1,118,754</b>	<b>\$1,258,000</b>

\* FY 2009 includes \$2,247 and FY 2010 includes \$7,753 from the \$10,000 supplemental appropriation the SEC received in July 2009 (P.L. 111-32).

## Average Salary and Grade <sup>1/</sup>

	FY 2009 Actual	FY 2010 Enacted	FY 2011 Request
Average SO Salary	\$228,498	\$233,068	\$236,331
Average SK Salary	\$139,952	\$142,751	\$147,644
Average SK Grade	13	13	13

<sup>1/</sup> Average salary as of the last day of the fiscal year.

## FY 2011 Request by Strategic Goal and Program

(\$ in thousands)

SEC Program			FY 2011 Request					Change over FY 2009 Actual *		Change over FY 2010 Enacted *	
			Goal 1 Enforce Securities Laws	Goal 2 Effective Regulatory Environ.	Goal 3 Facilitate Access To Info.	Goal 4 Align & Manage Resources	FY 2011 Request	\$	%	\$	%
			FY 2009 Actual *	FY 2010 Enacted *							
<b>FY 2009 Actual *</b>			<b>\$600,349</b>	<b>\$89,789</b>	<b>\$164,555</b>	<b>\$105,496</b>					
<b>FY 2010 Enacted *</b>			<b>\$688,029</b>	<b>\$107,024</b>	<b>\$191,614</b>	<b>\$132,087</b>					
<u>Enforcement</u>	<u>\$324,352</u>	<u>\$382,246</u>	<u>\$429,499</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$429,499</u>	<u>\$105,147</u>	<u>32</u>	<u>\$47,253</u>	<u>12</u>
Headquarters	135,142	177,668	198,112	0	0	0	198,112	62,970	47	20,444	12
Regions	189,210	204,578	231,387	0	0	0	231,387	42,177	22	26,809	13
<u>Compliance Inspections and Examinations</u>	<u>207,601</u>	<u>230,096</u>	<u>256,995</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>256,995</u>	<u>49,394</u>	<u>24</u>	<u>26,899</u>	<u>12</u>
Headquarters	37,085	47,132	50,120	0	0	0	50,120	13,035	35	2,988	6
Regions	170,516	182,964	206,875	0	0	0	206,875	36,359	21	23,911	13
Corporation Finance	120,638	138,468	3,012	19,578	128,013	0	150,603	29,965	25	12,135	9
Trading and Markets	45,370	54,337	11,231	35,675	19,159	0	66,065	20,695	46	11,728	22
Investment Management Risk, Strategy, and Financial Innovation	47,581	54,656	13,556	28,960	19,100	0	61,616	14,035	29	6,960	13
Headquarters	13,850	18,827	8,166	13,172	2,898	2,107	26,343	12,493	90	7,516	40
<u>General Counsel</u>	<u>36,074</u>	<u>41,470</u>	<u>28,231</u>	<u>7,170</u>	<u>1,792</u>	<u>7,619</u>	<u>44,812</u>	<u>8,738</u>	<u>24</u>	<u>3,342</u>	<u>8</u>
Headquarters	33,327	38,551	26,341	6,690	1,672	7,109	41,812	8,485	25	3,261	8
Regions	2,747	2,919	1,890	480	120	510	3,000	253	9	81	3
Other Program Offices	42,457	50,001	19,106	13,898	20,278	2,712	55,994	13,537	32	5,993	12
Agency Direction and Administrative Support	117,558	142,600	5,753	5,658	17,297	131,115	159,823	42,265	36	17,223	12
Inspector General	4,708	6,053	0	0	0	6,250	6,250	1,542	33	197	3
<b>Total SEC Funding</b>	<b>\$960,189</b>	<b>\$1,118,754</b>	<b>\$775,549</b>	<b>\$124,111</b>	<b>\$208,537</b>	<b>\$149,803</b>	<b>\$1,258,000</b>	<b>\$297,811</b>	<b>31%</b>	<b>\$139,246</b>	<b>12%</b>
Percent Increase over Prior Year			13%	16%	9%	13%					

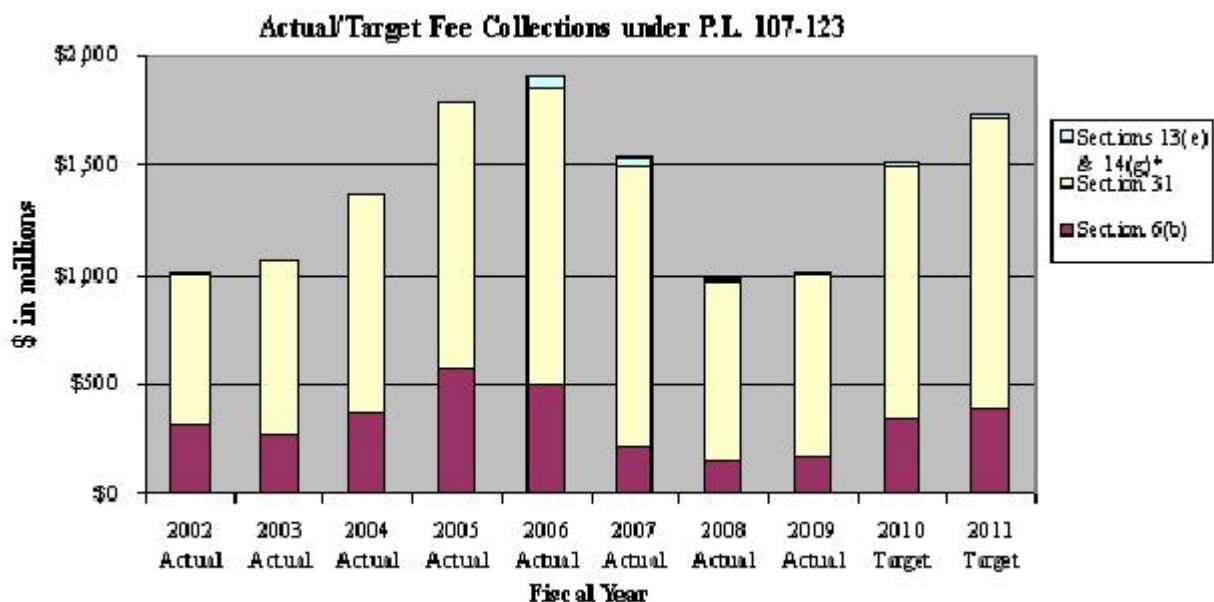
\* FY 2009 includes \$2,247 and FY 2010 includes \$7,753 from the \$10,000 supplemental appropriation the SEC received in July 2009 (P.L. 111-32).

## Summary of Changes

(\$ in thousands)

	<b>FY 2010 <u>Actual</u></b>	<b>FY 2011 <u>Request</u></b>	<b>Net <u>Change</u></b>
Spending Authority	\$1,118,754	\$1,258,000	+\$139,246
Full-time Equivalents	3,816	4,190	+374
Positions	4,340	4,720	+380
<hr/>			
<b>Explanation of Changes:</b>	<b><u>Positions</u></b>	<b><u>FTE</u></b>	<b><u>Amount</u></b>
<b>One-time Decreases to Base</b>			
Settlement of within-grade increases	---	---	-\$10,000
Voluntary Separation Incentive Pay	---	---	-2,175
<b>Subtotal, One-time Decreases</b>	---	---	<b>-12,175</b>
<hr/>			
<b>FY 2011 Base Changes</b>			
Annualization of 378 positions received in FY 2010	---	+255	+46,798
Annualization of FY 2010 2.0 % pay raise	---	---	+5,042
FY 2011 pay raise, 1.4% effective first full pay period in January 2011	---	---	+8,067
Merit pay increases for eligible staff	---	---	+15,745
Increases in space rent and utilities	---	---	+3,571
Other non-compensation inflation of 1.1%	---	---	+3,232
<b>Subtotal, Base Changes</b>	---	<b>+255</b>	<b>+82,455</b>
<hr/>			
<b>FY 2011 Program Increases</b>			
Information Technology Enhancements	---	---	+12,000
Training Increases	---	---	+2,000
Staffing Increases:			+54,966
Enforcement	+70	+26	---
Compliance Inspections & Examinations	+100	+30	---
Corporation Finance	+30	+9	---
Trading and Markets	+40	+12	---
Investment Management	+20	+6	---
Risk, Strategy and Financial Innovation	+30	+9	---
General Counsel	+5	+1	---
Other Program Offices	+21	+6	---
Agency Direction & Admin. Support	+64	+20	---
<b>Subtotal, Program Increases</b>	<b>+380</b>	<b>+119</b>	<b>+68,966</b>
<hr/>			
<b>Total Change</b>	<b>+380</b>	<b>+374</b>	<b>+\$139,246</b>

## Fee Collections and Spending Authority



\* Fees collected under Sections 13(e) and 14(g) do not have collection targets specified in statute. Rather, the rates for these fees must equal the rates assessed under Section 6(b).

	FY 2009 <u>Actual</u>	FY 2010** <u>Estimate</u>	FY 2011** <u>Estimate</u>
<b>Source of Fees</b> (\$ in thousands)			
Registration of securities: Securities Act of 1933 (Section 6(b))	\$173,522	\$334,000	\$394,000
Securities transactions under the Securities Exchange Act of 1934 (Section 31)	834,938	1,161,000	1,321,000
Merger and Tender Fees under the Securities Exchange Act of 1934 (Sections 13(e) and 14(g))	<u>7,997</u>	<u>25,000</u>	<u>25,000</u>
<b>Total Collections</b>	<u>\$1,016,457</u>	<u>\$1,520,000</u>	<u>\$1,740,000</u>

\*\* FY 2010 and FY 2011 estimates are based on target fee collections under P.L. 107-123 and are not based on expectations relative to economic and market conditions.

	FY 2009 <u>Actual</u>	FY 2010 <u>Enacted</u>	FY 2011 <u>Request</u>
<b>Spending Authority</b> (\$ in thousands)			
Current Year Appropriated Offsetting Collections	\$894,356	\$1,094,916	\$1,258,000
Current Year Direct Appropriation***	10,000	0	0
Available Balances from Prior Years	<u>65,644</u>	<u>16,084</u>	<u>0</u>
<b>Total Authority</b>	<u>\$970,000</u>	<u>\$1,111,000</u>	<u>\$1,258,000</u>

\*\*\* Funding for this appropriation came from the two-year emergency supplemental appropriation and not from offsetting collections.

## Appropriations Language

For necessary expenses for the Securities and Exchange Commission, including services as authorized by 5 U.S.C. 3109, the rental of space (to include multiple year leases) in the District of Columbia and elsewhere, and not to exceed \$3,500 for official reception and representation expenses, \$1,234,000,000, to remain available until expended; of which not less than \$4,800,000 shall be for the Office of Inspector General; of which not to exceed \$20,000 may be used toward funding a permanent secretariat for the International Organization of Securities Commissions; and of which not to exceed \$100,000 shall be available for expenses for consultations and meetings hosted by the Commission with foreign governmental and other regulatory officials, members of their delegations, appropriate representatives and staff to exchange views concerning developments relating to securities matters, development and implementation of cooperation agreements concerning securities matters and provision of technical assistance for the development of foreign securities markets, such expenses to include necessary logistic and administrative expenses and the expenses of Commission staff and foreign invitees in attendance at such consultations and meetings including: (1) such incidental expenses as meals taken in the course of such attendance; (2) any travel and transportation to or from such meetings; and (3) any other related lodging or subsistence: *Provided*, That fees and charges authorized by sections 6(b) of the Securities Act of 1933 (15 U.S.C. 77f(b)), and 13(e), 14(g) and 31 of the Securities Exchange Act of 1934 (15 U.S.C. 78m(e), 78n(g), and 78ee), shall be credited to this account as offsetting collections: *Provided further*, That not to exceed \$1,234,000,000 of such offsetting collections shall be available until expended for necessary expenses of this account: *Provided further*, That the total amount appropriated under this heading from the general fund for fiscal year 2011 shall be reduced as such offsetting fees are received so as to result in a final total fiscal year 2011 appropriation from the general fund estimated at not more than \$0.

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Contingent upon the enactment of authorizing legislation of new or enhanced financial regulation activities of the Securities and Exchange Commission, \$24,000,000, to remain available until September 30, 2012: *Provided*, That of the amounts credited to this account as offsetting collections, not to exceed \$24,000,000 shall be available until expended for necessary expenses: *Provided further*, That the total amount appropriated under this heading from the general fund for fiscal year 2011 shall be reduced as such offsetting collections are received so as to result in a final total fiscal year 2011 appropriations from the general fund estimated at not more than \$0.

## FY 2011 Request by Strategic Goal

The Securities and Exchange Commission developed its fourth strategic plan in accordance with the Government Performance and Results Act of 1993. During FY 2009, managers and staff from across the SEC worked to prepare a new strategic plan covering FY 2010 - 2015. The plan which is currently still in draft form but will be finalized in the coming months, sets out the Commission's mission, vision, values, and strategic goals for FY 2010 - FY 2015. To gauge the SEC's progress in accomplishing its mission, the proposed strategic plan has 48 performance measures and 15 indicators, of which a majority are new.

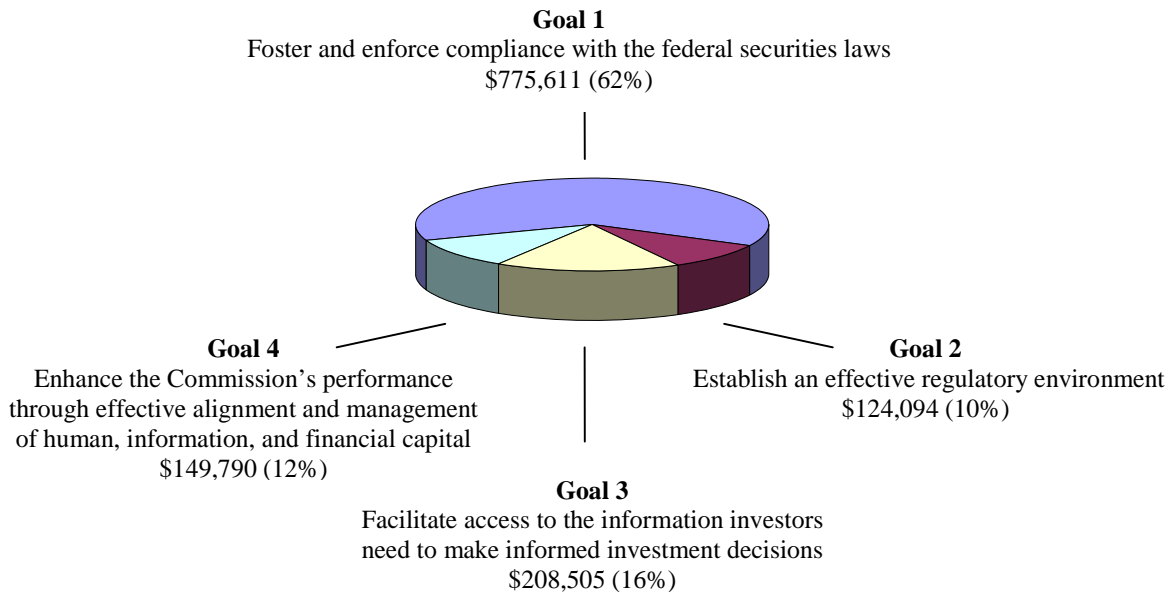
The number and complexity of registrants and the total assets for which the SEC has oversight responsibility have increased significantly in recent years. The events of the past several years have shown gaps in regulation of the U.S. financial markets and have brought to light the consequences of an understaffed SEC. The SEC is working to issue new rules, as appropriate, and preparing for new legislation that will reform the regulatory structure of the United States. The agency also is refocusing its efforts on deterring and detecting fraud and reengineering its internal processes to work more efficiently and effectively.

The SEC's FY 2011 budget request positions the agency to begin to better accomplish these goals. The budget request for FY 2011 totals \$1.258 billion, a \$139 million (12 percent) increase over the agency's FY 2010 funding level of \$1.119 billion. The FY 2011 budget funds 4,118 permanent full-time equivalents (FTE), an increase of 374 FTE (10 percent) from the FY 2010 level and increases the number of permanent positions from 4,266 in FY 2010 to 4,646 in FY 2011. Chart 1 depicts how the agency plans to allocate its resources in FY 2011 to achieve the goals identified in the agency's FY 2010 - 2015 strategic plan.

**Chart 1**

### **FY 2011 Request by Strategic Goal**

(\$ in thousands)



The additional resources for FY 2011 will bolster the SEC's efforts to achieve each of the four strategic goals. Resources directly supporting enforcement of the securities laws will increase about 13 percent from FY 2010 to FY 2011. Rulemaking efforts to establish an effective regulatory environment will receive a 16 percent increase in resources compared to FY 2010. Disclosure review and investor education and advocacy activities to promote informed decision making by investors will receive an estimated nine percent increase.

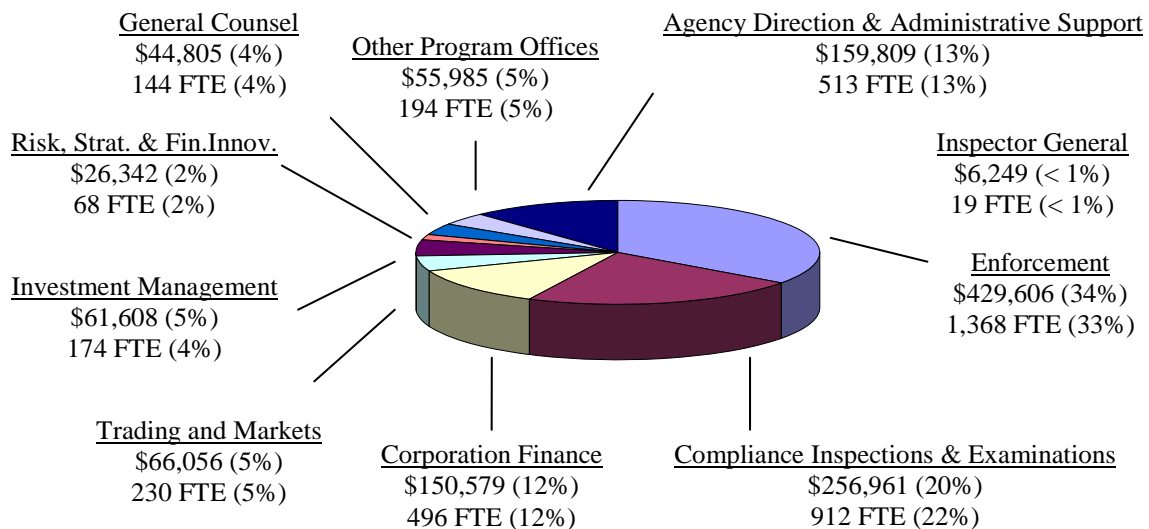
The agency is mindful that significantly increasing staffing in the mission-program areas requires a commensurate increase in staff and funding for support offices. The resources attributed to agency direction and administrative support will account for approximately 12 percent of the total budget for FY 2011 and will increase about 13 percent compared to FY 2010, due in large part to substantial investments in information technology (IT) and staff training. The FY 2011 budget request includes a program increase of \$12 million for IT investments and \$2 million for training to better leverage the work of the agency's staff. The additional IT resources will enhance the data management, integration, document management, disclosure, and infrastructure support functions, and strengthen the agency's internal controls over financial reporting. The additional training resources will address the needs of existing and new staff, particularly concerning detection of fraud, new financial products, trading strategies and other issues.

The SEC's programs work together to achieve the four strategic goals. Chart 2 specifies how the agency plans to allocate its resources to the programs in FY 2011.

**Chart 2**

**FY 2011 Request by SEC Program**

(\$ in thousands)



The following chapters comprise the agency's performance budget for FY 2011, which explains how the SEC plans to use the requested resources to achieve each of its four strategic goals. The performance budget presents the performance measures and indicators that the agency will use going



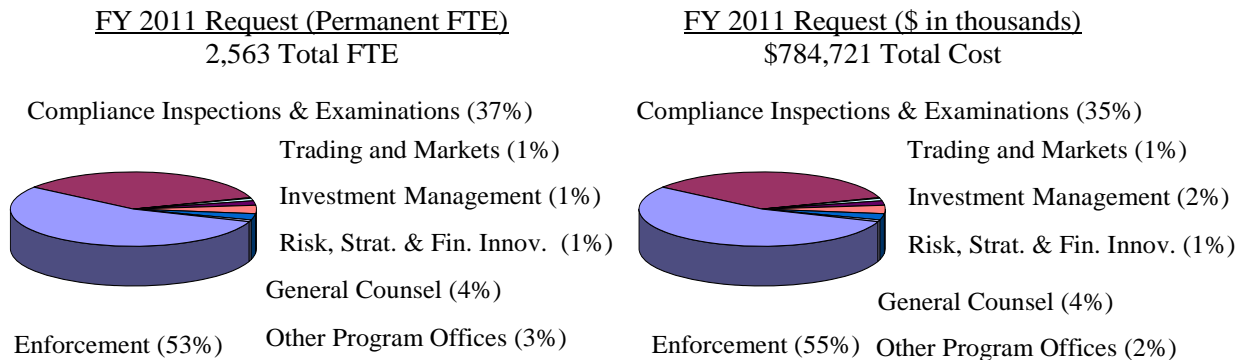
forward to help determine its success in achieving planned outcomes. In FY 2010, the agency will begin collecting the information necessary to determine baseline levels for the 17 performance measures with targets yet to be determined.

To complement the FY 2011 performance budget, the agency also presents its FY 2011 budget by program. Each program chapter provides detailed information on program priorities, initiatives, and workload figures for the relevant divisions and offices.

## Goal 1: Foster and Enforce Compliance with the Federal Securities Laws

Fostering compliance with Federal securities laws is interwoven through all of the Commission's programs and is central to fulfilling its mission of protecting investors; maintaining fair, orderly and efficient markets; and facilitating capital formation. The SEC seeks both to foster strong compliance and risk management practices and to detect violations of the securities laws. When violations occur, the Commission aims to take prompt action to halt the misconduct, sanction wrongdoers effectively, and return funds to harmed investors.

**Chart 3**



### **Outcome 1.1: The SEC fosters compliance with federal securities laws.**

**Compliance Efforts:** Preventing future violations of the federal securities laws is extremely important to protecting investors and enhancing market integrity. The SEC seeks to promote compliance with the securities laws by everyone who participates in the U.S. capital markets. The Commission's goal is to encourage individuals, regulated entities, and reporting companies to do all that they reasonably can to identify possible compliance pitfalls and take corrective action before there is a complaint filed, a deficiency identified by an SEC examiner, or an enforcement action.

In FY 2010 and FY 2011, the Office of Compliance Inspections and Examinations (OCIE) and other SEC staff will conduct targeted, sweep, and cause examinations on those firms and practices with the greatest potential risk of securities violations that can harm investors. The staff's goal is to identify and communicate potential issues to firms within 120 days of the completion of field work for non-sweep examinations to ensure that compliance problems and issues are addressed and corrected quickly. An increase in examination staff in FY 2011 is expected to result in more exams being conducted, and will assist the office in improving its completion rate within 120 days over FY 2009 levels. However, the anticipated increase in the numbers of registrants, as well as the types and complexities of registrants examined, may not result in the program achieving performance levels above 75 percent (Measure 3).

To further promote compliance with federal securities laws, OCIE works with registrants to ensure that corrective action is taken in response to deficiencies identified during an exam. During FY 2011, the staff expects registrants to continue taking action with respect to nearly all deficiencies identified by the staff (Measure 1).

OCIE will also continue efforts aimed at encouraging stronger industry compliance programs. These efforts include OCIE's *CCOutreach* program, which provides information and resources for the chief compliance officers (CCO) of investment advisory and broker-dealer firms; a disclosure review

program; Compliance Alerts; periodic examinations, inspections, and sweeps; advocacy and outreach events often coordinated with local law enforcement organizations and regulators; a strong enforcement program; and other means.

OCIE will continue its efforts to proactively assist registered firms in compliance efforts through a variety of compliance-related initiatives including disseminating more expansive and targeted materials to firms by means of Compliance Alerts detailing areas where examiners have identified significant compliance deficiencies; disseminating best practices identified by examiners or industry groups; and raising registrant awareness of the seriousness of certain exam findings by holding post-examination compliance conferences.

During FY 2010 and FY 2011, the staff expects to continue devoting a significant amount of time to the CCO outreach program in order to make it as relevant and beneficial as possible for registered entities. The staff will make every effort to ensure that these programs reach as many registrants and their personnel as possible and that it continues to be useful in helping registered firms with their compliance efforts (Measure 2).

<b>Goal 1: Measure 1</b>							
<b>Percentage of firms receiving deficiency letters that take corrective action in response to all exam findings</b>							
<b>Description:</b> At the conclusion of examinations, the staff communicates identified deficiencies to registrants in the form of a deficiency letter. Registrants are then given a chance to respond to staff findings and often take action to remedy any problems and potential risks. Most often, registrants respond that they have corrected the deficiencies and implemented measures to prevent recurrence.							
Fiscal Year	FY 2006	FY 2007	FY 2008	FY 2009 Plan	FY 2009 Actual	FY 2010	FY 2011
Percentage	95%	94%	93%	95%	94%	95%	95%

<b>Goal 1: Measure 2</b>							
<b>Percentage of attendees at CCO outreach that rated the program as “Useful” or “Extremely Useful” in their compliance efforts</b>							
<b>Description:</b> The CCO outreach program is designed to educate, inform, and alert CCOs of pertinent information, including about effective compliance controls, that may assist them in administering compliance programs within registered firms. Improving compliance programs will reduce violative activity, resulting in increased protection for investors. At the conclusion of all CCO outreach events, CCOs are given the opportunity to rate the usefulness of the information provided in assisting them in their compliance efforts.							
Fiscal Year	FY 2006	FY 2007	FY 2008	FY 2009 Plan	FY 2009 Actual	FY 2010	FY 2011
Percentage	95%	97%	92%	90%	84%	92%	92%

<b>Goal 1: Measure 3</b>							
<b>Percentage of non-sweep exams that are concluded within 120 days</b>							
<b>Description:</b> The staff conducts examinations each year of investment advisers, investment company complexes, transfer agents, and broker-dealers. The staff strives to complete its examinations in the most efficient and effective manner. When possible, the staff attempts to conclude its examinations within 120 days of the end of any field work completed. However, some examinations require significantly more time so that potential violations are fully reviewed. To ensure that time pressure does not impair quality, the target for this benchmark should not be set too high.							
Fiscal Year	FY 2006	FY 2007	FY 2008	FY 2009 Plan	FY 2009 Actual	FY 2010	FY 2011
Percentage	83%	79%	79%	80%	65%	75%	75%

**Outcome 1.2: The SEC promptly detects violations of the federal securities laws.**

Examination Program: Prompt detection of potential securities law violations is important in correcting violative behavior in the financial markets before it escalates, stopping fraud and manipulation before it affects a large number of investors, and locating and preserving investors' assets before they are dissipated. OCIE's risk-based program is designed to focus the SEC's resources on those firms and practices that have the greatest potential risk of securities law violations that can harm investors. The SEC will track the volume of exams resulting from its multi-divisional risk-targeting efforts and will monitor the rate of deficiencies deemed "significant" that are identified during an examination (Indicator 1).

In FY 2011, increases in the number of examination staff will allow OCIE to complete an increased number of exams over FY 2010 levels; however, because of the expected growth in the number of investment advisers and investment companies, the overall percentage of advisers and funds examined by the SEC is expected to be lower in FY 2010 and FY 2011 than in prior years (Measure 6).

The SEC receives a high volume of tips and complaints each year, as well as referrals from SROs, that staff analyze to determine matters requiring investigation. The SEC is working to centralize the process for receiving, processing, and acting upon tips, complaints and referrals so they can be handled consistently and appropriately. The agency will monitor its efforts to improve its systems and processes by gauging the number of cause examinations or enforcement investigations that result from complaints, tips, or referrals (Indicator 2).

<b>Goal 1: Measure 4 (new)</b>							
<b>Percentage of exams conducted as a result of risk assessment processes that include multi-divisional input</b>							
<b>Description:</b> As SEC staff expands its use of risk-based methods and has more data available for risk analysis, staff anticipates that the percentage volume of exams driven by a more robust risk assessment process will increase. The agency must further refine its processes for collecting this information before establishing targets.							
Fiscal Year	FY 2006	FY 2007	FY 2008	FY 2009 Plan	FY 2009 Actual	FY 2010	FY 2011
Investment Advisers	Prior-year data not available					TBD	TBD

<b>Goal 1: Measure 5</b>							
<b>Percentage of advisers deemed “high risk” examined during the year</b>							
<b>Description:</b> To conduct oversight of investment advisers, the staff conducts a risk-based program of examinations. During each fiscal year, certain advisers are identified as high risk and inspection plans then focus on coverage of those registrants.							
Fiscal Year	FY 2006	FY 2007	FY 2008	FY 2009 Plan	FY 2009 Actual	FY 2010	FY 2011
Percentage	33%	33%	33%	33%	22%	33%	33%

<b>Goal 1: Measure 6</b>							
<b>Percentage of investment advisers, investment companies, and broker-dealers examined during the year</b>							
<b>Description:</b> This measure indicates the number of registrants examined by the SEC or a SRO as a percentage of the total number of registrants. This measure includes all types of examinations: routine examinations, cause inspections to follow up on tips and complaints, limited-scope special inspections to probe emerging risk areas, and oversight examinations of broker-dealers to test compliance and the quality of examinations by the Financial Industry Regulatory Authority (FINRA).							
Fiscal Year	FY 2006	FY 2007	FY 2008	FY 2009 Plan	FY 2009 Actual	FY 2010	FY 2011
Investment advisers	14%	13%	14%	9%	10%	9%	9%
Investment companies	27%	20%	23%	15%	29%	15%	17%
Broker-Dealers (exams by SEC and SROs)	49%	54%	57%	55%	54%	55%	55%

<b>Goal 1: Indicator 1 (new)</b>				
<b>Percentage of exams that identify deficiencies, and the percentage that result in a “significant finding”</b>				
<b>Description:</b> Examiners find a wide range of deficiencies during examinations. Some of the deficiencies are more technical in nature, such as failing to include all information that is required to be in a record. However, other deficiencies may cause harm to customers or clients of a firm, have a high potential to cause harm, or reflect recidivist misconduct. The latter deficiencies are among those categorized as “significant.” This measure identifies the percentage of exams by registrant category that identified deficiencies, and that resulted in significant deficiency findings. The SEC will report data for new indicators no earlier than FY 2010.				
Fiscal Year	FY 2006	FY 2007	FY 2008	FY 2009
Percentage that identify deficiencies	Prior-year data not available			
Percentage that result in a “significant finding”	Prior-year data not available			

<b>Goal 1: Indicator 2 (new)</b>				
<b>Number of tips that result in a “cause” exam or enforcement investigation</b>				
<b>Description:</b> Analysis of a tip can result in an action plan being established to support the request for a cause exam or an enforcement action. This measure would identify the volume of SEC actions that result from tips collected through its outreach efforts. The SEC will report data for new indicators no earlier than FY 2010.				
Fiscal Year	FY 2006	FY 2007	FY 2008	FY 2009
Number of tips	Prior-year data not available			

**Outcome 1.3: The SEC prosecutes violations of federal securities laws and holds violators accountable.**

Enforcement Program: Enforcement staff continually strives to balance the need for complete, effective, and fair investigations with the need for timely filing of enforcement actions against individuals and companies who violate securities laws. The division also moves to close an investigation quickly upon determining that no violations occurred. The agency anticipates that the percentage of first enforcement cases filed within two years of opening an investigation or inquiry will remain at about 60 percent, the same as in FY 2010 (Measure 8). This percentage is dependent on the types of cases brought, as well as the time needed for other priorities such as litigating actions already filed. The SEC also will monitor the number of investigations referred to other regulators and enforcement agencies (Indicator 3).

The staff also strives to resolve successfully as many cases as possible and expects to maintain the percentage successfully resolved in FY 2011 at 90 percent (Measure 7). A continued high success ratio depends on numerous factors, including the complexity of cases and the extent to which parties contest actions. While achieving this strong track record, the staff will continue to pursue cases that are large, difficult, or precedent-setting and that can achieve a deterrent effect. The agency will monitor the percentage of its cases deemed “high impact” and also the criminal proceedings related to SEC investigations (Indicators 5 and 6).

Under the Sarbanes-Oxley Act of 2002, the SEC can use Fair Funds to redirect penalties collected from securities law violators to the victims of their wrongdoing (Indicator 7). The SEC is committed to the timely collection and distribution of penalties and disgorgement monies and is directing additional staffing resources to improving its efficiency in this area including adopting a variety of new measures for monitoring its progress. In FY 2011, the SEC will seek to obtain payment or institute collection activities within six months of the due date of a debt for at least 90 percent of debts (Measure 9). The agency also will gauge its timeliness in distributing funds to injured investors by monitoring the volume of first payments within 12 months of the approval date of a plan (Measure 11), and the percentage of final distributions made within 24 months of appointing a fund administrator (Measure 10).

<b>Goal 1: Measure 7</b>							
<b>Percentage of enforcement cases successfully resolved</b>							
<b>Description:</b> A case is considered “successfully resolved” if it results in a favorable outcome for the SEC, including through litigation, a settlement, or the issuance of a default judgment. In general, the SEC strives to successfully resolve as many cases as possible but, at the same time, aims to file large, difficult, or precedent-setting cases when appropriate, even if success is not assured. This measure does not include any cases in which the SEC awaits a final outcome. The measure is calculated on a per-defendant basis. Large cases may involve several defendants.							
Fiscal Year	FY 2006	FY 2007	FY 2008	FY 2009 Plan	FY 2009 Actual	FY 2010	FY 2011
Percentage	94%	92%	92%	90%	92%	90%	90%

<b>Goal 1: Measure 8</b>							
<b>Percentage of first enforcement cases filed within two years</b>							
<b>Description:</b> This measure identifies the percentage of first enforcement actions filed within two years of opening an investigation or inquiry. In conducting investigations, the enforcement program continually strives to balance the need for complete, effective, and fair investigations with the need to file enforcement actions in as timely a manner as possible.							
Fiscal Year	FY 2006	FY 2007	FY 2008	FY 2009 Plan	FY 2009 Actual	FY 2010	FY 2011
Percentage	64%	54%	62%	60%	70%	60%	60%

<b>Goal 1: Measure 9</b>							
<b>Percentage of debts where either a payment has been made or a collection activity has been initiated within six months of the due date of the debt</b>							
<b>Description:</b> The SEC can seek a wide range of remedies for failure to comply with the securities laws. These remedies include civil monetary penalties and disgorgement. When the remedies are imposed by the Commission or the federal district court, payments must be made by a certain date. This measure identifies the percentage of debts where debtors have made payments or the SEC has initiated a collection activity within 180 days of the due date. Such collection activities include, among other things, demand letters, negotiation of payment plans, enforcing the payment of the debt through the courts, or other judicial remedies.							
Fiscal Year	FY 2006	FY 2007	FY 2008	FY 2009 Plan	FY 2009 Actual	FY 2010	FY 2011
Percentage	N/A	N/A	88%	90%	90%	90%	90%

<b>Goal 1: Measure 10 (new)</b>							
<b>Percentage of Fair Fund and disgorgement fund plans that distributed the final tranche of funds to injured investors within 24 months of the order appointing the fund administrator</b>							
<b>Description:</b> In addition to other types of relief, the Commission may seek orders requiring parties to disgorge any money obtained through wrongdoing. The Commission also is empowered to seek civil penalties for violations of the securities laws. Where appropriate, the Commission has sought to return disgorged funds to harmed investors and, as a result of the Fair Funds provision of the Sarbanes-Oxley Act, to combine amounts paid as penalties with disgorged funds to reduce losses to injured parties. After sufficient disgorgement and penalties have been collected to form a distribution fund, the Commission appoints, or, in civil actions, seeks the appointment of, a fund administrator to develop and subsequently implement an approved plan to distribute funds to injured investors. Using the claims-made process, the fund administrator identifies injured investors and determines amounts to be disbursed to eligible claimants. The distribution of funds to eligible claimants may be made in several tranches to return funds to investors more quickly, while efforts continue to locate any remaining investors through the claims-made process. This measure identifies the percentage of claims-made distribution plans that distributed the final tranche during the fiscal year and within 24 months of the order appointing the fund administrator. This reflects Commission-wide efforts to develop, approve, and implement plans to return funds to investors quickly, regardless of the monetary amount in the fund. Any funds not returned to investors are sent to the U.S. Treasury; neither disgorgement nor penalties are used for the Commission's own expenses. The agency must further refine its processes for collecting this information before establishing targets.							
Fiscal Year	FY 2006	FY 2007	FY 2008	FY 2009 Plan	FY 2009 Actual	FY 2010	FY 2011
Percentage	Prior-year data not available					TBD	TBD

<b>Goal 1: Measure 11 (new)</b>							
<b>Percentage of Fair Fund and disgorgement fund plans approved by final order within the prior fiscal year which had a first tranche of funds distributed under those plans within 12 months of such approval date</b>							
<b>Description:</b> In its enforcement cases, the Commission may seek to return funds to harmed investors through disgorgement of ill-gotten gains or through the Fair Funds provision of the Sarbanes-Oxley Act. This provision permits the Commission to combine amounts paid as penalties with disgorged funds to reduce losses to injured parties. This measure identifies the percentage of distribution plans for which a first tranche was distributed to injured investors within 12 months of the plans' approval date. This reflects the Commission's efforts to return funds to investors quickly, regardless of the monetary amount in the fund. Any funds not returned to investors are sent to the U.S. Treasury; neither disgorgement nor penalties are used for the Commission's own expenses. The agency must further refine its processes for collecting this information before establishing targets.							
Fiscal Year	FY 2006	FY 2007	FY 2008	FY 2009 Plan	FY 2009 Actual	FY 2010	FY 2011
Percentage	Prior-year data not available					TBD	TBD

<b>Goal 1: Indicator 3 (new)</b>				
<b>SEC investigations referred to SROs or other state, federal, and foreign authorities for enforcement</b>				
<b>Description:</b> The SEC works closely with other regulators and authorities so that violators of federal securities laws are held accountable. In certain circumstances, a matter may be more appropriately handled by another entity or in another venue, and the agency will refer the investigation for further action. This measure identifies the number (or percentage of the agency's total number) of investigations that are referred to others for action. The SEC will report data for new indicators no earlier than FY 2010.				
Fiscal Year	FY 2006	FY 2007	FY 2008	FY 2009
Number of investigations	Prior-year data not available			

<b>Goal 1: Indicator 4 (new)</b>				
<b>Percent of all enforcement cases deemed "high impact"</b>				
<b>Description:</b> High impact cases can include those that are the first of their kind, those that achieve an appropriate deterrent effect, cases that affect selected communities, cases addressing areas that are of particular interest to market participants, or cases of significant public interest. The goal is to increase the number or percentage of high impact cases the agency brings while balancing that emphasis with a distribution of cases across a variety of topics and sizes. The SEC will report data for new indicators no earlier than FY 2010.				
Fiscal Year	FY 2006	FY 2007	FY 2008	FY 2009
Percentage	Prior-year data not available			

<b>Goal 1: Indicator 5 (new)</b>				
<b>Percent of cases that come from internally-generated referrals or prospects</b>				
<b>Description:</b> Through enhanced risk assessment practices, the agency aims to improve its ability to identify internally-generated tips or prospects for cases. Internal prospects could include issues identified during the course of SEC examinations, analysis of data, disclosure reviews, or other activities. The SEC will report data for new indicators no earlier than FY 2010.				
Fiscal Year	FY 2006	FY 2007	FY 2008	FY 2009
Percentage	Prior-year data not available			



<b>Goal 1: Indicator 6 (new)</b>				
<b>Criminal proceedings relating to SEC investigations</b>				
<b>Description:</b> In some instances, investigations may reveal that both civil and criminal violations have occurred. This measure identifies the number of SEC-related criminal cases, where prosecutors have filed indictments, information or contempts in the current fiscal year. The SEC will report data for new indicators no earlier than FY 2010.				
Fiscal Year	FY 2006	FY 2007	FY 2008	FY 2009
Number of investigations	Prior-year data not available			
Percentage	Prior-year data not available			

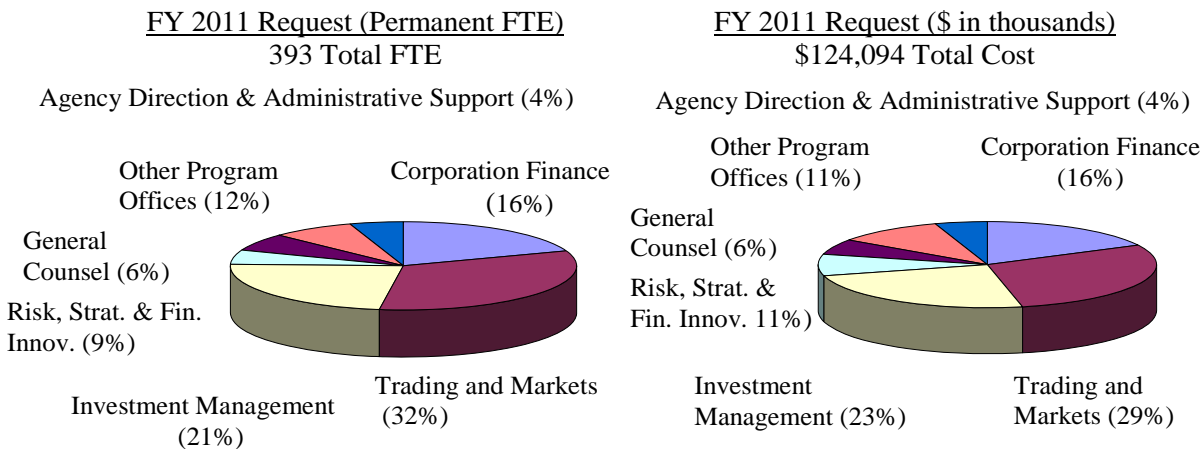
<b>Goal 1: Indicator 7 (new)</b>				
<b>Disgorgement and Penalties Ordered and the Amounts Collected by the SEC</b>				
<b>Description:</b> In addition to other types of relief, the SEC may seek orders requiring parties to disgorge any money obtained through wrongdoing. The SEC is also empowered to seek civil penalties for violations of the securities laws. Where appropriate, the SEC has sought to return disgorged funds to harmed investors. Funds not returned to investors are sent to the Treasury. This indicator lists disgorgement and penalties ordered as a result of SEC cases and the amounts collected by the SEC. This indicator could increase or decrease based on various factors. The SEC will report data for new indicators no earlier than FY 2010.				
Fiscal Year	FY 2006	FY 2007	FY 2008	FY 2009
Ordered amounts (in millions)	Prior-year data not available			
Collected amounts (in millions)	Prior-year data not available			

<b>Goal 1: Indicator 8</b>				
<b>Requests from foreign authorities for SEC assistance and SEC requests for assistance from foreign authorities</b>				
<b>Description:</b> Each year, the SEC makes hundreds of requests for enforcement assistance to foreign regulators, while responding to hundreds of such requests from other nations. To facilitate this type of assistance, and encourage other countries to enact laws necessary to allow regulators to cooperate with their foreign counterparts, the SEC has entered into the Multilateral Memorandum of Understanding, an information-sharing arrangement negotiated through the International Organization of Securities Commissions (IOSCO).				
Fiscal Year	FY 2006	FY 2007	FY 2008	FY 2009
Number of Requests from foreign authorities	353	371	389	408
Number of SEC Requests	561	460	483	774

## Goal 2: Establish an Effective Regulatory Environment

The Commission seeks to establish an effective and fair regulatory environment that will protect investors and facilitate capital formation, innovation, and competition to ensure that the U.S. economy can grow and create jobs. The Commission believes that its rules and regulations should be drafted to enable market participants to understand clearly their obligations under the federal securities laws and to conduct their activities in compliance with law. In FY 2011, the agency will consider regulatory proposals that address securities firm supervision; investment adviser, money market and mutual fund oversight, and corporate governance and disclosure. The agency plans to devote approximately \$124 million and 393 permanent FTE to achieve this goal.

**Chart 4**



### Outcome 2.1: The SEC establishes and maintains a regulatory environment that promotes high-quality disclosure, financial reporting, and governance, and that prevents abusive practices by registrants, financial intermediaries, and other market participants.

Promote high-quality disclosure financial reporting and governance: The Commission uses its authority to shape the regulatory framework so that investors are protected through the availability of high-quality disclosure. The SEC will continue to evaluate and, where necessary, amend its rules and regulations to improve the quality and usefulness of registrants' disclosures to investors. The SEC is in the process of evaluating potential survey instruments and methodologies, to elicit feedback on the quality of disclosures and the Commission's disclosure requirements (Measure 1).

Additionally in FY 2010 and FY 2011, the agency plans to develop regulations that promote and strengthen corporate and fund governance, strengthen proxy voting and shareholder-company communications, harmonize regulatory structures for investment advisers and broker-dealers, and promote high-quality accounting standards.

Enhance global coordination and assistance with securities regulation: The SEC's FY 2010-2015 Strategic Plan outlines initiatives aimed at increasing global transparency and disclosure. In FY 2011, Office of International Affairs (OIA) will continue working with the International Organization of Securities Commissions (IOSCO) and foreign regulatory counterparts to promote international cooperation and assistance on international enforcement matters. The office also will work cooperatively within IOSCO and the Financial Stability Board (FSB) to enhance cross-border supervisory cooperation. OIA also will advise the agency on other regulatory policy initiatives,

including those identified by the Group of 20 (G-20) leaders. Specific areas to be addressed include hedge funds, cross-border oversight of credit rating agencies, and progress towards a single set of high quality global accounting standards (Measure 2 and Measure 3).

<b>Goal 2: Measure 1 (new)</b>							
<b>Survey on quality of disclosure</b>							
<b>Description:</b> Under this metric, the SEC plans to conduct a survey to elicit feedback on the quality of disclosures and the Commission's disclosure requirements. The SEC would track whether the percentage of respondents answering positively improves from year to year. The agency must further refine its processes for collecting this information before establishing targets.							
Fiscal Year	FY 2006	FY 2007	FY 2008	FY 2009 Plan	FY 2009 Actual	FY 2010	FY 2011
Percentage of positive response	Prior-year data not available					TBD	TBD

<b>Goal 2: Measure 2 (new)</b>							
<b>Number of consultations; joint events, reports, or initiatives; and joint examinations and other mutual supervisory efforts with SROs and other federal, state, and non-U.S. regulators</b>							
<b>Description:</b> This metric gauges how much the SEC is coordinating with other financial regulatory agencies within a given fiscal year. Also, as securities markets around the world become increasingly integrated and globalized, it is essential that the SEC work frequently and effectively with its partner regulators both in the U.S. and abroad. The agency must further refine its processes for collecting this information before establishing targets.							
Fiscal Year	FY 2006	FY 2007	FY 2008	FY 2009 Plan	FY 2009 Actual	FY 2010	FY 2011
Number	Prior-year data not available					TBD	TBD

<b>Goal 2: Measure 3 (new)</b>							
<b>Number of non-U.S. regulators trained</b>							
<b>Description:</b> This metric shows the reach of the SEC's technical assistance programs for regulators around the world. The SEC conducts these training sessions to assist countries in developing and maintaining robust protections for investors and promote cross-border enforcement and supervisory assistance.							
Fiscal Year	FY 2006	FY 2007	FY 2008	FY 2009 Plan	FY 2009 Actual	FY 2010	FY 2011
Number of non-U.S. regulators	Prior-year data not available					1,905	1,925

<b>Goal 2: Indicator 1 (new)</b>				
<b>Average cost of capital in U.S. relative to the rest of the world</b>				
<b>Description:</b> Countries' cost of capital can vary according to their protections for investors, the strength of their disclosure regimes, and the presence of fair, orderly, and efficient markets, among other factors. Therefore, although this metric is affected by other economic factors, it can provide some indication of the quality of securities regulation in a given country. The SEC will report data for new indicators no earlier than FY 2010.				
Fiscal Year	FY 2006	FY 2007	FY 2008	FY 2009
Average cost of capital	Prior-year data not available			

**Outcome 2.2: The U.S. capital markets operate in a fair, efficient, transparent, and competitive manner, fostering capital formation and useful innovation.**

Securities Firm and Market Supervision: The Division of Trading and Markets (TM) supervises the major participants in the U.S. securities markets. While the number of market participants supervised by the division has been relatively steady over the past several years, a significant increase in the number of registered securities exchanges is expected in FY 2010 and FY 2011. The additional 40 positions (12 FTE) requested in FY 2011 will be dedicated to keeping pace with the expected increase in the number of registered exchanges and addressing increased globalization of the securities markets. They also will be dedicated to pursuing initiatives that promote enhanced price transparency, best execution, fair access to trading systems, and fair competition.

The SEC plays a key role in protecting the stability and ensuring the resilience of the U.S. financial system, thereby promoting investor confidence. In FY 2010 and FY 2011, TM will continue to perform inspections of the automated trading and clearing processes of markets and clearing organizations, monitor for systems outages and changes, and monitor the compliance of markets and clearing agencies with applicable continuity planning standards. In FY 2011, 99 percent of transaction dollars are expected to be settled on time (Measure 4), and TM expects 96 percent of all market outages to be corrected in less than 24 hours (Measure 6).

<b>Goal 2: Measure 4</b>							
<b>Percentage of transaction dollars settled on time each year</b>							
<b>Description:</b> This metric measures the efficiency of the U.S. clearance and settlement system for equity securities.							
Fiscal Year	FY 2006	FY 2007	FY 2008	FY 2009 Plan	FY 2009 Actual	FY 2010	FY 2011
Percentage	98%	N/A	99%	98%	99%	99%	99%

<b>Goal 2: Measure 5 (new)</b>							
<b>Average institutional transaction costs for exchange listed stocks on a monthly basis</b>							
<b>Description:</b> This performance metric captures the actual cost of trading in large (institutional size) transactions. The agency must further refine its processes for collecting this information before establishing targets.							
Fiscal Year	FY 2006	FY 2007	FY 2008	FY 2009 Plan	FY 2009 Actual	FY 2010	FY 2011
Average Transaction costs	Prior-year data not available					TBD	TBD

<b>Goal 2: Measure 6</b>							
<b>Percentage of market outages at SROs and electronic communications networks (ECNs) that are corrected within targeted timeframes</b>							
<b>Description:</b> Market outages reflect problems in the systems underlying the securities markets that could have an adverse affect on the markets' ability to function as required. The SEC assesses the reliability and resiliency of these systems to minimize the number and duration of outages. This metric gauges how quickly outages are resolved, so that market activity can resume.							
Fiscal Year	FY 2006	FY 2007	FY 2008	FY 2009 Plan	FY 2009 Actual	FY 2010	FY 2011
Within 2 hours	N/A	81%	84%	60%	87%	60%	60%
Within 4 hours	N/A	91%	96%	75%	98%	75%	75%
Within 24 hours	N/A	100%	100%	96%	98%	96%	96%

<b>Goal 2: Indicator 2 (new)</b>				
<b>Average quoted spread for exchange listed stocks on a monthly basis</b>				
<b>Description:</b> This indicator gauges the hypothetical cost of trading in small amounts at the quoted markets, based solely on published quotations. The SEC will report data for new indicators no earlier than FY 2010.				
Fiscal Year	FY 2006	FY 2007	FY 2008	FY 2009
Average quoted spread	Prior-year data not available			

<b>Goal 2: Indicator 3 (new)</b>				
<b>Average effective spread for exchange listed stocks on a monthly basis</b>				
<b>Description:</b> This indicator captures the cost of trading in small amounts based on actual trade prices and the quotes at the times of those trades. The SEC will report data for new indicators no earlier than FY 2010.				
Fiscal Year	FY 2006	FY 2007	FY 2008	FY 2009
Average effective spread	Prior-year data not available			

<b>Goal 2: Indicator 4 (new)</b>				
<b>Speed of Execution</b>				
<b>Description:</b> This indicator gauges how quickly transactions are executed in the U.S. securities markets. The SEC will report data for new indicators no earlier than FY 2010.				
Fiscal Year	FY 2006	FY 2007	FY 2008	FY 2009
Speed of execution	Prior-year data not available			

<b>Goal 2: Indicator 5 (new)</b>				
<b>Average quoted size of exchange listed stocks on a monthly basis</b>				
<b>Description:</b> This indicator measures the amount of liquidity visible to the market at the displayed quotes. The SEC will report data for new indicators no earlier than FY 2010.				
Fiscal Year	FY 2006	FY 2007	FY 2008	FY 2009
Average quoted size	Prior-year data not available			

<b>Goal 2: Indicator 6 (new)</b>				
<b>Average daily volatility of exchange listed stocks on a monthly basis</b>				
<b>Description:</b> This statistic gauges short term price changes, which are an indicator of the risk of holding stock. The SEC will report data for new indicators no earlier than FY 2010.				
Fiscal Year	FY 2006	FY 2007	FY 2008	FY 2009
Average daily volatility	Prior-year data not available			

**Outcome 2.3: The SEC adopts and administers rules and regulations that enable market participants to understand clearly their obligations under the securities laws.**

Securities Firm and Market Supervision: The process of developing and administering rules and regulations is one of the primary functions of the SEC and involves staff from nearly every division and office. The SEC must continually reevaluate its regulatory framework to ensure that market participants understand clearly the rules and regulations. The SEC intends to survey market participants, such as broker-dealers and investment advisers, to determine whether they believe the Commission’s regulatory requirements are clear (Measure 8).

TM, IM, and CF devote a significant share of their resources responding to no-action letters, interpretive and other requests from regulated entities. Although each division has separate processes and benchmarks for their responses (Measure 7), the agency is committed to responding to such requests in a timely way.

In FY 2011, TM plans to respond to 75 percent of all requests within 60 days. This is an improvement over performance levels in previous years, primarily due to the additional FTE dedicated to responding to these requests. Although IM issued initial comments on all no-action letters and interpretive requests within three weeks of receipt in FY 2009, the division plans to maintain its target at 75 percent for FY 2010 and FY 2011. IM also expects to meet its future goals for timely review of exemptive application requests (Measure 7).

In FY 2009, CF completed 85 percent of initial comments on shareholder proposals by the company’s planned proxy mailing date which is a significant improvement from the previous year’s performance level of 66 percent. CF plans to assign additional staff to this function and improve work processes in order to complete 90 percent of initial comments within the targeted timeframe in FY 2010 and FY 2011.

In FY 2010 and FY 2011, the SEC will continue to explore ways to streamline the SRO rule filing process. TM expects to deploy additional staff to review higher numbers of SRO rule filings, with a target of completing 40 percent of filings within 35 days from the date of publication and 80 percent of filings within 45 days (Measure 9).

<b>Goal 2: Measure 7</b>							
<b>Length of time to respond to written requests for no-action letters, exemptive applications, and written interpretive requests</b>							
<b>Description:</b> The SEC staff responds to requests for guidance from individuals and companies about specific provisions of the federal securities laws. These queries can ask for proper interpretations of the securities laws or regulations, or for assurances that no enforcement action will be taken in certain circumstances. The staff also reviews applications for exemptions from the securities laws. Written responses to such requests for guidance, when provided, generally are publicly available, as are applications and related notices and orders, when issued. This measure gauges whether the Divisions of Trading and Markets, Investment Management, and Corporation Finance are issuing initial comments on these requests on a timely basis.							
Fiscal Year	FY 2006	FY 2007	FY 2008	FY 2009 Plan	FY 2009 Actual	FY 2010	FY 2011
Trading and Markets: No-action letters, exemptive applications, and written interpretive requests (combined figure)							
Percentage	86%	91%	63%	70%	70%	85%	85%
Investment Management							
No-action letters and interpretive requests	76%	91%	98%	75%	100%	75%	75%
Exemptive applications	N/A	N/A	81%	80%	95%	80%	80%
Corporation Finance							
No-action letters and interpretive requests (1)	65%	66%	66%	90%	85%	90%	90%
Shareholder proposals (2)	100%	100%	100%	100%	100%	100%	100%

<b>Goal 2: Measure 8 (new)</b>							
<b>Survey on whether SEC rules and regulations are clearly understandable</b>							
<b>Description:</b> The SEC aims to promote a regulatory environment in which market participants clearly understand their obligations. Through this metric, the SEC intends to survey market participants to determine whether they believe the Commission's regulatory requirements are clear. The agency must further refine its processes for collecting this information before establishing targets.							
Fiscal Year	FY 2006	FY 2007	FY 2008	FY 2009 Plan	FY 2009 Actual	FY 2010	FY 2011
Percentage	Prior-year data not available					TBD	TBD

<b>Goal 2: Measure 9 (new)</b>							
<b>Time to complete SEC review of SRO rules that are subject to SEC approval</b>							
<b>Description:</b> The SEC reviews SRO rule proposals for consistency with the Exchange Act and the investor protection, market operation and structure, and other rules. This metric gauges how quickly the SEC completes these reviews after a proposed rule change requiring Commission approval has been filed.							
Fiscal Year	FY 2006	FY 2007	FY 2008	FY 2009 Plan	FY 2009 Actual	FY 2010	FY 2011
Within 35 days	Prior-year data not available					40%	40%
Within 45 days	Prior-year data not available					80%	80%

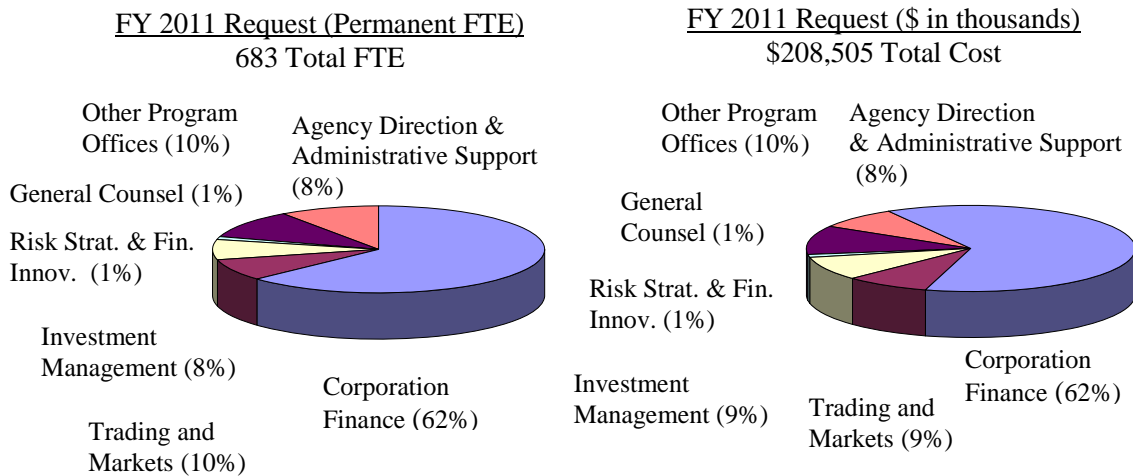
<b>Goal 2: Indicator 7 (new)</b>				
<b>Percentage of SRO rule filings that are submitted for immediate effectiveness</b>				
<b>Description:</b> This metric gauges the proportion of SRO rule proposals that can be submitted for immediate effectiveness, without Commission approval. The SEC will report data for new indicators no earlier than FY 2010.				
Fiscal Year	FY 2006	FY 2007	FY 2008	FY 2009
Percentage	Prior-year data not available			



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

The financial markets operate best when investors are fully informed, and an educated investing public ultimately provides the best defense against fraud and costly mistakes. The agency works to promote informed investment decisions through two main approaches. The first is reviewing disclosures of companies and mutual funds to enhance the clarity, completeness, and accuracy of the information that is available to investors. The second is developing programs to equip individual investors with tools to understand and analyze the market information they receive. In FY 2011, the agency plans to devote approximately \$209 million and 683 permanent FTE to achieve this goal.

**Chart 5**



#### **Outcome 3.1: Investors have access to high quality disclosure materials that are useful to investment decision making.**

Disclosure Review: As part of its disclosure program, the agency requires issuers to disclose material financial and other information to the public. These disclosures form a common pool of knowledge that all investors can use to judge for themselves if a security is an appropriate investment, based on each investors unique objectives. The Divisions of CF and IM continued to meet the requirements of the Sarbanes-Oxley Act in FY 2009, and CF continued its trend of reviewing an increased percentage of filings over the past few years. These disclosure reviews encourage transparency about a company or fund’s governance and financial condition; deter fraud in public securities transactions; and help ensure that investors receive relevant information about emerging and novel issues.

In FY 2011, CF plans to concentrate its review resources on critical disclosures that appear to conflict significantly with Commission rules, GAAP, or that appear to be materially deficient in explanation or clarity. The enhanced scope and frequency of CF’s reviews of large and financially significant companies will require the addition of 25 new positions (9 FTE) in FY 2011 to adequately maintain the division’s review presence without compromising the quality and frequency of filing reviews for small and mid-sized companies.

In addition to reviewing the filings of reporting companies, CF expects to continue to issue initial comments on 1933 and 1934 Act registration statements within its target of 30 days of filing (Measure 2). While the average time to issue initial comments has decreased over the past few years and CF

expects this trend to continue in FY 2010 and FY 2011, the thirty day target has become an industry standard for planning purposes and as a result, the agency will continue to maintain its target at that level. IM aims to provide comments within timeliness goals for at least 85 percent of initial registration statements, 90 percent of post-effective amendments, and 99 percent of preliminary proxy statements in FY 2010 and FY 2011 (Measure 3). These targets are consistent with past years' targets, though IM exceeded the planned levels in FY 2009.

**Disclosure and Reporting Requirements:** The SEC seeks to structure disclosure requirements so that investors are armed with the timely and meaningful information they need to make appropriate investment decisions. The SEC will use Measures 4, 5, and 6 to gauge investor demand for financial and other disclosure information that will allow investors to easily analyze and compare data. Furthermore, agency staff will examine its filing review program to explore whether its disclosure requirements, review criteria, and approach to comments provide maximum impact to benefit investors (Measure 7).

<b>Goal 3: Measure 1</b>							
<b>Percentage of public companies and investment companies with disclosures reviewed each year</b>							
<b>Description:</b> The Sarbanes-Oxley Act requires that the SEC review the disclosures of all companies and investment company portfolios reporting under the Exchange Act at least once every three years. These reviews help improve the information available to investors and may uncover possible violations of the securities laws.							
Fiscal Year	FY 2006	FY 2007	FY 2008	FY 2009 Plan	FY 2009 Actual	FY 2010	FY 2011
Corporations	33%	36%	39%	33%	40%	34%	34%
Investment Company Portfolios	36%	38%	36%	33%	35%	33%	33%

<b>Goal 3: Measure 2</b>							
<b>Time to issue initial comments on Securities Act filings</b>							
<b>Description:</b> The target of 30 days or less has become a de facto industry standard for the maximum time to receive initial comments.							
Fiscal Year	FY 2006	FY 2007	FY 2008	FY 2009 Plan	FY 2009 Actual	FY 2010	FY 2011
Days	26.2 days	25.5 days	25.2 days	<30 days	25.3 days	<30 days	<30 days

<b>Goal 3: Measure 3</b>							
<b>Percentage of investment company disclosure reviews for which initial comments are completed within timeliness goals</b>							
<b>Description:</b> For initial registration statements, the SEC's goal is to issue initial comments within 30 days after they are filed (60 days for registration statements of insurance product separate accounts and related mutual funds). The SEC also aims to comment on post-effective amendments within 45 days and preliminary proxy statements within 10 days after they are filed.							
Fiscal Year	FY 2006	FY 2007	FY 2008	FY 2009 Plan	FY 2009 Actual	FY 2010	FY 2011
Initial Registration Statements	88%	87%	95%	85%	95%	85%	85%
Post-Effective Amendments	96%	95%	97%	90%	97%	90%	90%
Preliminary Proxy Statements	99%	99%	99%	99%	99%	99%	99%

<b>Goal 3: Measure 4 (new)</b>							
<b>Point of Sale “click-through rate”</b>							
<b>Description:</b> The point of sale initiative relies on a layered approach that combines point of sale disclosure and Internet-based disclosure. This measure would determine how often investors click on broker-dealers’ web sites to obtain information about broker-dealer compensation and related conflicts of interest. The agency must further refine its processes for collecting this information before establishing targets.							
Fiscal Year	FY 2006	FY 2007	FY 2008	FY 2009 Plan	FY 2009 Actual	FY 2010	FY 2011
“click-through rate”	Prior-year data not available					TBD	TBD

<b>Goal 3: Measure 5 (new)</b>							
<b>Access to broker-dealer and investment adviser background checks</b>							
<b>Description:</b> Greater availability of professional background information on broker-dealers and their employees through the BrokerCheck system will provide investors with the ability to make better-informed decisions. Investors also have the ability to check the backgrounds of investment advisory firms through the SEC’s Investment Adviser Public Disclosure (IAPD) system. This measure gauges the demand for disclosure information about broker-dealers and their employees through the BrokerCheck website and about investment advisers through the IAPD. The agency must further refine its processes for collecting this information before establishing targets.							
Fiscal Year	FY 2006	FY 2007	FY 2008	FY 2009 Plan	FY 2009 Actual	FY 2010	FY 2011
BrokerCheck System	Prior-year data not available					TBD	TBD
IAPD System	Prior-year data not available					TBD	TBD

<b>Goal 3: Measure 6 (new)</b>							
<b>Investor demand for disclosures on municipal securities</b>							
<b>Description:</b> Greater availability of market-sensitive information through the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access (EMMA) website will provide investors with the ability to make better-informed investment decisions and assist market participants in fulfilling their disclosure obligations. This measure gauges the demand for disclosure information about municipal securities through the EMMA website. The agency must further refine its processes for collecting this information before establishing targets.							
Fiscal Year	FY 2006	FY 2007	FY 2008	FY 2009 Plan	FY 2009 Actual	FY 2010	FY 2011
Web Site Hits	Prior-year data not available					TBD	TBD

<b>Goal 3: Measure 7 (new)</b>							
<b>Satisfaction index for disclosure process</b>							
<b>Description:</b> The agency will conduct survey research or focus groups to identify the level of satisfaction with disclosure requirements. The agency must further refine its processes for collecting this information before establishing targets.							
Fiscal Year	FY 2006	FY 2007	FY 2008	FY 2009 Plan	FY 2009 Actual	FY 2010	FY 2011
Satisfaction Index	Prior-year data not available					TBD	TBD

**Outcome 3.2: Agency rulemaking and investor education programs are informed by an understanding of the wide range of investor needs.**

Investor Education and Outreach: In FY 2011, with an additional 10 positions (three FTE), the Office of Investor Education and Advocacy (OIEA) plans to increase outreach by expanding social media initiatives, offering more publications for Spanish-speaking investors, and updating resources targeted to specific investor audiences. OIEA estimates over 17 million investors will be reached directly by the SEC through various communication channels, including Web pages and printed publications (Measure 8). This level of outreach is expected to drive the development of educational programs, and the agency will use focus groups and surveys to assess the usefulness of educational material provided to investors (Measure 12).

In FY 2011, OIEA will continue to actively represent the agency at investor and community events, and plans to conduct research to better understand investor reaction to current market conditions that affect their investment strategies. The SEC’s Investor Advisory Committee, created in January 2009, will continue to hear from a wide range of investors on a variety of financial products and provide input to the Commission and agency offices and divisions. Additionally, the agency, in partnership with other federal and state agencies, financial industry associations, consumer groups and educational organizations, plans to develop and produce 10 investor education initiatives in FY 2011 (Measure 9).

Investor Advocacy: OIEA serves tens of thousands of investors who contact the SEC each year with investment-related complaints and questions. The staff strives to close all inquiries and complaints in a timely manner, often working with other SEC offices and divisions, as well as other regulators and firms, to resolve matters. In FY 2011, the staff plans to close 80 percent of investor complaints and inquiries within seven days and 90 percent within thirty days (Measure 10). In FY 2010 and FY 2011, OIEA will continue to refine internal processes, increase staff training, and complete the implementation of a new software solution to handle investor complaints and inquiries. With these improvements, OIEA plans to significantly increase the percentage of investor complaints and inquiries closed within seven days over prior year targets. Data reported in FY 2008 and FY 2009 excludes public information requests from the count of complaints and inquiries, resulting in lower percentages for these years than previously planned. Out year targets for FY 2010 and 2011 also exclude public information requests.

<b>Goal 3: Measure 8 (new)</b>							
<b>Number of investors reached, and number of “in-person” events with specifically targeted communities and organizations</b>							
<b>Description:</b> The agency has developed an extensive collection of free information to help investors understand the basics of investing; the risks and rewards of various products and strategies; the importance of diversification; and ways to find information about brokers, advisers, and companies. Much of this information is posted on the SEC’s Investor Information Web page, a key tool for informing and educating the investing public. In addition, the Office of Investor Education and Advocacy (OIEA) publishes hard-copy educational brochures and conducts in-person events. This measure seeks to determine the total number of investors reached by the SEC, and assess the effectiveness of outreach efforts conducted by OIEA and the regional offices targeted to specific investor groups (for example, seniors, military, or other affinity groups). The measure also assesses the use of various channels to reach investors, such as the SEC webpage, investor.gov, social networking sites, outreach programs, or public appearances.							
Fiscal Year	FY 2006	FY 2007	FY 2008	FY 2009 Plan	FY 2009 Actual	FY 2010	FY 2011
Number of Investors Reached (millions)	Prior-year data not available					17.3	17.4
Number of “In-Person” Events	Prior-year data not available					25	30

<b>Goal 3: Measure 9 (new)</b>							
<b>Number of investor educational initiatives organized and produced</b>							
<b>Description:</b> In partnership with other organizations, the agency will develop a number of educational campaigns intended to customize content and maximize its reach to various investor communities. Through the use of primary and secondary research including tracking emerging investor concerns and complaints, the agency will compile information on how to best target its efforts to the investing public. This measure identifies the number of major investor initiatives undertaken.							
Fiscal Year	FY 2006	FY 2007	FY 2008	FY 2009 Plan	FY 2009 Actual	FY 2010	FY 2011
Number of Initiatives	Prior-year data not available					8	10

<b>Goal 3: Measure 10</b>							
<b>Timeliness of responses to investor contacts</b>							
<b>Description:</b> OIEA serves the tens of thousands of investors each year who contact the SEC with investment-related complaints and questions. The staff aims to close out as many new investor assistance matters as possible within seven and thirty business days.							
Fiscal Year	FY 2006	FY 2007	FY 2008	FY 2009 Plan	FY 2009 Actual	FY 2010	FY 2011
<b>Closed within 7 days</b>							
Total	81%	82%	78%	85%	70%	80%	80%
<b>Closed within 30 days</b>							
Total	94%	94%	88%	97%	90%	90%	90%

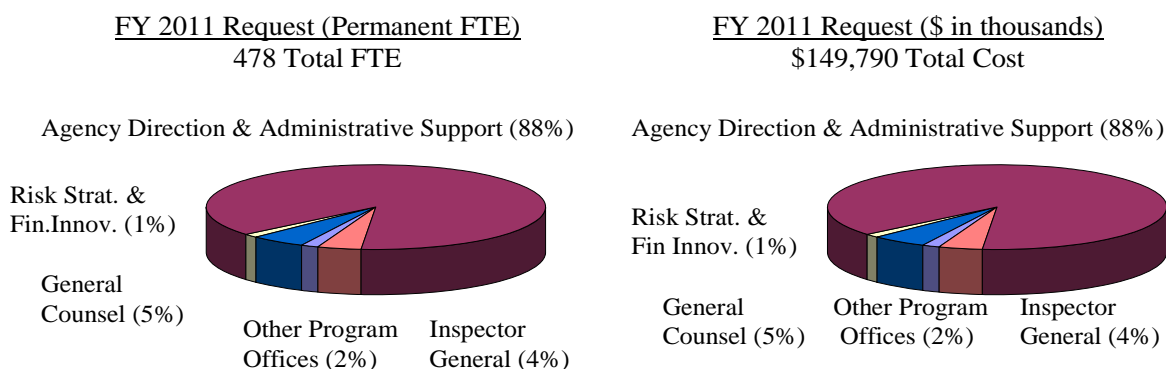
<b>Goal 3: Measure 11 (new)</b>							
<b>Percentage of rules impacting investors that are presented in alternate user-friendly formats</b>							
<b>Description:</b> The agency intends to publish explanations of Commission actions in easily understandable language, to encourage investor participation and comments on issues materially affecting them. The agency also will track emerging concerns and trends and then transmit the information to the rulemaking divisions and other offices for consideration of possible regulatory responses. The SEC also may use surveys or questionnaires to collect input from investors to assist in assessing their views on Commission actions.							
Fiscal Year	FY 2006	FY 2007	FY 2008	FY 2009 Plan	FY 2009 Actual	FY 2010	FY 2011
Percentage	Prior-year data not available					100%	100%

<b>Goal 3: Measure 12 (new)</b>							
<b>Customer satisfaction with usefulness of investor educational programs and materials</b>							
<b>Description:</b> Through the use of focus groups and surveys, the agency will assess the usefulness of educational material provided to investors across a variety of channels based upon ease of use, appropriateness, and other factors. The agency must further refine its processes for collecting this information before establishing targets.							
Fiscal Year	FY 2006	FY 2007	FY 2008	FY 2009 Plan	FY 2009 Actual	FY 2010	FY 2011
Satisfaction index	Prior-year data not available					TBD	TBD

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

The investing public and the securities markets are best served by an efficient, well-managed, and proactive SEC. The agency strives to improve its organizational effectiveness by making sound investments in human capital and new technologies and by enhancing internal controls. In FY 2011, the SEC plans to devote approximately \$150 million and 478 permanent FTE to achieve Goal 4.

**Chart 6**



**Outcome 4.1: The SEC maintains a work environment that attracts, engages, and retains a technically proficient and diverse workforce that can excel and meet the dynamic challenges of market oversight.**

Staff Recruitment, Retention, and Training: The SEC’s employees are its most vital strategic resource, and the agency works hard to attract and retain a high-quality, diverse, and results-oriented workforce. The Office of Human Resources (OHR) supports the agency’s efforts by providing organizational leadership for the strategic management of human capital, and is working to integrate human capital systems for candidate selection, personnel performance management, and employee development. In FY 2011, OHR will continue to implement a pay-for-performance system for all agency staff. The agency will continue to implement policies and services to improve the SEC’s total compensation program to achieve comparability with other federal financial regulatory agencies.

The agency is committed to being an employer of choice by consistently attracting, hiring, developing, and retaining a high-quality, diverse, and results-oriented workforce. OHR will continue to refine a series of programs to enhance the agency’s human capital, such as by rewarding high performance, promoting high employee satisfaction, and updating staff skills for the effective oversight of the securities markets. OHR’s programs are expected to help the agency produce a high level of employee engagement and help maintain the agency’s turnover rate below eight percent in FY 2010 and FY 2011 (Measures 1 and 3). Economic conditions contributed to a low turnover rate in FY 2009, as fewer employees are likely to choose to retire or to leave the SEC for the private sector. The agency anticipates these programs will help regain the agency’s top five ranking as one of the best places to work in the federal government (Measure 2).

With respect to its workforce, the agency must be able to attract and retain high-performing staff, continually update their skills so they are abreast of the latest developments in the industry, and create organizational structures and work processes that are efficient and effective. OHR will encourage and monitor the use of individual development plans so that employee-specific needs are met. This

initiative will be further enhanced by the implementation of a learning management system to automatically track learning programs, certifications, and competency gaps (Measure 4 and Measure 5).

To promote the highest level of personal and organizational performance, the SEC must have a performance management program that is robust, credible, fair, and transparent. In FY 2009, the SEC implemented a new performance management system among its managers and supervisors. In FY 2010, the SEC will implement a similar system among all Senior Officers and non-supervisory staff. The SEC will invest in an extensive training program for managers and other employees, evaluate the effectiveness and acceptability of the system, make improvements based on results of the evaluation, and support the program with technology and experienced consultants (Measure 7).

In FY 2010 and FY 2011, the Office of Equal Employment Opportunity (EEO) will develop and implement strategies and programs focused on creating a diverse talent pipeline to meet the SEC’s current and future workforce needs. The SEC will develop and expand strategic partnerships and alliances with diverse educational institutions, professional associations, and community-based organizations. These partnerships and business alliances will provide the SEC opportunities to recruit mid-level to high-level career professionals from diverse backgrounds (Measure 6).

<b>Goal 4: Measure 1 (new)</b>							
<b>Survey of employee engagement</b>							
<b>Description:</b> The SEC strives to maintain a culture in which employees demonstrate a strong personal, positive connection with the organization and its mission and strategic goals. This connection, which can be called “employee engagement,” can result in higher-quality work, willingness to lead or participate in special projects, sharing job knowledge with others, mentoring other staff, or other positive contributions to the agency and its work. This index will be drawn from annual survey results and will track the agency’s success in improving employee engagement.							
Fiscal Year	FY 2006	FY 2007	FY 2008	FY 2009 Plan	FY 2009 Actual	FY 2010	FY 2011
Biennial Index score	Prior-year data not available					65%	65%

<b>Goal 4: Measure 2</b>					
<b>Best Places to Work ranking</b>					
<b>Description:</b> This biennial ranking of federal government agencies will be used to determine the SEC’s overall success in improving our organizational climate.					
Fiscal Year	FY 2005/ FY2006 Actual	FY 2007/ FY2008 Actual	FY 2009/ FY 2010 Plan	FY 2009/ FY 2010 Actual	FY 2011/ FY 2012 Plan
Ranking Number	Ranked #5	Ranked #3	Top Five Ranking	11	5

<b>Goal 4: Measure 3</b>							
<b>Turnover</b>							
<b>Description:</b> The SEC strives to maintain an organizational climate in which high-performing employees wish to remain. Although turnover can fluctuate based on a variety of factors, including the health of the economy and the number of outside job opportunities available for SEC staff, the agency aims to keep its turnover rate relatively low, below 8% per year.							
Fiscal Year	FY 2006	FY 2007	FY 2008	FY 2009 Plan	FY 2009 Actual	FY 2010	FY 2011
Percent Turnover	8.9%	8.8%	6.2%	<8%	3.7%	<8%	<8%

<b>Goal 4: Measure 4 (new)</b>							
<b>Expanding staff expertise</b>							
<b>Description:</b> Internal training and hiring programs are designed to help the agency recruit and develop its staff so that key skills, industry knowledge, and expertise are maintained. In particular, there is a need to hire more economists, trading specialists, and other experts with knowledge of the marketplace and investment and trading practices. As the industry evolves, requisite staff skills and competencies are adjusted to stay current. Annual agency training goals and hiring practices are focused on ensuring staff have the necessary capabilities to address trends in the industry. This measure tracks whether certain areas requiring significant training are being addressed. For example, the agency will monitor the percentage of staff that has received or maintained significant relevant training in fraud detection as measured by achieving the status of a Certified Fraud Examiner, Certified Financial Analyst, Series 7, or other relevant industry designations. The agency must further refine its processes for collecting this information before establishing targets.							
Fiscal Year	FY 2006	FY 2007	FY 2008	FY 2009 Plan	FY 2009 Actual	FY 2010	FY 2011
Percent of staff with industry designations	Prior-year data not available					TBD	TBD

<b>Goal 4: Measure 5 (new)</b>							
<b>Size of competency gaps</b>							
<b>Description:</b> Key competencies will be rated as part of our Performance Management process. Once the SEC has implemented a technology system to support the performance management program, the agency will assess its baseline competency gaps annually and work to bring them down over time.							
Fiscal Year	FY 2006	FY 2007	FY 2008	FY 2009 Plan	FY 2009 Actual	FY 2010	FY 2011
Percentage reduction for the size of competency gaps	Prior-year data not available					10%	10%



<b>Goal 4: Measure 6 (new)</b>							
<b>Number of diversity-related partnerships/alliances</b>							
<b>Description:</b> Increased numbers of diversity-related partnerships and alliances with professional associations and educational organizations provide opportunities to educate students about the SEC's work and to recruit career professionals from all segments of society. The SEC will track the number of partnerships or alliances and monitor the number and quality of hires stemming from these partnerships and alliances.							
Fiscal Year	FY 2006	FY 2007	FY 2008	FY 2009 Plan	FY 2009 Actual	FY 2010	FY 2011
Number of partnerships/alliances	Prior-year data not available					1	2

<b>Goal 4: Measure 7 (new)</b>							
<b>Survey feedback on the quality of the SEC's performance management program</b>							
<b>Description:</b> The SEC will construct an index from survey results to determine the extent to which managers and other employees find the performance management program valuable, credible, transparent, and fair.							
Fiscal Year	FY 2006	FY 2007	FY 2008	FY 2009 Plan	FY 2009 Actual	FY 2010	FY 2011
Percentage of positive survey responses	Prior-year data not available					65%	65%

**Outcome 4.2: The SEC retains a diverse team of world-class leaders who provide motivation and strategic direction to the SEC workforce.**

Leadership and Staff: To make certain the SEC has the caliber of leadership commensurate with its mission, OHR will continue the construction and implementation of a comprehensive leadership development program. Specific aspects of the program include improving training for new and existing supervisors, building skills in change management, increasing the number and scope of developmental opportunities for all leaders, and instituting a program to prepare non-supervisors to assume supervisory roles. In addition, OHR will gradually institute a 360-degree feedback program for all Senior Officers and supervisors and a new-hire assessment program. These programs will include targeted feedback, tailored developmental opportunities, and coaching to ensure a high quality of leadership and staff hires (Measures 8, 9, and 10).

<b>Goal 4: Measure 8 (new)</b>							
<b>Quality of Hire</b>							
<b>Description:</b> Data related to each new hire will be gathered from either the immediate supervisor or the selecting official, as appropriate. Data will be gathered three months after entry on board. This early assessment will not only inform the agency's selection system, but will provide an opportunity to address quickly any developmental needs or performance issues.							
Fiscal Year	FY 2006	FY 2007	FY 2008	FY 2009 Plan	FY 2009 Actual	FY 2010	FY 2011
Percentage of hires rated at least 4 on a five-point scale	Prior-year data not available					75%	75%

<b>Goal 4: Measure 9 (new)</b>							
<b>Leadership Competency Gaps</b>							
<b>Description:</b> A 360-degree feedback survey will be conducted across all leadership ranks. This will provide an SEC-wide score on each competency measured in the survey. The gap will be determined by subtracting the obtained scores from expected proficiency levels on key competencies. Progress will be determined by comparing this baseline to scores obtained from subsequent administrations of the survey.							
Fiscal Year	FY 2006	FY 2007	FY 2008	FY 2009 Plan	FY 2009 Actual	FY 2010	FY 2011
Average percentage of gaps reduced in each survey	Prior-year data not available					10%	10%

<b>Goal 4: Measure 10 (new)</b>							
<b>Satisfaction with Leadership Development Program</b>							
<b>Description:</b> After each major developmental event participants will complete a survey of items related to key training outcomes. Responses to these items will be compiled to create a composite score.							
Fiscal Year	FY 2006	FY 2007	FY 2008	FY 2009 Plan	FY 2009 Actual	FY 2010	FY 2011
Average score on a 5-point scale	Prior-year data not available					4	4

**Outcome 4.3: Information within and available to the SEC becomes a Commission-wide shared resource, appropriately protected, that enables a collaborative and knowledge-based working environment.**

Information Technology: The Office of Information Technology (OIT) supports the agency’s use of technology to modernize agency-wide mission performance. As a result of the increasing size and complexity of the U.S. securities markets as well as the expected increase in SEC staff, the agency is expecting an increased demand for the technical capability to electronically access, retrieve, organize, and analyze relevant information in FY 2010 and FY 2011. Therefore, in FY 2011, OIT plans to dedicate 5 positions (1 FTE) to support upgrading the IT infrastructure, ensuring compliance with federal IT regulations and standards, and other project and program management functions.

In FY 2010 and FY 2011, OIT will assist in developing a data integration and management program, modernize enforcement and examinations systems, and redesign the Electronic Data Gathering, Analysis and Retrieval (EDGAR) system. OIT will work with the new Division of Risk, Strategy, and Financial Innovation to identify needed technology capabilities around risk analytics, financial market intelligence, and enterprise risk management. OIT also will work with the new division, Enforcement, and OCIE to improve data management and workflow systems, which are critical in identifying and assessing risk. Measure 11 and Measure 12 will allow the SEC to evaluate its progress in supporting data management and integration, and document management.

Additionally, beginning in FY 2010, OIT will support Enforcement in developing more sophisticated tools for storing, analyzing, and organizing investigative evidentiary and work product documents (Measure 13). This will enable Enforcement staff to investigate and litigate more efficiently, proactively, and intelligently.

Since the EDGAR system received its last major overhaul more than ten years ago, the volume of filings received as well as the amount of forms and submissions to be filed, has significantly increased. The data and information contained in filings made available on the agency’s website has become a vital resource for both SEC staff and the public. Beginning in FY 2010, the SEC will

initiate a multi-year effort to redesign the EDGAR system to allow staff to more effectively address new and expanding disclosure requirements for entities.

As demonstrated in Measure 14, OIT will continue to maintain a high level of systems availability. In order to ensure few system outages and keep pace with systems and applications monitoring, in FY 2010 and FY 2011, OIT will re-design and upgrade the storage management system, continuity of operations plans, and systems monitoring capabilities of the IT infrastructure. OIT also will continue to ensure compliance with federal IT regulations and standards.

<b>Goal 4: Measure 11 (new)</b>							
<b>Percentage of SEC data sources accessible through a virtual data warehouse, and milestones achieved towards the creation of a robust information management program</b>							
<b>Description:</b> The SEC intends to reform its information management processes, so that data can be more easily accessed, shared, and analyzed across the organization. This metric will display the percentage of SEC data sources accessible for search and analysis through a virtual data warehouse. In addition, the SEC will track its success in achieving relevant milestones over the course of this multi-year effort. These milestones include establishing a formal information management program in 2010, completing an information catalog by 2011, providing capabilities to support analysis of information by 2012, and developing a capability that allows integration of business operations data for management, reporting and analysis by 2013. The agency must further refine its processes for collecting this information before establishing targets.							
Fiscal Year	FY 2006	FY 2007	FY 2008	FY 2009 Plan	FY 2009 Actual	FY 2010	FY 2011
Percentage	Prior-year data not available					TBD	TBD
Milestone Achieved	Prior-year data not available					Information Mgmt Program Established	Information Catalog Complete

<b>Goal 4: Measure 12 (new)</b>							
<b>Deployment of document management and workflow tools</b>							
<b>Description:</b> This metric will present the SEC's success in applying document management and workflow tools to the Commission's mission critical business functions. Over time, the SEC aims to deploy these tools for enforcement case management, the agency's processes for handling disgorgement and penalties, examination management, management of Commission actions, and rulemaking.							
Fiscal Year	FY 2006	FY 2007	FY 2008	FY 2009 Plan	FY 2009 Actual	FY 2010	FY 2011
Business Functions Served	Prior-year data not available					Enforcement & Examination	Office of Secretary

<b>Goal 4: Measure 13 (new)</b>							
<b>Time to process evidentiary material for enforcement investigations</b>							
<b>Description:</b> The SEC aims to improve its ability to process evidentiary material gathered during the course of its enforcement investigations, and enhance the agency's document storage, organization, and analytical capabilities. This metric will gauge whether these efforts succeed in reducing the time required to process evidentiary material, so it can be analyzed by enforcement staff. The agency must further refine its processes for collecting this information before establishing targets.							
Fiscal Year	FY 2006	FY 2007	FY 2008	FY 2009 Plan	FY 2009 Actual	FY 2010	FY 2011
Number of Days	Prior-year data not available					TBD	TBD

<b>Goal 4: Measure 14 (new)</b>							
<b>System Availability</b>							
<b>Description:</b> The SEC aims to enhance its computing infrastructure to eliminate down time if systems at one site fail, among other objectives. This metric will capture the percentage of systems and applications that can fail over within 4 hours. In addition, the SEC will track the percentage of its systems that have been virtualized, further reducing down time and increasing their accessibility from alternative locations. The agency must further refine its processes for collecting this information before establishing targets.							
Fiscal Year	FY 2006	FY 2007	FY 2008	FY 2009 Plan	FY 2009 Actual	FY 2010	FY 2011
Systems Availability	Prior-year data not available					99%	99%
Percentage Fail Over Within 4 Hours	Prior-year data not available					100%	100%
Systems Virtualized	Prior-year data not available					TBD	TBD

**Outcome 4.4: Resource decisions and operations reflect sound financial and risk management principles.**

Data Integration: In FY 2010 and FY 2011, OIT plans to dedicate additional resources to fully establish a data management program to provide integrated enterprise data management and improved reporting and analysis capabilities to SEC staff (Measure 15). OIT will work with the agency’s administrative offices and program offices to develop technologies that support data integration and data management while ensuring data quality.

Audited Financial Statements and Budget/ Performance Integration: Given the SEC’s statutory role in overseeing the disclosures of public companies and investment funds, taxpayers and investors should expect that the agency will maintain strong financial management practices and robust internal control over its own systems and operations. As a result, the agency places great emphasis on vigorously bolstering its processes and systems that support its budgeting, accounting, and internal control functions. In FY 2010 and FY 2011, the Office of Financial Management (OFM) plans to fully integrate the agency’s financial management systems and plan for transition to a next generation of financial, budget, and performance measurement applications (Measure 16).

OFM will continue to focus on strengthening internal controls, developing complete and accurate financial statements, and increasing transparency of financial and operational information in FY 2011 (Measure 17). In FY 2009, the SEC received an unqualified audit opinion; however, six significant deficiencies were identified which in the aggregate represent a material weakness in SEC’s internal control over financial reporting. In FY 2010 and FY 2011, the agency will implement corrective action plans to remediate these significant deficiencies and material weakness.

<b>Goal 4: Measure 15 (new)</b>							
<b>Milestones achieved towards establishment of a robust data management program</b>							
<b>Description:</b> A business process improvement effort will be initiated to identify enhancements needed to create a robust data management program over the next five years. This metric will gauge the agency's success in establishing an integrated enterprise data management, reporting, and analysis capability for mission and back office data.							
Fiscal Year	FY 2006	FY 2007	FY 2008	FY 2009 Plan	FY 2009 Actual	FY 2010	FY 2011
Milestone Achieved	Prior-year data not available				Administrative data and reporting requirements identified		Mission program data and reporting requirements identified

<b>Goal 4: Measure 16 (new)</b>							
<b>Financial systems integration</b>							
<b>Description:</b> As part of the SEC's effort to integrate its financial systems, the agency will measure the percentage of secondary systems that are fully interfaced with the core financial system, in compliance with applicable standards.							
Fiscal Year	FY 2006	FY 2007	FY 2008	FY 2009 Plan	FY 2009 Actual	FY 2010	FY 2011
Percentage	Prior-year data not available					17%	50%

<b>Goal 4: Measure 17</b>							
<b>Financial audit results</b>							
<b>Description:</b> Under the Accountability of Tax Dollars Act of 2002, the agency is required to meet all proprietary and budgetary accounting guidelines for federal agencies and to undergo annual audits. The SEC's audits are conducted by the Government Accountability Office.							
Fiscal Year	FY 2006	FY 2007	FY 2008	FY 2009 Plan	FY 2009 Actual	FY 2010	FY 2011
Unqualified Opinion	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Material Weaknesses	0	1	0	0	1	0	0
Significant Deficiency	3	3	3	0	6	0	0

## Division of Enforcement

### Executive Summary

	FY 2009 <u>Actual</u>	FY 2010 <u>Enacted</u>	FY 2011 <u>Request</u>
<b>FTE:</b> Headquarters	431	460	515
Regions	<u>748</u>	<u>777</u>	<u>853</u>
<b>Total</b>	<b>1,179</b>	<b>1,237</b>	<b>1,368</b>
<b>Cost:</b> Salaries and Benefits (\$000)	\$219,087	\$245,720	\$276,327
Non-Personnel Expenses (\$000)	<u>105,265</u>	<u>136,526</u>	<u>153,172</u>
<b>Total Costs (\$000)</b>	<b>\$324,352</b>	<b>\$382,246</b>	<b>\$429,499</b>

FY 2011 FTE by SEC Strategic Goal			
Goal 1	Goal 2	Goal 3	Goal 4
Foster and Enforce Compliance with Federal Securities Laws	Establish an Effective Regulatory Environment	Facilitate Access To Information Investors Need	Align and Manage Resources
1,368			

A strong Division of Enforcement is critical to the investing public's confidence in the integrity of the markets. The division 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 the division's proceedings is to seek penalties and the disgorgement of ill-gotten gains in order to return funds to harmed investors.

To maintain an effective deterrent presence, the enforcement program needs to be adequately staffed to address increasingly complex financial products and transactions and the enormous size of the markets, and to take prompt action to halt violations and try to recover funds. The SEC's top priority is to reinvigorate the enforcement program, and to this end the program is receiving 150 additional positions in FY 2010, and is requesting an additional 70 positions (26 FTE) in FY 2011. These positions will complement the enforcement program's current reorganization efforts by:

- expanding and focusing the investigations function, so Enforcement can strengthen its efforts to identify areas appropriate for enhanced investigative efforts;
- staffing the newly created Office of Market Intelligence which will conduct risk assessment and prioritize the hundreds of thousands of tips, complaints, and referrals expected each year;
- strengthening the litigation function in order to succeed in an increased number of trials;
- increasing staffing in the Office of Collections and Distributions, which is responsible for collecting penalties and disgorgements and returning funds to harmed investors whenever possible;
- expanding staff in the division's information technology (IT) group.

## Office of Compliance Inspections and Examinations

### Executive Summary

	FY 2009 <u>Actual</u>	FY 2010 <u>Enacted</u>	FY 2011 <u>Request</u>
<b>FTE:</b> Headquarters	144	146	152
Regions	<u>676</u>	<u>694</u>	<u>760</u>
<b>Total</b>	<b>820</b>	<b>840</b>	<b>912</b>
<b>Cost:</b> Salaries and Benefits (\$000)	\$150,011	\$165,281	\$182,616
Non-Personnel Expenses (\$000)	<u>57,590</u>	<u>64,815</u>	<u>74,379</u>
<b>Total Costs (\$000)</b>	<b>\$207,601</b>	<b>\$230,096</b>	<b>\$256,995</b>

FY 2011 FTE by SEC Strategic Goal			
Goal 1	Goal 2	Goal 3	Goal 4
Foster and Enforce Compliance with Federal Securities Laws	Establish an Effective Regulatory Environment	Facilitate Access To Information Investors Need	Align and Manage Resources
912			

The Office of Compliance Inspections and Examinations (OCIE) conducts the SEC's examinations of investment advisers, investment companies, broker-dealers, self-regulatory organizations, credit rating agencies, transfer agents, and clearing agencies. Examinations have three broad goals: to detect fraud and other violations of the federal securities laws; to foster compliance with the securities laws; and to provide the SEC with information regarding developments and areas of potential risk in the securities industry.

In FY 2011, OCIE plans to significantly expand and enhance its oversight of registered advisers. Currently, OCIE is only able to inspect approximately 10 percent of all registered investment advisers each year. To better protect investors, to provide them with the oversight that is expected, this percentage must be dramatically increased. This additional staff would begin to improve this annual coverage. OCIE will continue to devote significant resources to conducting cause examinations arising out of tips and complaints alleging fraud or other abuse, as well as risk targeted and sweep examinations. The staff also will continue to target critical securities market participants for examinations, including credit rating agencies and new clearing agencies for credit default swaps. The office requests 100 positions (30 FTE) to accomplish these goals.

OCIE also will enhance training and expertise of examiners in fraud detection, new products, trading strategies and other issues, and will continue ongoing efforts to improve its risk assessment and surveillance methodologies. Additionally in FY 2011, OCIE will continue to promote industry compliance efforts through the *CCOutreach* program.

## Division of Corporation Finance

### Executive Summary

	FY 2009 <u>Actual</u>	FY 2010 <u>Enacted</u>	FY 2011 <u>Request</u>
<b>FTE: Headquarters</b>	<b>464</b>	<b>470</b>	<b>496</b>
<b>Cost: Salaries and Benefits (\$000)</b>	\$82,087	\$90,887	\$97,690
Non-Personnel Expenses (\$000)	<u>38,551</u>	<u>47,581</u>	<u>52,913</u>
<b>Total Costs (\$000)</b>	<b>\$120,638</b>	<b>\$138,468</b>	<b>\$150,603</b>

FY 2011 FTE by SEC Strategic Goal			
Goal 1	Goal 2	Goal 3	Goal 4
Foster and Enforce Compliance with Federal Securities Laws	Establish an Effective Regulatory Environment	Facilitate Access To Information Investors Need	Align and Manage Resources
10	64	422	

The Division of Corporation Finance (CF) has two primary missions: to see that investors are provided with materially complete and accurate information and to deter fraud and misrepresentation in the public offering, trading, voting, and tendering of securities. The division's primary authority is derived from three statutes: the Securities Act of 1933 (1933 Act), the Securities Exchange Act of 1934 (1934 Act), and the Sarbanes-Oxley Act of 2002.

In response to current economic and business conditions, in FY 2011 the division plans to focus more, and with greater frequency, on disclosures made by large and financially significant companies. The division also plans to prepare proposals to update the general disclosure requirements applicable to public companies, prepare proposals to update beneficial ownership reporting rules in light of market developments such as equity swaps and other derivatives, and continue rulemaking efforts to adopt new disclosure requirements for complex financial instruments such as asset-backed securities. The staff will undertake information technology (IT) projects to modernize disclosure forms and the Electronic Data Gathering, Analysis and Retrieval (EDGAR) system. In FY 2011, the division plans to continue to meet the review cycle requirements of the Sarbanes-Oxley Act, monitor the amount of time attributed to staff review, and process in a timely manner all requests for confidential treatment associated with these filings. The division requests 30 additional positions (nine FTE) in FY 2011 to meet its goals.



## Division of Trading and Markets

### Executive Summary

	FY 2009 <u>Actual</u>	FY 2010 <u>Enacted</u>	FY 2011 <u>Request</u>
<b>FTE: Headquarters</b>	<b>177</b>	<b>197</b>	<b>230</b>
<b>Cost: Salaries and Benefits (\$000)</b>	\$32,722	\$37,915	\$45,168
Non-Personnel Expenses (\$000)	<u>12,648</u>	<u>16,422</u>	<u>20,897</u>
<b>Total Costs (\$000)</b>	<b>\$45,370</b>	<b>\$54,337</b>	<b>\$66,065</b>

FY 2011 FTE by SEC Strategic Goal			
Goal 1	Goal 2	Goal 3	Goal 4
Foster and Enforce Compliance with Federal Securities Laws	Establish an Effective Regulatory Environment	Facilitate Access To Information Investors Need	Align and Manage Resources
39	125	66	

The mission of the Division of Trading and Markets (TM) is to establish and maintain standards for fair, orderly and efficient markets, while fostering investor protection and confidence in the markets. As envisioned by the Securities Exchange Act of 1934 (1934 Act), the SEC relies on the self-regulation of the securities industry as the primary method of ensuring fair dealing and investor protection, but directly regulates market participants where Commission rulemaking is more effective than self-regulation.

**Securities Firm Supervision:** In FY 2011, TM will continue rulemaking efforts related to short sales of securities, manipulation, privacy, broker-dealer registration, and financial responsibility. The staff will address issues relating to foreign and domestic transfer agents. The staff will also continue to work with the Financial Industry Regulatory Authority (FINRA) to consolidate and revise self-regulatory organization (SRO) rules governing securities firms.

**Market Supervision:** Due to the anticipated legislative changes, including reform of the regulatory structure of the U.S. financial markets, regulation of credit default swaps, the registration of as many as eight new exchanges, and the increased globalization of the securities markets, the division will face significant new challenges in FY 2011 regarding the regulation and supervision of the U.S. securities markets. These challenges include analyzing the implications of consolidations among U.S. exchanges and other markets, as well as affiliations or other alliances between U.S. and non-U.S. markets. In FY 2011, the staff plans to examine appropriate ways to facilitate the globalization of the securities markets and to streamline the SEC rule filing process for U.S. exchanges and other SROs.

The division is requesting 40 additional positions (12 FTE) in FY 2011. These additional resources will allow the division to begin to meet the challenges posed by an anticipated increase in regulated entities and new program initiatives related to supervision of securities firms and the markets.

## Division of Investment Management

### Executive Summary

	FY 2009 <u>Actual</u>	FY 2010 <u>Enacted</u>	FY 2011 <u>Request</u>
<b>FTE: Headquarters</b>	<b>154</b>	<b>160</b>	<b>174</b>
<b>Cost: Salaries and Benefits (\$000)</b>	\$29,843	\$32,958	\$36,432
Non-Personnel Expenses (\$000)	<u>17,738</u>	<u>21,698</u>	<u>25,184</u>
<b>Total Costs (\$000)</b>	<b>\$47,581</b>	<b>\$54,656</b>	<b>\$61,616</b>

FY 2011 FTE by SEC Strategic Goal			
Goal 1	Goal 2	Goal 3	Goal 4
Foster and Enforce Compliance with Federal Securities Laws	Establish an Effective Regulatory Environment	Facilitate Access To Information Investors Need	Align and Manage Resources
38	82	54	

The mission of the investment management program is to minimize the financial risks to investors from fraud, mismanagement, self-dealing, and misleading or incomplete disclosure in the investment company and investment adviser segments of the financial services industry, without imposing unnecessary costs and burdens on regulated entities.

In FY 2011, the Division of Investment Management (IM) plans to monitor results of rules (if adopted in FY 2010) designed to reduce the credit and liquidity risk profiles of money market funds, make them less susceptible and better able to respond to runs, and improve the Commission's ability to monitor those funds. IM also will consider recommendations for the proposal and adoption of additional rules to further improve the regulatory regime for money market funds and enhance the protections afforded to money market fund investors.

The division plans to recommend the Commission propose and adopt rules to implement legislation (if passed) that would require advisers of hedge funds and other private pools to register with the Commission under the Investment Advisers Act of 1940 and require them to report information on the funds they manage that is sufficient to assess whether any fund poses a threat to financial stability. The division will monitor the results of the new requirements. Additionally, IM plans to work with the Division of Trading and Markets to implement legislation (if passed) that would establish consistent standards of fiduciary conduct regarding investment advice for broker-dealers and investment advisers. IM requests 20 additional positions (six FTE) in FY 2011 to accomplish these goals.

## Division of Risk, Strategy and Financial Innovation

### Executive Summary

	FY 2009 <u>Estimate</u>	FY 2010 <u>Estimate</u>	FY 2011 <u>Request</u>
<b>FTE: Headquarters</b>	<b>35</b>	<b>49</b>	<b>68</b>
<b>Cost: Salaries and Benefits (\$000)</b>	\$7,975	\$10,784	\$14,918
Non-Personnel Expenses (\$000)	<u>5,875</u>	<u>8,043</u>	<u>11,425</u>
<b>Total Costs (\$000)</b>	<b>\$13,850</b>	<b>\$18,827</b>	<b>\$26,343</b>

FY 2011 FTE by SEC Strategic Goal			
Goal 1	Goal 2	Goal 3	Goal 4
Foster and Enforce Compliance with Federal Securities Laws	Establish an Effective Regulatory Environment	Facilitate Access To Information Investors Need	Align and Manage Resources
21	34	8	5

The Division of Risk, Strategy, and Financial Innovation (RiskFin) was formed in the fall of 2009 by combining the Office of Economic Analysis (OEA) with the Office of Risk Assessment (ORA) and extending the mission of the overall group. RiskFin supports a multi-disciplinary approach to finance that blends the expertise of professional economists, lawyers, and financial practitioners to help tackle many of the issues facing the SEC today. RiskFin's responsibilities cover three broad areas: risk and strategic analysis, strategic research, and financial innovation. Its activities relate to policymaking, rulemaking, and enforcement matters agency-wide.

The division requests an additional 30 positions (nine FTE) in FY 2011, an increase of 42 percent from FY 2010. As a result, RiskFin will have a staff of 102, including a number of visiting academics and industry experts. RiskFin's operations will support the areas of analytics, financial markets intelligence, and risk management. The division will monitor market developments, conduct outreach to market participants, and enhance risk-based methods for maximizing resources throughout the SEC. RiskFin will support the Office of Compliance Inspections and Examinations (OCIE) in its efforts to improve systems for surveillance, risk-based targeting of examinations, and data analysis capabilities. In FY 2011, the division expects to continue providing analyses for a number of issues being considered for legislative action, as well as analyses of the impact of existing legislation on investors and regulated entities. RiskFin plans to focus on issues related to the regulation of broker-dealers and certain other persons. RiskFin also will support efforts related to the development of policies and analytics associated with over-the-counter (OTC) derivatives, OTC derivative markets and participants, and clearance and settlement.

## Office of the General Counsel

### Executive Summary

	FY 2009 <u>Actual</u>	FY 2010 <u>Enacted</u>	FY 2011 <u>Request</u>
<b>FTE:</b> Headquarters	121	125	133
Regions	<u>11</u>	<u>11</u>	<u>11</u>
<b>Total</b>	<b>132</b>	<b>136</b>	<b>144</b>
<b>Cost:</b> Salaries and Benefits (\$000)	\$26,491	\$29,084	\$31,432
Non-Personnel Expenses (\$000)	<u>9,583</u>	<u>12,386</u>	<u>13,380</u>
<b>Total Costs (\$000)</b>	<b>\$36,074</b>	<b>\$41,470</b>	<b>\$44,812</b>

FY 2011 FTE by SEC Strategic Goal			
Goal 1	Goal 2	Goal 3	Goal 4
Foster and Enforce Compliance with Federal Securities Laws	Establish an Effective Regulatory Environment	Facilitate Access To Information Investors Need	Align and Manage Resources
91	23	6	24

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

In FY 2011, the Office of the General Counsel (OGC) anticipates working on legislative initiatives to reform the existing regulatory structure for the securities markets and the financial services industry. OGC also expects to provide technical assistance to Congress and other financial regulatory agencies on numerous legislative initiatives and other matters. The requested increase in the size of the enforcement staff is expected to lead to an increase in the number of enforcement matters that will reach adjudication as appeals, as well as an increase in the number and time sensitivity of the enforcement actions analyzed by OGC staff.

Ethics counseling matters are expected to rise, in large part due to the overall increase in SEC staff. The Ethics Office has recently assumed responsibility for all agency financial disclosure requirements, including review of the staff's security transactions. The office implemented a new electronic ethics and compliance system in early FY 2010 and will establish a compliance branch by the end of FY 2010.

The office is requesting five additional positions (one FTE) in FY 2011 to address expanding requirements and the additional workload generated by increasing staffing levels across the agency.

## Other Program Offices

	FY 2009 <u>Actual</u>	FY 2010 <u>Enacted</u>	FY 2011 <u>Request</u>
<b>FTE:</b> Headquarters			
Office of Chief Accountant	58	60	64
Office of Investor Education and Advocacy	67	72	79
Office of International Affairs	32	35	40
Office of Administrative Law Judges	<u>11</u>	<u>11</u>	<u>11</u>
<b>Total</b>	<b>168</b>	<b>178</b>	<b>194</b>
<b>Cost:</b> Salaries and Benefits (\$000)	\$29,383	\$33,028	\$36,497
Non-Personnel Expenses (\$000)	<u>13,074</u>	<u>16,973</u>	<u>19,497</u>
<b>Total Costs (\$000)</b>	<b>\$42,457</b>	<b>\$50,001</b>	<b>\$55,994</b>

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

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

Office of Investor Education and Advocacy: Serves investors who complain to the SEC about investment fraud or the mishandling of their investments by securities professionals. The SEC has significantly expanded the office's responsibilities to ensure the views of retail investors inform the Commission's regulatory policies and disclosure programs and to improve investors' financial literacy.

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

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

## Office of Chief Accountant

### Executive Summary

	FY 2009 <u>Actual</u>	FY 2010 <u>Enacted</u>	FY 2011 <u>Request</u>
<b>FTE: Headquarters</b>	<b>58</b>	<b>60</b>	<b>64</b>

FY 2011 FTE by SEC Strategic Goal			
Goal 1	Goal 2	Goal 3	Goal 4
Foster and Enforce Compliance with Federal Securities Laws	Establish an Effective Regulatory Environment	Facilitate Access To Information Investors Need	Align and Manage Resources
22	24	13	5

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

Rigorous accounting standards are critical to resolve global and U.S. economic issues. During the April 2009 Group of 20 (G-20) meeting, the heads of state of the world's largest economies called on accounting standard setters to improve upon the existing guidance for valuing financial instruments and endorsed the adoption of a single set of global accounting standards. The Administration's proposed framework for reforming federal financial regulation expands on the G-20 declarations, requiring the evaluation of fair value accounting and loan loss provisioning.

OCA requires additional resources to foster progress towards global convergence of accounting standards and to oversee the FASB and PCAOB. During FY 2011, OCA projects increased workload related to FASB oversight and support, including the implementation of recommendations to improve financial reporting usefulness to investors. OCA will continue overseeing the PCAOB, including monitoring its progress in inspecting firms outside of U.S. jurisdictions.

## Office of Investor Education and Advocacy

### Executive Summary

		FY 2009 <u>Actual</u>	FY 2010 <u>Enacted</u>	FY 2011 <u>Request</u>
<b>FTE:</b>	Headquarters	<b>67</b>	<b>72</b>	<b>79</b>

FY 2011 FTE by SEC Strategic Goal			
Goal 1	Goal 2	Goal 3	Goal 4
Foster and Enforce Compliance with Federal Securities Laws	Establish an Effective Regulatory Environment	Facilitate Access To Information Investors Need	Align and Manage Resources
8	8	59	4

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

In FY 2011, OIEA plans to expand its research on various categories of investors and investment decision-making behavior. This research will drive the development of educational programs and materials and help inform the Commission’s rulemaking agenda. OIEA also will address the SEC’s Investor Advisory Committee’s input regarding investors’ perspectives and priorities. OIEA plans to shorten response times for investor contacts and improve quality assurance. The office estimates it will manage approximately 2,000 more investor assistance activities compared to FY 2010. Additionally, OIEA plans to continue to update its publications, expand its offering of Spanish language publications and explore new channels for communicating with investors. To implement new initiatives and address increasing workload, OIEA requests 10 additional positions (three FTE) in FY 2011.

## Office of International Affairs

### Executive Summary

	FY 2009 <u>Actual</u>	FY 2010 <u>Enacted</u>	FY 2011 <u>Request</u>
<b>FTE: Headquarters</b>	<b>32</b>	<b>35</b>	<b>40</b>

FY 2011 FTE by SEC Strategic Goal			
Goal 1	Goal 2	Goal 3	Goal 4
Foster and Enforce Compliance with Federal Securities Laws	Establish an Effective Regulatory Environment	Facilitate Access To Information Investors Need	Align and Manage Resources
24	13	3	

The Office of International Affairs (OIA) assists the Commission in meeting its mandate by advancing cross-border supervisory and enforcement cooperation, advising the agency on developing and modernizing regulatory policy to reflect the increasingly international nature of securities activity, and providing technical assistance to emerging markets. A core function of OIA is to assist the enforcement program with respect to cross-border investigations and to foster investor protection in a global environment.

Enforcement cases with important international aspects have grown at a rapid pace, and the cases are projected to be more complex as fraudsters try to use new methods to hide ill-gotten gains. OIA expects respond to about 855 inquiries seeking the assistance of foreign authorities, almost 45 percent more than the 594 handled in FY 2008 and requests five additional positions (two FTE) primarily to support the enforcement program.

In FY 2011, OIA will continue working with the International Organization of Securities Commissions (IOSCO) and foreign regulatory counterparts to promote international cooperation and assistance on international enforcement matters. The office also will work cooperatively within IOSCO and the Financial Stability Board (FSB) to enhance cross-border supervisory cooperation. Further, OIA will advise other SEC divisions and offices on regulatory policy initiatives, including those identified by the Group of 20 (G-20) leaders. Specific areas to be addressed include hedge funds, cross-border oversight of credit rating agencies, and progress towards a single set of high quality global accounting standards.



## Office of the Administrative Law Judges

### Executive Summary

	FY 2009 <u>Actual</u>	FY 2010 <u>Enacted</u>	FY 2011 <u>Request</u>
<b>FTE: Headquarters</b>	<b>11</b>	<b>11</b>	<b>11</b>

FY 2011 FTE by SEC Strategic Goal			
Goal 1	Goal 2	Goal 3	Goal 4
Foster and Enforce Compliance with Federal Securities Laws	Establish an Effective Regulatory Environment	Facilitate Access To Information Investors Need	Align and Manage Resources
11			

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

In FY 2011, the Office of Administrative Law Judges (OALJ) plans to dispose of roughly 140 proceedings. For these proceedings, the OALJ expects to issue approximately 25 initial decisions. The office requests one additional position (less than one FTE) in FY 2011, commensurate with the substantial increase in the enforcement program in FY 2010 and FY 2011.

## Agency Direction and Administrative Support

	FY 2009	FY 2010	FY 2011
	<u>Actual</u>	<u>Enacted</u>	<u>Request</u>
<b>FTE: Headquarters</b>			
Agency Direction			
Office of Executive Staff	37	39	41
Office of Public Affairs	8	9	11
Office of the Secretary	<u>42</u>	<u>42</u>	<u>43</u>
Subtotal	<u>87</u>	<u>90</u>	<u>95</u>
Administrative Support	-	-	-
Office of the Executive Director	11	11	13
Office of Financial Management	56	60	70
Office of Human Resources	61	66	79
Office of Administrative Services	91	90	98
Office of Information Technology	126	133	150
Office of Equal Emp. Opportunity	<u>8</u>	<u>8</u>	<u>8</u>
Subtotal	<u>353</u>	<u>368</u>	<u>418</u>
<b>Total</b>	<b>440</b>	<b>458</b>	<b>513</b>
<b>Cost: Salaries and Benefits (\$000)</b>	\$78,393	\$88,117	\$98,465
Non-Personnel Expenses (\$000)	<u>39,165</u>	<u>54,483</u>	<u>61,358</u>
<b>Total Costs (\$000)</b>	<b>\$117,558</b>	<b>\$142,600</b>	<b>\$159,823</b>

This section of the FY 2011 request details the SEC's agency-wide executive activities, operations, and administrative functions and covers the following areas:

Agency Direction: Includes the Chairman's and Commissioners' offices, Office of Legislative and Intergovernmental Affairs (OLIA), Office of Public Affairs (OPA), and Office of the Secretary.

Office of the Executive Director: Develops and executes agency management policies. The office oversees the allocation and utilization of agency resources, promotes management controls and financial integrity, and manages administrative support functions.

Office of Information Technology: Manages the Commission's IT program including application development, user support, capital planning, security, and enterprise architecture.

Office of Equal Employment Opportunity: Ensures that employees and applicants for employment have equal opportunity in employment.

## Agency Direction

### Executive Summary

	FY 2009 <u>Actual</u>	FY 2010 <u>Enacted</u>	FY 2011 <u>Request</u>
<b>FTE: Headquarters</b>			
Office of Executive Staff	37	39	41
Office of Public Affairs	8	9	11
Office of the Secretary	<u>42</u>	<u>42</u>	<u>43</u>
<b>Total</b>	<b>87</b>	<b>90</b>	<b>95</b>

FY 2011 FTE by SEC Strategic Goal			
Goal 1	Goal 2	Goal 3	Goal 4
Foster and Enforce Compliance with Federal Securities Laws	Establish an Effective Regulatory Environment	Facilitate Access To Information Investors Need	Align and Manage Resources
17	17	60	1

Agency Direction is comprised of the Commissioners and their staff, as well as the Office of the Secretary (OS), the Office of Legislative and Intergovernmental Affairs (OLIA), and the Office of Public Affairs (OPA). The Chairman’s Office oversees all aspects of agency operations, as well as the review and approval of enforcement cases and formal orders of investigation and the development, consideration, and execution of the agency’s substantive policy and rulemaking agenda. Matters such as the proposal or adoption of new rules or the consideration of enforcement cases or formal orders of investigations also involve the agency’s four other Commissioners and their staffs.

OLIA works with Members of Congress and their staff on issues that affect the SEC and its mission, including the consideration of the agency’s funding and legislation that might affect the securities laws or other aspects of agency operations. OLIA also coordinates testimony of SEC officials and oversees correspondence sent between the Chairman and Members of Congress. OPA coordinates the SEC’s communications with the media, the general public, and foreign visitors. OS reviews all documents issued by the Commission, schedules Commission meetings, prepares and maintains records of Commission actions, advises the Commission and staff about practice and procedure, and maintains the library and related databases and content.

In FY 2010 and FY 2011, the Commission will work to strengthen the administration of the federal securities laws, protect investors, and respond to the challenges identified by the recent financial crisis. OPA plans to increase the agency’s use of new technologies and social media to further support the goal of open and transparent government. OS plans to better manage administrative proceedings by establishing a new electronic filing system in FY 2011. Together, these two offices also intend to redesign the SEC’s external and internal Web sites to improve accessibility of information for investors, market participants, and SEC staff.

In total, these offices are requesting ten new positions (three FTE) in FY 2011.

## Office of the Executive Director

### Executive Summary

	FY 2009 <u>Actual</u>	FY 2010 <u>Enacted</u>	FY 2011 <u>Request</u>
<b>FTE: Headquarters</b>			
Office of the Executive Director	11	11	13
Office of Financial Management	56	60	70
Office of Human Resources	61	66	79
Office of Administrative Services	<u>91</u>	<u>90</u>	<u>98</u>
<b>Total</b>	<b>219</b>	<b>227</b>	<b>260</b>

FY 2011 FTE by SEC Strategic Goal			
Goal 1	Goal 2	Goal 3	Goal 4
Foster and Enforce Compliance with Federal Securities Laws	Establish an Effective Regulatory Environment	Facilitate Access To Information Investors Need	Align and Manage Resources
2	1		257

The Office of the Executive Director (OED) aims to maximize the use of SEC resources by overseeing the strategic planning, financial management, human resources, and administrative functions of the agency. The Office of Financial Management (OFM) is responsible for the SEC's accounting, budgetary, and financial operations, as well as financial, performance, and other managerial analysis and reporting. The Office of Human Resources (OHR) provides organizational leadership for strategic management of all aspects of the agency's human capital program. The Office of Administrative Services (OAS) manages the agency's physical infrastructure and provides a wide range of support services.

Under the FY 2011 request, the SEC's budget and workforce would grow significantly. OED and its subordinate offices will play a central role in supervising this growth, ensuring that the additional resources entrusted to the SEC are used wisely and efficiently. Towards this end, the offices will oversee efforts to hire and train new staff as well as secure additional facilities to accommodate them. In addition, OED would help the Office of Information Technology (OIT) manage the increased resources dedicated to technology, to successfully modernize the suite of systems supporting the SEC's programs. Altogether, the offices are requesting 38 additional positions (12 FTE) to support the mission programs' expansion and effectively manage the agency's resources and internal control processes.

# Office of Information Technology

## Executive Summary

	FY 2009 <u>Actual</u>	FY 2010 <u>Enacted</u>	FY 2011 <u>Request</u>
<b>FTE: Headquarters</b>	<b>126</b>	<b>133</b>	<b>150</b>

FY 2011 FTE by SEC Strategic Goal			
Goal 1	Goal 2	Goal 3	Goal 4
Foster and Enforce Compliance with Federal Securities Laws	Establish an Effective Regulatory Environment	Facilitate Access To Information Investors Need	Align and Manage Resources
			150

Information technology plays a critical role in the mission of the SEC. The increasing size and complexity of the U.S. markets require that the SEC leverage technology to continuously improve its productivity, as well as identify and address the most significant threats to investors.

The SEC's staffing proposal for FY 2011 will have a significant impact on the Office of Information Technology (OIT). To meet the resulting increase in demand for new technologies and support, OIT is requesting 15 additional positions (5 FTE) and an additional \$12 million for FY 2011 to support its data management and integration, document management, disclosure, internal accounting and financial reporting, and infrastructure support functions. OIT plans to use the additional resources to fully establish a data management program to provide integrated enterprise data management and improved reporting and analysis capabilities to SEC staff. OIT plans to work with the new Division of Risk, Strategy and Financial Innovation to identify and implement technologies supporting risk analytics, financial market intelligence, and enterprise risk management.

The office plans to dedicate additional staff to address the increased demand for document management and workflow systems anticipated in FY 2011 following completion of the enforcement case management and tracking system and the examination management system. Additionally, OIT will continue a multi-year effort initiated in FY 2010 to modernize the Electronic Data Gathering, Analysis and Retrieval (EDGAR) filing platform. This will significantly improve the timeliness of system modifications to accommodate rulemaking, enable staff to target their reviews more effectively, and lower contracting costs to support the system.

# Office of Equal Employment Opportunity

## Executive Summary

	FY 2009 <u>Actual</u>	FY 2010 <u>Enacted</u>	FY 2011 <u>Request</u>
<b>FTE: Headquarters</b>	<b>8</b>	<b>8</b>	<b>8</b>

FY 2011 FTE by SEC Strategic Goal			
Goal 1	Goal 2	Goal 3	Goal 4
Foster and Enforce Compliance with Federal Securities Laws	Establish an Effective Regulatory Environment	Facilitate Access To Information Investors Need	Align and Manage Resources
			8

The Office of Equal Employment Opportunity (EEO) ensures that the SEC is an equal opportunity employer in full compliance with all federal EEO laws. These laws prohibit employment discrimination based on age, color, disability status, gender, national origin, race, religion, protected genetic information, sexual orientation, and discriminatory retaliation against individuals for participating in the EEO process or opposing discrimination. The EEO Office also is responsible for promoting a diverse and inclusive working environment.

In FY 2011, in connection with the agency’s requested expansion of its staff, the EEO Office will increase its efforts to develop additional sources of diverse job applicants. The office plans to provide training, instructional, and inquiry support for the SEC workforce; continue supporting the Memorandum of Understanding (MOU) between the SEC and the National Treasury Employees Union (NTEU); support the SEC’s strategic plan; promote compliance with three new EEO-related statutes; and comply with EEO and Diversity-related components of financial regulatory reform.

# Office of the Inspector General

## Executive Summary

	FY 2009 <u>Actual</u>	FY 2010 <u>Enacted</u>	FY 2011 <u>Request</u>
<b>FTE: Headquarters</b>	<b>15</b>	<b>19</b>	<b>19</b>
<b>Cost: Salaries and Benefits (\$000)</b>	\$2,960	\$3,552	\$3,628
Non-Personnel Expenses (\$000)	<u>1,748</u>	<u>2,501</u>	<u>2,622</u>
<b>Total Costs (\$000)</b>	<b>\$4,708</b>	<b>\$6,053</b>	<b>\$6,250</b>

FY 2011 FTE by SEC Strategic Goal			
Goal 1	Goal 2	Goal 3	Goal 4
Foster and Enforce Compliance with Federal Securities Laws	Establish an Effective Regulatory Environment	Facilitate Access To Information Investors Need	Align and Manage Resources
			19

The Office of the Inspector General (OIG) is an independent office that conducts audits of programs and operations of the SEC and investigations into allegations of misconduct by staff or contractors. The mission of OIG is to detect fraud, waste, and abuse and to promote integrity, economy, efficiency, and effectiveness in the SEC's programs and operations. The rapid pace of significant internal and external changes that affect the work of the SEC drives the work of OIG.

In FY 2011, OIG will continue its focus on improving agency operations through audits, inspections, and evaluations. It also will enhance staff and agency integrity by investigating allegations of employee and contractor misconduct. By conducting audits, evaluations, inspections, and investigations, OIG supports the efforts of Congress and the SEC to fulfill their responsibilities and achieve their goals and objectives with respect to oversight of the securities industry and investor protection.

OIG's investigative workload has increased dramatically due to a variety of factors, including events pertaining to the recent financial crisis and increased Congressional focus on the SEC. This trend is expected to continue through FY 2011.

The FY 2011 budget request is being submitted in conformance with the requirements of the Inspector General Reform Act of 2008 (Pub. L. 110-409). The aggregate amount of funds requested for the direct costs of operating the OIG in FY 2011 is \$4,834,800. The estimated training costs for OIG for FY 2011 are \$26,250, and OIG's estimated contribution to the Council of the Inspectors General on Integrity and Efficiency (CIGIE) is \$11,600.

## *Appendix A - Acronyms*

ARP	Automation Review Program
ASCII	American Standard Code for Information Interchange
ATS	Alternative Trading Systems
CCO	Chief Compliance Officers
CDS	Credit Default Swap
CF	Division of Corporation Finance
CIGIE	Council of the Inspectors General on Integrity and Efficiency
ECN	Electronic Communications Network
EDGAR	Electronic Data Gathering, Analysis and Retrieval System
EEO	Equal Employment Opportunity
EIS	Electronic Information Systems
EMMA	Electronic Municipal Market Access
ENF	Division of Enforcement
ETF	Exchange-traded Fund
FASB	Financial Accounting Standards Board
FINRA	Financial Industry Regulatory Authority
FOIA	Freedom of Information Act
FSB	Financial Stability Board
FTE	Full-Time Equivalent
FY	Fiscal Year
G-20	Group of 20
GAAP	U.S. Generally Accepted Accounting Principles
GAO	Government Accountability Office
HTML	Hyper Text Markup Language
IAPD	Investment Adviser Public Disclosure
IASB	International Accounting Standards Board
IASCF	International Accounting Standards Committee Foundation
IFRS	International Financial Reporting Standards
IM	Division of Investment Management
IOSCO	International Organization of Securities Commissions
IPO	Initial Public Offering
IT	Information Technology
IWMS	Integrated Workplace Management System
MMOU	Multilateral Memorandum of Understanding
MOU	Memorandum of Understanding
MSD	Municipal Securities Dealer
MSRB	Municipal Securities Rulemaking Board
MUI	Matters Under Inquiry
NRSRO	Nationally Recognized Statistical Rating Organization



NTEU	National Treasury Employees Union
OALJ	Office of Administrative Law Judges
OAS	Office of Administrative Services
OCA	Office of the Chief Accountant
OCIE	Office of Compliance Inspections and Examinations
OED	Office of the Executive Director
OFM	Office of Financial Management
OGC	Office of the General Counsel
OHR	Office of Human Resources
OIA	Office of International Affairs
OIEA	Office of Investor Education and Advocacy
OIG	Office of the Inspector General
OIT	Office of Information Technology
OLIA	Office of Legislative and Intergovernmental Affairs
OMB	Office of Management and Budget
OPA	Office of Public Affairs
OPM	Office of Personnel Management
OS	Office of the Secretary
OTC	Over-the-Counter
PCAOB	Public Company Accounting Oversight Board
PDF	Portable Document Format
PL	Public Law
RiskFin	Division of Risk, Strategy and Financial Innovation
SIPC	Securities Investor Protection Corporation
SRO	Self-Regulatory Organization
SRTS	SRO Rule Tracking System
TARP	Troubled Asset Relief Program
TBD	To Be Determined
TM	Division of Trading and Markets
UIT	Unit Investment Trust
VERA	Voluntary Early Retirement Authority
VSIP	Voluntary Separation Incentive Program
XBRL	eXtensible Business Reporting Language
XML	Extensible Markup Language

