Agency and Mission Information

Executive Summary

The U.S. Securities and Exchange Commission (SEC or the agency) is pleased to submit its budget request for Fiscal Year (FY) 2017. The SEC is requesting $1.781 billion in support of 5,196 positions and 4,870 full time equivalents (FTE) for FY 2017. This requested budget level is essential to support the agency's mission to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation.

In recent years, the SEC has made substantial progress in strengthening its operations and programs. The agency has proposed or adopted nearly all of the mandatory rulemakings required by the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) and the Jumpstart Our Business Startups Act (JOBS Act), in addition to advancing other key rules in mission critical areas that protect investors and our markets. These efforts have included final rules addressing over-the-counter derivatives; new means for small businesses to access capital (including rules to update Regulation A and permit securities-based crowdfunding offerings); executive compensation disclosures; and the removal of references to credit ratings from SEC rules. In addition to implementing congressionally mandated rules, the SEC has also advanced other important policy objectives, including rules to enhance oversight of high-frequency traders and the agency's supervision of investment advisers and mutual funds, including reforms to money market mutual funds; as well as adopting requirements for comprehensive new controls at critical market participants to strengthen key technological systems.

Beyond the rulemakings, the SEC has intensified its review of equity and fixed income market structure issues, undertaken a disclosure effectiveness initiative seeking ways to improve the public company disclosure regime for investors and companies, and continued to act aggressively to hold securities law violators accountable. Broad, systemic enhancements in the SEC's National Examination Program (NEP) – including increased recruitment of industry experts, the augmentation of data analytics capacities, and enhanced training programs – have led to a more effective, efficient program. The agency also is increasingly harnessing technology to better identify risks, uncover frauds, sift through large volumes of data, inform policymaking, and streamline operations, while at the same time improving internal collaboration and recruiting more staff with specialized expertise and experience.

While these and other critical improvements have been made, challenges remain in the agency's efforts to address the growing size and complexities of the securities markets and fulfill the SEC's broad mandates and responsibilities. Currently the SEC is charged with overseeing over 26,000 market participants, including nearly 12,000 investment advisers, nearly 11,000 mutual funds and exchange traded funds, over 4,000 broker-dealers, and over 400 transfer agents. The agency also oversees 18 national securities exchanges, 10 credit rating agencies, and six active registered clearing agencies, as well as the Public Company Accounting Oversight Board (PCAOB), Financial Industry Regulatory Authority (FINRA), Municipal Securities Rulemaking Board (MSRB), the Securities Investor Protection Corporation (SIPC), and the Financial Accounting Standards Board (FASB). In addition, the SEC is responsible for selectively reviewing the disclosures and financial statements of over 9,100 reporting companies.

Beyond this, in recent years the SEC's responsibilities have dramatically increased, with new or expanded jurisdiction over securities-based derivatives, hedge fund and other private fund advisers, credit rating agencies, municipal advisors, and clearing agencies, as well as a requirement to implement and oversee a new regime for crowdfunding offerings, among other responsibilities. As the size and complexity of the entities in the SEC's jurisdiction grows, so too has the size and complexity of the markets and entities the SEC regulates. From 2001 to 2015, assets under management of SEC-registered advisers increased approximately 210 percent from $21.5 trillion to approximately $66.8 trillion, and assets under management of mutual funds grew by almost 125 percent from $7 trillion to over $15 trillion. Trading volume in the equity markets for 2015 was in excess of $70 trillion compared to over $55 trillion in 2009.

The SEC appreciates the confidence that Congress and the President have placed in it in recent appropriation cycles, with enacted budgets that are permitting the SEC to begin to address longstanding resource challenges. In light of the continuing growth in the industry and the enormity of the responsibilities now placed on the agency, however, additional funding is critical. The SEC must be able to keep pace with the always expanding complexity of the entities, markets, and industries it regulates when the integrity of our markets and Americans' savings for college, retirement, and other financial goals are at stake. In assessing the appropriate budget for the SEC, it is critical that the SEC's funding is deficit-neutral, which means that any amount appropriated to the agency will be offset by modest transaction fees and therefore will not impact the deficit or the funding available for other agencies.

As described in more detail below, this budget request seeks to:

- Increase examination coverage of investment advisers and other key entities who interact with retail and institutional investors;
- Further leverage cutting-edge technology to permit the SEC to better keep pace with the entities and markets we regulate;
- Protect investors by expanding our enforcement program's investigative capabilities and strengthen our ability to litigate against wrongdoers;
- Further bolster the SEC's economic and risk analysis functions; and
- Hire experts capable of permitting the agency to fulfill its expanded rulemaking and oversight responsibilities.

Expanding Oversight of Investment Advisers and Strengthening Compliance

The need for significant additional resources to permit the agency to increase its examination coverage of registered investment advisers and investment companies cannot be overstated. Increasing this examination coverage is vital to the SEC's ability to protect investors and the nation's securities markets.

The largest increase in entities registered with the SEC has occurred among investment advisers: a decade ago, there were approximately 9,000 investment advisers managing $28 trillion in assets, while the current projection is that these figures will grow to 12,500 investment advisers managing more than $70 trillion in assets by FY 2017. Beyond an increase in the number of advisers and assets under management, additional challenges to examination staff are posed by the increased use of new and complex products by both investment advisers and broker-dealers, an increasing use of technology in operations that facilitate activities such as high-frequency and algorithmic trading, and the growth of complex "families" of financial services companies with integrated operations that include both broker-dealer and investment adviser affiliates.

In FY 2015, SEC staff, through risk-targeted exams, examined approximately 10 percent of registered investment advisers; these firms manage more than 30 percent of the assets under management of currently registered advisers. The program also continued its emphasis on the roughly 40 percent of all registered investment advisers that have never been examined through the continuation of the NEP's never before examined adviser initiative started in 2014. Significant additional resources are critical to improve the examination coverage of this important industry. Under the FY 2017 request, a top priority will be to hire 127 additional examiners, primarily to conduct additional examinations of investment advisers. The NEP also would add positions to improve oversight and examination functions related to broker-dealers, clearing agencies, transfer agents, self-regulatory organizations (SROs), swap data repositories, municipal advisors, and crowdfunding portals, among others.

Continue to Leverage Technology

The SEC has made substantial progress in modernizing its technology systems, streamlining operations, increasing our use of data analytics, and increasing the effectiveness of its programs. The SEC's FY 2017 budget request, which includes full use of the Reserve Fund, seeks to build on this progress by supporting a number of key information technology (IT) initiatives, including:

- **Expanding data analytic tools** that assist in the integration and analysis of huge volumes of financial market data, employing algorithms and quantitative models that can lead to earlier detection of fraud or suspicious behavior and ultimately enabling the agency to allocate its resources more effectively.
- **Increasing investments in Information Security,** to address as a top priority – the ability to monitor and avoid advanced persistent threats. The SEC's IT security program plans to focus its efforts on improved risk management and monitoring and continuing to invest

in modernizing and securing the SEC's infrastructure to enhance workflow and document management, the SEC's electronic discovery program, operational resiliency, and internal communications to staff.

- **Redesigning the Electronic Data Gathering, Analysis and Retrieval (EDGAR) system,** an ongoing, multi-year effort to simplify the financial reporting process to promote automation and reduce filer burden. With a more modern EDGAR, both the investing public and SEC staff will benefit from having improved access to better data.
- **Improving examinations through risk assessment and surveillance tools** that will help staff monitor for trends and emerging fraud risks, as well as improving the efficiency of the examination program so it can cover higher risk areas with its resources.
- **Enhancing the Tips, Complaints, and Referral system (TCR)** to bolster its flexibility, configurability, and adaptability. TCR investments will provide more flexible and comprehensive intake, triage, resolution tracking, searching, and reporting functionalities, with full auditing capabilities.
- **Improving enforcement investigation and litigation tracking** to better handle the substantial volume of materials produced during investigations and litigation. Among other initiatives, the SEC needs to build a capacity to electronically transmit data for tracking and loading (versus the current practice of receiving content via the mail); implement a document management system for Enforcement's internal case files; and revamp the tools used to collect trading data from market participants.
- **Further modernize SEC.gov** to make one of the most widely used Federal Government websites more flexible, informative, easier to navigate, and secure for investors, public companies, registrants and the general public.
- **Invest in further business process automation and improvement,** to build workflow applications that will improve the efficiency and effectiveness of the agency in serving the public.

In addition to these planned investments, the FY 2017 request includes eight new positions for Office of Information Technology (OIT) to better execute these and other technology initiatives. These staff would serve as project managers, business analysts, and technical resources who will improve technology and data management support for the SEC's business areas. In addition, the positions will enhance information security through monitoring, and drive further improvements in IT equipment management and reporting.

Bolster Enforcement

It is vital to the SEC's mission to bring timely, high-quality enforcement actions when violations of the Federal securities laws are identified. In FY 2015, the SEC brought a record number of enforcement actions against those who defrauded investors and violated the law – including multiple first of their kind actions – and obtained order for monetary remedies exceeding $4 billion. Despite these strong efforts, the agency must continue to expand its enforcement function to keep pace with the growing size and complexity of the nation's markets and to swiftly and aggressively address misconduct.

For FY 2017, the SEC is requesting 52 additional positions for the Enforcement Division. The Division will use the additional requested positions to support its three core functions: intelligence analysis, investigation, and litigation. Specifically, these additional resources will support the Enforcement program's current and future initiatives by, among other things:

- increasing the experienced forensic accountants, attorneys, industry experts, and information technology and support staff needed to promptly detect, prioritize, and investigate areas appropriate for enhanced enforcement efforts;
- adding experienced trial attorneys to prosecute the growing number of highly-complex enforcement actions;
- enhancing Enforcement's data analytics expertise to assist in the implementation of data intensive projects, state-of-the-art investigative tools (such as eDiscovery and knowledge management), and improved forensic capabilities; and
- bolstering staffing for intelligence functions, including the collection, analysis, triage, referral, monitoring, and follow-through on the thousands of tips, complaints and referrals (TCRs) received each year.

With respect to the latter two points, analysis of large datasets, including SEC filings and trading data in equities, options, municipal bonds, and other securities, helps to limit investor harm by increasing the chances of detecting misconduct earlier. The SEC's Enforcement program expects the improved data analysis capabilities derived from the agency's investments in IT will yield additional case leads in FY 2017. As a result, the Enforcement program would dedicate 10 of the requested positions to further develop its data analytic function, increasing the number of staff responsible for reviewing and triaging incoming TCRs and bolstering the number of staff to whom TCRs are sent for further investigation.

The Enforcement program also requires increased staffing to promptly detect complex frauds and other difficult-to-detect misconduct, whether it occurs at hedge funds, broker-dealers, or "boiler rooms"; respond to misconduct in the changing equity markets relating to algorithmic trading and "dark pools"; address large-scale insider trading and stock manipulation; and keep pace with a rapidly evolving industry. As a result, 30 of the new positions the Enforcement Division is seeking in FY 2017 would be to reinforce its investigative functions. These new positions will help the Division continue progress on existing investigations and handle its increasing case load, while quickly investigating and bringing emergency actions as necessary in matters where investors' money may dissipate if immediate action is not taken.

Finally, 12 of the new positions the Division is requesting in FY 2017 would reinforce its litigation operations nationwide. This increased allocation will enable the SEC to handle the higher proportion of enforcement actions that are being filed as contested matters as well as to follow through on its commitment to litigate any case where it believes admissions of wrongdoing are appropriate.

Focus on Economic and Risk Analysis to Support Rulemaking and Oversight

The SEC remains committed to strengthening the economic and risk analysis functions of its Division of Economic and Risk Analysis (DERA) and for FY 2017 plans to add six new positions to DERA. This additional growth would continue to deepen the Division's expertise in support of rulemaking initiatives affecting the capital markets as well as efforts to detect violations of the securities laws.

These DERA positions would focus on areas including Exchange Traded Funds, microcap stocks, the derivatives markets, Residential Mortgage-Backed Securities (RMBS), Commercial Mortgage-Backed Securities (CMBS), and Collateralized Loan Obligations (CLO), among other critical asset classes that the agency is required to monitor as part of the recently adopted credit risk retention rules. These positions would work with colleagues across the SEC to proactively monitor these markets from a systemic perspective, as well as develop analytical tools to assist the Division of Enforcement in analyzing and identifying potential illicit activity in these areas.

Meet Expanded Rulemaking and Oversight Responsibilities

The agency also is requesting seven additional positions in FY 2017 for its Division of Trading and Markets (TM). In FY 2017, the Division plans to use the additional positions requested to undertake new market-related responsibilities resulting from ongoing or recently completed rulemakings, as well as continuing to improve the agency's market supervision. Three of these positions would help the Division implement its new or enhanced responsibilities to oversee clearing agencies and swap data repositories. The other four would help improve the SEC's analytics and reporting on broker-dealers' finances, internal controls, risk management practices; process rule proposals from a growing number of self-regulatory organizations; and provide interpretive guidance related to the derivatives markets.

The SEC also is requesting seven new positions for the Division of Investment Management to implement key policy objectives. Of these seven positions, three personnel would conduct ongoing data analysis, including new data that would be submitted to the SEC as part of the investment company reporting modernization initiative. An additional three positions would monitor issues related to asset management risks, including related to liquidity, derivatives, stress testing and transition planning rulemaking initiatives, as well as provide interpretive advice and respond to exemptive applications requests.

Mission, Vision, Values and Goals

Mission

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

Vision

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

Values

Integrity	Excellence	Accountability
Effectiveness	Teamwork	Fairness

Strategic Goals and Objectives of the FY 2014 – FY 2018 Strategic Plan

Strategic Goal 1: Establish and maintain an effective regulatory environment

Strategic Objective 1.1: The SEC establishes and maintains a regulatory environment that promotes high-quality disclosure, financial reporting, and governance, and that prevents abusive practices by registrants, financial intermediaries, and other market participants.

Strategic Objective 1.2: The SEC promotes capital markets that operate in a fair, efficient, transparent, and competitive manner, fostering capital formation and useful innovation.

Strategic Objective 1.3: The SEC adopts and administers regulations and rules that are informed by robust economic analysis and public comment and that enable market participants to understand their obligations under the securities laws.

Strategic Objective 1.4: The SEC engages with a multitude of stakeholders to inform and enhance regulatory activities domestically and internationally.

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

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

Strategic Objective 2.2: The SEC promptly detects and deters violations of the Federal securities laws.

Strategic Objective 2.3: The SEC prosecutes violations of Federal securities laws and holds violators accountable through appropriate sanctions and remedies.

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

Strategic Objective 3.1: The SEC works to ensure that investors have access to high-quality disclosure materials that facilitate investment decision-making.

Strategic Objective 3.2: The SEC works to understand investor needs and educate investors so they are better prepared to make informed investment decisions.

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

Strategic Objective 4.1: The SEC promotes a results-oriented work environment that attracts, engages, and retains a technically proficient and diverse workforce, including leaders who provide motivation and strategic direction.

Strategic Objective 4.2: The SEC encourages a collaborative environment across divisions and offices and leverages technology and data to fulfill its mission more effectively and efficiently.

Strategic Objective 4.3: The SEC maximizes the use of agency resources by continually improving agency operations and bolstering internal controls.

History and Purpose

During the peak of the Depression, Congress passed the Securities Act of 1933[1] (Securities Act). This law, along with the Securities Exchange Act of 1934[2] (Exchange Act), which created the SEC, was designed to restore investor confidence in our capital markets by providing investors and the markets with more reliable information and clear rules of honest dealing. The main purposes of these laws were to ensure that:

- Companies publicly offering securities for investment dollars must tell the public the truth about their businesses, the securities they are selling, and the risks involved in investing.
- People who sell and trade securities – brokers, dealers and exchanges – must treat investors fairly and honestly, putting investors' interests first.

The SEC is responsible for overseeing the nation's securities markets and the primary participants, including broker-dealers, investment companies, investment advisers, clearing agencies, transfer agents, credit rating agencies, and securities exchanges, as well as organizations such as the Financial Industry Regulatory Authority (FINRA), Municipal Securities Rulemaking Board (MSRB), and Public Company Accounting Oversight Board (PCAOB). Under the Dodd-Frank Wall Street Reform and Consumer Protection Act[3] (Dodd-Frank Act), the agency's jurisdiction was expanded to include certain participants in the derivatives markets, private fund advisers, and municipal advisors, among other changes.

The SEC consists of five presidentially appointed Commissioners, with staggered five-year terms. One of them is designated by the President as Chair of the Commission, who is responsible for the executive and administrative functions of the Commission. President Franklin Delano Roosevelt appointed Joseph P. Kennedy to serve as the first Chairman of the SEC.

By law, no more than three of the Commissioners may belong to the same political party. The Commission convenes regularly at meetings that are open to the public and the news media unless the discussion pertains to confidential subjects, such as whether to begin an enforcement investigation.

Each year, the SEC brings hundreds of civil enforcement actions against individuals and companies for violation of securities laws. Examples of infractions include insider trading, accounting fraud, and providing false or misleading information about securities or the companies that issue them. One of the major sources of information that the SEC relies on to bring enforcement action is investors themselves – another reason that educated and careful investors are critical to the functioning of efficient markets. To help inform investors, the SEC offers the public a wealth of educational information on its website at *www.investor.gov*, as well as an online database of disclosure documents at *www.sec.gov/edgar/searchedgar/companysearch.html* that public companies and other market participants are required to file with the SEC.

1 *Securities Act of 1933 www.sec.gov/about/laws/sa33.pdf*

2 *Securities Exchange Act of 1934 www.sec.gov/about/laws/sea34.pdf*

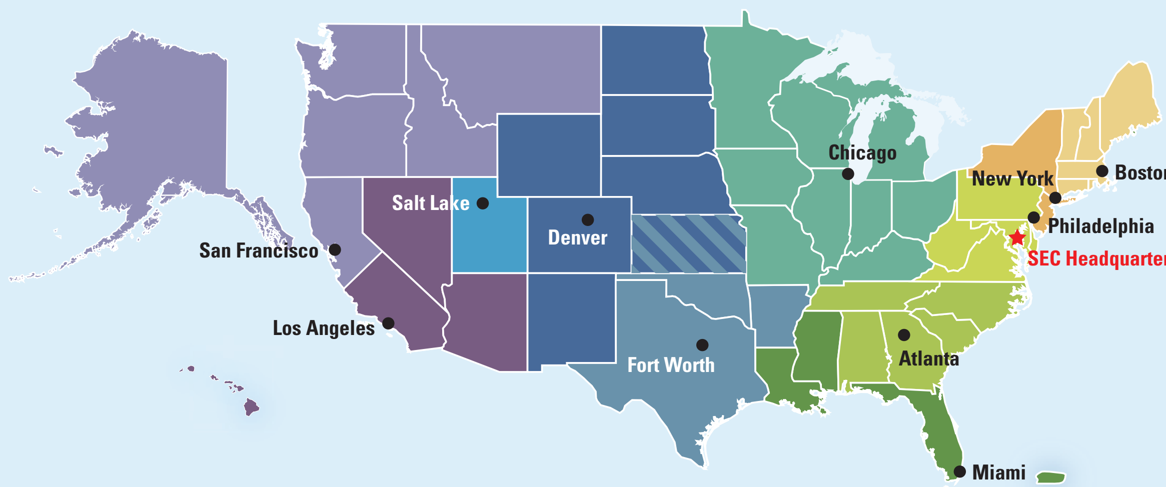
3 *Dodd-Frank Wall Street Reform and Consumer Protection Act www.sec.gov/about/laws/wallstreetreform-cpa.pdf*

Organizational Structure and Resources

SEC Office Locations

The SEC's headquarters are in Washington, DC, and the agency has 11 regional offices located throughout the country. The regional offices are responsible for investigating and litigating potential violations of the securities laws. The offices also have examination staff, who inspect regulated entities such as investment advisers, investment companies and broker-dealers. The map below shows the locations of the regional offices, and the states that are included in each region.

SEC HEADQUARTERS AND REGIONAL OFFICE LOCATIONS



- ★ **SEC Headquarters**
- **Atlanta Regional Office**
  Georgia, North Carolina, South Carolina, Tennessee, Alabama
- **Boston Regional Office**
  Connecticut, Maine, Massachusetts, New Hampshire, Vermont, Rhode Island
- **Chicago Regional Office**
  Illinois, Indiana, Iowa, Kentucky, Michigan, Minnesota, Missouri, Ohio, Wisconsin
- **Denver Regional Office**
  Colorado, Kansas, Nebraska, New Mexico, North Dakota, South Dakota, Wyoming
- **Fort Worth Regional Office**
  Texas, Oklahoma, Arkansas, Kansas (except for the exam program which is administered by the Denver Regional Office)
- **Los Angeles Regional Office**
  Arizona, Hawaii, Guam, Nevada, Southern California (zip codes 93599 and below, except for 93200-93299)
- **Miami Regional Office**
  Florida, Mississippi, Louisiana, U.S. Virgin Islands, Puerto Rico
- **New York Regional Office**
  New York, New Jersey
- **Philadelphia Regional Office**
  Delaware, Maryland, Pennsylvania, Virginia, West Virginia, District of Columbia
- **Salt Lake Regional Office**
  Utah
- **San Francisco Regional Office**
  Washington, Oregon, Alaska, Montana, Idaho, Northern California (zip codes 93600 and up, plus 93200-93299)

SEC Organization Structure

The SEC is an independent Federal agency established pursuant to the Exchange Act. It is headed by a bipartisan five-member Commission, comprised of the Chair and four other Commissioners, who are appointed by the President and confirmed by the Senate. The Chair serves as the chief executive, and in consultation with fellow Commissioners, sets the agenda for the Commission. The agency's functional responsibilities are organized into five divisions and 23 offices, each of which is headquartered in Washington, DC. The SEC also has 11 regional offices which are comprised primarily of staff from the national enforcement and examination programs.

In Fiscal Year (FY) 2015, the agency employed 4,301 full-time equivalents (FTE).