



# U.S. Securities and Exchange Commission

*In Brief*  
*FY 2012 Congressional Justification*

*February 2011*

# U.S. Securities and Exchange Commission

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## **EXECUTIVE SUMMARY**

The U.S. Securities and Exchange Commission (SEC) is pleased to submit this budget request for fiscal year (FY) 2012 to support the agency's work to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation. This request would provide the agency the funds necessary to carry out its core mission, as well as the new responsibilities assigned to the agency by the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act).

Over the past two years, the SEC has taken significant steps to make the SEC more vigilant, agile, and responsive, and is moving on multiple fronts to enhance its effectiveness and provide robust oversight of the financial markets. The agency has new senior leadership in key positions and has embarked on a vigorous rulemaking agenda, addressing areas such as equity market structure, credit rating agency conflicts and disclosure, investment adviser custody controls, money market fund resiliency, asset-backed securities, large trader reporting, pay-to-play, and municipal securities disclosure.

The SEC is also reforming how it operates. For instance, the enforcement division streamlined its procedures to bring cases more swiftly, removed a layer of management, created specialized units, and added new staff with new skills to pursue fraud and penalize wrongdoers. The enforcement program is generating tangible results, as evidenced by both the number and complexity of recent actions. In addition, in FY 2010, the SEC returned \$2.2 billion to harmed investors, twice the agency's budget for that year.

Additionally, after a top-to-bottom review, the agency's examinations unit restructured its exam program, becoming more risk-based in its approach, enhancing staff training and installing better systems to support examiners. Further, the SEC has continued to invest in modernizing its systems, including a centralized system for tips and complaints, enforcement and examination management systems, risk analysis tools, and financial management systems.

### **Current Challenges**

FY 2011 and FY 2012 mark a critical period for the agency. Not only does the Dodd-Frank Act create significant additional work for the SEC, both in the short and long term, but the agency must continue to carry out its longstanding core responsibilities. These responsibilities — pursuing securities fraud, reviewing public company disclosures and financial statements, inspecting the activities of investment advisers and broker-dealers, and ensuring fair and efficient markets—remain an essential ingredient to restoring investor confidence and trust in financial institutions and markets following the recent financial crisis.

Until recent years, the SEC has faced significant challenges in maintaining a staffing level and budget sufficient to carry out its core mission. The SEC experienced three years of frozen or reduced budgets from FY 2005 to 2007 that forced a reduction of 10 percent of the agency's staff. Similarly, the agency's investments in new or enhanced IT systems underwent a decline of about 50 percent from FY 2005 to 2009.

SEC staffing levels are just now returning to the level of FY 2005, despite the fact that the size and complexity of the securities markets have undergone tremendous growth since then. During the past decade, trading volume has more than doubled, the number of investment advisers grew by 50 percent, and the funds they manage have increased to \$38 trillion. A number of financial

firms spend many times more each year on their technology budgets alone than the SEC spends on all of its operations.

Today, the SEC is responsible for overseeing approximately 35,000 entities, including 11,800 investment advisers, 9,500 public companies, 4,200 mutual funds, and 5,400 broker-dealers with 175,000 branch offices. The SEC also oversees 600 transfer agents, 12 national securities exchanges, 10 clearing agencies, 10 nationally recognized statistical ratings organizations (NRSROs), as well as the Public Company Accounting Oversight Board (PCAOB), Financial Industry Regulatory Authority (FINRA), Municipal Securities Rulemaking Board (MSRB), and other self-regulatory organizations (SROs). Six years ago, the SEC's funding was sufficient to provide 19 examiners for each trillion dollars in investment adviser assets under management. Today, that figure stands at 12 examiners per trillion dollars.

The enactment of the Dodd-Frank Act has added significantly to the SEC's workload. The law represents the most sweeping changes to the nation's securities laws in decades. In the short term, the Dodd-Frank Act requires the SEC to promulgate more than 100 new rules, create five new offices, and conduct more than 20 studies and reports. The law also assigns the SEC additional responsibilities that will have a considerable long-term impact on the agency's resource needs. These new responsibilities include: oversight of the over-the-counter derivatives market and hedge fund advisors; registration of municipal advisors and security-based swap participants; enhanced supervision of NRSROs and clearinghouses; greater disclosure and risk retention regarding asset-backed securities; and creation of a new whistleblower program. In acknowledgement of this significant new workload, the Act authorized an increase in the agency's budget from the \$1.11 billion appropriated in FY 2010 to \$1.3 billion in FY 2011, \$1.5 billion in FY 2012, and \$2.25 billion by FY 2015.

So far, the SEC has proceeded with the first stages of implementation of the Dodd-Frank Act without additional funding. This has largely involved performing studies, analysis, and the writing of rules. These tasks have taken staff time from other responsibilities, and has been done almost entirely with existing staff and without additional expenses in areas such as information technology.

### **FY 2012 Request**

The SEC is requesting \$1.407 billion for FY 2012. This represents an increase of \$264 million over the agency's current FY 2011 spending authority, and will support 4,827 positions (4,460 FTE), an increase of 780 positions (612 FTE) over projected FY 2011 levels. The FY 2012 request is designed to provide the SEC with the resources required to achieve multiple, high-priority goals: adequately staff the agency to fulfill its core mission of protecting investors, maintaining orderly and efficient markets, and facilitating capital formation; continue to implement the Dodd-Frank Act; and expand the agency's information technology (IT) systems and management infrastructure to serve the needs of a more modern and complex organization.

## Offsetting Collections

It is important to note that the SEC's FY 2012 funding request will be fully offset by matching collections of fees on securities transactions. Currently, the transaction fees collected by the SEC are approximately two cents per \$1,000 of transactions. Under the Dodd-Frank Act, beginning with FY 2012, the SEC is required to adjust fee rates so that the amount collected will match the total amount appropriated for the agency by Congress. Under this mechanism, SEC funding will be deficit-neutral, as any increase or decrease in the SEC's budget would result in a corresponding rise or fall in offsetting fee collections.

## Reinvigorating Core SEC Programs

Of the new positions requested for FY 2012, 312 positions (40 percent) will be used to strengthen and support core SEC operations and to continue reforming its operations and fostering stronger protections for investors. Most notably, the enforcement program would add 28 positions to strengthen its new Office of Market Intelligence that conducts risk assessment and handles the thousands of tips, complaints, and referrals the agency receives each year; expand the program's five new specialized investigative units; and bolster its litigation program. The SEC also would hire 55 new personnel in its examination program to augment its risk assessment, monitoring, and surveillance functions and conduct additional adviser and fund inspections. An additional 37 staff would be added to the Division of Corporation Finance, primarily to conduct more frequent disclosure reviews of the largest companies, and 15 staff would be hired into the Division of Investment Management primarily to enhance oversight of money market funds and specialized products.

## Implementation of the Dodd-Frank Act

The other 468 positions (60 percent) of the new positions requested for FY 2012 are necessary initially to implement the Dodd-Frank Act. The agency also will invest in technology to facilitate the registration of additional entities and capture and analyze data on the new markets. The costs of these new positions and technology investments will be approximately \$123 million. Many of these new positions will be for experts in derivatives, hedge funds, data analytics, credit ratings, and other new or expanded responsibility areas. The new positions will support important new responsibilities including:

- **Derivatives** -- 157 positions focused on the derivatives markets, including 47 staff in the Division of Trading and Markets to develop programs to oversee over-the-counter derivatives, 34 examination staff to inspect for compliance, and 43 enforcement staff.
- **Hedge Funds** -- 102 positions focused on compliance with the new rules for hedge fund advisers, including 45 examination staff, 21 enforcement staff, and 15 assigned to the Divisions of Investment Management and Risk, Strategy, and Financial Innovation.
- **Oversight** -- 50 positions to support implementation of various requirements with respect to investment advisers and broker-dealers (16 positions), review of SRO rule filings (11 positions), PCAOB oversight (9 positions), asset-backed securities (8 positions), and corporate governance (6 positions).
- **Whistleblower** -- 43 positions focused on the whistleblower program, principally to expand investigations of tips received from whistleblowers.

- **Municipal Securities** -- 35 positions focused on municipal securities, principally to conduct examinations of newly-registered municipal advisors and to build the new Office of Municipal Securities.
- **Clearing** -- 33 positions focused on the Act's new responsibilities with respect to clearing, including annual reviews of systemically important agencies, including 20 examination staff and 12 staff in the Division of Trading and Markets.
- **Credit Rating Agencies** -- 26 positions focused on NSRSOs, principally for the Office of Credit Ratings to perform the annual examinations required by the Act.

It should be noted that, in addition to the new positions requested in FY 2012, the SEC also anticipates that an additional 296 positions will be required in FY 2013 for full implementation of the Dodd-Frank Act.

## **Program Details**

This section provides additional details of the SEC's overall FY 2012 request as it relates to certain key agency divisions, offices, and programs.

### Enforcement

To maintain an effective investigative capacity and deterrent presence, the SEC's enforcement program must be adequately staffed to address increasingly complex financial products and transactions, handle the increasing size of the markets, take prompt action to halt violations, and recover funds. The SEC's budget request for FY 2012 will support a total of 1,432 positions (1,366 FTE) for the agency's enforcement program, which represents an increase of 156 positions (122 FTE) above FY 2011 levels. This will permit the SEC to initiate 125 additional inquiries, conduct 100 additional formal investigations, and file charges in 70 additional civil or administrative cases. The new positions include:

- 28 positions to strengthen the intelligence analysis function, including the new Office of Market Intelligence, created in 2010 to manage the collection, analysis, triage, referral, and monitoring of the thousands of tips, complaints, and referrals that the SEC receives each year;
- 92 new positions committed to expanding and focusing the investigations process, for which the Government Accountability Office (GAO) identified an 11 percent staff reduction between FY 2004 and FY 2008; and
- 36 positions to reinforce the proceedings function, including trial lawyers and support for bringing enforcement cases in federal court or in administrative proceedings.

Many of these new positions are designed to strengthen core agency functions. The Dodd-Frank Act is also expected to require additional workload. For example, the enforcement workload is likely to increase as a result of the increased number and types of market participants, increased complexity of investigations, and the law's whistleblower-reward program.

## Examinations

The SEC's examination program is responsible for examining the activities and operations of investment advisers, broker-dealers, and other key securities market participants for compliance with federal law and agency regulations. The SEC's budget request for FY 2012 will support a total of 1,097 positions (1,002 FTE) for the national examination program, which represents an increase of 195 positions (145 FTE) from FY 2011 levels. These resources are critically needed to address the growing disparity between the number of exam staff and the growing size and complexity of registered firms, which include investment advisers, broker-dealers, mutual funds, and SROs, among others. For example, in FY 2010, the agency was only able to examine nine percent of registered investment advisers. Forty of the new positions requested for FY 2012 will be used to enhance general oversight of investment managers and broker-dealers, and especially to improve overall coverage of registered advisers and investment company complexes. The budget request also will support the agency's efforts to further develop a robust risk-based approach to examinations. Twelve new positions in FY 2012 will be used to improve surveillance and risk identification/assessment capabilities and the targeting of exams to areas and firms that present the greatest risk of harm to investors and the markets.

The examination program also has significant responsibilities with respect to administering the Dodd-Frank Act. The FY 2012 budget request will permit the following new positions to be added to the examination program in the following areas:

- 34 positions to examine the more than 1,000 new entities and thousands of individuals expected to register as municipal advisors;
- 34 positions to examine newly-registered security-based swap participants, including dealers and execution facilities;
- 45 positions to examine the estimated 750 private fund advisers who are expected to register with the Commission;
- 20 positions to provide expanded oversight of clearing agencies, including annual reviews of systemically important agencies; and
- 7 positions to execute additional exam responsibilities with respect to FINRA and the PCAOB.

## Trading and Markets

The Division of Trading and Markets is responsible for supervising the major securities market participants, including 5,400 broker-dealers, 12 securities exchanges, 10 clearing agencies, 600 transfer agents, and FINRA and other SROs. The SEC's budget request for FY 2012 will support a total of 301 positions (272 FTE) for Trading and Markets, an increase of 80 positions (60 FTE) above FY 2011. These additional resources will provide more robust oversight in several areas where the recent financial crisis has identified the need for improved regulation, and to respond to the significant increase in registrants subject to the division's scope of responsibilities.

Fifty-six of the new positions will be used to carry out the division's responsibilities regarding supervision of the U.S. securities markets, including clearance and settlement, market supervision, derivatives policy and trading practices, and market operations. Among other things, the new positions will permit examination of issues related to changes in the exchange and over-

the-counter markets for securities, including market structure developments, such as growth of high-frequency trading, dark liquidity, and the potential for excessive market volatility. The new positions also will permit evaluation and review of the increased number of SRO proposed rule changes and to expedite the review of SRO rule filing in accordance with Dodd-Frank Act requirements.

The remaining 24 new positions will be allocated to improve supervision of securities firms to meet the anticipated challenges posed by the increase in regulated entities and by new initiatives required by the Dodd-Frank Act. Among other things, the new positions will have responsibilities with respect to the regulation of security-based swap intermediaries, financial responsibility of broker-dealers and security-based swap intermediaries, and to modernize the agency's transfer agent regulations. The new positions will also permit added supervision of the Securities Investor Protection Corporation (SIPC) and monitoring of the liquidation of broker-dealers under the Securities Investor Protection Act of 1970.

The division is also responsible for leading the agency's efforts to coordinate certain critical interagency projects, including the designation of systemically important non-bank financial entities and financial market utilities under the auspices of the Financial Stability Oversight Council (FSOC) and mechanisms for the orderly liquidation of broker-dealers under the new liquidation authority afforded to FSOC and the Federal Deposit Insurance Corporation.

#### Public Company Disclosure

The Division of Corporation Finance is responsible for overseeing corporate disclosure of important information to the investing public. The SEC's budget request for FY 2012 will support a total of 539 positions (or 503 FTE) for Corporation Finance, an increase of 50 positions (38 FTE). These resources will be used to broaden the scope and frequency of reviews, increase its focus on large and financially significant registrants, and conduct an in-depth review of core disclosure requirements.

Forty of these new positions will be used to enhance the division's disclosure review program, which is responsible for reviewing approximately 4,000 corporate filings annually. These resources will permit an increase in the scope and frequency of the division's reviews of public company filings made by large and financially significant companies, without compromising the quality and frequency of filing reviews for small and mid-sized companies. The resources will also permit enhanced review of offering documents and asset-backed and other structured finance offerings.

The division also has significant rulemaking responsibilities, including with regard to general disclosure requirements applicable to public companies, beneficial ownership reporting rules, and disclosure requirements for complex financial instruments such as asset-backed securities. The remaining 10 positions will be used to strengthen the division's rulemaking and interpretive advice capabilities. This will permit an in-depth review of core disclosure requirements to ensure that they reflect contemporary business practices and address the needs of modern investors, and to permit additional analysis with respect to proxy voting, shareholder communication, beneficial ownership reporting, and disclosures of credit rating information. It will also permit the division to adequately respond to anticipated requests for interpretation and guidance, including with respect to shareholder director nominations and shareholder proposals.



## Investment Management

The Division of Investment Management oversees the SEC's efforts 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. The SEC's budget request for FY 2012 will support a total of 193 positions (181 FTE) for Investment Management, an increase of 31 positions (23 FTE). These additional resources will permit more robust oversight in several areas where the recent financial crisis has identified the need for improved regulation.

Four of the new positions will be used to improve monitoring of money market funds, which hold approximately \$3 trillion in assets, including about one-fifth of U.S. households' cash balances. These positions will be used to improve surveillance and perform additional analysis of expanded monthly portfolio holdings data that the agency began to collect in FY 2011. Seven other positions will be used to deepen the division's expertise with respect to specialized products. Sixteen new positions will be used to carry out duties required by the Dodd-Frank Act, including rulemaking and addressing interpretive issues relating to investment adviser regulation, registration and reporting by advisers to private investment funds, and systemic risk reporting. These positions will also be used to inaugurate a program within the division to conduct compliance inspections and examinations of investment companies and investment advisers, as required under the Dodd-Frank Act.

## Setting Priorities Based on Risk

In FY 2009, the SEC established the Division of Risk, Strategy and Financial Innovation to better equip the agency to identify and address emerging risks and long-term issues of critical importance. The SEC's budget request for FY 2012 will support a total of 96 positions (86 FTE), an increase of 32 positions (24 FTE), to permit the agency to build a deeper reservoir of experts who can conduct risk and economic analysis, spot emerging trends and practices, and ensure that considerations pertaining to risk are better integrated into all aspects of agency decision-making. The agency's need to hire more professionals with significant knowledge and expertise in financial markets and products expertise has been highlighted in independent reviews by the GAO and the SEC's Office of Inspector General (OIG).

## Information Technology Systems

Data management and analysis is critical in identifying and assessing potential risk to the agency and the U.S. financial markets. The recent growth in the size and technological complexity of the U.S. markets requires that the SEC leverage its own technology to identify and address the most significant threats to investors, as well as to continuously improve agency productivity. The SEC's budget request for FY 2012 will support information technology investments of \$78 million, an increase of \$23 million over FY 2011. This will help to address the technology gap that resulted between FY 2005 and 2009, when SEC investments in new IT systems dropped by more than half. This level of funding is needed to support critical new technology initiatives, including data management and integration, document management, EDGAR modernization, market data, internal accounting and financial reporting, infrastructure functions, and improved project management. This funding also will permit the agency to develop risk analysis tools to assist with triage and analysis of the thousands of tips, complaints, and referrals received

annually, and to complete a digital forensics lab that enforcement staff can use to recreate data from computer hard drives and cell phones to catch sophisticated fraudsters. This request also includes funding for technology needed to facilitate the registration of additional entities required by the Dodd-Frank Act and to capture and analyze data on these new markets.

To execute these additional IT investments, the SEC's budget for FY 2012 allocates 182 positions (137 FTE) for the Office of Information Technology, an increase of 60 positions (20 FTE) over FY 2011 levels. This includes the hiring of experienced business analysts and certified project managers to oversee IT projects, support for modernization of enforcement and examination systems and redesign of the EDGAR system, and staff to address financial statement and information technology deficiencies identified by GAO.

### New SEC Offices

The Dodd-Frank Act requires the SEC to establish five new offices—the Office of Credit Ratings; Office of the Investor Advocate; Office of Minority and Women Inclusion; Office of Municipal Securities; and Office of Whistleblower Protection. The SEC has taken action to establish the Office of Whistleblower Protection as part of the Division of Enforcement. Creation of the other four offices, because they are required to report directly to the SEC Chairman, is subject to reprogramming approval by the House and Senate Appropriations Committees. If reprogramming approval is granted, the SEC plans to initially establish the five new offices in FY 2011 with 31 staff members, principally by transferring existing staff from other offices or functions. For FY 2012, the SEC is requesting 33 additional positions to staff these offices at adequate levels, including 24 within the Office of Credit Ratings to carry out the requirement to conduct annual examinations of all 10 NRSROs. Additionally, the budget request will permit seven new positions to be established within the Office of Minority and Women Inclusion and new positions in the Office of the Investor Advocate and the Office of Municipal Securities.

### Managing Agency Resources

In FY 2012, the SEC will continue to make additional improvements to the agency's basic internal operations—the processes that guide its work, support its infrastructure, and determine how it is organized. The budget request envisions a strengthening of the Office of the Chief Operating Officer, newly established in FY 2010, including support for initiatives to develop a more robust operational risk management program and to build a data management program under the agency's new Chief Data Officer. The budget request also contemplates an appropriate expansion of the agency's administrative support functions, including the Offices of Financial Management, Human Resources, Administrative Services, and FOIA and Records Management. The agency's budget also includes the necessary space rent and other non-compensation expenses necessary to support the level of staffing requested for FY 2012. Additionally, the SEC is devoting significant management attention to improving program and management controls, including in response to audits and assessments by the OIG, GAO, and management's own internal assessments. In general, these investments are intended to bring these administrative and support services capabilities into alignment with the requirements of today's SEC, and ensure that the agency manages its resources wisely and efficiently.

## FTE and Positions by Program

	FY 2010 Actual		FY 2011 CR		FY 2012 Request	
	FTE	Positions	FTE	Positions	FTE	Positions
<b>Enforcement</b>	1,173	1,398	1,236	1,276	1,366	1,432
<b>Compliance Inspections and Examinations</b>	854	945	854	902	1,002	1,097
<b>Corporation Finance</b>	470	516	465	489	503	539
<b>Trading and Markets</b>	191	231	214	221	272	301
<b>Investment Management</b>	157	175	157	162	181	193
<b>Risk, Strategy and Financial Innovation</b>	47	82	60	64	86	96
<b>General Counsel</b>	139	159	145	150	163	173
<b>Other Program Offices</b>						
Chief Accountant	55	65	52	54	57	60
Investor Education and Advocacy	71	80	45	45	53	56
International Affairs	34	37	36	41	46	53
Administrative Law Judges	10	12	10	10	11	11
Investor Advocate	0	0	3	5	6	6
Credit Ratings	0	0	5	11	28	35
Municipal Securities	<u>0</u>	<u>0</u>	<u>2</u>	<u>4</u>	<u>5</u>	<u>5</u>
Total	170	194	153	170	206	226
<b>Agency Direction and Administrative Support</b>						
Executive Staff	38	41	41	42	43	44
Public Affairs	7	10	5	5	6	7
Secretary	41	46	28	29	29	31
Executive Director	10	11	8	10	9	13
Financial Management - Budget and Planning	10	14	12	12	14	15
Human Resources	63	83	75	79	98	108
Administrative Services	93	114	105	108	119	125
Chief Operating Officer	0	1	4	4	11	14
Financial Management - Accounting and Finance	50	70	57	61	63	67
Information Technology	125	155	116	122	137	182
FOIA/Records Management	1	3	41	43	44	47
Minority and Women Inclusion	0	0	3	3	8	10
Equal Employment Opportunity	<u>8</u>	<u>10</u>	<u>7</u>	<u>7</u>	<u>8</u>	<u>9</u>
Total	446	558	502	525	589	672
<b>Inspector General</b>	17	21	18	21	20	24
<b>Total FTE and Positions</b>	<u>3,748</u>	<u>4,363</u>	<u>3,848</u>	<u>4,047</u>	<u>4,460</u>	<u>4,827</u>
Permanent	3,664	4,279	3,804	3,980	4,388	4,753
Temporary	84	84	44	67	72	74

## Obligations by Object Class

(\$ in thousands)

	FY 2010 Actual *	FY 2011 CR	FY 2012 Request
<b>Personnel Compensation &amp; Benefits</b>			
<u>Total Personnel Compensation (11.9)</u>	\$557,417	\$590,525	\$693,426
Full-time Permanent (11.1)	546,737	585,257	678,727
Other than Full-time Permanent (11.3)	4,388	2,530	4,936
Other Personnel Compensation (11.5)	6,292	540	7,510
Civilian Personnel Benefits (12.1)	154,879	154,912	185,468
<b>Subtotal Cost of Salaries</b>	<b>\$712,296</b>	<b>\$745,437</b>	<b>\$878,894</b>
<b>Other Expenses</b>			
Benefits for Former Personnel (13.0)	2,209	809	820
Travel and Transportation of Persons (21.0)	12,327	10,882	17,480
Transportation of Things (22.0)	117	92	93
<u>Rent, Communications &amp; Utilities (23.0)</u>	<u>102,581</u>	<u>120,138</u>	<u>186,617</u>
Rental Payments to Others (23.2)	91,613	107,515	171,967
Comm., Utilities, and Misc. Charges (23.3)	10,968	12,623	14,650
Printing and Reproduction (24.0)	8,012	6,596	8,600
<u>Other Contractual Services (25.0)</u>	<u>185,639</u>	<u>186,375</u>	<u>222,386</u>
Advisory and Assistance Services (25.1)	43,257	42,023	55,808
Other Services (25.2)	47,531	49,021	59,627
Purchase of Goods & Services from			
Government Accounts (25.3)	8,193	8,659	8,780
Operation & Maintenance of Facilities (25.4)	9,790	8,000	8,112
Operation & Maintenance of Equipment (25.7)	76,868	78,672	90,059
Supplies and Materials (26.0)	2,894	2,896	3,307
Equipment (31.0)	61,238	49,980	59,319
Building Alterations (32.0)	11,524	20,650	29,967
Claims and Indemnities (42.0)	1,291	0	0
Refunds (44.0)	102	0	0
Undistributed (92.0)	1,317	0	0
<b>Subtotal Cost of Other Expenses</b>	<b>\$389,251</b>	<b>\$398,418</b>	<b>\$528,589</b>
<b>Spending Authority</b>	<b>\$1,101,547</b>	<b>\$1,143,855</b>	<b>\$1,407,483</b>

\*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 2010 Actual	FY 2011 CR	FY 2012 Request
Average SO Salary	\$232,788	\$232,788	\$232,788
Average SK Salary	\$150,414	\$151,514	\$155,302
Average SK Grade	14	14	14

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

## FY 2012 Request by Strategic Goal and Program

(\$ in thousands)

SEC Program			FY 2012 Request					Change over FY 2010 Actual *		Change over FY 2011 CR	
			Goal 1 Enforce Securities Laws	Goal 2 Effective Regulatory Environ.	Goal 3 Facilitate Access To Info.	Goal 4 Align & Manage Resources	FY 2012 Request	\$	%	\$	%
	FY 2010 Actual *	FY 2011 CR									
<b>FY 2010 Actual *</b>			<b>\$681,695</b>	<b>\$104,047</b>	<b>\$181,607</b>	<b>\$134,198</b>					
<b>FY 2011 CR</b>			<b>\$705,171</b>	<b>\$111,773</b>	<b>\$185,446</b>	<b>\$141,465</b>					
Enforcement	\$361,650	\$384,660	\$455,726	\$0	\$0	\$0	\$455,726	\$94,076	26	\$71,066	18
Compliance Inspections and Examinations	238,470	240,002	303,858	0	0	0	303,858	65,388	27	63,856	27
Corporation Finance	135,135	137,042	3,156	20,515	134,137	0	157,808	22,673	17	20,766	15
Trading and Markets	55,655	61,677	14,398	45,734	24,561	0	84,693	29,038	52	23,016	37
Investment Management	49,985	50,969	14,971	29,318	18,090	0	62,379	12,394	25	11,410	22
Risk, Strategy, and Financial Innovation	19,862	21,330	9,665	15,588	3,429	2,494	31,176	11,314	57	9,846	46
General Counsel	43,132	44,540	33,893	8,473	1,589	9,002	52,957	9,825	23	8,417	19
Other Program Offices	49,194	49,742	20,422	25,888	20,749	2,123	69,182	19,988	41	19,440	39
Agency Direction and Administrative Support	142,642	147,673	5,592	5,431	15,591	156,033	182,647	40,005	28	34,974	24
Inspector General	5,822	6,220	0	0	0	7,057	7,057	1,235	21	837	13
<b>Total SEC Funding</b>	<b>\$1,101,547</b>	<b>\$1,143,855</b>	<b>\$861,681</b>	<b>\$150,947</b>	<b>\$218,146</b>	<b>\$176,709</b>	<b>\$1,407,483</b>	<b>\$305,936</b>	<b>28%</b>	<b>\$263,628</b>	<b>23%</b>
Percent Increase over Prior Year			22%	35%	18%	25%					

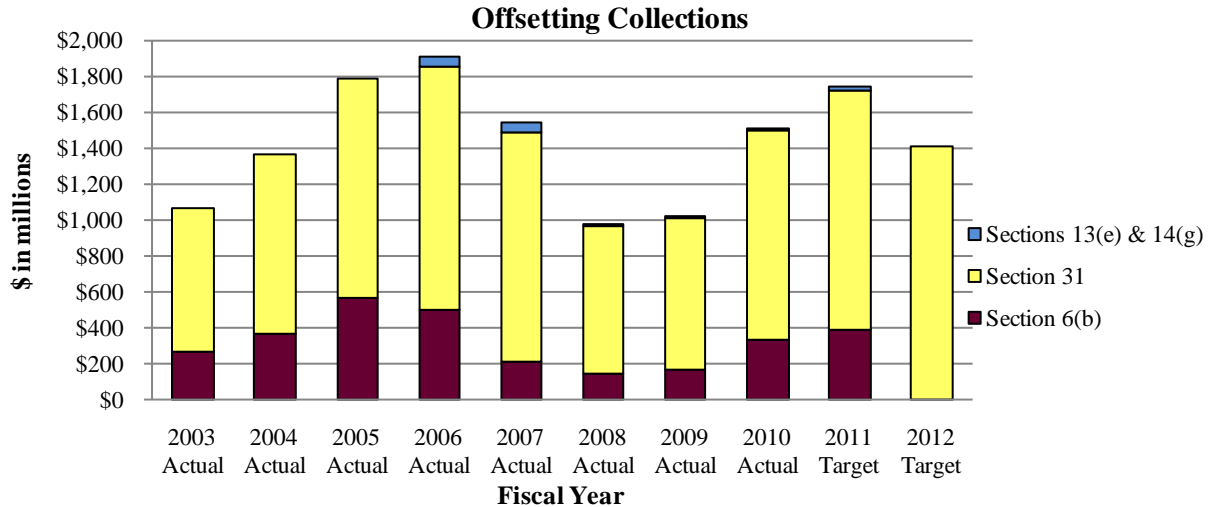
\*FY 2010 includes \$7,753 from the \$10,000 supplemental appropriation the SEC received in July 2009 (P.L. 111-32).

## Summary of Changes

(\$ in thousands)

	<b>FY 2011</b>	<b>FY 2012</b>	<b>Net</b>
	<b><u>CR</u></b>	<b><u>Request</u></b>	<b><u>Change</u></b>
Spending Authority	\$1,143,855	\$1,407,483	+\$263,628
Full-time Equivalents	3,848	4,460	+612
Positions	4,047	4,827	+780
<b>Explanation of Changes:</b>	<b><u>Positions</u></b>	<b><u>FTE</u></b>	<b><u>Amount</u></b>
<b>FY 2011 Base Changes</b>			
Annualization of staff brought on-board in FY 2011	---	31	+5,276
Restore employee benefits	---	---	+4,000
Restore summer intern program	7	28	+2,500
Merit pay increases for eligible staff	---	---	+18,930
Increases in space rent and utilities	---	---	+15,718
Other non-compensation inflation of 1.4%	---	---	+4,301
Restore IT base	---	---	+12,520
Restore litigation support	---	---	+3,028
Other mandatories	---	---	+3,276
<b>Subtotal, Base Changes</b>	<b>7</b>	<b>59</b>	<b>+\$69,549</b>
<b>FY 2012 Program Increases</b>			
Information Technology Enhancements	---	---	+10,000
Staffing Increases:			+\$184,079
Enforcement	+156	+122	---
Compliance Inspections & Examinations	+195	+145	---
Corporation Finance	+50	+38	---
Trading and Markets	+80	+60	---
Investment Management	+31	+23	---
Risk, Strategy and Financial Innovation	+32	+24	---
General Counsel	+23	+17	---
Other Program Offices	+56	+41	---
Agency Direction & Admin. Support	+147	+82	---
Inspector General	+3	+1	---
<b>Subtotal, Program Increases</b>	<b>+773</b>	<b>+553</b>	<b>+\$194,079</b>
<b>Total Change</b>	<b>+780</b>	<b>+612</b>	<b>+\$263,628</b>

## Offsetting Collections and Spending Authority



	FY 2010 <u>Actual</u>	FY 2011 <u>Estimate<sup>1</sup></u>	FY 2012 <u>Estimate</u>
<b><u>Source of Offsetting Collections</u></b> (\$ in thousands)			
Registration of securities: Securities Act of 1933 (Section 6(b)) <sup>2</sup>	\$218,784	\$394,000	---
Securities transactions under the Securities Exchange Act of 1934 (Section 31)	1,223,826	1,321,000	1,407,483
Merger and Tender Fees under the Securities Exchange Act of 1934 (Sections 13(e) and 14(g)) <sup>3</sup>	<u>19,274</u>	<u>25,000</u>	---
Total Offsetting Collections	<u>\$1,461,884</u>	<u>\$1,740,000</u>	<u>\$1,407,483</u>
	FY 2010 <u>Actual</u>	FY 2011 <u>CR</u>	FY 2012 <u>Request</u>
<b><u>Spending Authority</u></b> (\$ in thousands)			
Current Year Appropriated Offsetting Collections	\$1,094,916	\$1,111,000	\$1,407,483
Available Balances from Prior Year Direct Appropriation <sup>4</sup>	7,753	0	0
Available Balances from Prior Years	<u>16,084</u>	<u>32,855</u>	<u>0</u>
Total Authority	<u>\$1,118,753</u>	<u>\$1,143,855</u>	<u>\$1,407,483</u>

<sup>1</sup> Estimates for Section 6(b) fees of the 1933 Act and Section 31 fees of the 1934 Act are based on target fee collections under P.L. 107-123 and are not based on expectations relative to economic and market conditions.

<sup>2</sup> Under the Dodd-Frank Act, starting in FY 2012, Section 6(b) fees of the 1933 Act and Section 13(e) and 14(g) of the 1934 Act will no longer be counted as offsetting collections. Fifty million in Section 6(b) fees will be deposited into the SEC's Reserve Fund. The remaining fee collections for each fiscal year will be deposited in the General Fund of the Treasury.

<sup>3</sup> 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).

<sup>4</sup> Funding for this appropriation came from a two-year emergency supplemental appropriation enacted in FY 2009, 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, \$1,407,483,130, to remain available until expended; of which not less than \$6,790,000 shall be for the Office of Inspector General; of which not to exceed \$45,000 may be used toward funding a permanent secretariat for the International Organization of Securities Commissions; of which, \$483,130 shall be for strengthening the capacity and capabilities of the acquisition workforce as defined by the Office of Federal Procurement Policy Act, as amended (41 U.S.C. 401 et seq.), including the recruitment, hiring, training, and retention of such workforce and information technology in support of acquisition workforce effectiveness or for management solutions to improve acquisition management; 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 section 31 of the Securities Exchange Act of 1934 (15 U.S.C. 78ee) shall be credited to this account as offsetting collections: Provided further, That not to exceed \$1,407,483,130 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 2012 shall be reduced as such offsetting fees are received so as to result in a final total fiscal year 2012 appropriation from the general fund estimated at not more than \$0.



## FY 2012 Request by Strategic Goal

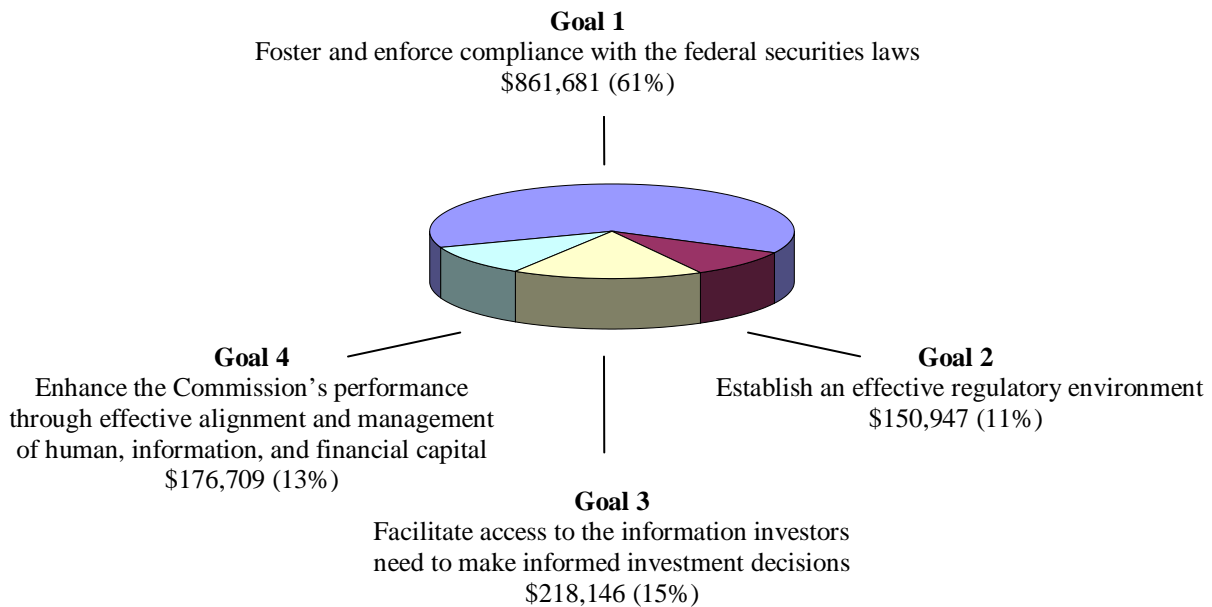
The SEC focuses its resources on (1) fostering and enforcing compliance with federal securities laws, (2) establishing an effective regulatory environment, (3) facilitating access to the information investors need to make informed investment decisions, and (4) enhancing the agency's performance through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

The budget request for FY 2012 totals approximately \$1.4 billion, an increase of about \$264 million (23 percent) over the agency's FY 2011 continuing resolution (CR) funding level. The FY 2012 budget funds 4,388 permanent full-time equivalents (FTE), an increase of 584 FTE (15 percent) over the FY 2011 CR level, and increases the number of permanent positions by 773 to a total of 4,753. Chart 1 depicts how the agency plans to allocate its resources in FY 2012 to achieve the goals identified in the agency's strategic plan.

**Chart 1**

### **FY 2012 Request by Strategic Goal**

(\$ in thousands)



The additional resources requested for FY 2012 will bolster the SEC's efforts to achieve each of its four strategic goals, and allow the agency to begin overseeing the new markets and market participants brought under the SEC's jurisdiction by the Dodd-Frank Act. Resources that directly support fostering and enforcing the securities laws will increase approximately 22 percent from FY 2011 to FY 2012; resources utilized in establishing an effective regulatory environment will increase by approximately 35 percent compared to FY 2011; and activities that aim to foster informed investment decision-making will receive an estimated 18 percent increase.

The agency is mindful that significantly increasing staffing in the program areas requires a commensurate increase in staff and funding for support offices. The resources attributed to agency direction and administrative support has not historically kept pace with changes in program areas. The additional administrative and support resources requested for FY 2012 will redress this differential, and will account for approximately 13 percent of the total budget for

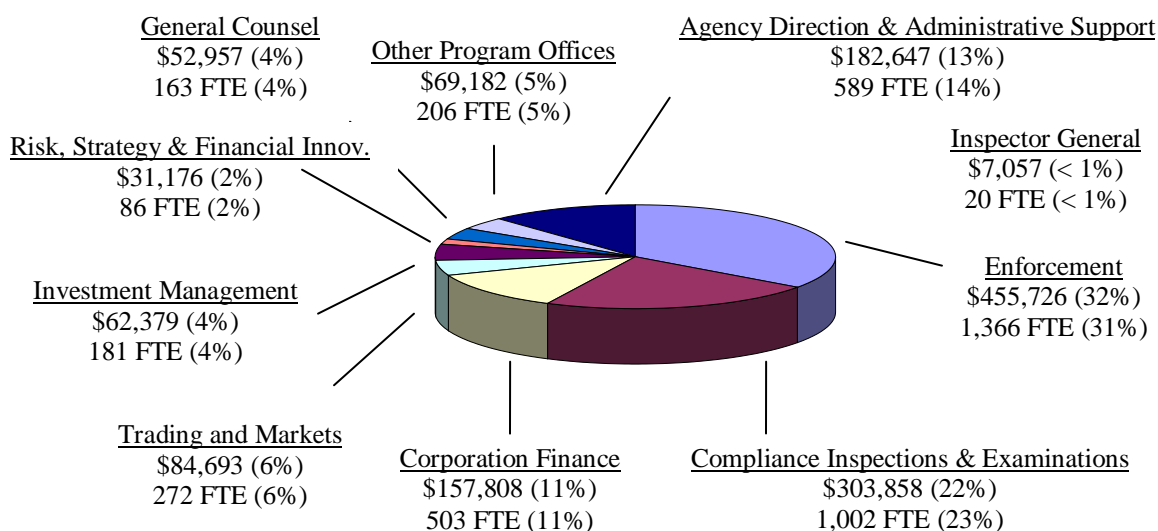
FY 2012; this represents an increase of about 25 percent compared to FY 2011 CR levels. This increase is largely due to substantial investments in information technology (IT), staff training, and activities to further integrate financial management systems. Technology investments will support efforts such as implementing requirements contained in the Dodd-Frank Act; advancing agency-wide data management and integration; and improving the agency's disclosure systems, infrastructure, and management of projects.

The SEC organizes its divisions and offices under 10 major programs that work together to achieve the four strategic goals. Among other things, these programs seek to detect and address violations and potential problems in the securities markets; provide investors with timely access to accurate, adequate, and useful disclosure materials; oversee market participants to promote confidence in the integrity and fairness of the markets; and align the agency's human capital strategies, information technology initiatives, and other resources so as to most efficiently achieve the agency's mission, goals, and outcomes. Chart 2 specifies how the agency plans to allocate its resources to the programs in FY 2012.

**Chart 2**

**FY 2012 Request by SEC Program**

(\$ in thousands)



The following chapters comprise the agency's performance budget for FY 2012, which explains how the SEC plans to use the requested resources to achieve each of its four strategic goals. Each strategic goal chapter opens by reviewing the purpose of the goal, followed by information identifying the resources allocated to achieving the goal. A general discussion of the means and strategies the programs will use to achieve FY 2012 performance levels also is included, as well as a presentation of performance measures and indicators identified in the SEC's new strategic plan covering FY 2010 - FY 2015.

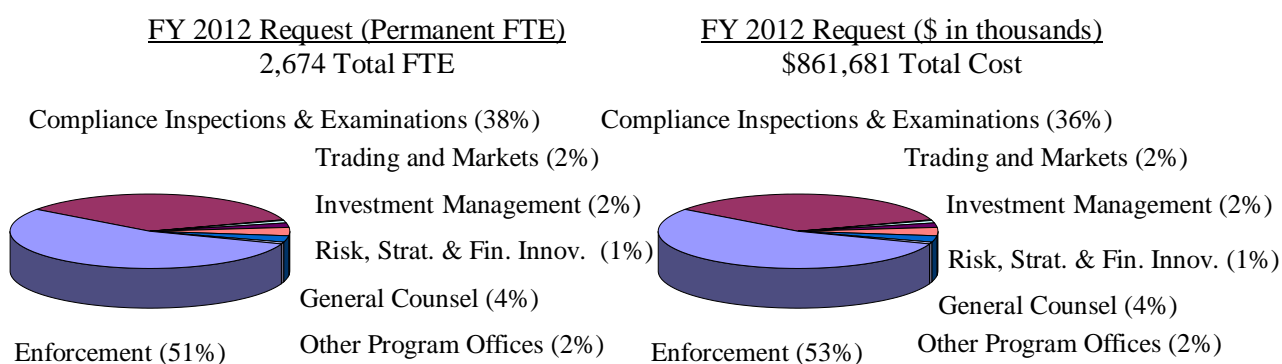
In FY 2011 and FY 2012, SEC programs will work to implement the requirements of the Government Efficiency, Effectiveness, and Performance Improvement Act of 2010. Reforms outlined in the Act will focus on providing agency management with improved information on measurable performance results in order to support effective resource management.

To complement the FY 2012 performance budget, the agency also presents its FY 2012 budget by program (beginning on page 49). 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

In FY 2012, the agency is requesting a total of 1,097 positions (1,002 FTE) for the national examination program and 1,432 positions (1,366 FTE) for the Enforcement program. The additional resources will allow the SEC to continue implementation of various provisions under the Dodd-Frank Act, and begin addressing the disparity between the number of exam staff and the growing number and complexity of registered firms. Additionally, the Commission will be able to take prompt action to halt misconduct, sanction wrongdoers effectively, and return funds to harmed investors. Continued technology investments for improved data and information management also will be a top priority. In all, the agency plans to devote approximately \$862 million and 2,674 permanent FTE to enforcing compliance with the federal securities laws.

**Chart 3**



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

Performance Analysis & Means and Strategies Used to Achieve Performance Goals: Working to detect and prevent violations of the securities laws is key to protecting investors and enhancing market integrity. Efforts designed to promote investor awareness are the first line of defense against fraud, and the SEC expects to issue approximately 24 Investor Alerts and Bulletins in FY 2012, providing investors with information they need to make wise investment decisions and limiting opportunities for investor abuse (Measure 1).

The SEC seeks to encourage within organizations of all sizes a strong culture of compliance that fosters ethical behavior and decision-making. The SEC plans to double its outreach efforts for promoting compliance by conducting approximately 12 CCO outreach events in FY 2012 (Measure 2). Furthermore in FY 2012, the staff expects to continue devoting a significant amount of time and resources to make compliance outreach as relevant and beneficial as possible for registered entities. The staff will continue to make every effort to ensure that this program reaches as many chief compliance officers as possible and that it continues to be extremely useful in helping registered firms with their compliance efforts (Measure 4).

In an effort to deter future violations of the federal securities laws, examination staff will work with registrants to ensure that corrective action is taken in response to deficiencies identified during an examination. In FY 2012, the SEC expects 91 percent of registrants to take action or state that they will take action to correct identified problems (Measure 3). To increase

compliance efforts or remedial actions taken by registrants, the SEC will provide more proactive communications with registrants and their personnel, including chief compliance officers. Additionally, the SEC will improve the quality, quantity, and means of communication of important compliance information.

<b>Goal 1: Measure 1</b>							
<b>Number of new investor education materials designed specifically to help investors protect themselves from fraud</b>							
<b>Description:</b> Through its Office of Investor Education and Advocacy (OIEA), and often in conjunction with other organizations, the agency issues Investor Alerts and other forms of educational material that inform investors about new or emerging types of fraud.							
Fiscal Year	FY 2007	FY 2008	FY 2009	FY 2010 Plan	FY 2010 Actual	FY 2011	FY 2012
Percentage of positive response	Prior-year data not available			N/A	16	24	24

<b>Goal 1: Measure 2</b>							
<b>Number of industry outreach and education programs targeted to areas identified as raising particular compliance risks</b>							
<b>Description:</b> Targeted communication with industry participants on topics shaping the examination program is intended to enhance compliance practices and prevent violations before they occur. This measure identifies the number of major outreach efforts conducted, including the agency's national and regional CCO outreach events, published Compliance Alerts, and other educational initiatives.							
Fiscal Year	FY 2007	FY 2008	FY 2009	FY 2010 Plan	FY 2010 Actual	FY 2011	FY 2012
Number of major outreach efforts	Prior-year data not available			N/A	6	10	12

<b>Goal 1: Measure 3</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 2007	FY 2008	FY 2009	FY 2010 Plan	FY 2010 Actual	FY 2011	FY 2012
Percentage	94%	93%	94%	95%	90%	90%	91%

<b>Goal 1: Measure 4</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 2007	FY 2008	FY 2009	FY 2010 Plan	FY 2010 Actual	FY 2011	FY 2012
Percentage	97%	92%	84%	92%	77%	80%	82%

<b>Goal 1: Indicator 1</b>				
<b>Percentage of actions identified as "high impact" which have resulted in significant corrective industry reaction</b>				
<b>Description:</b> The Commission is striving to enhance communication resulting from high impact action, as discussed above. This indicator will examine how market participants, whose behavior is intended to most be influenced by the enhanced communication, react to high impact actions. For example, are the issues raised by the Commission's filed action discussed in prominent private sector educational forums or literature?				
Fiscal Year	FY 2007	FY 2008	FY 2009	FY 2010
Percentage	Prior-year data not available			100%

<b>Goal 1: Indicator 2</b>				
<b>Annual increases or decreases in the number of CCOs attending CCO Outreach programs</b>				
<b>Description:</b> While the raw number of CCOs in the industry may vary depending on factors outside of the SEC's control, the Commission seeks to provide educational programs that are highly valued by attendees and their employers. Analyzing changes in participation levels will foster continued improvement in both program content and outreach efforts.				
Fiscal Year	FY 2007	FY 2008	FY 2009	FY 2010
Number of CCOs	Prior-year data not available			N/A

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

Performance Analysis & Means and Strategies Used to Achieve Performance Goals: With the additional positions requested in FY 2012, the national examination program will be able to fulfill the agency's mission more effectively, continue implementation of various provisions under the Dodd-Frank Act (e.g., annual examinations of NRSROs), and begin addressing the disparity between the number of exam staff and the growing number and complexity of registered firms.

In FY 2012, the SEC will continue to implement extensive reforms to the national examination program including enhanced training of staff, improved examination planning, and strengthened

risk-assessment techniques. The agency's risk-based program is designed to focus resources on those firms and practices that have the greatest potential risk of securities laws violations that can harm investors. In FY 2010, examiners identified deficiencies in 72 percent of exams, and 42 percent of deficiencies identified were categorized as significant (Indicator 3).

The SEC will continue to improve surveillance capabilities by enhancing the methods and technologies used to obtain greater access to data and to help staff more effectively prepare for and conduct examinations. While the improved techniques and growing numbers of regulated entities will result in lower percentages of registrants examined as compared to prior years, these efforts are expected to help the SEC identify those firms that have the greatest potential risk of violating federal securities laws (Measure 7).

Through disclosure reviews and examinations of regulated entities and other market participants, the SEC seeks to both detect violations and to foster strong compliance and risk management practices within these firms and organizations. Many examinations are expected to take longer in FY 2011 and FY 2012 than in previous years due to more rigorous examination protocols (Measure 8). Going forward, staff will implement improved examination processes identified during the top-to-bottom review of the national examination program, and staff will strive to complete all exams within the new 180 day timeframe as outlined in the Dodd-Frank Act.

<b>Goal 1: Measure 5</b>							
<b>Percentage of cause and special exams (sweeps) conducted as a result of risk assessment process that includes 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.							
Fiscal Year	FY 2007	FY 2008	FY 2009	FY 2010 Plan	FY 2010 Actual	FY 2011	FY 2012
Percentage	Prior-year data not available			N/A	N/A	N/A	N/A

<b>Goal 1: Measure 6</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. Certain advisers are identified as high risk at the beginning of every fiscal year, and then inspections are planned on a cyclical basis. The staff's goal is to inspect high-risk advisers at least once every three years. Meeting this target will depend upon the SEC having sufficient resources to keep pace with growth in the industry and the need for examiners to check compliance with evolving regulatory requirements.							
Fiscal Year	FY 2007	FY 2008	FY 2009	FY 2010 Plan	FY 2010 Actual	FY 2011	FY 2012
Percentage	33%	33%	22%	33%	N/A	N/A	N/A

<b>Goal 1: Measure 7</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, oversight examinations of broker-dealers to test compliance and the quality of examinations by the Financial Industry Regulatory Authority (FINRA).							
Fiscal Year	FY 2007	FY 2008	FY 2009	FY 2010 Plan	FY 2010 Actual	FY 2011	FY 2012
Investment advisers	13%	14%	10%	9%	9%	11%	13%
Investment companies	20%	23%	29%	15%	10%	11%	12%
Broker-Dealers (exams by SEC and SROs)	54%	57%	54%	55%	44%	45%	46%

<b>Goal 1: Measure 8</b>							
<b>Percentage of non-sweep and non-cause 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. This performance measure was modified during the FY 2010 strategic planning process to report the percentage of non-sweep and non-cause exams completed within 120 days. Data reported prior to FY 2010, reflect only the percentage of non-sweep exams completed within 120 days.							
Fiscal Year	FY 2007	FY 2008	FY 2009	FY 2010 Plan	FY 2010 Actual	FY 2011	FY 2012
Percentage	79%	79%	65%	75%	48%	50%	55%

<b>Goal 1: Indicator 3</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.				
Fiscal Year	FY 2007	FY 2008	FY 2009	FY 2010
Percentage that identify deficiencies	Prior-year data not available			72%
Percentage that result in a "significant finding"	Prior-year data not available			42%



<b>Goal 1: Indicator 4</b>				
<b>Number of investigations or cause exams from tips</b>				
<b>Description:</b> Analysis of a tip can support the request for a cause exam or an enforcement investigation. This indicator would identify the volume of SEC investigations and cause exams that result from tips collected through outreach efforts.				
Fiscal Year	FY 2007	FY 2008	FY 2009	FY 2010
Office of Compliance Inspections and Examinations				
Number of investigations	Prior-year data not available			303
Division of Enforcement				
Number of cause exams	Prior-year data not available			N/A

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

Performance Analysis & Means and Strategies Used to Achieve Performance Goals: In FY 2012, the agency requests an additional 156 positions (122 FTE) over FY 2011 CR levels for the Enforcement program, so that staff will be able to swiftly address areas most at risk for fraud, and investigate and prosecute any potential violations of federal securities laws. The agency will continue 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. In FY 2012, the agency anticipates that the percentage of first enforcement cases filed within two years of opening an investigation or inquiry will be higher than in prior years (Measure 10).

The SEC will continue to improve the quality and efficiency of its investigations with seasoned investigators on the front lines, specialized units focused on specific programmatic priorities, enhanced case management systems, and increased coordination efforts with other offices and divisions in the agency and other regulators. In FY 2012, the SEC anticipates bringing strong cases and sustaining its win rate of 92 percent (Measure 9). A continued high success ratio depends on numerous factors, including the complexity of cases and the extent to which parties contest actions. The agency will monitor the percentage of its cases deemed “high impact” and also the criminal proceedings related to SEC investigations (Indicator 6 and Indicator 8).

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 9). The SEC is committed to the timely collection and distribution of penalties and disgorgement monies and is requesting additional staffing for the Office of Collections and Distributions (OCD). OCD is responsible for collecting ordered penalties and disgorgement amounts, and returning funds to harmed investors whenever possible.

In FY 2012, 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 11). 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 13), and the percentage of final distributions made within 24 months of appointing a fund administrator (Measure 12).

<b>Goal 1: Measure 9</b>							
<b>Percentage of enforcement actions successfully resolved</b>							
<b>Description:</b> An action 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 actions as possible but, at the same time, aims to file large, difficult, or precedent-setting actions when appropriate, even if success is not assured. This measure does not include any actions in which the SEC awaits a final outcome. The measure is calculated on a per-defendant basis. Large actions may involve several defendants.							
Fiscal Year	FY 2007	FY 2008	FY 2009	FY 2010 Plan	FY 2010 Actual	FY 2011	FY 2012
Percentage	92%	92%	92%	90%	92%	92%	92%

<b>Goal 1: Measure 10</b>							
<b>Percentage of first enforcement actions filed within two years</b>							
<b>Description:</b> This measure identifies the percentage of first enforcement actions filed within two years of opening of a MUI (“matter under inquiry”). In conducting investigations, the enforcement program continually strives to balance the need for complete, effective, and fair investigations with the need to file enforcement actions in as timely a manner as possible.							
Fiscal Year	FY 2007	FY 2008	FY 2009	FY 2010 Plan	FY 2010 Actual	FY 2011	FY 2012
Percentage	54%	62%	70%	65%	67%	70%	72%

<b>Goal 1: Measure 11</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 2007	FY 2008	FY 2009	FY 2010 Plan	FY 2010 Actual	FY 2011	FY 2012
Percentage	N/A	88%	90%	92%	86%	90%	90%

**Goal 1: Measure 12****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**

**Description:** In addition to other types of relief, the Commission may seek orders requiring parties to disgorge any money obtained through wrongdoing. The Commission also is empowered to seek civil penalties for violations of the securities laws. Where appropriate, the Commission has sought to return disgorged funds to harmed investors and, as a result of the Fair Funds provision of the Sarbanes-Oxley Act, as awarded to combine amounts paid as penalties with disgorged funds, or to create a Fair Fund from penalties only, to reduce losses to injured parties. After sufficient disgorgement and/or 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.

Fiscal Year	FY 2007	FY 2008	FY 2009	FY 2010 Plan	FY 2010 Actual	FY 2011	FY 2012
Percentage	Prior-year data not available			N/A	N/A	TBD	TBD

**Goal 1: Measure 13****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**

**Description:** In its enforcement actions, the Commission may seek to return funds to harmed investors through disgorgement of ill-gotten gains or through the Fair Funds provision of the Sarbanes-Oxley Act, as amended. This provision permits the Commission to combine amounts paid as penalties with disgorged funds, or to create a Fair Fund from penalties only, to reduce losses to injured parties. This 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.

Fiscal Year	FY 2007	FY 2008	FY 2009	FY 2010 Plan	FY 2010 Actual	FY 2011	FY 2012
Percentage	Prior-year data not available			60%	N/A	TBD	TBD

**Goal 1: Indicator 5****SEC investigations referred to SROs or other state, federal, and foreign authorities for enforcement**

**Description:** 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. This number includes investigations that SEC continues to pursue, as well as referrals more appropriately handled by other regulators or authorities.

Fiscal Year	FY 2007	FY 2008	FY 2009	FY 2010 Actual
Number of investigations	Prior-year data not available			492

**Goal 1: Indicator 6****Percent of all enforcement investigations deemed "high impact"**

**Description:** High impact or national priority investigations include those investigations which are significant for one or more of the following reasons: (1) The matter presents an opportunity to send a particularly strong and effective message of deterrence, including with respect to markets, products and transactions that are newly developing, or that are long established but by their nature present limited opportunities to detect wrongdoing and thus to deter misconduct. (2) The matter involves particularly egregious or extensive misconduct. (3) The matter involves potentially widespread and extensive harm to investors. (4) The matter involves misconduct by persons occupying positions of substantial authority or responsibility, or who owe fiduciary or other enhanced duties and obligations to a broad group of investors or others. (5) The matter involves potential wrongdoing as prohibited under newly-enacted legislation or regulatory rules. (6) The potential misconduct occurred in connection with products, markets, transactions or practices that pose particularly significant risks for investors or a systemically important sector of the market. (7) The matter involves a substantial number of potential victims and/or particularly vulnerable victims. (8) The matter involves products, markets, transactions or practices that the Enforcement Division has identified as priority areas (i.e., conduct relating to the financial crisis; fraud in connection with mortgage-related securities; financial fraud involving public companies whose stock is widely held; misconduct by investment advisers; and matters involving priorities established by particular regional offices or the specialized units). (9) The matter provides an opportunity to pursue priority interests shared by other law enforcement agencies on a coordinated basis.

Fiscal Year	FY 2007	FY 2008	FY 2009	FY 2010
Percentage	Prior-year data not available			3.26%

<b>Goal 1: Indicator 7</b>				
<b>Percent of investigations 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 investigations. Internal prospects could include issues identified during the course of SEC examinations, analysis of data, disclosure reviews, or other activities.				
Fiscal Year	FY 2007	FY 2008	FY 2009	FY 2010
Percentage	Prior-year data not available			21.9%

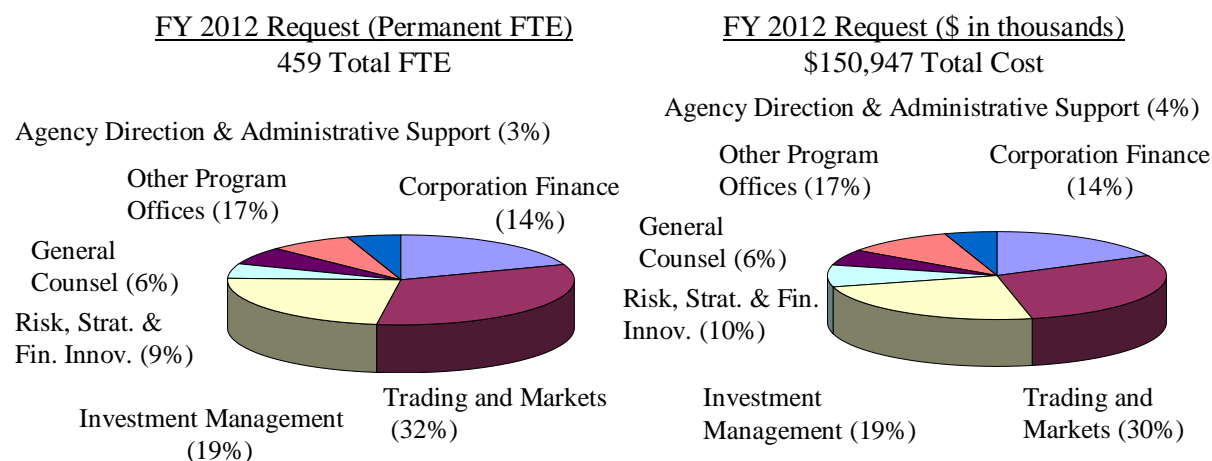
<b>Goal 1: Indicator 8</b>				
<b>Criminal investigations relating to SEC investigations</b>				
<b>Description:</b> In some instances, investigations may reveal that both civil and criminal violations have occurred, and the agency will refer matters to criminal authorities so that the criminal authorities may determine whether to conduct a criminal investigation.				
Fiscal Year	FY 2007	FY 2008	FY 2009	FY 2010
Number of investigations referred	Prior-year data not available			139

<b>Goal 1: Indicator 9</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.				
Fiscal Year	FY 2007	FY 2008	FY 2009	FY 2010
Ordered amounts (in millions)	\$1,601	\$1,030	\$2,442	\$2,846
Collected amounts (in millions)	\$978	\$512	\$1,683	\$1,724

## Goal 2: Establish an Effective Regulatory Environment

The Commission will continue a rulemaking agenda that will protect investors and seek to ensure that markets operate fairly, with appropriate consideration for any disproportionate impact on small businesses. In FY 2012 the SEC will complete and implement the new regulatory structure set forth under the Dodd-Frank Act, and will begin its review of other non-Dodd-Frank rules that may need updating in light of changing conditions. In FY 2012, the agency plans to devote approximately \$151 million and 459 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.**

Performance Analysis & Means and Strategies Used to Achieve Performance Goals: The Commission uses its authority to shape the regulatory framework so that investors are protected through the availability of high-quality disclosure. In FY 2012, under the Dodd-Frank Act, the agency plans to develop regulations that promote and strengthen corporate disclosures, harmonize regulatory structures for investment advisers and broker-dealers, and promote confidence in the integrity and fairness of the markets. 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 (Measure 1).

Additionally in FY 2012, the 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. OIA will work cooperatively within IOSCO and the Financial Stability Board to enhance cross-border supervisory cooperation. Furthermore, OIA will advise the agency on other regulatory policy initiatives, including those identified by the Group of 20 (G-20) leaders such as hedge fund regulation, 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</b>							
<b>Survey on quality of disclosure</b>							
<b>Description:</b> Under this metric, the SEC plans to conduct surveys of individual investors 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 over time.							
Fiscal Year	FY 2007	FY 2008	FY 2009	FY 2010 Plan	FY 2010 Actual	FY 2011	FY 2012
Percentage of positive response	Prior-year data not available			N/A	N/A	TBD	TBD

<b>Goal 2: Measure 2</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.							
Fiscal Year	FY 2007	FY 2008	FY 2009	FY 2010 Plan	FY 2010 Actual	FY 2011	FY 2012
Percentage of positive response	Prior-year data not available					TBD	TBD

<b>Goal 2: Measure 3</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 2007	FY 2008	FY 2009	FY 2010 Plan	FY 2010 Actual	FY 2011	FY 2012
Number of non-U.S. regulators	Prior-year data not available			1,905	1,997	2020	2040

<b>Goal 2: Indicator 1</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.					
Fiscal Year	FY 2007		FY 2008	FY 2009	FY 2010
Average cost of capital	Prior-year data not available				10.99%

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

Performance Analysis & Means and Strategies Used to Achieve Performance Goals: While the number of participants supervised by the Division of Trading and Markets (TM) has been relatively static over the past several years, the division anticipates a significant increase in FY 2012 in the number of registered securities exchanges, clearing agencies, and new registrants under the Dodd-Frank Act. The additional resources requested for TM will enable the division to assume the significant new responsibilities while continuing to enhance existing supervision of securities firms and markets.

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 2012, the SEC 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. The agency will continue to assess the resiliency of market systems, expecting market outages will be corrected within targeted timeframes (Measure 6). Furthermore, the agency expects 99 percent of transaction dollars to be settled on time, continuing a trend of timely settlement (Measure 4).

<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 2007	FY 2008	FY 2009	FY 2010 Plan	FY 2010 Actual	FY 2011	FY 2012
Percentage	N/A	99%	99%	99%	99%	99%	99%

<b>Goal 2: Measure 5</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.							
Fiscal Year	FY 2007	FY 2008	FY 2009	FY 2010 Plan	FY 2010 Actual	FY 2011	FY 2012
Average Transaction costs	Prior-year data not available			N/A	N/A	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 2007	FY 2008	FY 2009	FY 2010 Plan	FY 2010 Actual	FY 2011	FY 2012
Within 2 hours	81%	84%	87%	60%	74%	60%	60%
Within 4 hours	91%	96%	98%	75%	85%	75%	75%
Within 24 hours	100%	100%	98%	96%	100%	96%	96%

<b>Goal 2: Indicator 2</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.				
Fiscal Year	FY 2007	FY 2008	FY 2009	FY 2010
Cents	Prior-year data not available			2.52

<b>Goal 2: Indicator 3</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.				
Fiscal Year	FY 2007	FY 2008	FY 2009	FY 2010
Cents	Prior-year data not available			2.65

<b>Goal 2: Indicator 4</b>				
<b>Speed of Execution</b>				
<b>Description:</b> This indicator gauges how quickly transactions are executed in the U.S. securities markets.				
Fiscal Year	FY 2007	FY 2008	FY 2009	FY 2010
Seconds	Prior-year data not available			1.77

<b>Goal 2: Indicator 5</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.				
Fiscal Year	FY 2007	FY 2008	FY 2009	FY 2010
Average quoted size	Prior-year data not available			N/A

<b>Goal 2: Indicator 6</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.				
Fiscal Year	FY 2007	FY 2008	FY 2009	FY 2010
Percentage	Prior-year data not available			1.18%

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

Performance Analysis & Means and Strategies Used to Achieve Performance Goals: 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. Additionally, the SEC is undertaking significant rulemaking to implement a number of key areas of the Dodd-Frank Act. In coming years, 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).

The SEC devotes a large share of resources responding to no-action letters and interpretive and other requests from regulated entities, public companies, and other outside parties. The agency is committed to speeding the response to such requests where appropriate. 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 accordance with reforms outlined in the Dodd-Frank Act, SRO rule proposals received on or after July 22, 2010 must be reviewed within 45 days after publication. Going forward, the SEC will not track filings using the 35 day measure. TM expects to deploy additional staff to review higher numbers of SRO rule filings, with a target of completing 80 percent of filings within 45 days (Measure 9).

Additionally, the agency expects to review registrations for new exchanges, security-based swap execution, clearing agencies, and security-based swap data repositories, while monitoring the impact of market developments. As a result of changes to Commission procedures brought about by the Dodd-Frank Act, many of the rule changes filed with the Commission must be approved or disapproved on a significantly expedited basis. This expedited process places further demands on a process that already involves numerous reviews of drafts of complex rule changes.

<b>Goal 2: Measure 7</b>							
<b>Length of time to respond to written requests for no-action letters (NAL), 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 2007	FY 2008	FY 2009	FY 2010 Plan	FY 2010 Actual	FY 2011	FY 2012
Trading and Markets: No-action letters, exemptive applications, and written interpretive requests (combined figure)							
Percentage	91%	63%	70%	85%	91%	85%	85%
Investment Management							
No-action letters and interpretive requests	91%	98%	100%	75%	100%	75%	75%
Exemptive applications	N/A	81%	95%	80%	100%	80%	80%
Corporation Finance							
No-action letters and interpretive requests (1)	66%	66%	85%	90%	97%	90%	90%
Shareholder proposals (2)	100%	100%	100%	100%	100%	100%	100%

<b>Goal 2: Measure 8</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.							
Fiscal Year	FY 2007	FY 2008	FY 2009	FY 2010 Plan	FY 2010 Actual	FY 2011	FY 2012
Percentage	Prior-year data not available			N/A	N/A	NA	NA

**Goal 2: Measure 9****Time to complete SEC review of SRO rules that are subject to SEC approval**

**Description:** The SEC reviews SRO rule proposals for consistency with the Exchange Act standards of investor protection, fair and orderly operation of the markets and market structure, as well as other statutory requirements. This metric gauges how long it takes the SEC to approve a filing after publication of notice of the proposal for comment. In accordance with reforms outlined in the Dodd-Frank Act, SRO rule proposals received on or after July 22, 2010 must be reviewed within 45 days after publication. Going forward, the SEC will not track filings using the 35 day measure.

Fiscal Year	FY 2007	FY 2008	FY 2009	FY 2010 Plan	FY 2010 Actual	FY 2011	FY 2012
Within 35 days	Prior-year data not available			40%	73%	NA	NA
Within 45 days	Prior-year data not available			80%	99%	99%	80%

**Goal 2: Indicator 7****Percentage of SRO rule filings that are submitted for immediate effectiveness**

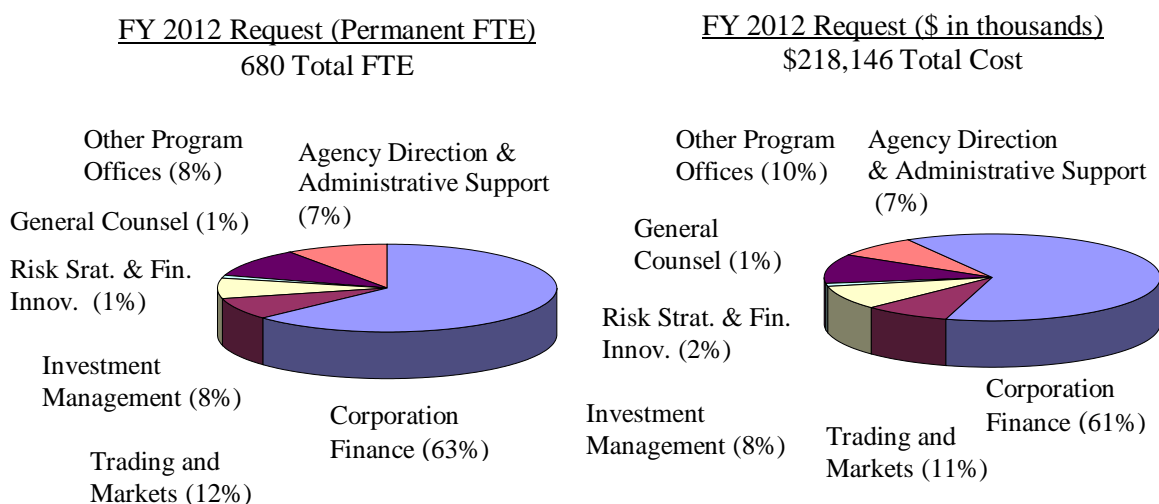
**Description:** This metric gauges the proportion of SRO rule proposals that can be submitted for immediate effectiveness, without Commission approval.

Fiscal Year	FY 2007	FY 2008	FY 2009	FY 2010
Percentage	Prior-year data not available			69%

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

A strong economy and a vibrant securities market rely on investor confidence and the widespread availability of relevant information about those securities. The SEC promotes informed investment decisions through two main approaches. The first is to require that investors have accurate, adequate, and timely public access to disclosure materials that are easily understood and analyzed. Secondly, the SEC implements a variety of investor education initiatives, aimed at giving investors a better understanding of the operations of the nation's securities markets. In FY 2012, the agency plans to devote approximately \$218 million and 680 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.

Performance Analysis & Means and Strategies Used to Achieve Performance Goals: An educated investing public ultimately provides the best defense against fraud and costly mistakes. The federal securities laws place great emphasis on assuring that corporations, investment companies, and other entities provide investors with timely, clear, complete and accurate financial and non-financial information, allowing investors to make informed investment decisions. These disclosures form a common pool of knowledge that all investors can use to judge for themselves if a security is a good investment.

The Divisions of Corporations Finance (CF) and Investment Management (IM) expect to continue meeting the requirements of the Sarbanes-Oxley Act by reviewing the disclosures of about 33 percent of all reporting companies and investment company portfolios each year (Measure 1). This volume of disclosure review is expected to deter fraud and assure that investors have access to relevant information about emerging issues.

In addition to reviewing the filings of reporting companies, CF will continue to issue initial comments on 1933 and 1934 Act registration statements and other transactional filings within its target goal of less than 30 days of filing (Measure 2). Additionally, IM

aims to provide comments on investment company filings 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 2011 and FY 2012 (Measure 3).

During the FY 2010 strategic planning process, the SEC developed performance measures to monitor the availability of and access to securities industry information so that investors are armed with timely and meaningful information (Measure 4, Measure 5, and Measure 6). The agency will use these measures to explore whether its disclosure requirements, review criteria, approach to comments, and professional and technology resources are utilized to provide maximum benefit to investors. Results for Measure 7 will be used to determine the level of satisfaction with disclosure requirements, and to shape the disclosure program in the future.

<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 deter violations of the securities laws.							
Fiscal Year	FY 2007	FY 2008	FY 2009	FY 2010 Plan	FY 2010 Actual	FY 2011	FY 2012
Corporations	36%	39%	40%	34%	44%	33%	33%
Investment Company Portfolios	38%	36%	35%	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 2007	FY 2008	FY 2009	FY 2010 Plan	FY 2010 Actual	FY 2011	FY 2012
Days	25.5 days	25.2 days	25.3 days	<30 days	24.1 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 comment within 30 days after they are filed (60 days for registration statements of insurance product separate accounts). 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 2007	FY 2008	FY 2009	FY 2010 Plan	FY 2010 Actual	FY 2011	FY 2012
Initial Registration Statements	87%	95%	95%	85%	93%	85%	85%
Post-Effective Amendments	95%	97%	97%	90%	94%	90%	90%
Preliminary Proxy Statements	99%	99%	99%	99%	99%	99%	99%

<b>Goal 3: Measure 4</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’ websites to obtain information about broker-dealer compensation and related conflicts of interest.							
Fiscal Year	FY 2007	FY 2008	FY 2009	FY 2010 Plan	FY 2010 Actual	FY 2011	FY 2012
“click-through rate”	Prior-year data not available			N/A	N/A	NA	NA

<b>Goal 3: Measure 5</b>							
<b>Access to broker-dealer and investment adviser background checks</b>							
<b>Description:</b> Greater availability of professional background information of broker-dealers and their employees through the BrokerCheck system will provide investors with the ability to make better-informed decisions. Investors also have the ability to check the backgrounds of investment advisory firms through the SEC’s Investment Adviser Public Disclosure (IAPD) system. This measure would gauge the demand for disclosure information about broker-dealers and their employees through the BrokerCheck website and about investment advisers through the IAPD.							
Fiscal Year	FY 2007	FY 2008	FY 2009	FY 2010 Plan	FY 2010 Actual	FY 2011	FY 2012
BrokerCheck System	Prior-year data not available			N/A	N/A	TBD	TBD
IAPD System	Prior-year data not available			N/A	N/A	TBD	TBD

<b>Goal 3: Measure 6</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.							
Fiscal Year	FY 2007	FY 2008	FY 2009	FY 2010 Plan	FY 2010 Actual	FY 2011	FY 2012
Web Site Hits	Prior-year data not available			N/A	N/A	NA	NA

<b>Goal 3: Measure 7</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.							
Fiscal Year	FY 2007	FY 2008	FY 2009	FY 2010 Plan	FY 2010 Actual	FY 2011	FY 2012
Satisfaction Index	Prior-year data not available			N/A	N/A	TBD	TBD

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

Performance Analysis & Means and Strategies Used to Achieve Performance Goals:

Investors who have access to complete and accurate information are more likely to invest wisely. In FY 2012, the Office of Investor Education and Advocacy (OIEA) will continue to focus on educating investors about products commonly marketed to them and provide educational programs and materials to help investors detect and avoid potential scams.

OIEA plans to reach 15 million investors through various communication methods (Measure 8), and partner with other federal and state agencies, financial industry associations, consumer groups, and educational organizations to produce 11 education campaigns (Measure 9). This level of outreach is expected to improve and expand the SEC's investor education program, and the agency will gauge the usefulness of its outreach efforts through focus groups and surveys (Measure 12).

In addition to providing educational materials to investors, OIEA plans to provide comments and guidance on several rulemaking initiatives derived from the Dodd-Frank Act, including business conduct rules for hedge fund managers and fiduciary duties of investment advisers and brokers. Furthermore, OIEA will continue to respond to investment-related complaints and questions from tens of thousands of investors each year. 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 2012, staff members plan to close 80 percent of complaints and inquiries within seven days and 90 percent within 30 days (Measure 10).

<b>Goal 3: Measure 8</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 publishes hard-copy educational brochures and conducts in-person events. This measure seeks to determine the total number of investors reached by the SEC, and assess the effectiveness of outreach efforts conducted by OIEA and the regional offices targeted to specific investor groups (for example, seniors, military, or other affinity groups). The measure also captures the use of various channels to reach investors, such as the SEC webpage, investor.gov, social networking sites, outreach programs, or public appearances.							
Fiscal Year	FY 2007	FY 2008	FY 2009	FY 2010 Plan	FY 2010 Actual	FY 2011	FY 2012
Number of Investors Reached (millions)	Prior-year data not available			17.3	17.8	16	15
Number of “In-Person” Events	Prior-year data not available			25	42	30	35

<b>Goal 3: Measure 9</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 continue to assess how to best target its efforts to the investing public. This measure identifies the number of major investor initiatives undertaken.							
Fiscal Year	FY 2007	FY 2008	FY 2009	FY 2010 Plan	FY 2010 Actual	FY 2011	FY 2012
Number of Initiatives	Prior-year data not available			8	9	10	11

<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 within seven and 30 business days.							
Fiscal Year	FY 2007	FY 2008	FY 2009	FY 2010 Plan	FY 2010 Actual	FY 2011	FY 2012
Closed within 7 days							
Total	82%	78%	70%	80%	72%	80%	80%
Closed within 30 days							
Total	94%	88%	90%	90%	93%	90%	90%

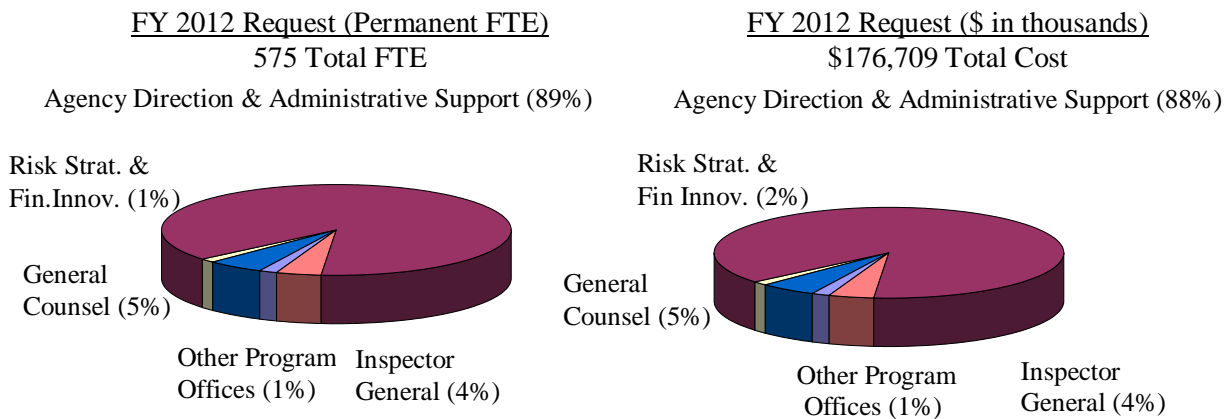
<b>Goal 3: Measure 11</b>							
<b>Percentage of rules impacting investors that are presented in alternate user-friendly formats</b>							
<b>Description:</b> The agency intends to publish explanations of Commission actions in easily understandable language, to encourage investor participation and comments on issues materially affecting them. The Office of Investor Education and Advocacy also will track emerging concerns and trends and then work with the rulemaking divisions and other offices on possible regulatory responses. The SEC also may use surveys or questionnaires to collect input from investors to assist in assessing their views on Commission actions.							
Fiscal Year	FY 2007	FY 2008	FY 2009	FY 2010 Plan	FY 2010 Actual	FY 2011	FY 2012
Percentage	Prior-year data not available			100%	100%	100%	100%

<b>Goal 3: Measure 12</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.							
Fiscal Year	FY 2007	FY 2008	FY 2009	FY 2010 Plan	FY 2010 Actual	FY 2011	FY 2012
Satisfaction Index	Prior-year data not available			N/A	N/A	TBD	TBD

## Goal 4: Maximize the Use of SEC Resources

The investing public and the securities markets are best served by an efficient, well-managed, transparent and proactive SEC. To further the agency's efforts to improve its organizational effectiveness, the Office of the Chief Operating Officer (OCOO) was established in FY 2010 to help the agency more efficiently and effectively utilize its resources by overseeing the Office of Information Technology (OIT), the financial and accounting functions of OFM, and the Office of FOIA and Records Management Services. In FY 2012, the SEC will focus on effectively implementing the increase in the SEC's workforce contemplated in this request. In addition, the SEC will continue to implement the requirements of the Government Efficiency, Effectiveness, and Performance Improvement Act of 2010. Requirements outlined in the Act will focus on providing agency management with improved information on measurable performance results in order to support effective resource management. In FY 2012, the SEC plans to devote approximately \$177 million and 575 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.**

Performance Analysis & Means and Strategies Used to Achieve Performance Goals: 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. The SEC's increased staffing request in FY 2012 will require OHR to accelerate hiring significantly. In order to meet these requirements, the agency is requesting an additional 29 positions (22 FTE) for OHR.

OHR's new programs are expected to help the agency maintain high employee satisfaction as well as keep the agency's turnover rate below eight percent in FY 2012 (Measure 3). The agency formed the Labor Management Forum to monitor and develop additional action plans to regain its top five ranking as one of the best places to work in the federal government (Measure 2), and the agency will continue to refine a series of programs to enhance employee engagement (Measure 1).

Additionally, by the end of FY 2011, OHR plans to implement an automated learning management and performance management system to develop baselines and begin tracking learning programs, certifications, and competency gaps (Measure 4 and Measure 5).

<b>Goal 4: Measure 1</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 2007	FY 2008	FY 2009	FY 2010 Plan	FY 2010 Actual	FY 2011	FY 2012
Biennial index score	Prior-year data not available			65%	58%	65%	65%

<b>Goal 4: Measure 2</b>							
<b>Best Places to Work ranking</b>							
<b>Description:</b> This annual ranking of federal government agencies will be used to determine the SEC’s overall success in improving our organizational climate.							
Fiscal Year	FY 2007	FY 2008	FY 2009	FY 2010 Plan	FY 2010 Actual	FY 2011	FY 2012
Ranking number	Ranked #3	Ranked #3	Ranked #11	Ranked #5	Ranked #24	#5	#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 percent per year.							
Fiscal Year	FY 2007	FY 2008	FY 2009	FY 2010 Plan	FY 2010 Actual	FY 2011	FY 2012
Percent turnover	8.8%	6.2%	3.7%	<8%	5%	<8%	<8%

<b>Goal 4: Measure 4</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 both investment and trading practices. Annual agency training goals and hiring practices are focused on ensuring staff have the necessary capabilities to address trends in the industry. This measure tracks whether certain areas requiring significant training are being addressed.							
For example, the agency will monitor the percentage of staff that has received or maintained significant relevant training as measured by achieving the status of a Certified Fraud Examiner, Chartered Financial Analyst, Series 7, or other relevant industry designations.							
Fiscal Year	FY 2007	FY 2008	FY 2009	FY 2010 Plan	FY 2010 Actual	FY 2011	FY 2012
Percent of staff with industry designations	Prior-year data not available			N/A	N/A	TBD	TBD

<b>Goal 4: Measure 5</b>							
<b>Size of competency gaps</b>							
<b>Description:</b> Key competencies will be rated as part of the SEC's performance management process. Once the SEC has implemented a technology system to support the performance management program, the agency will assess its baseline competency gaps annually and work to bring them down over time.							
Fiscal Year	FY 2007	FY 2008	FY 2009	FY 2010 Plan	FY 2010 Actual	FY 2011	FY 2012
Percentage reduction for the size of competency gaps	Prior-year data not available			10%	N/A	10%	10%

<b>Goal 4: Measure 6</b>							
<b>Number of diversity-related partnerships/alliances</b>							
<b>Description:</b> Increased numbers of diversity-related partnerships or alliances with professional associations and educational organizations provide opportunities to educate students about the SEC's work and recruit career professionals from all segments of society. The SEC will track the number of partnerships and/or alliances with diverse professional associations and educational organizations.							
Fiscal Year	FY 2007	FY 2008	FY 2009	FY 2010 Plan	FY 2010 Actual	FY 2011	FY 2012
Number of partnerships/alliances	Prior-year data not available			1	2	5	8

<b>Goal 4: Measure 7</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 2007	FY 2008	FY 2009	FY 2010 Plan	FY 2010 Actual	FY 2011	FY 2012
Percentage of positive survey responses	Prior-year data not available			65%	N/A	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.**

Performance Analysis & Means and Strategies Used to Achieve Performance Goals: As part of the FY 2010 strategic planning process, the SEC developed new measures to gauge its progress in increasing staff training and development so that each employee can achieve and maintain the highest level of performance. The new measures also are expected to ensure the continued construction and implementation of a comprehensive leadership development program (Measure 9 and Measure 10). Specific aspects of the program include training for new 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.

<b>Goal 4: Measure 8</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 2007	FY 2008	FY 2009	FY 2010 Plan	FY 2010 Actual	FY 2011	FY 2012
Percentage of hires rated at least four on a five-point scale	Prior-year data not available			75%	N/A	75%	75%

<b>Goal 4: Measure 9</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 2007	FY 2008	FY 2009	FY 2010 Plan	FY 2010 Actual	FY 2011	FY 2012
Average percentage of gaps reduced in each survey	Prior-year data not available			10%	N/A	10%	10%

<b>Goal 4: Measure 10</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 2007	FY 2008	FY 2009	FY 2010 Plan	FY 2010 Actual	FY 2011	FY 2012
Average score on a five-point scale	Prior-year data not available			4	4.46	4.5	4.5

**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.**

Performance Analysis & Means and Strategies Used to Achieve Performance Goals: 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 requested increase in SEC staff, the agency is expecting an increased demand for the technical capability to electronically access, retrieve, organize, and analyze relevant information. OIT is requesting an additional 60 positions (20 FTE) to implement requirements contained in the Dodd-Frank Act, support agency-wide data management and integration, and improve the agency’s disclosure systems, infrastructure, and management of projects.

As the SEC significantly expands its staff in order to keep pace with the growing number and complexity of registered firms, OIT will continue to experience an increased demand for technical capabilities to electronically access, retrieve, and organize relevant data that is often contained in both structured and unstructured formats in a variety of documents and databases. The SEC will use Measure 11 and Measure 12 to gauge its progress in developing a robust data integration and management program, and modernizing IT systems for the Enforcement program and the national examination program.

The SEC must have the technical capability to electronically organize and retrieve an extraordinary volume of documents obtained in the conduct of investigations. In FY 2012, OIT will work closely with the Division of Enforcement to improve the agency’s document storage, organization, and analytic capabilities. The SEC will use Measure 13 to track development of technologies that will enable Enforcement staff to investigate and litigate more efficiently, proactively, and intelligently.

**Goal 4: Measure 11**  
**Percentage of SEC data sources accessible through a virtual data warehouse, and milestones achieved towards the creation of a robust information management program**

**Description:** The SEC intends to reform its information management processes, so that data can be more easily accessed, shared, and analyzed across the organization. This metric will display the percentage of SEC data sources accessible for search and analysis through a virtual data warehouse. In addition, the SEC will track its success in achieving relevant milestones over the course of this multi-year effort. These milestones include establishing a formal information management program in 2010, completing an information catalog by 2011, providing capabilities to support analysis of information by 2012, and developing a capability that allows integration of business operations data for management, reporting and analysis by 2013.

Fiscal Year	FY 2007	FY 2008	FY 2009	FY 2010 Plan	FY 2010 Actual	FY 2011	FY 2012
Percentage	Prior-year data not available			N/A	N/A	TBD	TBD

**Goal 4: Measure 12**  
**Deployment of document management and workflow tools**

**Description:** This metric will present the SEC’s success in applying document management and workflow tools to the Commission’s mission critical business functions. Over time, the SEC aims to deploy these tools for enforcement case management, the agency’s processes for handling disgorgement and penalties, examination management, management of Commission actions, and rulemaking.

Fiscal Year	FY 2007	FY 2008	FY 2009	FY 2010 Plan	FY 2010 Actual	FY 2011	FY 2012
Business functions served	Prior-year data not available			Enforcement & Examination	Enforcement & Examination	Tips, Complaints and Referrals Commission-wide	TBD

**Goal 4: Measure 13**  
**Time to process evidentiary material for enforcement investigations**

**Description:** The SEC aims to improve its ability to process evidentiary material gathered during the course of its enforcement investigations, and enhance the agency’s document storage, organization, and analytical capabilities. This metric will gauge whether these efforts succeed in reducing the time required to process evidentiary material, so it can be analyzed by enforcement staff.

Fiscal Year	FY 2007	FY 2008	FY 2009	FY 2010 Plan	FY 2010 Actual	FY 2011	FY 2012
Time to process	Prior-year data not available			N/A	N/A	Pilot Software	Begin Metrics Reporting



**Goal 4: Measure 14  
System Availability**

**Description:** The SEC aims to enhance its computing infrastructure to eliminate down time if systems at one site fail, among other objectives. This metric will capture the percentage of systems and applications that can fail over within 4 hours. In addition, the SEC will track the percentage of its systems that have been virtualized, further reducing down time and increasing their accessibility from alternative locations.

Fiscal Year	FY 2007	FY 2008	FY 2009	FY 2010 Plan	FY 2010 Actual	FY 2011	FY 2012
Systems availability	Prior-year data not available			99%	99.97%	99.3%	99.5%
Percentage fail over within four hours	Prior-year data not available			100%	N/A	TBD	TBD
Systems virtualized	Prior-year data not available			N/A	22%	25%	30%

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

Performance Analysis & Means and Strategies Used to Achieve Performance Goals: 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 controls over its own operations. As a result, the agency places great emphasis on vigorously bolstering its processes and systems that support its budgeting, accounting, and internal controls functions.

In FY 2012, the SEC plans to complete the migration its financial system to a federal government Shared Service Provider (SSP), the Enterprise Services Center at the Department of Transportation. This effort will allow the agency to transfer its financial system into a strong, proven security environment, and eliminate several manual processes for financial reporting and accounting. The SEC will use Measure 16 to gauge its progress in achieving this initiative. Along with efforts in FY 2011 and FY 2012 to migrate to a SSP, OFM also will pursue next generation tools for managing budget formulation and execution, as well as performance measurement and reporting.

The SEC will continue strengthening internal controls, developing complete and accurate financial statements, and increasing transparency of financial and operational information. The staff strives to maintain the highest standards of financial reporting, and will aim to receive an unqualified audit opinion on the SEC’s financial statements and have no material weaknesses or significant deficiencies (Measure 17).

<b>Goal 4: Measure 15</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 2007	FY 2008	FY 2009	FY 2010 Plan	FY 2010 Actual	FY 2011	FY 2012
Milestone achieved	Prior-year data not available			Administrative data and reporting requirements identified	N/A	TBD	TBD

<b>Goal 4: Measure 16</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 2007	FY 2008	FY 2009	FY 2010 Plan	FY 2010 Actual	FY 2011	FY 2012
Percentage	Prior-year data not available			17%	N/A	TBD	TBD

<b>Goal 4: Measure 17</b>							
<b>Financial audit results</b>							
<b>Description:</b> Under the Accountability of Taxpayer Dollars Act of 2002, the agency is required to meet all proprietary and budgetary accounting guidelines for federal agencies and to undergo annual audits. The SEC's audits are conducted by the Government Accountability Office.							
Fiscal Year	FY 2007	FY 2008	FY 2009	FY 2010 Plan	FY 2010 Actual	FY 2011	FY 2012
Unqualified Opinion	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Material Weaknesses	1	0	1	0	2	0	0
Significant Deficiency	3	3	6	0	0	0	0

## Division of Enforcement

### Executive Summary

	FY 2010 <u>Actual</u>	FY 2011 <u>CR</u>	FY 2012 <u>Request</u>
<b>FTE:</b> Headquarters	435	458	510
Regions	<u>738</u>	<u>778</u>	<u>856</u>
<b>Total</b>	<b>1,173</b>	<b>1,236</b>	<b>1,366</b>
<b>Cost:</b> Salaries and Benefits (\$000)	\$228,792	\$246,627	\$277,573
Non-Personnel Expenses (\$000)	<u>132,858</u>	<u>138,033</u>	<u>178,153</u>
<b>Total Costs (\$000)</b>	<b>\$361,650</b>	<b>\$384,660</b>	<b>\$455,726</b>

FY 2012 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
1,366			

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 Enforcement program is to seek penalties and the disgorgement of ill-gotten gains in order to return funds to harmed investors.

To maintain an effective investigative capacity and deterrent presence, the Enforcement program must be adequately staffed to address increasingly complex financial products and transactions, handle the increasing size of the markets, take prompt action to halt violations, and recover funds. The SEC is committed to strengthening the Enforcement program through, among other things, the addition of 156 positions (associated with 122 FTE) in FY 2012. These positions will support the Enforcement program's current initiatives by:

- Increasing staff for the Office of Market Intelligence (OMI), which is responsible for the collection, analysis, risk-weighting triage, referral and monitoring of the thousands of tips, complaints and referrals that the Agency receives each year;
- Expanding and focusing the investigative function to promptly identify areas appropriate for enhanced investigative efforts;
- Continuing to strengthen the litigation function by improving its ability to successfully prosecute a growing number of enforcement actions with increased complexity;
- Increasing staff for the Office of Collections and Distributions, which is responsible for collecting ordered penalties and disgorgement amounts, and returning funds to harmed investors whenever possible; and
- Expanding staff in Enforcement's information technology (IT) group to assist in the implementation of various initiatives focused on improving efficiency.

## Office of Compliance Inspections and Examinations

### Executive Summary

	FY 2010 <u>Actual</u>	FY 2011 <u>CR</u>	FY 2012 <u>Request</u>
<b>FTE:</b> Headquarters	150	148	177
Regions	<u>704</u>	<u>706</u>	<u>825</u>
<b>Total</b>	<b>854</b>	<b>854</b>	<b>1,002</b>
<b>Cost:</b> Salaries and Benefits (\$000)	\$162,093	\$167,960	\$201,209
Non-Personnel Expenses (\$000)	<u>76,377</u>	<u>72,042</u>	<u>102,649</u>
<b>Total Costs (\$000)</b>	<b>\$238,470</b>	<b>\$240,002</b>	<b>\$303,858</b>

FY 2012 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
1,002			

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

In FY 2012, additional resources are critical in order for OCIE to meet its objectives and fulfill the agency’s mission. In particular, resources are needed to continue implementation of certain provisions of the Dodd-Frank Act; address the disparity between the number of exam staff and the growing number and complexity of registered firms; and more effectively risk target, monitor, and examine market participants. 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 2012, OCIE will continue to promote industry compliance efforts through the *CCOutreach* program. The office requests an additional 195 positions (associated with 145 FTE) to accomplish these goals.

## Division of Corporation Finance

### Executive Summary

	FY 2010 <u>Actual</u>	FY 2011 <u>CR</u>	FY 2012 <u>Request</u>
<b>FTE: Headquarters</b>	<b>470</b>	<b>465</b>	<b>503</b>
<b>Cost: Salaries and Benefits (\$000)</b>	\$90,474	\$90,666	\$100,111
Non-Personnel Expenses (\$000)	<u>44,661</u>	<u>46,376</u>	<u>57,697</u>
<b>Total Costs (\$000)</b>	<b>\$135,135</b>	<b>\$137,042</b>	<b>\$157,808</b>

FY 2012 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	65	428	

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 FY 2012 the division plans to enhance its reviews of public company filings and to focus more, and on an ongoing basis, on disclosures made by large and financially significant companies. The division also plans to enhance its reviews of offering documents to remain current with offering and financing trends and enhance its reviews of asset-backed and other structured finance offerings. Additionally, the division 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. Although the division began efforts in each of these areas in FY 2011, it has redirected substantial resources to rulemaking efforts mandated by the Dodd-Frank Act. The staff will undertake information technology (IT) projects to modernize disclosure forms and the Electronic Data Gathering, Analysis and Retrieval (EDGAR) system. In FY 2012, 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 50 additional positions (38 FTE) in FY 2012 to meet its goals.

## Division of Trading and Markets

### Executive Summary

	FY 2010 <u>Actual</u>	FY 2011 <u>CR</u>	FY 2012 <u>Request</u>
<b>FTE: Headquarters</b>	<b>191</b>	<b>214</b>	<b>272</b>
<b>Cost: Salaries and Benefits (\$000)</b>	\$38,010	\$43,020	\$55,122
Non-Personnel Expenses (\$000)	<u>17,645</u>	<u>18,657</u>	<u>29,571</u>
<b>Total Costs (\$000)</b>	<b>\$55,655</b>	<b>\$61,677</b>	<b>\$84,693</b>

FY 2012 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
46	147	79	

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. In furtherance of this mission, TM is requesting 80 additional positions (associated with 60 FTE) in FY 2012. These additional resources will enable the Division to begin to assume the significant new responsibilities required of it under the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), while allowing it to continue to provide and enhance its existing supervision of securities firms and markets.

## Division of Investment Management

### Executive Summary

	FY 2010 <u>Actual</u>	FY 2011 <u>CR</u>	FY 2012 <u>Request</u>
<b>FTE: Headquarters</b>	<b>157</b>	<b>157</b>	<b>181</b>
<b>Cost: Salaries and Benefits (\$000)</b>	\$32,214	\$32,843	\$38,190
Non-Personnel Expenses (\$000)	<u>17,771</u>	<u>18,126</u>	<u>24,189</u>
<b>Total Costs (\$000)</b>	<b>\$49,985</b>	<b>\$50,969</b>	<b>\$62,379</b>

FY 2012 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
43	86	52	

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 2012, the Division of Investment Management (IM) plans to provide recommendations for the proposal and adoption of rules to implement provisions of the Dodd-Frank Act, and will monitor the effect of the SEC's implementation of such provisions, specifically with respect to the registration of, and reporting by investment advisers to private investment funds. IM also expects to inaugurate a program to conduct compliance inspections and examinations of investment companies and investment advisers.

IM will also devote substantial resources to: 1) addressing interpretive issues in connection with final rules under the legislation, including administering exemptions from the registration requirement under the Investment Advisers Act of 1940 for advisers to venture capital funds, other private funds, and family offices; and 2) support the SEC's participation in the Financial Stability Oversight Council (FSOC). Many of FSOC's statutory duties relate to collecting and facilitating the sharing of information among financial regulatory agencies. IM will assist in overseeing the collection of systemic risk information that will be filed by private fund advisers beginning in late FY 2011.

In FY 2012, IM expects to improve the monitoring of money market funds by growing its surveillance team and analyzing expanded monthly portfolio holdings data it began collecting in FY 2011. IM plans to recommend additional reforms aimed at further improving the regulatory regime for money market funds, lessening their susceptibility to runs, and enhancing the protections afforded to money market fund investors. IM requests 31 additional positions (associated with 23 FTE) in FY 2012 to accomplish these goals.

## Division of Risk, Strategy and Financial Innovation

### Executive Summary

	FY 2010 <u>Actual</u>	FY 2011 <u>CR</u>	FY 2012 <u>Request</u>
<b>FTE: Headquarters</b>	<b>47</b>	<b>60</b>	<b>86</b>
<b>Cost: Salaries and Benefits (\$000)</b>	\$11,499	\$14,198	\$19,601
Non-Personnel Expenses (\$000)	<u>8,363</u>	<u>7,132</u>	<u>11,575</u>
<b>Total Costs (\$000)</b>	<b>\$19,862</b>	<b>\$21,330</b>	<b>\$31,176</b>

FY 2012 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
27	43	9	7

The Division of Risk, Strategy, and Financial Innovation (RSFI) provides sophisticated analysis that integrates economic, financial, and legal disciplines with data analytics and quantitative methodologies. The Division’s responsibilities cover three broad areas, each infused with rigorous quantitative analysis: risk and economic analysis; strategic research; and financial innovation. Its responsibilities include providing economic analyses of proposed Commission actions and providing expertise in analytical approaches and methods in support of the agency’s enforcement and examinations program. In its “think tank” and other roles, RSFI is involved across the entire range of SEC activities, including policymaking, rulemaking, enforcement, examination, data standards and analytics, and other matters.

RSFI requests an additional 32 positions (associated with 24 FTE) in FY 2012. As a result, RSFI will have a staff of 96, including a significant number of visiting academics and industry experts. Approximately half of the increased resource allocation is projected to be devoted towards supporting implementation and on-going activities mandated by the Dodd-Frank Act, while the remainder will support the Division’s operations and on-going tasks of risk and economic analysis, strategic research, financial innovation, and development of data analytics and quantitative methodologies—much of which has been diverted or deferred in order to meet the requirements of the Dodd-Frank Act.

RSFI will continue to monitor market developments, conduct outreach to market participants, and enhance risk-based methods for maximizing resources throughout the SEC. Staffing increases will allow the Division to better 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. The additional personnel will provide economic and statistical analysis that identifies potential violations and that supports the prosecution of violations, as well as to provide support for the existing interactive data program. Additionally, in FY 2012, 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.



## Office of the General Counsel

### Executive Summary

	FY 2010 <u>Actual</u>	FY 2011 <u>CR</u>	FY 2012 <u>Request</u>
<b>FTE:</b> Headquarters	128	134	152
Regions	<u>11</u>	<u>11</u>	<u>11</u>
<b>Total</b>	<b>139</b>	<b>145</b>	<b>163</b>
<b>Cost:</b> Salaries and Benefits (\$000)	\$29,805	\$31,219	\$35,410
Non-Personnel Expenses (\$000)	<u>13,327</u>	<u>13,321</u>	<u>17,547</u>
<b>Total Costs (\$000)</b>	<b>\$43,132</b>	<b>\$44,540</b>	<b>\$52,957</b>

FY 2012 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
104	26	5	28

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 2012, the Office of the General Counsel (OGC) anticipates continued work on legislative initiatives to reform the existing regulatory structure for the securities markets and the financial services industry. An increased staff of experienced attorneys will be needed to handle complex agency and securities law issues which will result from regulatory reform and address legal challenges to rulemakings. OGC also expects to provide technical assistance to Congress and other financial regulatory agencies on numerous legislative initiatives and other matters. The requested increase in the size of the enforcement staff is expected to lead to an increase in the number of enforcement matters that will reach adjudication as appeals, as well as an increase in the number and time sensitivity of the enforcement actions analyzed by OGC staff.

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

The office is requesting 23 additional positions (associated with 17 FTE) in FY 2012 to address expanding requirements and additional workload generated by increasing staffing levels across the agency.

## Other Program Offices

	FY 2010 <u>Actual</u>	FY 2011 <u>CR</u>	FY 2012 <u>Request</u>
<b>FTE:</b> Headquarters			
Office of Chief Accountant	55	52	57
Office of Investor Education and Advocacy	71	45	53
Office of International Affairs	34	36	46
Office of Administrative Law Judges	10	10	11
Office of the Investor Advocate	0	3	6
Office of Credit Ratings	0	5	28
Office of Municipal Securities	<u>0</u>	<u>2</u>	<u>5</u>
<b>Total</b>	<b>170</b>	<b>153</b>	<b>206</b>
<b>Cost:</b> Salaries and Benefits (\$000)	\$31,872	\$31,124	\$42,035
Non-Personnel Expenses (\$000)	<u>17,322</u>	<u>18,618</u>	<u>27,147</u>
<b>Total Costs (\$000)</b>	<b>\$49,194</b>	<b>\$49,742</b>	<b>\$69,182</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 the Investor Advocate: Provides assistance to investors in resolving significant problems they may have with the SEC or with self-regulatory organizations (SROs), and identifying areas in which investors would benefit from changes to federal laws or to SEC regulations or SRO rules.

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

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

## Office of Chief Accountant

### Executive Summary

	FY 2010 <u>Actual</u>	FY 2011 <u>CR</u>	FY 2012 <u>Request</u>
<b>FTE:</b> Headquarters	<b>55</b>	<b>52</b>	<b>57</b>

FY 2012 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	22	11	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 standard-setting by the Public Company Accounting Oversight Board (PCAOB).

In FY 2012, OCA requires additional resources to foster progress towards development of a single set of high-quality, globally accepted accounting standards, to oversee the FASB and PCAOB, and to conduct market surveillance in the newly created Office of Policy and Market Risk. The office is requesting six additional positions (associated with four FTE) in FY 2012.

# Office of Investor Education and Advocacy

## Executive Summary

	FY 2010 <u>Actual</u>	FY 2011 <u>CR</u>	FY 2012 <u>Request</u>
<b>FTE: Headquarters</b>	<b>71</b>	<b>45</b>	<b>53</b>

FY 2012 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
5	8	38	2

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 2012, 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 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 2011. 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 workloads, OIEA requests 11 additional positions (associated with eight FTE) in FY 2012.

## Office of International Affairs

### Executive Summary

	FY 2010 <u>Actual</u>	FY 2011 <u>CR</u>	FY 2012 <u>Request</u>
<b>FTE: Headquarters</b>	<b>34</b>	<b>36</b>	<b>46</b>

FY 2012 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
28	15	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 global nature of securities activity, and providing technical assistance to emerging markets.

One of OIA's core functions is to assist the enforcement program on cross-border investigations and to foster investor protection in a global environment. In FY 2011, over 30 percent of all SEC enforcement investigations had a cross-border component, and OIA staff utilized its foreign law expertise to obtain foreign information for the Enforcement program. In FY 2012, Enforcement cases are projected to continue to have international elements and be more complex as fraudsters try to use new methods to secrete ill-gotten gains. OIA will continue to use dedicated staff to compel information located in the U.S. on behalf of foreign authorities.

In FY 2012, it will also be increasingly important to enhance supervisory cooperation and evaluate implementation of comparable foreign regulatory reforms and identify potential ramifications for the new U.S. regulatory regime. OIA will continue its efforts to develop bilateral supervisory cooperation memoranda of understanding (MOUs) and other arrangements with foreign regulatory authorities to facilitate cooperation in the oversight of entities regulated on a cross-border basis. OIA also will work cooperatively within the International Organization of Securities Commissions (IOSCO) and the Financial Stability Board (FSB) to enhance cross-border supervisory cooperation, as well as address systemic risk issues.

OIA requests 12 additional positions (associated with nine FTE) in FY 2012.

## Office of the Administrative Law Judges

### Executive Summary

	FY 2010 <u>Actual</u>	FY 2011 <u>CR</u>	FY 2012 <u>Request</u>
<b>FTE:</b> Headquarters	<b>10</b>	<b>10</b>	<b>11</b>

FY 2012 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 2012, 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 is requesting one additional position (one FTE) in FY 2012, commensurate with the planned increase in the enforcement program in FY 2012.

## Office of the Investor Advocate

### Executive Summary

	FY 2010 <u>Actual</u>	FY 2011 <u>CR</u>	FY 2012 <u>Request</u>
<b>FTE:</b> Headquarters	<b>0</b>	<b>3</b>	<b>6</b>

FY 2012 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
		6	

The Office of the Investor Advocate is required by Sec. 915 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act).<sup>1</sup> The Office will be responsible for providing assistance to investors in resolving significant problems they may have with the SEC or with self-regulatory organizations (SROs), and identifying areas in which investors would benefit from changes to federal laws or to SEC regulations or SRO rules.

In FY 2011, the Office will be established with five positions, comprised of the Investor Advocate and Ombudsman, and three staff members transferred from the Office of Investor Education and Advocacy. For FY 2012, the SEC requests one additional position (associated with one FTE), for a total of six positions for the Office of the Investor Advocate, in order to permit it to perform the responsibilities identified in the Act.

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<sup>1</sup> The SEC has submitted to the House and Senate Appropriations Committees a reprogramming request seeking approval to create this office. This budget chapter assumes congressional approval of this pending reprogramming request.

**Office of Credit Ratings**  
Executive Summary

	FY 2010 <u>Actual</u>	FY 2011 <u>CR</u>	FY 2012 <u>Request</u>
<b>FTE: Headquarters</b>	<b>0</b>	<b>5</b>	<b>28</b>

FY 2012 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
	28		

The Office of Credit Ratings (OCR) is newly established by the SEC in FY 2011, as required by Sec. 932 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act).<sup>1</sup> OCR will be responsible for administering the rules of the Commission with respect to the practices of nationally recognized statistical rating organizations (NRSROs) in determining ratings, for protecting the users of credit ratings and in the public interest; promoting accuracy in credit ratings issued by NRSROs; and ensuring that such ratings are not unduly influenced by conflicts of interest. Additionally, OCR will be responsible for conducting examinations of each NRSRO at least annually, and for issuing an annual public report that summarizes the essential findings resulting from these examinations.

In FY 2011, OCR will be established with 11 positions, comprised of the director and 10 staff members transferred from the Division of Trading and Markets and the Office of Compliance Inspections and Examinations. For FY 2012, the SEC requests 24 additional positions (associated with 17 FTE) for OCR, for a total of 35 positions, in order to permit it to satisfy the significant new requirements contained in the Act. These additional staff positions will be filled by individuals with knowledge of and expertise in corporate, municipal, and structured debt finance.

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<sup>1</sup> The SEC has submitted to the House and Senate Appropriations Committees a reprogramming request seeking approval to create this office and assign an initial dedicated level of staff. This budget chapter assumes congressional approval of this pending reprogramming request.



## Office of Municipal Securities

### Executive Summary

	FY 2010 <u>Actual</u>	FY 2011 <u>CR</u>	FY 2012 <u>Request</u>
<b>FTE:</b> Headquarters	<b>0</b>	<b>2</b>	<b>5</b>

FY 2012 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
	5		

The Office of Municipal Securities (OMS), formerly part of the Division of Trading and Markets (TM), is being elevated to an independent office that reports directly to the SEC Chairman, as required by Sec. 979 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act).<sup>1</sup> OMS is responsible for administering the rules of the Commission with respect to the practices of municipal securities brokers and dealers, municipal advisors, and investors in, and issuers of, municipal securities. OMS also coordinates with the Municipal Securities Rulemaking Board (MSRB) on rulemaking and enforcement actions.

In FY 2011, OMS will be established with four positions, comprised of the director and three staff members transferred from the Division of Trading and Markets (TM). For FY 2012, the SEC requests one additional position (associated with one FTE) for OMS, for a total of five positions, in order to permit it to perform the responsibilities identified in the Act.

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<sup>1</sup> The SEC has submitted to the House and Senate Appropriations Committees a reprogramming request seeking approval to create this office and its initial dedicated staff. This budget chapter assumes congressional approval of this pending reprogramming request.

## Agency Direction and Administrative Support

	FY 2010 <u>Actual</u>	FY 2011 <u>CR</u>	FY 2012 <u>Request</u>
<b>FTE: Headquarters</b>			
Agency Direction			
Office of Executive Staff	38	41	43
Office of Public Affairs	7	5	6
Office of the Secretary	<u>41</u>	<u>28</u>	<u>29</u>
Subtotal	<u>86</u>	<u>74</u>	<u>78</u>
	-	-	-
Administrative Support			
Office of the Executive Director	10	8	9
Office of Financial Management			
- Budget and Planning	10	12	14
Office of Human Resources	63	75	98
Office of Administrative Services	93	105	119
Office of the Chief Operating Officer	0	4	11
Office of Financial Management			
- Accounting and Finance	50	57	63
Office of Information Technology	125	116	137
Office of FOIA/Records Management	1	41	44
Office of Minority and Women Inclusion	0	3	8
Office of Equal Emp. Opportunity	8	7	8
Subtotal	<u>360</u>	<u>428</u>	<u>511</u>
<b>Total</b>	<b>446</b>	<b>502</b>	<b>589</b>
<b>Cost: Salaries and Benefits (\$000)</b>	\$90,396	\$84,102	\$105,623
Non-Personnel Expenses (\$000)	<u>52,246</u>	<u>63,571</u>	<u>77,024</u>
<b>Total Costs (\$000)</b>	<b>\$142,642</b>	<b>\$147,673</b>	<b>\$182,647</b>

This section of the FY 2012 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 manages administrative support functions.

Office of the Chief Operating Officer: Facilitates and ensures the agency's efficient and effective utilization of resources.

Office of Minority and Women Inclusion: Develops standards for all agency matters relating to diversity in management, employment, and business activities

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

## Agency Direction

### Executive Summary

	FY 2010 <u>Actual</u>	FY 2011 <u>CR</u>	FY 2012 <u>Request</u>
<b>FTE:</b> Headquarters			
Office of Executive Staff	38	41	43
Office of Public Affairs	7	5	6
Office of the Secretary	<u>41</u>	<u>28</u>	<u>29</u>
<b>Total</b>	<b>86</b>	<b>74</b>	<b>78</b>

FY 2012 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
12	14	47	4

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 2011 and FY 2012, the Commission will work to strengthen the administration of the federal securities laws, protect investors, and implement regulations mandated by the Dodd-Frank Wall Street Reform and Consumer Protection Act. 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 implementing a new electronic filing system in FY 2012. Together, these two offices also intend to redesign the SEC’s external Web site to improve accessibility of information for investors, market participants, and SEC staff.

In total, these offices are requesting six new positions (three FTE) in FY 2012.

## Office of the Executive Director

### Executive Summary

	FY 2010 <u>Actual</u>	FY 2011 <u>CR</u>	FY 2012 <u>Request</u>
<b>FTE: Headquarters</b>			
Office of the Executive Director	10	8	9
Office of Financial Management			
- Budget and Planning	10	12	14
Office of Human Resources	63	75	98
Office of Administrative Services	<u>93</u>	<u>105</u>	<u>119</u>
<b>Total</b>	<b>176</b>	<b>200</b>	<b>240</b>

FY 2012 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	1		238

The Office of the Executive Director (OED) aims to maximize the use of SEC resources by overseeing the financial management, human resources, and administrative functions of the agency. The Office of Financial Management (OFM) Planning and Budget Office is responsible for the SEC's budgetary operations, as well as 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 2012 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. Altogether, the offices are requesting 52 additional positions (associated with 37 FTE) to support the mission programs' expansion and effectively manage the agency's resources and internal control processes.

## Office of the Chief Operating Officer

### Executive Summary

	FY 2010 <u>Actual</u>	FY 2011 <u>CR</u>	FY 2012 <u>Request</u>
<b>FTE: Headquarters</b>			
Office of the Chief Operating Officer	0	4	11
Office of Financial Management			
- Accounting and Finance	50	57	63
Office of Information Technology	125	116	137
Office of FOIA/Records Management	<u>1</u>	<u>41</u>	<u>44</u>
<b>Total</b>	<b>176</b>	<b>218</b>	<b>255</b>

FY 2012 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
			255

The Office of the Chief Operating Officer (OCOO) was established in FY 2010 to help the agency more efficiently and effectively utilize its resources. The OCOO is responsible for overseeing the Office of Information Technology (OIT), the financial and accounting functions of the Office of Financial Management, and the Office of FOIA and Records Management Services.

Under the FY 2012 request, the SEC's budget and workforce would see a significant increase. The OCOO offices will play a key role in providing much needed support to the agency. Altogether, the offices are requesting 80 additional positions (associated with 35 FTE) to support the mission programs' expansion and effectively manage the agency's resources.

# Office of Minority and Women Inclusion

## Executive Summary

	FY 2010 <u>Actual</u>	FY 2011 <u>CR</u>	FY 2012 <u>Request</u>
<b>FTE: Headquarters</b>	<b>0</b>	<b>3</b>	<b>8</b>

FY 2012 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 Minority and Women Inclusion (OMWI) is newly established by the SEC in FY 2011, as required by Section 342 of the Dodd-Frank Act.<sup>1</sup> OMWI will be responsible for all matters of the agency relating to diversity in management, employment, and business activities. Additionally, the director of this office advises the Chairman on the impact of the policies and regulations of the SEC on minority-owned and women-owned businesses. The SEC requests seven additional positions (five FTE) in FY 2012 for the office in order to permit it to perform the basic responsibilities identified in the Act.

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<sup>1</sup> The SEC has submitted to the House and Senate Appropriations Committees a reprogramming request seeking approval to create this office and assign an initial dedicated level of staff. This budget chapter assumes congressional approval of this pending reprogramming request.

# Office of Equal Employment Opportunity

## Executive Summary

	FY 2010 <u>Actual</u>	FY 2011 <u>CR</u>	FY 2012 <u>Request</u>
<b>FTE: Headquarters</b>	<b>8</b>	<b>7</b>	<b>8</b>

FY 2012 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 has also been responsible for promoting a diverse and inclusive working environment.

In FY 2012, 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 and will provide training and instructional programs to more employees. The EEO Office anticipates receiving and processing inquiries and complaints from an increasing number of applicants and employees. In addition, the EEO Office will support compliance with EEO-related statutes and, as appropriate, the EEO and diversity-related components of the Dodd-Frank Act; continue supporting the Memorandum of Understanding (MOU) between the SEC and the National Treasury Employees Union (NTEU); and continue to develop diversity partnerships and alliances pursuant to the SEC’s strategic plan.

The office is requesting two additional positions (one FTE) in FY 2012 to address the increased workload.

## Office of the Inspector General

### Executive Summary

	FY 2010 <u>Actual</u>	FY 2011 <u>CR</u>	FY 2012 <u>Request</u>
<b>FTE:</b> Headquarters	<b>17</b>	<b>18</b>	<b>20</b>
<b>Cost:</b> Salaries and Benefits (\$000)	\$3,365	\$3,678	\$4,019
Non-Personnel Expenses (\$000)	<u>2,457</u>	<u>2,542</u>	<u>3,038</u>
<b>Total Costs (\$000)</b>	<b>\$5,822</b>	<b>\$6,220</b>	<b>\$7,057</b>

FY 2012 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
			20

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

In FY 2012, the OIG will continue its focus on improving agency operations through audits, evaluations, and inspections. It also will enhance staff and agency integrity by investigating allegations of employee and contractor misconduct. By conducting audits, evaluations, inspections, and investigations, the OIG supports the efforts of Congress and the SEC to fulfill their responsibilities and achieve their goals and objectives with respect to oversight of the securities industry and investor protection.

The Dodd-Frank Reform and Consumer Protection Act (Dodd-Frank Act) imposed significant new responsibilities on the OIG. In particular, Section 966 required the OIG to establish an OIG SEC Employee Suggestion Hotline to receive suggestions by SEC employees for improvements in the work efficiency, effectiveness, and productivity, and the use of agency resources, as well as allegations of waste, abuse, misconduct, or mismanagement within the SEC. During FY 2012, OIG will continue to monitor, track, and analyze information received through the hotline.

The FY 2012 budget request is being submitted in conformance with the requirements of the Inspector General Reform Act of 2008 (P.L. 110-409). The aggregate amount of funds requested for the direct costs of operating the OIG in FY 2012 is \$5,055,638. The estimated training costs for OIG for FY 2012 are \$22,000, and OIG's estimated contribution to the Council of the Inspectors General on Integrity and Efficiency (CIGIE) is \$11,975.



## Appendix A-Acronyms

ARP	Automation Review Program
ABS	Asset-Backed Securities
AML/CFT	Anti-Money Laundering - Combating the Financing of Terrorism
ATS	Alternative Trading Systems
BD	Broker Dealer
CCO	Chief Compliance Officers
CDS	Credit Default Swap
CF	Division of Corporation Finance
CIGIE	Council of the Inspectors General on Integrity and Efficiency
CR	Continuing Resolution
D&I	Diversity & Inclusion
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
ESCs	Employees' Securities Companies
ETF	Exchange-traded Fund
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
FINRA	Financial Industry Regulatory Authority
FOIA	Freedom of Information Act
FSB	Financial Stability Board
FSOC	Financial Stability Oversight Council
FTE	Full-Time Equivalent
FY	Fiscal Year
G-20	Group of 20
GAAP	U.S. Generally Accepted Accounting Principles
GAO	Government Accountability Office
IA	Investment Adviser
IAPD	Investment Adviser Public Disclosure
IASB	International Accounting Standards Board
IASCF	International Accounting Standards Committee Foundation
IC/IA	Investment Company/Investment Adviser
IFRS	International Financial Reporting Standards
IG	Inspector General
IM	Division of Investment Management
IMF	International Monetary Fund
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
OCC	Office of the Comptroller of the Currency
OCIE	Office of Compliance Inspections and Examinations
OCOO	Office of the Chief Operating Officer
OCR	Office of Credit Ratings
OED	Office of the Executive Director
OFM	Office of Financial Management
OFRMS	Office of Freedom of Information Act and Records Management Services
OGC	Office of the General Counsel
OHR	Office of Human Resources
OIA	Office of International Affairs
OID	Office of Interactive Disclosure
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
OME	Office of Managing Executive
OMI	Office of Market Intelligence
OMS	Office of Municipal Securities
OMWI	Office of Minority and Women Inclusion
OPA	Office of Public Affairs
OPM	Office of Personnel Management
ORM	Operational Risk Management
OS	Office of the Secretary
OTC	Over-the-Counter
PA	Privacy Act
PCAOB	Public Company Accounting Oversight Board
PL	Public Law
PWG	President's Working Group on Financial Markets
RMS	Records Management Services
RSFI	Division of Risk, Strategy and Financial Innovation
SDRs	Security-Based Swap Data Repositories

SEFs	Security-Based Swap Execution Facilities
SIPC	Securities Investor Protection Corporation
SRO	Self-Regulatory Organization
SRTS	SRO Rule Tracking System
SSP	Shared Service Provider
TARP	Troubled Asset Relief Program
TCR	Tips Complaints and Referrals
TM	Division of Trading and Markets
UIT	Unit Investment Trust
VaR	Value-At-Risk
XBRL	eXtensible Business Reporting Language

