



**United States
Securities and Exchange
Commission**

In Brief

**FY 2008
Congressional
Justification**

February 2007

Securities and Exchange Commission
(\$ in thousands)

FY 2007 Estimate:

Appropriated Offsetting Collections, Current Year	\$863,117
Unobligated Balances, Prior Years	<u>14,000</u>
Total FY 2007 Spending Authority	\$877,117

FY 2008 Request:

Appropriated Offsetting Collections, Current Year	\$875,000
Unobligated Balances, Prior Years	<u>30,330</u>
Total FY 2008 Request	\$905,330

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 \$3,000 for official reception and representation expenses, \$905,330,000, to remain available until expended; of which not to exceed \$13,000 may be used toward funding a permanent secretariat for the International Organization of Securities Commissions; and of which not to exceed \$100,000 shall be available for expenses for consultations and meetings hosted by the Commission with foreign governmental and other regulatory officials, members of their delegations, appropriate representatives and staff to exchange views concerning developments relating to securities matters, development and implementation of cooperation agreements concerning securities matters and provision of technical assistance for the development of foreign securities markets, such expenses to include necessary logistic and administrative expenses and the expenses of Commission staff and foreign invitees in attendance at such consultations and meetings including: (1) such incidental expenses as meals taken in the course of such attendance; (2) any travel and transportation to or from such meetings; and (3) any other related lodging or subsistence: *Provided*, That fees and charges authorized by sections 6(b) of the Securities Exchange Act of 1933 (15 U.S.C. 77f(b)), and 13(e), 14(g) and 31 of the Securities Exchange Act of 1934 (15 U.S.C. 78m(e), 78n(g), and 78ee), shall be credited to this account as offsetting collections: *Provided further*, That not to exceed \$875,000,000 of such offsetting collections shall be available until expended for necessary expenses of this account: *Provided further*, That \$30,330,000 shall be derived from prior year unobligated balances from funds previously appropriated to the Securities and Exchange Commission: *Provided further*, That the total amount appropriated under this heading from the general fund for fiscal year 2008 shall be reduced as such offsetting fees are received so as to result in a final total fiscal year 2008 appropriation from the general fund estimated at not more than \$0.

Position and Cost Data for Fiscal Years 2006 - 2008

	FY 2006 Actual			FY 2007 Estimate			FY 2008 Request		
	FTEs	Positions	Cost	FTEs	Positions	Cost	FTEs	Positions	Cost
Enforcement									
Headquarters	429	446		419	446		419	446	
Regions and Districts	728	747		703	747		703	747	
Total	1,157	1,193		1,122	1,193		1,122	1,193	
Compliance Inspections and Examinations									
IC/IA Program									
Headquarters	37	35		33	35		33	35	
Regions and Districts	438	448		422	448		422	448	
Subtotal	475	483		455	483		455	483	
BD/SRO Program									
Headquarters	109	106		100	106		100	106	
Regions and Districts	296	303		285	303		285	303	
Subtotal	405	409		385	409		385	409	
Total	880	892		840	892		840	892	
Corporation Finance	471	476		447	476		447	476	
Market Regulation	166	174		164	174		164	174	
Investment Management	154	156		147	156		147	156	
General Counsel									
Headquarters	118	124		117	124		117	124	
Regions and Districts	14	14		13	14		13	14	
Total	132	138		130	138		130	138	
Other Program Offices									
Chief Accountant	54	53		50	53		50	53	
Investor Education and Assistance	37	38		36	38		36	38	
International Affairs	25	27		25	27		25	27	
Economic Analysis	26	27		25	27		25	27	
Risk Assessment	5	4		4	4		4	4	
Administrative Law Judges	12	11		11	11		11	11	
Total	159	160		151	160		151	160	
Agency Direction and Administrative Support									
Executive Staff	37	40		37	40		37	40	
Public Affairs	6	6		6	6		6	6	
Secretary	24	27		25	27		36	39	
Executive Director	6	6		6	6		6	6	
Financial Management	47	51		48	51		48	51	
Human Resources	65	63		59	63		59	63	
Administrative Services	84	89		84	89		84	89	
Filing and Information Services	98	99		93	99		70	74	
Information Technology	118	126		118	126		130	139	
Equal Employment Opportunity	9	10		9	10		9	10	
Inspector General	10	10		9	10		9	10	
Total	504	527		494	527		494	527	
Total FTE and Positions	3,695	3,788		3,567	3,788		3,567	3,788	
Headquarters Total Permanent	2,147	2,204		2,072	2,204		2,072	2,204	
Regional Office Total Permanent	1,476	1,512		1,423	1,512		1,423	1,512	
Temporary	72	72		72	72		72	72	
Staff Salaries			\$442,125,708			\$457,870,300			\$485,451,800
Personnel Benefits			123,246,157			116,635,200			123,556,800
Other Personnel Compensation			7,705,575			10,153,700			8,919,300
Sub-total Cost of Salaries			\$573,077,440			\$584,659,200			\$617,927,900
Other Expenses									
Benefits for Former Personnel			255,459			280,000			80,000
Travel and Transportation of Persons			8,544,320			10,761,700			10,761,700
Transportation of Things			174,697			161,200			161,200
Communication and Rental			96,133,686			111,275,200			106,669,500
Printing and Reproduction			10,043,550			10,485,700			10,485,700
Other Services			132,042,597			121,001,700			121,001,700
Supplies and Materials			2,774,128			3,238,100			3,238,100
Equipment			22,388,395			30,665,600			30,665,600
Building Alterations			31,167,631			4,338,600			4,338,600
Claims and Indemnities			675,831			250,000			0
Sub-total Cost of Other Expenses			\$304,200,295			\$292,457,800			\$287,402,100
Spending Authority			\$877,277,734			\$877,117,000			\$905,330,000

Summary of Changes
(\$ in thousands)

	<u>FY 2007</u> <u>Estimate</u>	<u>FY 2008</u> <u>Request</u>	<u>Net</u> <u>Change</u>
Spending Authority.....	\$877,117.0	\$905,330.0	+\$28,213.0
Full-time Equivalents.....	3,567	3,567	---
Positions.....	3,788	3,788	---

Explanation of Changes:	<u>Positions</u>	<u>FTE</u>	<u>Amount</u>
One-Time FY 2008 Adjustments			
Space rent and utilities	---	---	-4,605.7
Other non-compensation object classes	---	---	-547.8
Subtotal.....	---	---	<u>-\$5,153.5</u>
FY 2008 Base Changes			
Annualization of FY 2007 pay raise	---	---	+3,435.2
FY 2008 pay raise	---	---	+12,927.7
Promotions and merit pay increases	---	---	+17,003.6
Subtotal.....	<u>---</u>	<u>---</u>	<u>+\$33,366.5</u>
Total Change.....	<u>---</u>	<u>---</u>	<u>+\$28,213.0</u>

Narrative Explanation of Changes

One-Time FY 2008 Adjustments

1. Space rent and utilities. This decrease of \$4.6 million represents the final adjustment associated with the agency's move into its new headquarters location.
2. Other non-compensation object classes. This reflects one-time reductions totaling \$547.8 thousand for reduced costs such as benefits for former personnel and worker's compensation.

Base Changes for FY 2008

1. Annualization of FY 2007 pay raise. The requested \$3.4 million provides for the annualization of the FY 2007 2.2 percent pay raise that became effective in January 2007.
2. FY 2008 pay raise. The requested \$12.9 million provides funding for a 3.0 percent pay raise, effective January 2008.
3. Promotions and merit pay increases. The requested \$17 million provides funding for career ladder promotions and merit pay increases of eligible staff. This amount includes the costs of maintaining the SEC's pay-for-performance pay system.

SEC Strategic Goals

Goal 1: Enforce Compliance With Federal Securities Laws

The Commission seeks to detect problems in the securities markets, prevent and deter violations of federal securities laws, and alert investors to possible wrongdoing. When violations occur, the SEC aims to take prompt action to halt the misconduct, sanction wrongdoers effectively, and, where possible, return funds to harmed investors.

Goal 2: Promote Healthy Capital Markets Through an Effective and Flexible Regulatory Environment

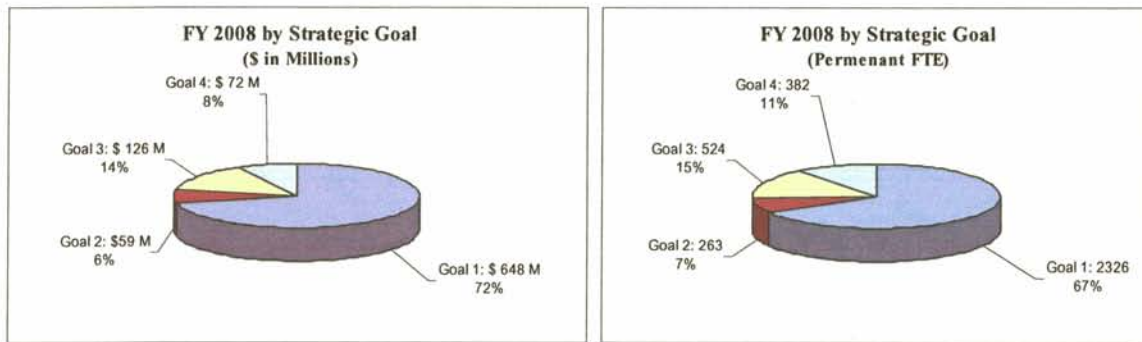
The savings and investments of every American are dependent upon the maintenance of healthy capital markets. The Commission seeks to sustain an effective and flexible regulatory environment that will facilitate innovation, competition, and capital formation to ensure that our economy can continue to grow and to create jobs for our nation's future. Enhancing the productivity of America is a key goal that the SEC works to achieve by increasing investor confidence in the capital markets.

Goal 3: Foster Informed Investment Decision Making

An educated investing public ultimately provides the best defense against fraud and costly mistakes. The Commission works to promote informed investment decisions through two main approaches: reviewing disclosures of companies and mutual funds to ensure that clear, complete, and accurate information is available to investors; and implementing a variety of investor education initiatives.

Goal 4: Maximize the Use of SEC Resources

The investing public and the securities markets are best served by an efficient, well-managed, and proactive SEC. The Commission strives to improve its organizational effectiveness by making sound investments in human capital and new technologies, and by enhancing internal controls.



FY 2008 Request by Strategic Goal and Program

SEC Program Office			FY 2008 Request					Changes over FY 2006 Actual		Change over FY 2007 Current Plan	
	FY 2006 Actual	FY 2007 Estimate	Goal 1 Enforce Security Laws	Goal 2 Healthy Capital Markets	Goal 3 Informed Decision Making	Goal 4 Maximize Use of Resources	FY 2008 Request	\$	%	\$	%
FY 2006 Actual	\$877,277.7		\$601,243.6	\$75,777.7	\$127,833.8	\$72,422.6		\$ 28,052.3	3		
FY 2007 Estimate		\$877,117.0	\$605,653.4	\$69,984.7	\$127,332.5	\$74,146.4				\$ 28,213.0	3
Enforcement	\$311,425.7	\$310,138.3	\$321,239.7	\$0.0	\$0.0	\$0.0	\$321,239.7	9,814.0	3	11,101.4	4
Headquarters	200,597.8	200,035.0	211,214.1	-	-	-	211,214.1	10,616.3	5	11,179.2	6
Regions	110,827.9	110,103.3	110,025.6	-	-	-	110,025.6	-802.3	-1	-77.8	0
Compliance Inspections and Examinations	203,514.9	204,912.9	213,310.3	-	-	-	213,310.3	9,795.4	5	8,397.4	4
C/IA Programs	109,745.2	110,499.1	115,027.4	-	-	-	115,027.4	5,282.2	5	4,528.3	4
Headquarters	8,464.7	8,522.9	8,872.2	-	-	-	8,872.2	407.4	5	349.3	4
Regions	101,280.5	101,976.2	106,155.2	-	-	-	106,155.2	4,874.7	5	4,179.0	4
BD/SRO Program	93,769.7	94,413.8	98,282.9	-	-	-	98,282.9	4,513.2	5	3,869.1	4
Headquarters	25,283.1	25,456.7	26,499.9	-	-	-	26,499.9	1,216.8	5	1,043.2	4
Regions	68,486.6	68,957.1	71,783.0	-	-	-	71,783.0	3,296.3	5	2,825.9	4
Corporation Finance	118,060.4	121,892.7	31,490.4	11,336.5	83,134.5	-	125,961.4	7,901.0	7	4,068.7	3
Market Regulation	41,462.8	42,715.5	12,829.6	15,041.6	16,368.8	-	44,240.0	2,777.2	7	1,524.5	4
Investment Management	42,472.6	43,614.6	26,141.1	8,112.7	2,704.3	8,112.8	45,070.9	2,598.3	6	1,456.3	3
General Counsel	32,503.8	34,607.2	20,838.6	6,467.1	2,155.7	6,467.1	35,928.5	3,424.7	11	1,321.3	4
Headquarters	29,253.4	31,146.5	18,754.7	5,820.4	1,940.1	5,820.4	32,335.6	3,082.2	11	1,189.1	4
Regions	3,250.4	3,460.7	2,083.9	646.7	215.6	646.7	3,592.9	342.5	11	132.2	4
Other Program Offices	46,917.7	41,169.6	12,347.8	17,686.4	12,335.3	259.2	42,628.7	-4,289.0	-9	1,459.1	4
Agency Direction And Administrative Support	80,919.8	78,066.2	10,285.9	776.6	9,275.2	56,612.8	76,950.5	-3,969.3	-5	-1,115.7	-1
Total SEC Funding	\$877,277.7	\$877,117.0	\$648,483.4	\$59,420.9	\$125,973.8	\$71,451.9	\$905,330.0	\$28,052.3	3	\$28,213.0	3
% Increase over Current Fiscal Year			7%	-15%	-1%	-4%					

FY 2008 Request by Strategic Goal

The SEC's major initiatives for FY 2008 are highlighted below and are described in further detail within the chapters that follow. The agency intends to implement these initiatives by reallocating existing resources as necessary.

This chapter organizes the initiatives for FY 2008 by the SEC's four goals, as established under the agency's 2004-2009 strategic plan. These goals may change as the Commission adopts a new five-year strategic plan over the next several months.

Goal 1: Enforce Compliance with Federal Securities Laws

In FY 2008, the SEC will continue to develop innovative approaches to enforcing compliance with the federal securities laws, through the use of new technologies and enhanced emphasis on those entities and activities that pose the greatest threat to investors. These efforts are described below for the SEC's enforcement and examination programs.

Enforcement Program: The Division of Enforcement will continue to pursue violators vigorously, through methods such as trading suspensions; asset freezes; temporary restraining orders; coordination with criminal authorities; and focused, expedited investigations.

Enforcement staff will work to develop increasingly sophisticated approaches for detecting violations of law by organizing and gathering data from a wide range of sources. The staff expects to receive and handle a combined total of 2.0 million investor complaints, tips, and forwarded e-mail spams and to open about 1,265 new matters under inquiry (MUIs).

The Division plans to open and pursue investigations in all core areas of enforcement, including market manipulation, insider trading, offering fraud and violations by registered firms. Conflicts of interest in the financial services sector, as well as serious financial accounting frauds, likely will remain the most important program areas. The Division will continue to focus on important investigations in areas such as promoting transparent financial statements and protecting seniors from investment scams.

The staff also will continue to investigate fraud in new areas such as the non-Nasdaq over-the-counter market, which has grown significantly in dollar volume and presents increased opportunities for fraud and abuse. The Commission also expects to detail staff to the Department of Justice to support criminal prosecution of securities fraud. The staff plans to open roughly 925 investigations.

The SEC will continue to work with foreign authorities to improve cross-border enforcement cooperation, develop information-sharing agreements, and collaborate with foreign authorities to secure assets that may have been transferred outside of the US.

The Commission will continue to commit resources to protracted litigation, an essential element in maintaining a credible law enforcement program. Litigated financial fraud cases, in

particular, require extensive resources as they proceed through lengthy discovery, motion filings, and trial. In addition, litigation staff will continue to seek emergency relief to freeze assets, halt ongoing market manipulations, and alert investors to false or misleading disclosures made by issuers. The Division plans to open about 360 administrative proceedings and to institute approximately 220 civil proceedings.

Examination Program: The Office of Compliance Inspections and Examinations (OCIE) will continue to implement the SEC's risk-based examination program, which is designed to detect violations of the federal securities laws and foster strong compliance practices. Through routine, cause, and special purpose examinations, SEC's resources will be focused on those firms and practices that have greatest potential for violative conduct that can harm investors. Higher-risk activities include those that create significant conflicts of interest where compliance policies and procedures are insufficient to mitigate those conflicts. Staff also will continue to provide feedback to registered firms that will result in the correction of compliance problems. Results from examinations will continue to be used to identify trends and emerging issues that may need to be addressed through enforcement actions, Commission guidance or rulemaking, investor alerts, or other actions.

Higher-risk advisers, as well as their affiliated registered fund groups and private funds, will be examined at least every three years. In each of these inspections, the staff will evaluate a firm's compliance program, apply forensic tests designed to uncover schemes to defraud investors, and assign the firm a risk rating. The staff anticipates that approximately 10 percent of all advisers will have higher risk profiles. In addition, OCIE will select a statistically random sample of advisers that have lower risk profiles, and the staff will conduct comprehensive, risk-based inspections of as many of these firms and their affiliated fund groups as resources will allow. OCIE will review the deployment of monitoring teams to large advisory firms and consider expanding the program to include additional participating firms that appear to have a strong compliance culture.

Examiners will review the risk management, compliance, and internal controls of the largest broker-dealers and will continue to examine consolidated supervised entities. In addition, examinations will continue to concentrate on compliance with sales practice standards for retail investors, with particular focus on sales and supervisory practices with respect to suitability, unauthorized trading, and failure to disclose risks. Exams also will assess broker-dealer compliance with anti-money laundering rules, net capital protections, trading rules, back-office operations, and information security. Staff will implement improvements to the oversight exam and inspection programs intended to better assess the quality of the self-regulatory organizations' (SROs) examination programs and recommend necessary improvements. The staff will conduct risk-based and cycle inspections of SRO surveillance, disciplinary, examination, arbitration, and listing programs.

Goal 2: Promote Healthy Capital Markets
Through an Effective and Flexible Regulatory Environment

The SEC will continue to consider regulatory proposals that will have widespread effects on the securities markets, in areas such as investment management regulation, securities firm supervision, disclosure, and accounting policy. Some of the major highlights are described below.

Investment Management Regulation: One of the top strategic priorities for the Division of Investment Management in FY 2008 will be to implement new rules designed to provide mutual fund investors with more reader-friendly disclosures and to improve the delivery of mutual fund information through increased use of electronic means, including the Internet. The Division also anticipates recommending that the Commission adopt new rules designed to eliminate the need to submit applications for exemptive relief that are substantially similar to certain previously granted applications.

Securities Firm and Market Supervision: The Division of Market Regulation will likely face significant new challenges regarding the regulation and supervision of the major securities markets, including analyzing the implications of cross-border unions of US and non-US self-regulatory organizations. In addition, the staff will review the proposed merger of the National Association of Securities Dealers (NASD) and New York Stock Exchange (NYSE) member regulation functions and aim to reduce duplicative regulation in multiple SROs. The SEC also will continue to implement initiatives to modernize the national market system and to address self-regulatory organization governance and transparency.

The Division will continue rulemaking efforts related to Regulation SHO, Regulation M, and Rule 15c2-11. The staff will consider whether confirmations are the best vehicle for providing information to investors and whether other sources of information would be more cost-effective. In addition, the SEC will continue to review self-regulatory organization (SRO) rule proposals in areas such as sales practices and the supervision of personnel and to address issues relating to foreign and domestic transfer agents. The staff also will provide consolidated supervision to at least five internationally active securities firms and review additional applications for such supervision.

In collaboration with governments around the world, the SEC will supervise globally-active US firms, promote high regulatory standards worldwide, and provide technical assistance to emerging markets.

Disclosure: The Division of Corporation Finance intends to recommend adoption of rules to improve the efficiency and effectiveness of the registration and reporting processes for small businesses and implement universal Internet availability of proxy materials. The staff also will review the results of the pilot program on eXtensible Business Reporting Language (XBRL) to determine whether rule proposals are appropriate and continue to study the effectiveness, consistency, and transparency of International Financial Reporting Standards (IFRS).

Accounting Policy: The Office of the Chief Accountant (OCA) will continue overseeing the development of accounting standards, particularly initiatives by the Financial Accounting Standards Board (FASB) to simplify and codify accounting standards and accounting for financial instruments. The Office also will continue to monitor the FASB's efforts to move toward a more principles-based approach to setting accounting standards, as well as any new standards that result from the SEC staff study on off-balance sheet arrangements.

The SEC also will continue to advance global transparency and disclosure, the agency intends to continue work in furtherance of the 'roadmap' published by SEC staff in FY 2005, which highlights the steps needed to eliminate the need for the requirement that foreign private issuers reconcile financial statements prepared under IFRS to US Generally Accepted Accounting Principles (GAAP). The SEC staff will analyze the implications of foreign private issuers' IFRS financial statements and reconciliations, which many foreign private issuers will begin to file with the SEC in mid-2006. The SEC staff also will begin working to identify any changes to its rules that would be necessary to allow the elimination of the IFRS reconciliation requirements.

The staff will continue to oversee the activities of the Public Company Accounting Oversight Board (PCAOB), including inspecting audit firms and promulgating and interpreting auditing standards and auditor independence requirements. The PCAOB is scheduled to conduct quality reviews of approximately 225 audit firms during the year.

Goal 3: Foster Informed Investment Decision Making

The Commission works to achieve this goal through two main efforts: reviewing the disclosures of securities market participants to make them more complete, accurate, and timely, and educating and assisting investors who have questions or concerns related to the securities markets. In FY 2008, the SEC expects to perform the activities listed below.

Disclosure Reviews: The Divisions of Corporation Finance and Investment Management expect to review the disclosures of about 33 percent of all reporting companies and investment company portfolios. This volume of disclosure reviews is expected to help deter fraud in public securities transactions, help ensure that investors receive material information about emerging and novel issues, and satisfy the review requirement of the Sarbanes-Oxley Act.

In addition to reviewing the filings of reporting companies, staff in the Division of Corporation Finance expect to review the filings of 810 new issuers, including 630 IPO 1933 Act registration statements, 160 new issuer 1934 Act registration statements, and 20 Regulation A exempt offering statements. The Division of Investment Management will continue to review the disclosures of most new mutual funds and closed-end funds, all new insurance contracts, and most portfolios of new unit investment trusts (UITs). The staff also will examine almost all post-effective amendments that reflect material changes in disclosure or fund operations, and almost all proxy statements.

Investor Education: In FY 2008, the Office of Investor Education and Assistance (OIEA) will continue to focus on educating seniors about investments commonly marketed to them and providing tips for detecting and avoiding potential frauds and scams. The Office also will continue seeking ways to enhance the investor education program's ability to reach the nation's investors. The Office expects to receive about 77,000 new investor complaints, questions, and other contacts, resulting in about 70,000 unique new matters. The staff likewise will close about 69,000 open matters and will increase the percentage of matters closed within seven days to 83 percent.

OIEA also carries out the SEC's investor education program, which includes producing and distributing educational materials, collaborating with state and federal agencies, fostering public-private partnerships, and participating in educational events. OIEA also provides policy guidance to the SEC's program offices and consults with other SEC staff on proposed rulemakings and their possible effects on individual investors. The staff anticipates that the SEC's investor education web pages will receive about 15 million hits.

Goal 4: Maximize the Use of SEC Resources

In FY 2008, the SEC will continue implementing a five-year strategic plan ensuring that taxpayer dollars are used to maximum effect to fulfill the agency's mission. Below are listed some examples of the efforts to be undertaken in FY 2008 to enhance the SEC's operational effectiveness.

Audited Financial Statements: The Office of Financial Management (OFM) will coordinate the agency's preparation of quarterly and annual audited financial statements, along with other external and internal financial reports. OFM also will continue implementing changes to management systems to ensure compliance with all applicable federal accounting standards and complete the compilation of accounting and financial management policies and procedures. The Office also will continue work on implementing the financial systems roadmap for upgrading or replacing the SEC's current financial system.

Strengthened Controls over Budget Planning: Staff will continue to work with management and program staff to adapt the Budget and Program Performance Analysis System (BPPAS) to meet emerging needs, implement changes to facilitate the integration of budget and performance information within the agency's budget submissions, and continue efforts to streamline and consolidate its budget and planning activities.

Staff Recruitment, Retention, and Training: The SEC seeks to maintain and improve upon its position as one of the top five places to work in the federal government. The Office of Human Resources (OHR) will support the SEC's efforts through continued implementation of pay-for-performance and strong benefits programs, including work/life initiatives such as building a new child care facility at the SEC's headquarters and expanding telework opportunities. OHR also will continue to further develop and fully integrate its systems for performance management, employee development, selection, and succession planning.

Information Technology: The Office of Information Technology (OIT) supports the agency's use of technology to enhance agency-wide mission performance. In FY 2008, the disclosure modernization program will continue to leverage interactive data formats such as eXtensible Business Reporting Language (XBRL), focusing initially on consolidating and simplifying cover page submissions and then consolidating a subset of periodic reporting forms filed under the Securities Exchange Act of 1934.

The SEC's Electronic Data Gathering, Analysis, and Retrieval (EDGAR) system's database and documents processing components will be upgraded to take greater advantage of the interactive data contained within these forms, allowing internal and external users to search and analyze the content of filings much more easily.

In FY 2008, OIT will implement the second phase of an upgrade to the Division of Enforcement's case tracking system, including improved handling of attorney work papers throughout the case lifecycle. Modules for handling litigation and debt collection activities will be implemented as well. A similar tool for work paper management and overall examination management information will be fully implemented in OCIE. The examination system will support the Office's efforts in implementing a consistent methodology across the program and in ensuring compliance issues are identified without undue burden to registered firms. A project to better integrate the examination and enforcement systems to enable more efficient and effective tracking of referrals between the programs also will be initiated.

OIT will implement a project to create a uniform system for tracking Commission actions and managing the paper flow between the Commissioners and the divisions and offices. In FY 2008, the focus will be on rulemaking correspondence between internal organizations and the management of administrative proceedings and Commission actions.

Finally, the SEC's information technology security program will focus on internal software development processes and ensuring that information security needs are maintained throughout the software development lifecycle. In addition, the SEC will begin implementing a new backup site for its centralized information stores and systems to provide additional resiliency for the agency's critical functions.

Description of Selected Fees
(\$ in millions)

<u>Source of Fees</u>	<u>FY 2006</u> <u>Actual</u>	<u>FY 2007</u> <u>Estimate</u>	<u>FY 2008</u> <u>Estimate</u>
Registration of securities under the Securities Act of 1933 (Section 6(b))	\$499	\$260	\$234
Securities transactions under the Securities Exchange Act of 1934 (Section 31)	1,351	1,100	892
Merger and Tender Fees under the Securities Exchange Act of 1934 (Sections 13(e) and 14(g)) ^{1/}	<u>54</u>	<u>20</u>	<u>22</u>
Actual/Target Offsetting Collections Amounts	<u>\$1,904</u>	<u>\$1,380</u>	<u>\$1,148</u>

^{1/} Estimates for Sections 13(e) and 14(g) fees for FYs 2006 and 2007 provided by the Office of Management and Budget.

Explanation of Fee Collections

The SEC is directed to collect fees under Section 6(b) of the Securities Act of 1933 and Sections 13(e), 14(g) and 31 of the Securities Exchange Act of 1934. Within the Federal Budget, these fees are classified as offsetting collections.

Sections 6(b) and 31 require the Commission to periodically adjust the fee rates under these sections so that total fee collections during a fiscal year are reasonably likely to equal a target collection amount. The Commission must make annual adjustments to the fee rates applicable under these sections for each fiscal year through 2011, and one final adjustment to fix the fee rates for fiscal year 2012 and beyond. In addition, Section 31 requires the Commission to determine for each fiscal year through 2011 if a mid-year adjustment to the Section 31 fee rate is required and, if so, to adjust the rate. The Commission must calculate the adjustments to the fee rates based on methodologies developed in conjunction with the Congressional Budget Office and the Office of Management and Budget (OMB).

Sections 13(e) and 14(g) do not contain target collection amounts. The rates for these fees are changed on an annual basis to keep them at the same rate as that applicable under Section 6(b). This harmonization of rates is designed to remove any ambiguity with respect to the fees applicable when a registration of new securities is made in connection with the repurchase of stock or as part of a merger.

In the event that the Commission does not have a regular appropriation at the start of its fiscal year, each fee rate is required to remain at its prior year's rate until a specified period of time after a regular appropriation is enacted. The Commission is required to publish the annual fee rates for FY 2008 in the Federal Register no later than April 30, 2007.

FY 2006

In FY 2006, the SEC collected \$499 million in Section 6(b) registration fees; approximately 28 percent below the target collection amount of \$689 million. From October 1 through November 27, 2005, the Section 6(b) fee rate was \$117.70 per million dollars, due to the Commission operating under a continuing resolution. From November 28, 2005 through September 30, 2006, the end of the Commission's fiscal year, the fee rate was \$107.00 per million dollars.

The Commission also collected \$1.40 billion in Section 31 transaction fees, slightly less than the target collection amount of \$1.44 billion. From October 1 through December 21, 2005, the Section 31 fee rate was \$41.80 per million dollars, because the Commission was operating under a continuing resolution. From December 22, 2005 through September 30, 2006 the fee rate was \$30.70 per million dollars. In FY 2006, the SEC determined that a mid-year adjustment was not required.

The SEC collected approximately \$53.5 million in Section 13(e) and 14(g) fees in FY 2006, about 124 percent more than the merger and tender fees collected in FY 2005. As noted above, Sections 13(e) and 14(g) do not contain target collection amounts.

FY 2007

The target collection amount for Section 6(b) registration fees in FY 2007 is \$214 million, an approximately 69 percent decrease from the target collection amount for fiscal 2006. The target collection amount for Section 31 transaction fees is \$881 million, about a 39 percent decline from the FY 2006 level.

The Commission is currently under a continuing resolution that, as amended, will fund agency operations from October 1, 2006 through February 15, 2007. During this period, the fee rate under Section 6(b) of the Securities Act of 1933 will remain at the prior year's rate of \$107.00 per million dollars. In addition, the fee rate under Section 31 of the Securities Exchange Act of 1934 will remain at the prior year's rate of \$30.70 per million dollars.

The Commission expects that a continuing resolution for the remainder of FY 2007 will be enacted and believes that such a continuing resolution would be deemed a regular appropriation for purposes of the fee provisions. If so, the fee rate under Section 6(b) would decrease from \$107.00 per million dollars to \$30.70 per million dollars five days after enactment of such a continuing resolution. Likewise, the Section 31 fee rate would decrease from \$30.70 per million dollars to \$15.30 per million dollars 30 days after enactment of such a continuing resolution.

Further, pursuant to Section 31, the Commission would determine no later than March 1, 2007 whether a mid-year adjustment to the Section 31 fee rate would be necessary. This determination, which would be published in the Federal Register, would be based on whether a revised estimate of transaction dollar volume in FY 2007 falls within ten percent of the agency's original projection for FY 2007. If a mid-year adjustment to the Section 31 fee rate were required, it would become effective on April 1, 2007 and remain effective through the

remainder of the fiscal year. However, based on transaction dollar volume to date, it does not appear that a mid-year adjustment to the Section 31 fee rate would be necessary in FY 2007. Assuming that no mid-year adjustment would be necessary, the Commission estimates that \$1.1 billion in Section 31 transaction fees and \$260 million in Section 6(b) registration fees would be collected in FY 2007.

OMB provides the SEC with its estimate of fee collections under Sections 13(e) and 14(g) and has projected that fee collections under these sections in FY 2007 will total approximately \$20 million.

FY 2008

The target collection amount for Section 6(b) registration fees in FY 2008 is \$234 million, while the target collection amount for Section 31 transaction fees is \$892 million. In addition, OMB estimates that fee collections under Sections 13(e) and 14(g) in FY 2008 will total about \$22 million. Taken together, these fees will generate approximately \$1,148 billion. The Commission will publish the fee rates for FY 2008 in the Federal Register no later than April 30, 2007.

Division of Enforcement

Executive Summary

	FY 2006 <u>Actual</u>	FY 2007 <u>Estimate</u>	FY 2008 <u>Request</u>
FTE: Headquarters	429	419	419
Regions and Districts	<u>728</u>	<u>703</u>	<u>703</u>
Total	1,157	1,122	1,122
Cost: Salaries and Benefits (\$000)	\$200,597.8	\$200,035.0	\$211,214.1
Non-Personnel Expenses (\$000)	<u>110,827.9</u>	<u>110,103.3</u>	<u>110,025.6</u>
Total Costs (\$000)	\$311,425.7	\$310,138.3	\$321,239.7

FY 2008 FTE by SEC Strategic Goal			
Goal 1	Goal 2	Goal 3	Goal 4
Enforce Compliance with Federal Securities Laws	Promote Healthy Capital Markets	Foster Informed Investment Decisionmaking	Maximize the use of SEC Resources
1,122			

The SEC's Division of Enforcement prosecutes violations of the federal securities laws and works closely with the Department of Justice and U.S. Attorneys offices to coordinate and assist in criminal prosecutions.

Intelligence Analysis: The staff expects to handle two million investor complaints, tips, and forwarded e-mail spams and to open about 1,265 matters under inquiry (MUIs).

Investigations: The Division will continue to maintain a presence in all core areas of enforcement, including market manipulation, insider trading, and offering fraud. Conflicts of interest in the financial services sector, as well as serious financial accounting frauds, likely will remain the most important program areas. The Division will continue to focus on important investigations, in areas such as promoting transparent financial statements and protecting seniors from investment scams. The Division plans to open 925 investigations.

Proceedings: The SEC will continue to commit resources to protracted litigation, an essential element in maintaining a credible law enforcement program, and to seek emergency relief to freeze assets, halt market manipulations, and alert investors to false or misleading disclosures. The increasing complexity of the SEC's enforcement actions, the initiation of emergency and subpoena enforcement actions, and the SEC's efforts to obtain significant sanctions against defendants where appropriate all will consume Division resources.

Office of Compliance Inspections and Examinations

Executive Summary

	FY 2006 <u>Actual</u>	FY 2007 <u>Estimate</u>	FY 2008 <u>Request</u>
FTE: IC/IA Program			
Headquarters	37	33	33
Regions and Districts	<u>438</u>	<u>422</u>	<u>422</u>
Subtotal	475	455	455
BD/SRO Program			
Headquarters	109	100	100
Regions and Districts	<u>296</u>	<u>285</u>	<u>285</u>
Subtotal	405	385	385
Total	880	840	840
Cost: Salaries and Benefits (\$000)	\$134,685.1	\$138,200.2	\$147,330.9
Non-Personnel Expenses (\$000)	<u>68,829.8</u>	<u>66,712.7</u>	<u>65,979.4</u>
Total Costs (\$000)	\$203,514.9	\$204,912.9	\$213,310.3

FY 2008 FTE by SEC Strategic Goal			
Goal 1	Goal 2	Goal 3	Goal 4
Enforce Compliance with Federal Securities Laws	Promote Healthy Capital Markets	Foster Informed Investment Decisionmaking	Maximize the use of SEC Resources
840			

The Office of Compliance Inspections and Examinations (OCIE) conducts the SEC's examination program to detect violations of federal securities laws and evaluate internal compliance controls at securities firms registered with the SEC. About 10,600 investment advisers, 940 fund complexes, 6,000 broker-dealers with 172,000 branches, 12 self-regulatory organizations (SROs), and over 600 transfer agents are subject to SEC routine, cause, and special purpose examinations. In addition, seven entities that provide clearing agency functions, as well as the Public Company Accounting Oversight Board (PCAOB), are subject to examination by the staff. These inspections are conducted by staff in the agency's regional, district, and headquarters offices. OCIE's risk-based program is designed to focus the SEC's resources on those firms and practices that have the greatest potential for securities law violations that can harm investors. In recent years, OCIE has expanded its capability to identify high-risk issues warranting examination.

Division of Corporation Finance

Executive Summary

	FY 2006 <u>Actual</u>	FY 2007 <u>Estimate</u>	FY 2008 <u>Request</u>
FTE: Headquarters	471	447	447
Cost: Salaries and Benefits (\$000)	\$80,815.9	\$85,572.1	\$89,994.9
Non-Personnel Expenses (\$000)	<u>37,244.5</u>	<u>36,320.6</u>	<u>35,966.5</u>
Total Costs (\$000)	\$118,060.4	\$121,892.7	\$125,961.4

FY 2008 FTE by SEC Strategic Goal			
Goal 1	Goal 2	Goal 3	Goal 4
Enforce Compliance with Federal Securities Laws	Promote Healthy Capital Markets	Foster Informed Investment Decisionmaking	Maximize the use of SEC Resources
112	40	295	

The Division of Corporation Finance establishes disclosure requirements and monitors disclosure to provide investors with information necessary to make investment decisions and to help prevent fraud and misrepresentation in securities transactions. Continuing investor interest regarding the quality of financial reporting and corporate governance and significant changes in disclosure and other requirements applicable to reporting companies have contributed to a changing regulatory environment affecting the securities markets.

Review of Filings: The Division expects to complete about 4,485 reviews of reporting issuers. This 33 percent reporting company review level is expected to help deter fraud in public securities transactions, help ensure that investors receive material information about emerging and novel issues, and will satisfy the review requirement of the Sarbanes-Oxley Act of 2002.

Rulemaking and Interpretive Advice: The Division expects to recommend adoption of rules to improve the efficiency and effectiveness of the registration and reporting processes for small businesses and implement universal Internet availability of proxy materials. The Division also intends to review the results of the pilot eXtensible Business Reporting Language (XBRL) project to determine whether rule proposals are appropriate. Additional rulemaking projects will be undertaken as necessary to protect investors, facilitate capital formation, improve and simplify disclosure, and eliminate duplicative and unnecessary regulations.

Division of Market Regulation

Executive Summary

	FY 2006 <u>Actual</u>	FY 2007 <u>Estimate</u>	FY 2008 <u>Request</u>
FTE: Headquarters	166	164	164
Cost: Salaries and Benefits (\$000)	\$28,197.4	\$30,122.8	\$31,744.7
Non-Personnel Expenses (\$000)	<u>13,265.4</u>	<u>12,592.7</u>	<u>12,495.3</u>
Total Costs (\$000)	\$41,462.8	\$42,715.5	\$44,240.0

FY 2008 FTE by SEC Strategic Goal			
Goal 1	Goal 2	Goal 3	Goal 4
Enforce Compliance with Federal Securities Laws	Promote Healthy Capital Markets	Foster Informed Investment Decisionmaking	Maximize the use of SEC Resources
26	87	51	

The Division of Market Regulation's mission is to maintain fair, honest, and efficient securities markets. As envisioned by the Securities Exchange Act of 1934 (1934 Act), the Commission relies on the self-regulation of the securities industry as the primary method of ensuring fair dealing and investor protection, but directly regulates market participants where Commission rulemaking is more effective than self-regulation.

Securities Firm Supervision: The Division will continue rulemaking efforts related to Regulation SHO, Regulation M, and Rule 15c2-11. The staff will consider whether confirmations are the best vehicle for providing information to investors and whether other sources of information would be more cost-effective. In addition, the SEC will continue to review self-regulatory organization (SRO) rule proposals in areas such as sales practices and the supervision of personnel and to address issues relating to foreign and domestic transfer agents. The staff will provide consolidated supervision to at least five internationally active securities firms and review additional applications for such supervision.

Market Supervision: The staff likely will face significant new challenges regarding the regulation and supervision of the major securities markets, including analyzing the implications of cross-boarder unions of U.S. and non-U.S. self-regulatory organizations. In addition, the staff will review the proposed merger of the National Association of Securities Dealers' (NASD) and New York Stock Exchange's (NYSE) member regulation functions and aim to reduce duplicative regulation in multiple SROs. The SEC also will continue to implement initiatives to modernize the national market system and to address self-regulatory organization governance and transparency.

Division of Investment Management

Executive Summary

	FY 2006 <u>Actual</u>	FY 2007 <u>Estimate</u>	FY 2008 <u>Request</u>
FTE: Headquarters	154	147	147
Cost: Salaries and Benefits (\$000)	\$26,922.4	\$27,561.2	\$30,058.2
Non-Personnel Expenses (\$000)	<u>15,550.2</u>	<u>16,053.4</u>	<u>15,012.7</u>
Total Costs (\$000)	\$42,472.6	\$43,614.6	\$45,070.9

FY 2008 FTE by SEC Strategic Goal			
Goal 1	Goal 2	Goal 3	Goal 4
Enforce Compliance with Federal Securities Laws	Promote Healthy Capital Markets	Foster Informed Investment Decisionmaking	Maximize the use of SEC Resources
43	50	54	

The Division of Investment Management regulates investment companies and investment advisers under two companion statutes, the Investment Company Act of 1940 (Investment Company Act) and the Investment Advisers Act of 1940 (Investment Advisers Act). The Division seeks to protect investors from fraud, mismanagement, self-dealing, and inadequate disclosures by investment companies and investment advisers, without imposing unnecessary burdens on regulated entities.

The Division's top strategic priority for FY 2008 will be to implement new rules designed to provide mutual fund investors with more reader-friendly disclosure and to improve the delivery of mutual fund information through increased use of electronic means of delivery, including the Internet. The staff also will continue to pursue initiatives to implement the use of interactive data that would enable investors to search, analyze, and compare the information in fund disclosure documents or financial reports.

The Division will recommend that the Commission adopt new rules designed to eliminate the need to submit applications for exemptive relief that are substantially similar to certain previously granted applications.

The Division will review the disclosures, including financial statements, of one-third of investment company portfolios as required by the Sarbanes-Oxley Act of 2002. The staff also will review most new portfolios of open-end and closed-end funds, all new insurance contracts, most portfolios of new unit investment trusts (UITs), most post-effective amendments that reflect material changes in disclosure or fund operations, and almost all proxy statements.

Office of the General Counsel

Executive Summary

	FY 2006 <u>Actual</u>	FY 2007 <u>Estimate</u>	FY 2008 <u>Request</u>
FTE: Headquarters	118	117	117
Regions and Districts	<u>14</u>	<u>13</u>	<u>13</u>
Total	132	130	130
Cost: Salaries and Benefits (\$000)	\$22,318.3	\$24,344.1	\$25,710.0
Non-Personnel Expenses (\$000)	<u>10,185.5</u>	<u>10,263.1</u>	<u>10,218.5</u>
Total Costs (\$000)	\$32,503.8	\$34,607.2	\$35,928.5

FY 2008 FTE by SEC Strategic Goal			
Goal 1	Goal 2	Goal 3	Goal 4
Enforce Compliance with Federal Securities Laws	Promote Healthy Capital Markets	Foster Informed Investment Decisionmaking	Maximize the use of SEC Resources
75	23	8	24

The Office of General Counsel (OGC):

- Serves as counsel to the Commission on all initiatives by the Chairman and the agency's divisions and offices;
- Defends the Commission in federal district courts;
- Represents the Commission in all appellate matters and amicus curiae filings;
- Advises the Commission and prepares opinions on adjudications;
- Counsels the Commission and its staff on ethics matters;
- Represents the Commission in administrative, real estate, labor law, and similar legal matters; and
- Oversees the Commission's Bankruptcy Program.

In FY 2008, OGC will continue managing the agency's appellate litigation, including appeals related to complex enforcement and other legal matters. OGC expects to review appeals to the Commission from registered accounting firms as a result of Public Company Accounting Oversight Board (PCAOB) actions and help prosecute violations of attorney ethics rules under the Sarbanes-Oxley Act. About 40 adjudicatory matters will be completed, many of which will resolve novel legal questions under the federal securities laws.

Other Program Offices

	FY 2006 <u>Actual</u>	FY 2007 <u>Estimate</u>	FY 2008 <u>Request</u>
FTE: Headquarters			
Office of Chief Accountant	54	50	50
Office of Inv. Educ. and Assistance	37	36	36
Office of International Affairs	25	25	25
Office of Economic Analysis	26	25	25
Office of Risk Assessment	5	4	4
Office of Administrative Law Judges	<u>12</u>	<u>11</u>	<u>11</u>
Total	159	151	151
Cost: Salaries and Benefits (\$000)	\$26,536.2	\$26,123.1	\$28,184.4
Non-Personnel Expenses (\$000)	<u>20,381.5</u>	<u>15,046.5</u>	<u>14,444.3</u>
Total Costs (\$000)	\$46,917.7	\$41,169.6	\$42,628.7

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 Assistance: serves investors who complain to the SEC about investment fraud or the mishandling of their investments by securities professionals.

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 Economic Analysis: serves as chief advisor within the SEC on all economic issues associated with its regulatory activities.

Office of Risk Assessment: helps anticipate, identify, and manage risk.

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

Office of Chief Accountant

Executive Summary

	FY 2006 <u>Actual</u>	FY 2007 <u>Estimate</u>	FY 2008 <u>Request</u>
FTE: Headquarters	54	50	50

FY 2008 FTE by SEC Strategic Goal			
Goal 1	Goal 2	Goal 3	Goal 4
Enforce Compliance with Federal Securities Laws	Promote Healthy Capital Markets	Foster Informed Investment Decisionmaking	Maximize the use of SEC Resources
11	33	6	

The Office of Chief Accountant (OCA) is responsible for establishing, interpreting, and enforcing accounting and auditing policy to enhance the transparency and relevancy of financial reporting. The Office also works to improve the professional performance of public company auditors in order to ensure that financial statements used for investment decisions are presented fairly and have credibility. Concerns about the adequacy of accounting standards and the quality of independent audits led to major SEC and congressional actions, including passage of the Sarbanes-Oxley Act. Such concerns also resulted in accounting standard setting by the Financial Accounting Standards Board (FASB) and auditor oversight and regulation by the Public Company Accounting Oversight Board (PCAOB), both conducted under SEC oversight.

In FY 2008, OCA will continue its oversight of accounting standard setting activities, including a major long-term FASB project to simplify and codify its accounting standards. OCA also will monitor the FASB's implementation of a more principles-based approach to setting accounting standards, as well as issues identified in the staff's study on off-balance sheet arrangements.

OCA, working with the Division of Corporation Finance, intends to continue reviewing foreign registrant filings under the International Financial Reporting Standards (IFRS) to help the Commission determine whether reconciliation to U.S. accounting standards remains necessary. OCA also will continue to assess the benefits of using interactive data under the voluntary eXtensible Business Reporting Language (XBRL) program and to conduct oversight of the PCAOB, which is expected to conduct quality reviews of about 225 firms, approximately the same number as in FY 2007. In addition, the staff expects to consult on 440 potential enforcement investigations, 7 percent more than in FY 2007.

Office of Investor Education and Assistance

Executive Summary

	FY 2006 <u>Actual</u>	FY 2007 <u>Estimate</u>	FY 2008 <u>Request</u>
FTE: Headquarters	37	36	36

FY 2008 FTE by SEC Strategic Goal			
Goal 1	Goal 2	Goal 3	Goal 4
Enforce Compliance with Federal Securities Laws	Promote Healthy Capital Markets	Foster Informed Investment Decisionmaking	Maximize the use of SEC Resources
		36	

The Office of Investor Education and Assistance (OIEA) serves as the SEC’s primary point of contact for investors who complain about the possible mishandling of their investments by securities professionals, or ask about how the securities industry works and where to find information about products, issuers, and industry participants. OIEA also carries out the Commission’s investor education program by, among other things, producing and distributing educational materials, participating in educational events, and consulting with other SEC divisions and offices on proposed rulemakings.

Investor Assistance: OIEA staff anticipates receiving approximately 77,000 new investor complaints, questions, and other contacts, resulting in about 70,000 unique new matters. (Each new matter can involve several investor contacts.) The Office likewise will close roughly 69,000 matters and will increase the percentage of matters closed within seven days to about 83 percent.

Investor Education: OIEA staff will continue to carry out the agency’s investor education programs and provide policy guidance to the SEC’s program offices. The Office anticipates distributing approximately 300,000 investor brochures. In addition, the SEC’s investor education web pages will receive approximately 15 million hits.

The Office will continue to explore new ways to shape and target education initiatives in order to maximize their impact among the investing public. For example, OIEA will continue its focus on educating seniors about investments commonly marketed to them and tips for detecting and avoiding potential frauds and scams. The Office also will continue considering alternatives for enhancing the investor education program’s ability to reach the nation’s investors.

Office of International Affairs

Executive Summary

	FY 2006 <u>Actual</u>	FY 2007 <u>Estimate</u>	FY 2008 <u>Request</u>
FTE: Headquarters	25	25	25

FY 2008 FTE by SEC Strategic Goal			
Goal 1	Goal 2	Goal 3	Goal 4
Enforce Compliance with Federal Securities Laws	Promote Healthy Capital Markets	Foster Informed Investment Decisionmaking	Maximize the use of SEC Resources
11	10	4	

To protect U.S. investors, the SEC works with foreign regulators to improve cross-border enforcement cooperation, advance global transparency and disclosure, supervise globally-active U.S. firms, and promote high regulatory standards around the world. The Office of International Affairs (OIA) achieves these objectives by negotiating and implementing information-sharing arrangements for enforcement cooperation, formulating regulatory policy for cross-border securities activities, and providing technical assistance to emerging markets.

In FY 2008, OIA will:

- Assist the Division of Enforcement in cross-border securities investigations and prosecutions and participate in initiatives related to the regulation of globally active financial market participants;
- Handle approximately 480 Division of Enforcement inquiries requesting the assistance of foreign authorities and approximately 390 requests from foreign authorities for enforcement assistance;
- Participate in about 220 international policy matters that aim to promote high regulatory standards and strengthen the global marketplace; and
- Respond to approximately 255 technical assistance requests from foreign authorities.

Office of Economic Analysis

Executive Summary

	FY 2006 <u>Actual</u>	FY 2007 <u>Estimate</u>	FY 2008 <u>Request</u>
FTE: Headquarters	26	25	25

FY 2008 FTE by SEC Strategic Goal			
Goal 1	Goal 2	Goal 3	Goal 4
Enforce Compliance with Federal Securities Laws	Promote Healthy Capital Markets	Foster Informed Investment Decisionmaking	Maximize the use of SEC Resources
6	15	3	1

The Office of Economic Analysis (OEA) is the chief adviser to the Commission and its staff on all economic and empirical issues associated with the SEC's activities. OEA produces high-quality analyses that address the economic issues associated with the regulation of the financial markets and conveys that knowledge clearly to those making policy decisions.

Support of Rulemaking: OEA expects rulemaking initiatives to continue at the same pace as in FY 2007 and will review about 60 SEC and self-regulatory organization (SRO) rules and conduct about 45 regulatory flexibility analyses. The staff also will provide economic advice on about 1,000 regulatory and enforcement issues. OEA expects to receive requests for analysis of the consequences of rules previously adopted, including assessments of possible unintended consequences and their relation to market conditions.

Enforcement and Inspection: OEA will continue to provide analytical support to the Commission and the Division of Enforcement in several areas, including structuring distribution plans that have been set up as a result of certain settlement actions and cases involving the backdating of employee or executive options. The staff also will offer analytical support to the examination program for investment adviser sweeps.

Risk Management: OEA will support the agency's risk management efforts by providing empirical analyses and related expertise to divisions and offices.

Data: OEA will continue working to identify data analyses that help the agency gauge risks, assess regulatory alternatives, measure the impact of previous rules changes, identify potential violations of securities laws, and otherwise further the mission of the agency. Data sources may include information from investment advisers and registrants that can be analyzed more readily using interactive data.

Office of Risk Assessment

Executive Summary

	FY 2006 <u>Actual</u>	FY 2007 <u>Estimate</u>	FY 2008 <u>Request</u>
FTE: Headquarters	5	4	4

FY 2008 FTE by SEC Strategic Goal			
Goal 1	Goal 2	Goal 3	Goal 4
Enforce Compliance with Federal Securities Laws	Promote Healthy Capital Markets	Foster Informed Investment Decisionmaking	Maximize the use of SEC Resources
4			

The Office of Risk Assessment (ORA) is responsible for coordinating the SEC's risk management program. ORA focuses on risk issues across the corporate and financial sector, including issues relevant to corporate disclosure, market operation, sales practices, new product innovation, corporate governance, and many other activities.

In FY 2008, the Office intends to strengthen the overall risk management process. ORA expects to continue developing new approaches for risk assessment, including technological tools, and expanding coordination with the various offices and divisions.

Office of the Administrative Law Judges

Executive Summary

	FY 2006 <u>Actual</u>	FY 2007 <u>Estimate</u>	FY 2008 <u>Request</u>
FTE: Headquarters	12	11	11

FY 2008 FTE by SEC Strategic Goal			
Goal 1	Goal 2	Goal 3	Goal 4
Enforce Compliance with Federal Securities Laws	Promote Healthy Capital Markets	Foster Informed Investment Decisionmaking	Maximize the use of SEC Resources
11			

Pursuant to the Administrative Procedure Act and the 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 compatible with the protection of investors. The hearings are conducted in a manner similar to non-jury trials in the federal district courts.

In FY 2008, the administrative law judges plan to dispose of about 85 proceedings, issuing 20 initial decisions. The number of proceedings pending will be around 35.

Agency Direction and Administrative Support

	FY 2006 <u>Actual</u>	FY 2007 <u>Estimate</u>	FY 2008 <u>Request</u>
FTE: Headquarters			
Agency Direction			
Office of Executive Staff	37	37	37
Office of Public Affairs	6	6	6
Office of the Secretary	24	25	36
Office of the Executive Director	6	6	6
Office of Financial Management	47	48	48
Office of Human Resources	65	59	59
Office of Administrative Services	84	84	84
Office of Filings and Info. Svcs.	98	93	70
Office of Information Technology	118	118	130
Office of Equal Emp. Opportunity	9	9	9
Office of the Inspector General	<u>10</u>	<u>9</u>	<u>9</u>
Total	504	494	494
Cost: Salaries and Benefits (\$000)	\$53,004.3	\$52,700.7	\$53,690.6
Non-Personnel Expenses (\$000)	<u>27,915.5</u>	<u>25,365.5</u>	<u>23,259.9</u>
Total Costs (\$000)	\$80,919.8	\$78,066.2	\$76,950.5

This section of the FY 2008 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 Affairs (OLA), Office of Public Affairs (OPA), and Office of the Secretary.

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

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

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

Office of the Inspector General: conducts internal audits of Commission operations and internal investigations into allegations of misconduct by staff or contractors.

Agency Direction

Executive Staff

	FY 2006 <u>Actual</u>	FY 2007 <u>Estimate</u>	FY 2008 <u>Request</u>
FTE: Headquarters			
Office of Executive Staff	37	37	37
Office of the Secretary	24	25	36
Office of Public Affairs	<u>6</u>	<u>6</u>	<u>6</u>
Total	67	68	79

FY 2008 FTE by SEC Strategic Goal			
Goal 1	Goal 2	Goal 3	Goal 4
Enforce Compliance with Federal Securities Laws	Promote Healthy Capital Markets	Foster Informed Investment Decisionmaking	Maximize the use of SEC Resources
35	5	28	11

Agency Direction is comprised of the Commissioners and their staff, as well as the Office of the Secretary, the Office of Legislative Affairs (OLA), and the Office of Public Affairs (OPA). The Commissioners' offices address the wide array of legal, financial, managerial, legislative, and economic issues encountered in the administration of the federal securities laws. The Office of the Secretary schedules Commission meetings; prepares and maintains records of Commission actions; reviews documents submitted to the Commission for action; and reviews and issues Commission orders, opinions, and releases. OLA works with members of Congress and their staff on issues affecting the SEC, while OPA coordinates relations with the media, the general public, SEC staff, and foreign visitors.

In FY 2008, the Commission anticipates holding about 55 meetings and considering about 650 calendar items and 500 seriatim actions, including enforcement actions, rule proposals, and other items related to the administration of the federal securities laws. These actions will implement the SEC's mission to protect investors, sustain an effective and flexible regulatory environment, and facilitate capital formation.

OLA and OPA expect that their workload will remain stable relative to FY 2007. OLA will coordinate the preparations for about 15 Congressional testimonies and handle approximately 7,500 telephone and e-mail inquiries from Congressional staff. OPA expects to receive about 45,000 media inquiries and draft and distribute about 230 news releases.

Office of the Executive Director

Executive Summary

	FY 2006 <u>Actual</u>	FY 2007 <u>Estimate</u>	FY 2008 <u>Request</u>
FTE: Headquarters			
Office of the Executive Director	6	6	6
Office of Financial Management	47	48	48
Office of Human Resources	65	59	59
Office of Administrative Services	84	84	84
Office of Filings and Info. Svcs.	<u>98</u>	<u>93</u>	<u>70</u>
Total	300	290	267

FY 2008 FTE by SEC Strategic Goal			
Goal 1	Goal 2	Goal 3	Goal 4
Enforce Compliance with Federal Securities Laws	Promote Healthy Capital Markets	Foster Informed Investment Decisionmaking	Maximize the use of SEC Resources
30		39	198

The Office of the Executive Director (OED) oversees the Office of Financial Management (OFM), the Office of Administrative Services (OAS), the Office of Human Resources (OHR), and the Office of Filings and Information Services (OFIS).

Financial Management: OFM staff will complete the SEC's quarterly and annual audited financial statements, and continue to enhance management systems and processes to comply with current federal accounting and financial reporting requirements. OFM also will continue refining the SEC's performance-based budgeting and activity-based costing system, which enhances budget formulation and monitors operating costs and cost efficiency.

Administrative Services: OAS will focus on expanding the use of performance-based contracts and strategic sourcing in agency acquisitions, enhancing the SEC's emergency preparedness plans, beginning construction of a new child care center at Station Place, and strengthening physical security.

Human Resources: OHR will complete the implementation of a strategically aligned set of integrated human capital systems that focus on selection, performance management, employee development, and succession planning. These systems will align the SEC with the principles of the Human Capital Assessment and Accountability Framework (HCAAF).

Office of Information Technology

Executive Summary

	FY 2006 <u>Actual</u>	FY 2007 <u>Estimate</u>	FY 2008 <u>Request</u>
FTE: Headquarters	118	118	130

FY 2008 FTE by SEC Strategic Goal			
Goal 1	Goal 2	Goal 3	Goal 4
Enforce Compliance with Federal Securities Laws	Promote Healthy Capital Markets	Foster Informed Investment Decisionmaking	Maximize the use of SEC Resources
			130

The Office of Information Technology (OIT) will undertake several significant projects in FY 2008. These projects will modernize existing processes or implement new tools and technology to support SEC staff in their work.

Electronic Data Gathering and Retrieval (EDGAR) and Disclosure Review: OIT's efforts in this area will center on promoting the use of interactive data to help investors and internal staff better use data filed with the SEC. The filings associated with corporate issuers and mutual funds will be revised and simplified to reduce the burden on filers and convert additional types of information from traditional textual formats to interactive formats such as eXtensible Business Reporting Language (XBRL).

Enforcement and Examination Management: Both the enforcement and examination programs will have their core tracking systems upgraded. As a result, senior management will have better access to performance and utilization information to allow them to direct resources more effectively, while front-line staff will have better tools for conducting work, managing internal workflows, and keeping track of work products.

Information Security and Disaster Recovery: The SEC will continue to respond to the ever-increasing needs for strong protection of agency data, including the need to ensure the privacy of data that identifies specific individuals. The primary focus will be on internal software development processes and ensuring that information security needs are maintained throughout the software development lifecycle. In addition, the SEC will begin implementing a new backup site for its centralized information stores and systems, providing additional resiliency for the agency's critical functions.

Office of Equal Employment Opportunity

Executive Summary

	FY 2006 <u>Actual</u>	FY 2007 <u>Estimate</u>	FY 2008 <u>Request</u>
FTE: Headquarters	9	9	9

FY 2008 FTE by SEC Strategic Goal			
Goal 1	Goal 2	Goal 3	Goal 4
Enforce Compliance with Federal Securities Laws	Promote Healthy Capital Markets	Foster Informed Investment Decisionmaking	Maximize the Use of SEC Resources
			9

The Office of Equal Employment Opportunity (EEO) oversees the agency's compliance with federal laws that prohibit employment discrimination based on age, color, disability status, gender, national origin, race, religion, or sexual orientation, as well as discriminatory retaliation against individuals for participating in the EEO process or opposing discrimination. The Office also ensures compliance with the requirements of the No FEAR Act of 2002. An essential responsibility of the Office is to immediately and appropriately respond to any alleged violations of EEO laws, such as harassing conduct or hostile work environments.

The SEC has worked to become the "Employer of Choice" with such offerings as pay parity, flexible schedules, and improved benefits. In support of this effort, the Office has tried to create and support a work environment in which employees are personally satisfied, receive fair treatment, have opportunities for advancement, and therefore are motivated to remain with the agency.

Preventative programs will continue to remain a top priority in FY 2008. The staff will analyze the FY 2007 EEO program applying the standards set by the Equal Employment Opportunity Commission to identify any weaknesses and develop practical solutions to correct them. Phase II of the Diversity Initiative will continue with full implementation of the initiative's various programs. The Office subsequently will evaluate the effectiveness of the individual programs and make modifications as necessary.

Office of the Inspector General

Executive Summary

	FY 2006 <u>Actual</u>	FY 2007 <u>Estimate</u>	FY 2008 <u>Request</u>
FTE: Headquarters	10	9	9

FY 2008 FTE by SEC Strategic Goal			
Goal 1	Goal 2	Goal 3	Goal 4
Enforce Compliance with Federal Securities Laws	Promote Healthy Capital Markets	Foster Informed Investment Decisionmaking	Maximize the use of SEC Resources
			9

The work of the SEC’s Office of Inspector General (OIG) is driven by the rapid pace of significant internal and external changes affecting the current SEC Strategic Plan, and it also organizes its audit and inspection work around the goals outlined in the Plan.

The OIG will continue its focus on improving SEC operations through audits and inspections and enhancing agency integrity by investigating allegations of employee and contractor misconduct.

Through audits, inspections, and investigations, the OIG supports the efforts of the Congress and the SEC to fulfill their responsibilities and achieve their goals and objectives with respect to oversight of the securities industry.