



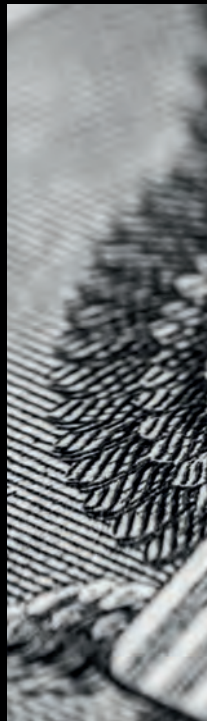
U.S. SECURITIES AND  
EXCHANGE COMMISSION

FISCAL YEAR 2019

# Congressional Budget Justification Annual Performance Plan

FISCAL YEAR 2017

# Annual Performance Report



PROTECTING INVESTORS

MAINTAINING FAIR, ORDERLY, AND  
EFFICIENT MARKETS

FACILITATING CAPITAL FORMATION

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## ABOUT THIS REPORT

The Congressional Budget Justification (CBJ) is the annual presentation to Congress that justifies the U.S. Securities and Exchange Commission's (SEC) budget request. This report also includes the Annual Performance Plan (APP) for fiscal year (FY) 2019 and the Annual Performance Report (APR) for FY 2017, focusing on the agency's strategic goals and performance results. This report provides information that satisfies requirements contained in the following laws and regulations listed below.

- GPRA Modernization Act of 2010
- Office of Management and Budget Circular A-11, *Preparation, Submission, and Execution of the Budget*
- Government Management Reform Act of 1994
- Reports Consolidation Act of 2000
- Office of Management and Budget Circular A-136, *Financial Reporting Requirements*

An electronic version of this document and its components is available at [www.sec.gov/about/offices/ofm/ofm-documents.htm](http://www.sec.gov/about/offices/ofm/ofm-documents.htm). To comment on the SEC's FY 2019 CBJ and APP and FY 2017 APR, email [PerformancePlanning@sec.gov](mailto:PerformancePlanning@sec.gov).

# Agency and Mission Information

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# EXECUTIVE SUMMARY

The U.S. Securities and Exchange Commission (SEC) is pleased to submit its budget request for fiscal year (FY) 2019. The SEC is requesting \$1.658 billion in support of 4,628 positions and 4,457 full-time equivalents (FTE). These expenses will be offset by matching collections of fees on securities transactions.

The FY 2019 budget request level is a 3.5 percent increase over the FY 2018 budget request of \$1.602 billion. This level is necessary for the SEC to continue the effective pursuit of its mission to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation. The FY 2019 budget request also assumes the SEC will have continued access to the Commission's Reserve Fund to fund information technology improvements, including cybersecurity. Because this funding is assured, the Reserve Fund allows the SEC to commit to important, long-term technology initiatives that otherwise would be more difficult to execute due to funding uncertainties.

The SEC's broad mission covers a lot of ground. We oversee approximately \$75 trillion in securities trading annually on U.S. equity markets and the activities of over 26,000 registered market participants, including investment advisers, mutual funds, exchange-traded funds (ETF), broker-dealers, and transfer agents. We also engage and interact with the investing public on a daily basis through a number of activities ranging from our investor education programs to alerts on [SEC.gov](https://www.sec.gov). We also provide critical market services through our information technology (IT) systems. On a typical day, investors and other market participants access more than 50 million pages of disclosure documents through the Electronic Data Gathering, Analysis, and Retrieval (EDGAR) system. The agency also

oversees 21 national securities exchanges, 10 credit rating agencies, and seven 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 8,000 reporting companies, of which approximately 4,100 are exchange listed. Of the top 100 public companies in the world, 78 fall under the SEC's reporting requirements.

The SEC's annual appropriation has remained essentially flat since FY 2016 at a level of approximately \$1.6 billion. To stay within this level, the SEC imposed a hiring freeze at the start of FY 2017 that will continue throughout FY 2018. The agency permits few exceptions to the hiring freeze and, consequently, the overall staffing level is declining and is expected to drop to 4,528 positions by the end of FY 2018.

This budget request seeks to restore 100 positions to address critical priority areas and enhance the agency's expertise in key areas. This represents approximately one-quarter of the positions lost in the hiring freeze. This budget request also aims to leverage technology and data to extend the agency's capabilities, improve its cyber risk profile, and further enable the SEC to manage the massive amounts of data submitted to us. Finally, the request seeks funding to support the procurement of a new lease for the New York Regional Office by the General Services Administration (GSA).

The SEC's funding is deficit-neutral, which means any amount appropriated to the agency will be offset by transaction fees.

The following sections highlight the agency's key priorities for FY 2019.

### Cybersecurity and Risk Management

The FY 2019 request would support key enhancements to the agency's program to protect the security of its network, systems, and sensitive data. The FY 2019 request would provide four additional staff positions to enable the SEC to expand its cybersecurity protections, particularly with regard to incident management and response, advanced threat intelligence monitoring, and enhanced database and system security. These additional positions would be information system security officers who can focus on the security of specific systems or programs.

The SEC is taking action in FY 2018 to establish a new chief risk officer position to oversee the agency's enterprise risk program. The FY 2019 request would permit the agency to hire two additional staff positions under the chief risk officer to strengthen and advance the agency's risk management capabilities.

### Facilitating Capital Formation

The FY 2019 request would enable us to expand the SEC's new, statutorily-mandated Office of the Advocate for Small Business Capital Formation. The office's mission is to be a resource and voice for small businesses and small business investors by providing assistance, conducting outreach to better understand their concerns, and making recommendations to the Commission and Congress regarding potential improvements to the regulatory environment. We are in the process of hiring an advocate to oversee the establishment of the office and, as part of our FY 2019 request, we plan to expand its staffing to a total of six positions. The FY 2019 request would also support

expenses for the operation of a new Small Business Capital Formation Advisory Committee, which will be established in FY 2018 following the selection of an advocate.

The resources provided by the FY 2019 request would also enable the Division of Corporation Finance to assist hundreds of companies that seek to "go public" through an initial public offering, or to raise capital through follow-on or exempt offerings and to implement important capital formation initiatives.

### Protecting Main Street Investors and Our Markets

A vigorous enforcement program is among the most powerful tools used by the SEC in its efforts to protect investors. The FY 2019 request would restore 17 positions for the Division of Enforcement (ENF) to support key enforcement priorities and provide resources to support and expand the work of two new groups: The Cyber Unit, which is focused on bringing enforcement actions against cyber-related misconduct; and the Retail Strategy Task Force, which is focused on developing enforcement initiatives to identify misconduct, including broad market misconduct that impacts retail investors.

The National Examination Program (NEP) is another key area through which the SEC works directly to protect the interests of retail investors. Registered investment advisers today manage more than \$70 trillion in investor assets—triple the amount from 15 years ago. Our examination program monitors whether money managers handling retail customer funds are complying with SEC rules, and also protects against fraud. The FY 2019 request would restore 24 positions within NEP, including six additional staff for its Technology Controls Program, which monitors critical securities market infrastructure for significant cyber events and outages.

The FY 2019 request would also restore seven staff positions within the Division of Investment Management (IM), which plays a critical role in protecting retail investors through its regulation of mutual funds, variable insurance products, and ETFs, among other products. IM has a need to recruit professionals with specialized expertise in critical areas, including private funds, cybersecurity, fund accounting, and quantitative analytics. The resources would be used to enhance IM's monitoring and disclosure programs, as well as advance key investor-focused rule-writing priorities, such as standards of conduct for investment professionals.

### Effective Oversight of Changing Markets

Over the last decade, technological advancements and commercial developments have led to significant changes in how our security markets operate. The Division of Trading and Markets (TM) plays a critical front-line role in ensuring fair, orderly, and efficient markets through its work to regulate the major securities market participants. The FY 2019 request would allow TM to recruit 16 additional professionals to expand the agency's depth of expertise in vital areas such as market insight and analysis, clearing agencies, broker-dealer operations, cybersecurity, electronic trading, and fixed income markets. Because technology and markets are changing so rapidly, staying current with market trends and developments is essential to the SEC's ability to remain an effective regulator.

The FY 2019 request would also provide resources to continue the work of the agency's new Fixed Income Market Structure Advisory Committee (FIMSAC) and its important work to evaluate and take appropriate measures to enhance the efficiency, transparency, and effectiveness of fixed income markets.

### Leveraging Technology, Data, and Analytics

The SEC has made progress in modernizing its technology systems, with the benefits of streamlining operations, increasing our use of data analytics and the effectiveness of our programs.

Recently, the SEC's ability to continue to invest in advanced analytic tools or modernize legacy systems has been constrained with annual investments in IT development, modernization, and enhancement projects declining from \$100 million in FY 2015 to an anticipated \$50 million in FY 2018. Additional investment in IT is necessary for the SEC to keep pace with the rapid technology advancements occurring in areas we regulate, including to meet ever-evolving cybersecurity challenges.

In furtherance of the objectives of the SEC's 2018–2020 Technology Strategic Plan, this request seeks an additional \$45 million to restore funding for technology development, modernization, and enhancement projects. Together with the support of the SEC Reserve Fund, the FY 2019 request would allow the agency to continue implementing a number of multi-year technology initiatives.

Uplifting the agency's cybersecurity program is a top priority. The FY 2019 request would support increased investment in tools, technologies, and services to protect the security of the agency's network, systems, and sensitive data. Priorities for FY 2019 include maturation of controls through continuous diagnostics and monitoring, and further enhancements to firewall technologies. Another way the FY 2019 request helps reduce the agency's cybersecurity risk profile is by enabling the funding of multi-year investments to transition legacy IT systems to modern platforms with improved embedded security features.



Other FY 2019 IT modernization priorities include:

- Continuing the development of advanced analytics solutions that provide new capabilities to detect and expose suspicious behavior in high frequency trading and other complex trading areas across markets;
- Improving storage, processing, security, and management of large volumes of data, including the agency's e-Discovery program, which is approaching one petabyte of data;
- Modernizing the SEC's infrastructure and computing environment to enhance security, improve performance, and streamline delivery;
- Improving the SEC's ability to analyze fixed income market data;
- Updating selected operational components of the agency's legacy EDGAR system to make it easier for registrants to fulfill their disclosure responsibilities through the system, for investors to access the information they need, and for the SEC to operate and secure the system; and
- Executing a relocation of one of the agency's current data centers to achieve operational efficiencies and support improvements.

These key priorities—many of which are driven by changes in our markets—will enhance the SEC's ability to serve the public as well as analyze and act on large amounts of data.

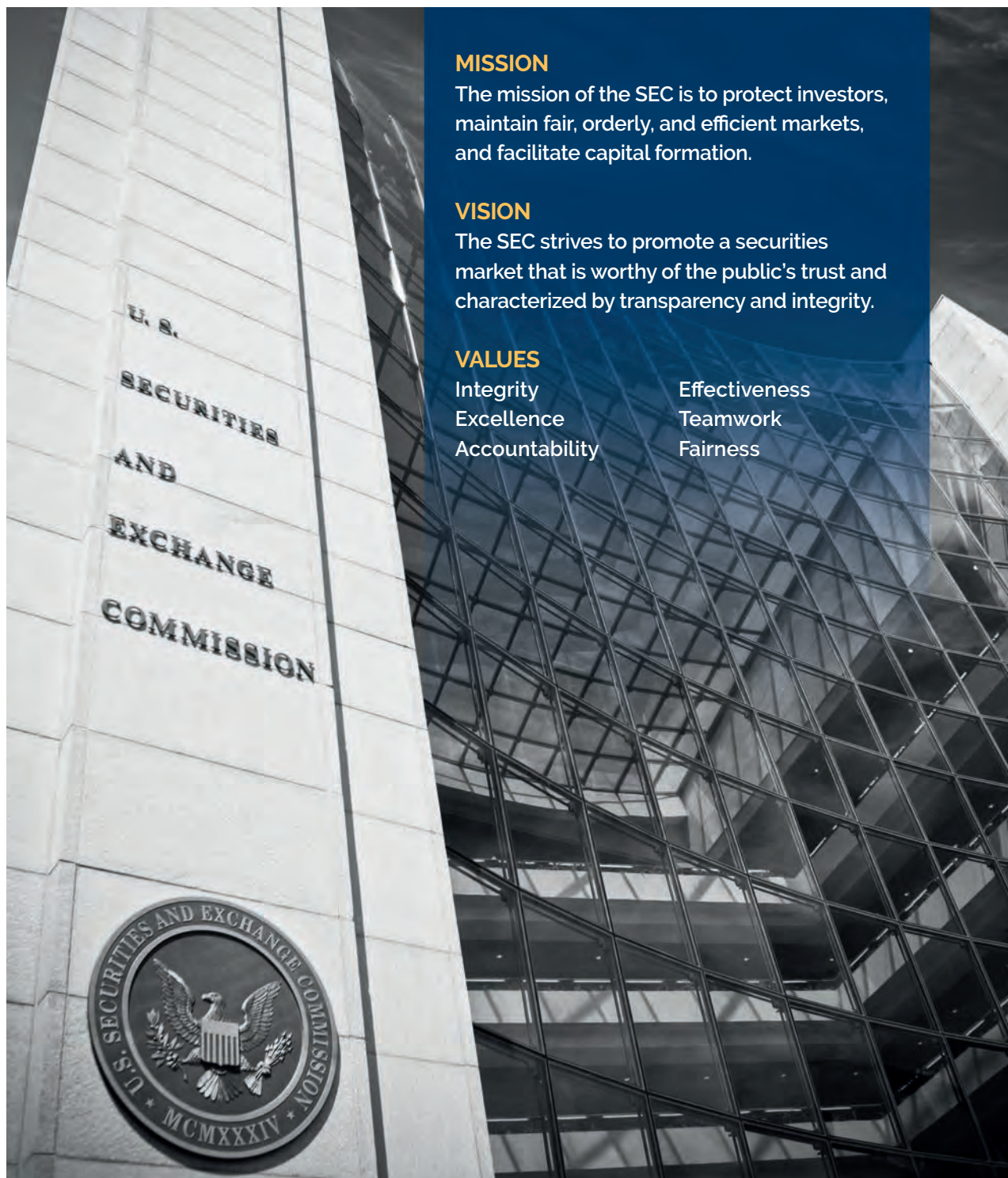
Along with increasing the SEC's use of analytic tools, we also anticipate a growing need for professionals who are trained in data management and analysis, including data scientists, quantitative analysts, and financial economists. To this end, the FY 2019 request would include four additional positions for the Division of Economic and Risk Analysis (DERA) to support the agency's increased analytic needs and add depth to DERA's policy support and risk assessment functions, including robust economic analysis. In particular, DERA needs expertise in data management, risk assessment, structured finance, clearance and settlement, investment advice, asset management, and fixed income markets.

#### [Real Property Leasing](#)

With the current lease for the SEC's New York Regional Office set to expire in 2021, the FY 2019 request includes funds required for the GSA procurement of a new lease. As with the SEC's headquarters' lease procurement in FY 2018, GSA requires that the SEC set aside funds in the budget to account for potential buildout costs in the event that the competitive acquisition process results in the New York Regional Office needing to move to a new facility. These costs are estimated by GSA to be \$37 million.<sup>1</sup> As with our FY 2018 appropriations request, we have proposed legislative language assuring that none of these funds would be used for the operations of the SEC, and that any unused portion would be refunded to fee payers.

<sup>1</sup> This figure has been revised for a new estimate provided to the SEC too late for inclusion in the President's Budget materials. The President's Budget reflects the previous estimate of \$40,750,443.

# 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 securities market that is worthy of the public's trust and characterized by transparency and integrity.

## VALUES

Integrity	Effectiveness
Excellence	Teamwork
Accountability	Fairness

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

The SEC is in the process of writing a new Strategic Plan for FYs 2018–2022. Pending the finalization of that updated plan, the SEC’s current plan remains in effect.



### **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 clearly 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 informed 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

## History

During the peak of the Great Depression, Congress passed the Securities Act of 1933<sup>1</sup> (Securities Act) and the Securities Exchange Act of 1934<sup>2</sup> (Securities Exchange Act), which established the SEC.

These laws were designed to regulate the financial markets and restore investor confidence in U.S. capital markets by providing investors and the markets with reliable information and clear rules to ensure honest dealings. The main purpose of these laws was to ensure the following:

- Companies that publicly offer securities for investment dollars are forthcoming and transparent about their businesses, the securities they are selling, and the risks involved with investing; and
- People who sell and trade securities—brokers, dealers, and exchanges—treat investors fairly and honestly.

## Purpose

The SEC is responsible for overseeing the nation's securities markets and certain primary participants, including broker-dealers, investment companies, investment advisers, clearing agencies, transfer agents, credit rating agencies, and securities exchanges, as well as organizations such as FINRA, the MSRB, and the PCAOB. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010<sup>3</sup>

(Dodd-Frank Act), the agency's jurisdiction was expanded to include certain participants in the derivatives markets, private fund advisers, and municipal advisers.



We have sought to put forward the rule of fair play in finance and industry.

—Former President Franklin D. Roosevelt during a speech to Congress two days after signing the Securities Exchange Act of 1934

Each year, the SEC brings hundreds of civil enforcement actions against individuals and companies for violation of securities laws. Examples of infractions are insider trading, accounting fraud, market manipulation, and providing false or misleading information about securities and/or the issuing companies.

To help investors stay informed, the SEC offers the public a wealth of educational information on its website at [Investor.gov](https://www.investor.gov), as well as through an online database of disclosure documents that public companies and other market participants are required to file with the SEC. These can be found at: [www.sec.gov/edgar/searchedgar/companysearch.html](https://www.sec.gov/edgar/searchedgar/companysearch.html).

<sup>1</sup> More information about the Securities Act of 1933 can be found at [www.sec.gov/about/laws/sa33.pdf](https://www.sec.gov/about/laws/sa33.pdf)

<sup>2</sup> More information about the Securities Exchange Act of 1934 can be found at [www.sec.gov/about/laws/sea34.pdf](https://www.sec.gov/about/laws/sea34.pdf)

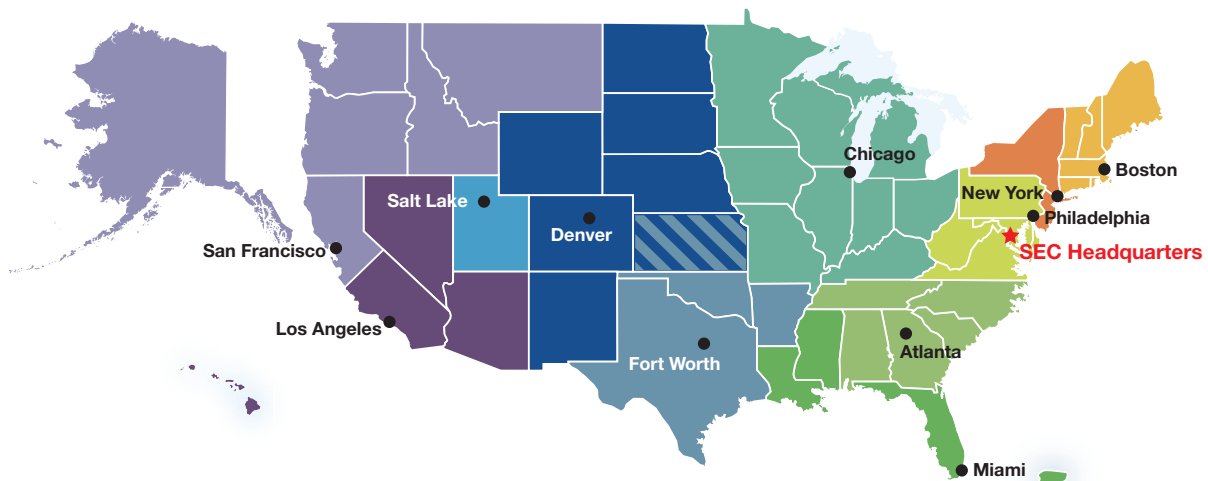
<sup>3</sup> More information about the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 can be found at [www.sec.gov/about/laws/wallstreetreform-cpa.pdf](https://www.sec.gov/about/laws/wallstreetreform-cpa.pdf)

# ORGANIZATIONAL STRUCTURE AND RESOURCES

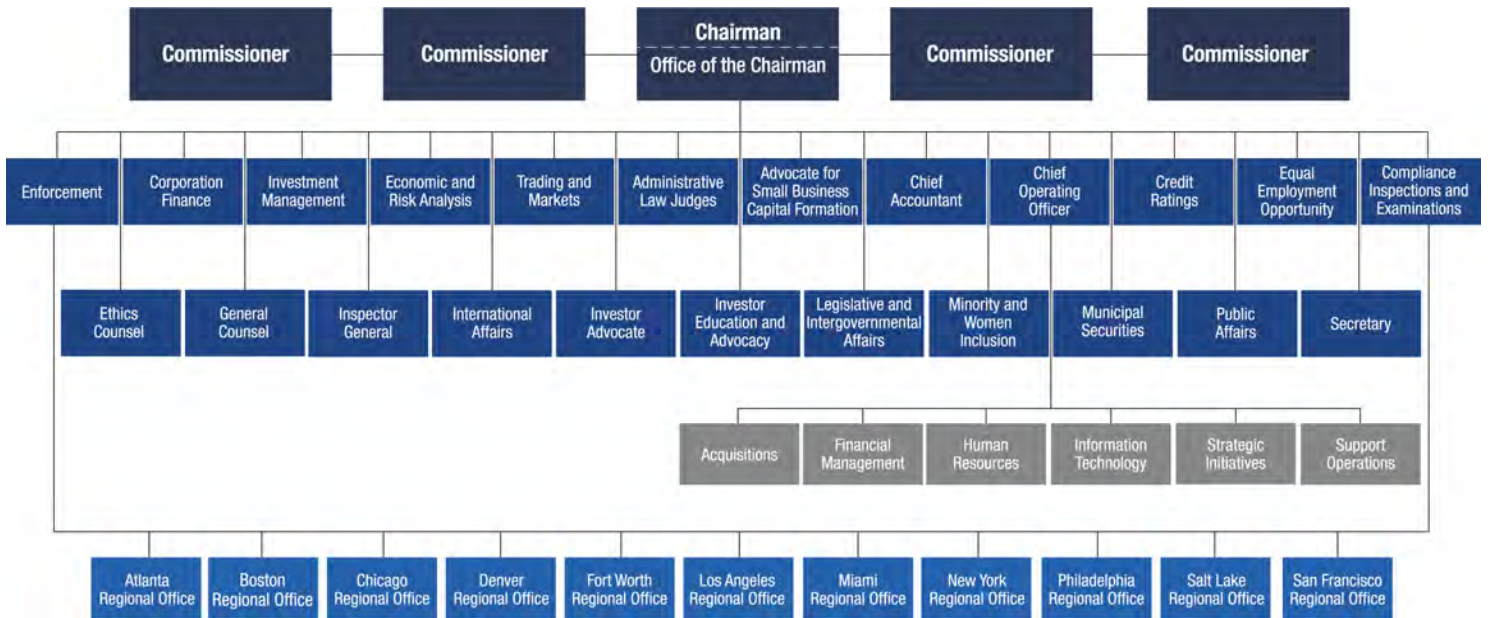
## Office Locations

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 regional offices also have enforce-

ment and examination staff to inspect regulated entities such as investment advisers, investment companies, and broker-dealers. The following graphic illustrates the locations of, and specific areas within, each of the regional offices.



- ★ **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)*



## Organizational Structure

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

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

The Commission convenes on a regular basis, and meetings are open to the public and the news media unless the discussion pertains to a confidential subject, such as whether to begin an enforcement investigation.

The agency’s functional responsibilities are organized into five divisions and 25 offices. In FY 2017, the SEC employed 4,616 full-time equivalents (FTE).

The organization chart above is accurate as of September 30, 2017.

# FY 2019 Budget Request Tables

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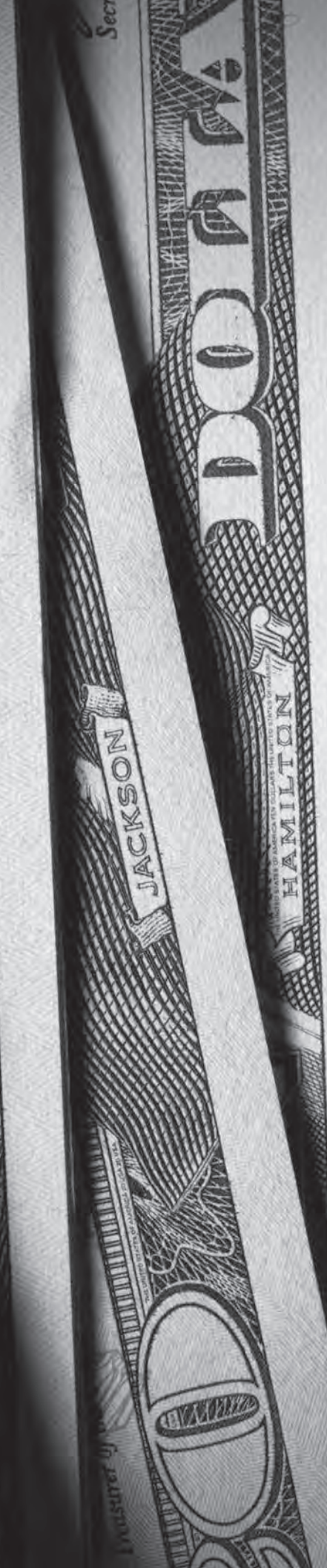
2006

United States.

Secretary

ONE

GRANT



JACKSON

ONE

HAMILTON



Treasurer of the United States

B4

ONE

LINCOLN

SERIES 2006

WASHINGTON

Treasurer of the United States.

ONE

Sec

Secretary



# FULL-TIME EQUIVALENTS (FTE) AND POSITIONS BY PROGRAM

	FY 2017 Actuals		FY 2018 Annualized Continuing Resolution <sup>1</sup>		FY 2019 Request	
	FTE	Actual Positions	FTE	Estimated Positions	FTE	Estimated Positions
<b>Enforcement</b>	1,393	1,393	1,373	1,362	1,348	1,379
<b>Compliance Inspections and Examinations</b>	1,063	1,099	1,047	1,062	1,032	1,086
<b>Corporation Finance</b>	461	454	433	435	423	438
<b>Trading and Markets</b>	263	263	248	253	250	269
<b>Investment Management</b>	182	186	176	180	175	187
<b>Economic and Risk Analysis</b>	157	154	147	142	145	146
<b>General Counsel</b>	141	139	134	135	131	135
<b>Other Program Offices</b>						
Chief Accountant	49	49	50	44	49	44
Investor Education and Advocacy	43	43	42	41	42	42
International Affairs	55	57	53	53	51	53
Administrative Law Judges	13	14	12	14	12	14
Investor Advocate	11	11	11	10	12	11
Credit Ratings	44	44	41	41	41	43
Municipal Securities	9	10	10	11	10	11
Advocate for Small Business Capital Formation	—	—	1	1	3	6
Total	224	228	220	215	220	224
<b>Agency Direction and Administrative Support</b>						
Executive Staff	28	31	35	32	31	32
Public Affairs	15	22	21	20	21	20
Secretary	24	25	25	24	24	24
Chief Operating Officer	15	14	13	15	14	17
Financial Management	98	98	95	96	93	96
Information Technology	171	175	173	180	177	196
Human Resources	120	113	107	104	105	106
Acquisitions	57	59	56	55	55	55
Support Operations	100	97	94	94	92	94
Strategic Initiatives	15	27	29	28	29	28
Ethics Counsel	18	19	19	18	19	18
Minority and Women Inclusion	9	10	9	9	9	9
Equal Employment Opportunity	14	14	15	15	15	15
Total	684	704	691	690	684	710
<b>Inspector General</b>	48	54	49	54	49	54
<b>Total FTE and Positions</b>	<b>4,616</b>	<b>4,674</b>	<b>4,518</b>	<b>4,528</b>	<b>4,457</b>	<b>4,628</b>

<sup>1</sup> Estimated End of Year Positions for FY 2018 reflect the effects of an agency-wide hiring freeze. The actual impact to individual organizations may vary.

## OBLIGATIONS BY OBJECT CLASS

<i>(DOLLARS IN THOUSANDS)</i>	FY 2017 Actual <sup>1</sup>	FY 2018 Annualized Continuing Resolution <sup>2</sup>	FY 2019 Request
<b>Personnel Compensation and Benefits</b>			
Total Personnel Compensation (11.0)	\$ 862,458	\$ 882,013	\$ 879,272
Civilian Personnel Benefits (12.0)	291,468	281,131	280,246
<b>Subtotal Cost of Compensation</b>	<b>\$ 1,153,926</b>	<b>\$ 1,163,145</b>	<b>\$ 1,159,518</b>
<b>Other Expenses</b>			
Benefits for Former Personnel (13.0)	1,635	30	31
Travel and Transportation of Persons (21.0)	8,961	10,803	11,276
Transportation of Things (22.0)	148	195	199
Rent, Communications, and Utilities (23.0)	32,415	38,057	69,858
Printing and Reproduction (24.0)	7,071	1,892	1,924
Other Contractual Services (25.0)	341,890	322,205	337,173
Supplies and Materials (26.0)	1,695	2,334	2,424
Equipment (31.0)	27,372	16,279	54,407
Building Alterations (32.0)	1,531	4,605	5,597
Claims and Indemnities (42.0)	344	840	854
<b>Subtotal Cost of Other Expenses</b>	<b>423,062</b>	<b>397,241</b>	<b>483,742</b>
<b>Subtotal, Obligations</b>	<b>\$ 1,576,988</b>	<b>\$ 1,560,386</b>	<b>\$ 1,643,260</b>
Budget Authority used to Liquidate Prior Obligations for Deficient Leases, per an October 3, 2011, Report from the Comptroller General	74,329	70,915	40,042
<b>Total Budget Authority</b>	<b>\$ 1,651,317</b>	<b>\$ 1,631,300</b>	<b>\$ 1,683,302</b>
Less: Anticipated Recoveries of Prior Budget Years Obligations		(25,000)	(25,000)
<b>Request for SEC Operations</b>		<b>\$ 1,606,300</b>	<b>\$ 1,658,302</b>
<b>Estimate of Potential Buildout Costs Associated with New York Regional Office Lease Replacement</b>			<b>\$ 37,189 <sup>3</sup></b>

<sup>1</sup> Obligations reported here differ from those shown in the President's Budget Appendix because they include activity only in the stated fiscal year.

<sup>2</sup> FY 2018 Annualized Continuing Resolution does not include estimated amounts for costs associated with the headquarters' lease replacement.

<sup>3</sup> This figure has been revised for a new estimate provided to the SEC too late for inclusion in the President's Budget materials. The President's Budget reflects the previous estimate of \$40,750,443.

# STRATEGIC GOAL AND PROGRAM

(DOLLARS IN THOUSANDS)

SEC Program	FY 2017 Actual <sup>1</sup>	FY 2018 Annualized CR <sup>2</sup>	FY 2019 Request				FY 2019 Request
			Goal 1 Effective Regulatory Environment	Goal 2 Enforce Securities Laws	Goal 3 Facilitate Access To Information	Goal 4 Align and Manage Resources	
Enforcement	\$ 512,256	\$ 505,768	\$ 5,317	\$ 510,392	\$ —	\$ 15,950	\$ 531,659
Compliance Inspections and Examinations	347,273	346,292	3,658	347,491	3,658	10,973	365,781
Corporation Finance	148,065	144,145	22,590	3,012	109,939	15,060	150,601
Trading and Markets	85,169	83,708	44,912	22,456	22,456	—	89,824
Investment Management	59,344	57,742	23,646	16,977	18,796	1,213	60,631
Economic and Risk Analysis	68,007	72,392	30,032	27,780	10,511	6,757	75,081
General Counsel	46,855	45,707	9,964	26,095	949	10,438	47,446
Other Program Offices	81,064	77,761	24,278	29,797	28,636	675	83,386
Agency Direction and Administrative Support	214,457	210,968	6,145	3,027	15,531	197,504	222,207
Inspector General	14,499	15,903	—	166	166	16,311	16,644
<b>Subtotal, Obligations</b>	<b>\$ 1,576,988</b>	<b>\$ 1,560,386</b>	<b>\$ 170,541</b>	<b>\$ 987,195</b>	<b>\$ 210,643</b>	<b>\$ 274,882</b>	<b>\$ 1,643,260</b>
Budget Authority used to Liquidate Prior Obligations for Deficient Leases, per an October 3, 2011, Report from the Comptroller General	74,329	70,915	—	—	—	—	40,042
<b>Budget Authority for SEC Operations</b>	<b>\$ 1,651,317</b>	<b>\$ 1,631,300</b>					<b>\$ 1,683,302</b>
Less: Anticipated Recoveries of Prior Years Obligations		(25,000)					(25,000)
<b>Request for SEC Operations</b>		<b>\$ 1,606,300</b>					<b>\$ 1,658,302</b>
Potential Buildout Costs Associated with New York Regional Office Lease Replacement							<b>\$ 37,189</b> <sup>3</sup>

1 Obligations reported here differ from those shown in the President's Budget Appendix because they include activity only in the stated fiscal year.

2 FY 2018 Annualized Continuing Resolution does not include estimated amounts associated with the headquarters' lease replacement.

3 This figure has been revised for a new estimate provided to the SEC too late for inclusion in the President's Budget materials. The President's Budget reflects the previous estimate of \$40,750,443.

# REQUEST SUMMARY OF CHANGES<sup>1</sup>

<i>(DOLLARS IN THOUSANDS)</i>	Positions	FTE	Amount
<b>FY 2018 Estimated Continuing Resolution (Annualized)<sup>2</sup></b>	<b>4,528</b>	<b>4,518</b>	<b>\$ 1,631,300</b>
<b>FY 2019 Base Changes</b>			
Net Changes in Compensation Expenses		(111)	(16,610)
Net Change in Real Property Facilities Costs			1,592
Non-Compensation Inflation of 1.7%			6,753
<b>Subtotal, Base Changes</b>	<b>—</b>	<b>(111)</b>	<b>(8,264)</b>
<b>FY 2019 Current Services Level</b>	<b>4,528</b>	<b>4,407</b>	<b>\$ 1,623,036</b>
<b>FY 2019 Program Increases</b>			
Restoration of 100 Positions (50 FTE)			
Enforcement	17	8	
Compliance Inspections and Examinations	24	12	
Corporation Finance	3	1	
Trading and Markets	16	8	
Investment Management	7	4	
Economic and Risk Analysis	4	2	
Other Program Offices	9	5	
Agency Direction and Administrative Support	20	10	
<b>Subtotal, Staffing Increases</b>	<b>100</b>	<b>50</b>	<b>15,266</b>
Restore Information Technology Development			45,000
<b>Subtotal, Program Increases</b>	<b>100</b>	<b>50</b>	<b>\$ 60,266</b>
<b>Proposed FY 2019 Obligations for SEC Operations</b>	<b>4,628</b>	<b>4,457</b>	<b>\$ 1,683,302</b>
Less: Anticipated Recovery of Prior Fiscal Years Obligations			(25,000)
<b>FY 2019 Request for SEC Operations</b>	<b>4,628</b>	<b>4,457</b>	<b>\$ 1,658,302</b>
<b>Estimate of Potential Buildout Costs Associated with New York Regional Office Lease Replacement</b>			<b>\$ 37,189<sup>3</sup></b>

<sup>1</sup> These figures include amounts in FY 2018 and FY 2019 necessary to liquidate prior obligations on deficient leases.

<sup>2</sup> FY 2018 Annualized Continuing Resolution does not include estimated amounts associated with the headquarters' lease replacement.

<sup>3</sup> This figure has been revised for a new estimate provided to the SEC too late for inclusion in the President's Budget materials. The President's Budget reflects the previous estimate of \$40,750,443.

# FY 2019 Appropriations Language

For necessary expenses for the Securities and Exchange Commission, including services as authorized by 5 U.S.C. 3109, the rental of space (to include multiple year leases) in the District of Columbia and elsewhere, and not to exceed \$3,500 for official reception and representation expenses, \$1,658,302,366, to remain available until expended; of which not less than \$15,206,269 shall be for the Office of Inspector General; of which not to exceed \$75,000 shall be available for 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 and staffs to exchange views concerning securities matters, such expenses to include necessary logistic and administrative expenses and the expenses of Commission staff and foreign invitees in attendance including: (1) incidental expenses such as meals; (2) travel and transportation; and (3) related lodging or subsistence.

In addition to the foregoing appropriation, for costs associated with relocation under a replacement lease for the Commission's New York regional office facilities, not to exceed \$37,188,942<sup>1</sup>, to remain available until expended.

For purposes of calculating the fee rate under section 31(j) of the Securities Exchange Act of 1934 (15 U.S.C. 78ee(j)) for fiscal year 2019, all amounts appropriated under this heading shall be deemed to be the regular appropriation to the Commission for fiscal year 2019.

*Provided*, That fees and charges authorized by section 31 of the Securities Exchange Act of 1934 (15 U.S.C. 78ee) shall be credited to this account as offsetting collections: *Provided further*, That not to exceed \$1,658,302,366 of such offsetting collections shall be available until expended for necessary expenses of this account and not to exceed \$37,188,942<sup>1</sup> of such offsetting collections shall be available until expended for costs under this heading associated with relocation under a replacement lease for the Commission's New York regional office facilities: *Provided further*, That the total amount appropriated under this heading from the general fund for fiscal year 2019 shall be reduced as such offsetting fees are received so as to result in a final total fiscal year 2019 appropriation from the general fund estimated at not more than \$0: *Provided further*, That if any amount of the appropriation for costs associated with relocation under a replacement lease for the Commission's New York regional office facilities is subsequently de-obligated by the Commission, such amount that was derived from the general fund shall be returned to the general fund, and such amounts that were derived from fees or assessments collected for such purpose shall be paid to each national securities exchange and national securities association, respectively, in proportion to any fees or assessments paid by such national securities exchange or national securities association under section 31 of the Securities Exchange Act of 1934 (15 U.S.C. 78ee) in fiscal year 2019.

<sup>1</sup> This figure has been revised for a new estimate provided to the SEC too late for inclusion in the President's Budget materials. The President's Budget reflects the previous estimate of \$40,750,443.

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## DIVISION OF ENFORCEMENT

<i>(DOLLARS IN THOUSANDS)</i>	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request
<b>Full-Time Equivalents</b>	1,393	1,373	1,348
<b>Cost:</b>			
Salaries and Benefits	\$ 349,202	\$ 360,495	\$ 357,874
Non-Personnel Expenses	163,055	145,274	173,785
<b>Total Costs</b>	<b>\$ 512,256</b>	<b>\$ 505,768</b>	<b>\$ 531,659</b>

*Totals may not appear to sum from detail lines due to rounding of actual values*

The Division of Enforcement (ENF) is critical to the Commission’s ability to fulfill its three-part mission: protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation. ENF’s efforts to deter misconduct and punish securities law violators are critical to safeguarding millions of investors and instilling confidence in the integrity of the U.S. markets. Each year, ENF brings hundreds of civil and administrative enforcement actions against individuals and entities for fraud, financial and accounting irregularities and misstatements, and other misconduct. The substantial remedies that ENF obtains are meaningful and impactful. They deter future wrongdoing, and when ENF obtains disgorgement of ill-gotten gains, the Commission is often able to return fraudulently obtained funds to harmed investors. ENF also seeks bars and suspensions that prevent wrongdoers from working in the securities industry or being officers and directors of public companies.

ENF has a broad mandate with responsibility for covering the country’s vast capital markets; however, at the most basic level, ENF’s area of greatest focus—protection of retail investors—remains constant. Today, this priority is driving ENF’s allocation of limited resources to risks posed by cyber-related misconduct; issues raised by the activities of investment advisers, broker-dealers, and other registrants; financial reporting and disclosure issues involving public companies; and insider trading and market abuse. These areas are priorities for ENF, and the division will continue

to pursue cases and advance efforts to protect retail investors and market integrity.

FY 2017 was a successful and impactful year for ENF despite the transition in leadership. Acting on recommendations by ENF, the Commission authorized a diverse mix of 754 enforcement actions, of which:

- 446 were “standalone” actions brought in federal court or as administrative proceedings;
- 196 were “follow-on” proceedings seeking bars based on the outcome of Commission actions or actions by criminal authorities or other regulators; and
- 112 were proceedings to deregister public companies—typically microcap—that were delinquent in their Commission filings.

The SEC also obtained judgments and orders for over \$3.8 billion in penalties and disgorgement, returned a record \$1.07 billion to harmed investors, ordered over \$50 million in payments to whistleblowers, suspended trading in the securities of 309 issuers to combat market manipulation and microcap fraud, and barred or suspended more than 625 individuals. The SEC’s enforcement actions during the year spanned the entire spectrum of the securities industry, and ENF’s workload is not slowing down. At the close of FY 2017, ENF had 1,695 ongoing investigations. These achievements belie the significant challenges ENF faces that stretch its limited resources.



## Current Enforcement Challenges

### Broad Spectrum of Securities Laws Violations Across the United States

ENF is tasked with enforcing a wide variety of statutes and rules, some applicable only to certain types of firms such as broker-dealers or investment advisers, and some, such as antifraud provisions, that apply broadly to all market participants. Moreover, this mandate to protect investors and enforce the securities laws applies everywhere, from New York to San Diego and Anchorage to Miami—a massive expanse for a limited corps of professionals.

### Cyber-Based Securities Law Violations

Technology has dramatically transformed our markets and the ability of wrongdoers to engage in cyber-enabled misconduct. Just a few years ago, it was difficult to conceive of a market manipulation effectuated by hacking into the electronic accounts of others and then forcing trades to pump up a stock price, or the brokering of stolen inside information on the “dark web,” paid for in untraceable cryptocurrency. These are the sorts of schemes ENF staff now frequently encounter, and they are among the greatest risks facing our securities markets. ENF needs the technological resources to keep up with misconduct in now cyber-focused markets.

### Fragmented and Complex Equity Markets

In recent years, the securities markets have grown increasingly complex and opaque. There has been a proliferation in sophisticated tools and trading methods used in the markets, including the use of high frequency trading, complex algorithmic trading, and off exchange trading venues like “dark pools.” Unlawful trading strategies such as “layering,” in which a trader sends and then cancels a series of orders that the trader does not intend to have executed to manipulate the price of a security, are becoming increasingly complex and more difficult to identify. ENF is committed to uncovering and charging violations of the law by

all market participants in these new trading venues and elsewhere. Accordingly, ENF needs sufficient analytical tools and staff to analyze data from these tools to ensure it keeps pace with this constantly evolving environment.

### Ever-Increasing Volume of Data

Analysis of large datasets—including filings, disclosures, and trading data in equities, options, municipal bonds, and other securities—is critical to effectively identify, investigate, and prosecute potential misconduct. The volume of these datasets continues to rise and will only increase in FY 2019. Through its Center for Risk and Quantitative Analytics and other efforts, ENF expects that its improved information processing and analysis is likely to yield additional case leads through FY 2019. ENF needs commensurate staffing to review, analyze, and pursue these leads.

### Increasing Volume of Tips to Investigate

The SEC receives approximately 16,500 tips and complaints each year, which ENF reviews to identify leads warranting further investigation. Additionally, ENF’s Office of the Whistleblower receives and analyzes thousands of tips per year, generating a fresh stream of case leads that require investigation. Since FY 2013, the Office of the Whistleblower has seen an increase of 30 percent in the number of tips received, and a 132 percent increase in the number of eligible award applications received. The office is currently tracking over 700 matters involving whistleblowers.

### Complexities of Advanced Technology

The increasing use of technology to evade fraud detection requires ENF to spend more resources on forensic services, which have increased by approximately 20 percent since FY 2013. Each month, ENF receives between eight and nine terabytes of electronic data in its investigations, and hosts nearly 925 terabytes of data related to investigations and litigation. The Commission’s e-Discovery data footprint grows at a rate of 10–15 percent per year. In FY 2017, ENF

received over 42,000 productions of documents and other information, an average of 3,500 productions per month. The total size of these productions increased by 10 percent compared to FY 2016. The sheer volume of digital evidence produced to the SEC in its investigations requires greater storage and processing powers as well as additional time for investigators to review that mass of information. Additionally, in today's society, violators of the federal securities laws have an ever-expanding array of technological options to conceal misconduct and encrypt or otherwise obfuscate the evidence of their wrongdoing.

### FY 2019 Request

To enable ENF to meet these challenges, and maintain an effective investigative capacity and deterrent presence, ENF must be adequately staffed to address increasingly complex financial products and transactions; handle the increasing size and complexity of the securities markets; identify emerging threats; take prompt action to halt violations; and recover funds for the benefit of harmed investors. The volume of potential securities violations continues to rise, yet ENF presently employs fewer than 1,200 professionals to police the markets for wrongdoing. For FY 2019, ENF is requesting 17 restored positions.

ENF's ability to litigate its increased caseload is mission-critical. ENF handles an expansive and sophisticated docket of litigation and trials, often against well-funded defendants. Some of the toughest and most important cases are filed as litigated matters. Ensuring that appropriate resources are devoted to these cases after they are filed is critical to the SEC's investor protection efforts. Successful litigation deters wrongdoing, sanctions those responsible for misconduct, and can result in relief for victims. In addition to trial victories, ENF's litigation efforts help it obtain strong settlements by making clear that ENF will go as far as required to obtain appropriate relief. In recent years, an increasing percentage of enforcement actions

have been filed as contested matters as opposed to being fully settled at the outset. Restoring trial attorney positions in FY 2019 will help reinforce the agency's litigation operations nationwide and enable the SEC to continue to be a respected and serious trial threat.

Additional litigation support is essential to manage the increasing e-Discovery burden, and will help ENF keep pace and manage the vast influx of digital documents and other data, analysis that is crucial to fulfilling ENF's mission. As previously noted, the amount of e-Discovery information that ENF already houses—and continues to regularly receive during the course of its investigations and litigations—is substantial. The complex data- and document-intensive cases brought by the SEC require substantial investments in staff time and e-Discovery resources.

Some of the restored positions sought in this request will be used to support two key priorities of the division: protecting retail investors and combatting cyber-related threats. To execute and meet these priorities, in FY 2017, ENF announced the creation of the Retail Strategy Task Force and the Cyber Unit.

The Retail Strategy Task Force will develop effective strategies and methods to identify potential harm to retail investors. In particular, the Task Force will focus on harnessing the Commission's ability to use technology and data analytics to identify large-scale wrongdoing.

The Cyber Unit will focus on combating cyber-related threats, which are among the greatest risks facing U.S. securities markets. This Unit combines ENF's substantial, existing cyber-related expertise and its proficiency in digital ledger technology. Its members investigate and prosecute these increasing technologically-driven violations, and coordinate with the Department of Justice and other criminal authorities.

## Workload Data

Activity	FY 2017 Actual	FY 2018 Estimate	FY 2019 Request
<b>Intelligence Analysis</b>			
Investor Tips and Complaints	17,098	16,500	16,500
Matters Under Inquiry (MUI) Opened	900	950	950
<b>Investigations</b>			
Opened	965	950	950
Ongoing at End of Year <sup>1</sup>	1,695	1,700	1,700
<b>Proceedings</b>			
Administrative			
Opened	569	550	550
Pending at End of Year <sup>2</sup>	812	810	810
Civil Litigation			
Opened	185	200	200
Pending at End of Year <sup>3</sup>	1,581	1,580	1,580

<sup>1</sup> "Ongoing" investigations define those in which the investigation remains active. It excludes those that are open solely because they are in litigation; those in which the SEC is seeking to collect assets and funds to satisfy outstanding judgments and debts owed to the SEC; those in which the SEC is distributing funds to harmed investors; and those that are in some other post-litigation activity. "Ongoing" investigations also exclude those that are in the process of being closed.

<sup>2</sup> These estimates may be impacted by a number of factors beyond the division's control, including – but not limited to – increases in the complexity of proceedings; higher than anticipated attrition rates; and the timing and amounts of the resources made available. Further, given the time required to bring on-board new staff after hiring levels are approved, the full effect of FY 2016 and/or FY 2017 positions will not be realized until later years.

<sup>3</sup> "Pending at End of Year" refers to those enforcement actions, filed civilly or administratively, that remain open due to ongoing litigation and post-judgment issues, including delinquent debts and distributions.

# OFFICE OF COMPLIANCE INSPECTIONS AND EXAMINATIONS

<i>(DOLLARS IN THOUSANDS)</i>	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request
<b>Full-Time Equivalents</b>	1,063	1,047	1,032
<b>Cost:</b>			
Salaries and Benefits	\$ 267,780	\$ 272,855	\$ 271,740
Non-Personnel Expenses	79,493	73,437	94,040
<b>Total Costs</b>	<b>\$ 347,273</b>	<b>\$ 346,292</b>	<b>\$ 365,781</b>

*Totals may not appear to sum from detail lines due to rounding of actual values*

The Office of Compliance Inspections and Examinations (OCIE) directs the SEC’s National Examination Program (NEP). OCIE’s mission is to protect investors, ensure market integrity, and support responsible capital formation through risk-focused strategies that: (1) improve compliance; (2) prevent fraud; (3) monitor risk; and (4) inform regulatory policy. The NEP maintains a critical presence among market participants by conducting thousands of exams annually, which provide timely, accurate, and reliable information to assist the program and SEC in fulfilling its mission.

The resources being requested are essential for OCIE to meet its objectives and fulfill the agency’s mission. Importantly, this request would allow the program to restore critical staffing losses from the last two years. Among other things, these resources are needed to: (1) address critical risks impacting market participants, including issues such as cybersecurity and anti-money laundering; (2) continue efforts to protect retail investors and those saving for retirement; (3) further address the disparity between the number of exam staff and the growing number, size, and complexity of registered firms, particularly in the investment management industry; (4) examine new categories of regulated entities now registered, or to be registered, as a result of legislation; and (5) enhance and expand quantitative and data analytic efforts throughout the NEP. OCIE will also continue its efforts to promote industry compliance efforts through initiatives such as the Compliance Outreach Program.

OCIE requests 24 positions to partially restore critical staffing losses from the last two years and address these areas. Overall, OCIE’s risk-based program is designed to focus resources on those firms and practices that pose the greatest potential risk of securities law violations that can harm investors and the markets.

## Key Observations, Issues, and Challenges

### Limitations of Exam Coverage for Securities Markets

The staff examined approximately 15 percent of registered investment advisers in FY 2017 and nearly 35 percent of all registered investment advisers have never been examined. At the same time, the population of registered advisers subject to SEC oversight continues to grow. To highlight, in just the last five years, the number of registered advisers has grown by over 15 percent and the assets under management of these firms has increased by more than 40 percent. Significant additional resources are critical to the examination program in order to improve the examination coverage of these entities.

### Complexity of Registrants and Markets

The securities markets continue to grow increasingly complex, with a proliferation of new and sophisticated products and services, tools, and trading strategies. Innovations in technology have also changed the way entities conduct business and investors access securities

markets and facilitated developments in areas such as algorithmic trading and automated investment advice. More recently, the rapid growth of distributed ledger (i.e., blockchain) technologies and the cryptocurrency markets has drawn interest from both investors and financial services firms. At the same time, cyber threats in securities markets have continued to increase in both frequency and sophistication. These types of industry developments and financial innovation will continue to present challenges to the staff, requiring additional staff expertise, resources, and a program that is agile, responsive, and continuously improving.

### Impact of Legislation and Rulemaking

The registration of municipal advisors has added responsibility in recent years for hundreds of additional registrants with increasingly complex business lines. Additionally, as the Commission finalizes rules to create a regulatory regime for the security-based swap market, staff resources and additional expertise will be required in FY 2019 for OCIE to effectively carry out its expanded responsibilities.

### FY 2019 Request

In light of the examination program's limited resources and these existing challenges, the office is requesting the restoration of 24 positions in FY 2019, which it intends to use to address the issues identified above, including: filling critical staffing losses from the last two years that have not been restored, enhancing examination coverage of investment advisers, focusing on critical risks impacting market participants, addressing new responsibilities, and implementing other program improvements.

### Investment Adviser/Investment Company Examination Program

The FY 2019 request seeks 13 restored positions to focus on examinations of investment advisers and investment companies. As stated above, the number of registered investment advisers and their assets under management has grown steadily over the years, while staff resources have not kept pace with the growing responsibilities. OCIE expects this growth to continue

through FY 2018 and FY 2019 and estimates there will be approximately 20 investment advisers per staff member. In addition, it is anticipated that the population of investment advisers will be larger and more complex than ever. With the resources requested, the staff will continue efforts to improve overall coverage of investment advisers, including an emphasis on the nearly 35 percent of advisers who have never been examined.

Among other things, these resources are critically needed to continue OCIE's efforts of protecting retail investors and investors saving for retirement. Retail investors continue to face complex and evolving options when determining how to invest their money. Additionally, as investors are more dependent than ever on their own investments during retirement, the financial services industry is offering a broad array of information, advice, products, and services to retail investors to help them plan for, and live in, their retirement years. OCIE will dedicate resources toward examining practices that represent risks to retail and retirement investors, such as services offered from remote locations and fee structures that create conflicts, as well as examining for indications of churning, reverse churning, unsuitable recommendations, deceptive sales practices, misleading disclosure, and elder abuse.

### Technology Controls Program

The capital market's use of, and dependence on, technology has evolved for decades, causing an increase in the complexity, interconnectedness, and speed of transactions, all of which continue to challenge market participants and regulators. In FY 2019, in support of Regulation Systems Compliance and Integrity (Reg SCI) to strengthen the technology infrastructure of the U.S. securities markets, OCIE's Technology Controls Program (TCP) will continue to conduct risk-targeted exams of Reg SCI entities, which include self-regulatory organizations (SRO)(including stock and options exchanges, registered clearing agencies, the Financial Industry Regulatory Authority [FINRA], and the Municipal Securities Rulemaking Board [MSRB]),

certain alternative trading systems, disseminators of consolidated market data, and certain exempt clearing agencies. TCP will examine Reg SCI entities to evaluate whether they have established, maintained, and enforced written policies and procedures reasonably designed to ensure the capacity, integrity, resiliency, availability, and security of their Reg SCI systems. TCP will also continue to examine technology focused issues of other registered entities, including those that may be new to SEC registration such as derivative markets participants.

In addition, as cyber threats continue to increase in both frequency and sophistication at financial institutions and within the securities markets, OCIE and the TCP will also seek to enhance cybersecurity examinations by working with the Department of the Treasury, the Department of Homeland Security, the Department of Justice, and the intelligence community. TCP also will monitor market operations and track system disruptions, system intrusions, and system compliance issues reported by Reg SCI entities. To adequately fulfill the above obligations, TCP would need to hire professionals with specialized experiences and skills. Six restored positions are requested to further enhance the work of the TCP.

#### Clearance and Settlement Examination Program

Three restored positions are being requested to enhance the oversight of clearing agencies, security-based swap data repositories, and transfer agents. Focusing resources in this area is critical given the important role these entities play in ensuring the stability of the marketplace. In recent years, both the scope and number of clearing agencies required to be examined by the SEC have grown. Examinations of these entities are complex and time consuming and require particular expertise in an evolving area.

The SEC is required to conduct examinations, on at least an annual basis, of securities clearing agencies that are designated as “systemically important” and for which it is the supervisory agency. These examinations are conducted in consultation with the Board of

Governors of the Federal Reserve System. In addition, as security-based swap data repositories register with the SEC, additional staff will be needed to perform periodic examinations of these entities. The requested positions will help OCIE build a dedicated team of derivatives and clearing specialists that will be able to conduct cross-sector examinations of clearing agencies, collaborate and respond to requests for assistance from the Division of Trading and Markets and other regulators engaged in clearance and settlement oversight, and enhance the NEP’s clearing and credit default swap/derivatives expertise.

The requested resources also will help OCIE conduct examinations of transfer agents, including joint examinations with federal banking regulators. Efficient transfer agent operations are critical to secondary securities markets. Examination efforts will continue to focus on transfers, record-keeping, safeguarding of customer information, and custody of shareholder funds.

#### Additional Significant Examination Program Efforts

OCIE also requires staffing in other critical areas, including its Broker-Dealer and Exchange (BDX) Program and its FINRA and Securities Industry Oversight (FSIO) Program. As described below, resources during the year will also be dedicated to significant program-wide efforts such as outreach initiatives, and risk assessment and surveillance.

Broker-Dealer and Exchange Program. BDX continues to have significant responsibilities and one restored position is being requested in order to supplement existing staff and address new areas of responsibility. Resources in this program will be used to continue critical examination work related to, among others, broker-dealers, national securities exchanges, municipal advisors, the Public Company Accounting Oversight Board (PCAOB), and the Securities Investor Protection Corporation. BDX resources will also be used to cover several new categories of security-based swap market participants registering with the Commission, including

security-based swap dealers and major security-based swap participants. During the year, staff will focus on high risk areas, including the sales and marketing of high risk products, with a particular emphasis on retail investors.

**FINRA and Securities Industry Oversight Program.** One restored position is requested to help FSIO with its oversight responsibilities of FINRA and MSRB. Oversight of FINRA is vitally important, as it is the primary regulator for broker-dealers. Examinations in FY 2019 will continue to focus on FINRA’s operations and regulatory programs and the quality of FINRA’s examinations of broker-dealers. Additionally, given the responsibility of MSRB to regulate municipal securities firms, staff will continue to examine the MSRB to evaluate the effectiveness of select operational and internal policies, procedures, and controls.

**Other Significant Initiatives.** OCIE will continue to improve its analytic, surveillance, and risk assessment functions in FY 2019, leveraging data and information available to the exam program. As part of this work, the program will continue to perform preliminary risk analysis on thousands of entities in order to help focus the program’s limited resources on firms and industry

practices posing the greatest risk to investors and the markets.

In FY 2019, OCIE will continue efforts aimed at encouraging stronger industry compliance programs. These efforts include conducting OCIE’s Compliance Outreach programs, which provide information and resources for compliance personnel of registered entities; issuing reports and risk alerts to the public and industry; and speaking at conferences concerning areas of regulatory interest.

### Developing Regulatory Technology and Data Analytics

As technology continues to evolve and alter the way entities conduct business, it is imperative that the examination program make appropriate investments to keep pace and to more effectively and efficiently conduct its regulatory oversight functions. Long-term investment and development in technology and analytical tools will be critical to the future success of the Commission’s oversight responsibilities. Particularly important in FY 2019 will be a continued focus on enhancing quantitative and data analytic efforts. These tools will provide staff with a greater ability to monitor for trends and emerging risks, ultimately enabling the staff to allocate SEC resources more effectively.

## Workload Data

Activity	FY 2017 Actual	FY 2018 Estimate <sup>1</sup>	FY 2019 Request <sup>1</sup>
Investment Adviser Examinations	2,114	2,120	2,160
Investment Company Examinations (includes administrators)	95	100	100
Broker-Dealer Examinations	325	300	300
Transfer Agent Examinations	57	45	47
Municipal Advisor Examinations	83	75	75
Market Oversight Inspections <sup>2</sup>	115	128	128
Technology Controls Program Inspections	70	70	80
Clearing Agency Examinations	14	11	12

<sup>1</sup> These estimates may be impacted by a number of factors beyond the office’s control, including—but not limited to—increases in the complexity of firms being examined; higher than anticipated attrition rates; and the timing and amounts of the resources made available.

<sup>2</sup> Market oversight inspections include inspections of exchanges conducted by OCIE’s BDX group as well as programmatic inspections and oversight exams of FINRA conducted by OCIE’s FSIO group.

## DIVISION OF CORPORATION FINANCE

<i>(DOLLARS IN THOUSANDS)</i>	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request
<b>Full-Time Equivalents</b>	461	433	423
<b>Cost:</b>			
Salaries and Benefits	\$ 116,144	\$ 115,096	\$ 113,708
Non-Personnel Expenses	31,921	29,049	36,894
<b>Total Costs</b>	<b>\$ 148,065</b>	<b>\$ 144,145</b>	<b>\$ 150,601</b>

Totals may not appear to sum from detail lines due to rounding of actual values

In support of the Commission’s mission to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation, the Division of Corporation Finance (CF) seeks to ensure that investors have access to material information in order to make informed investment decisions when a company offers its securities to the public and on an ongoing basis as companies continue to provide information to the marketplace. Through its selective review program, CF reviews company filings and provides comments to address possible material noncompliance with disclosure and accounting requirements under the federal securities laws and to enhance investor protection. CF also makes recommendations to the Commission for new or revised rules and the elimination of duplicative or outdated rules relating to the disclosure requirements for reporting companies, and provides interpretive assistance to companies on SEC rules and forms.

### Rulemaking and Interpretive Advice

During FY 2019, CF will continue to assist the Commission, as needed, with implementing any new rules to further facilitate capital formation and identifying any unnecessary barriers that impede capital formation. As part of this effort, CF will consider

proposing amendments to modernize certain disclosure requirements in Regulation S-K as part of its ongoing Disclosure Effectiveness Initiative and implement recommendations resulting from the Regulation S-K study required by the Fixing America’s Surface Transportation (FAST) Act of 2015.

### FY 2019 Request

The division requests three restored positions in FY 2019 to meet its goals and to enhance its ongoing efforts to facilitate capital formation. The new positions would allow CF to better support the volume of rulemakings by increasing the number of CF staff members dedicated to rulemaking. For example, in addition to the Disclosure Effectiveness Initiative described above, CF will consider recommending that the Commission propose amendments to further facilitate capital formation through exempt and registered offerings. The division will also consider recommending that the Commission propose amendments to Regulation S-K and Regulation S-X to modernize and streamline industry-specific disclosures applicable to real estate companies, including real estate investment trusts. The new positions would enable CF to fully support these and other rulemaking priorities.



## Workload Data

Activity	FY 2017 Actual	FY 2018 Estimate	FY 2019 Request
<b>Review</b>			
Reporting Company Reviews	4,200	4,100	4,100
Number of New Issuer Reviews			
IPO 1933 Act	430	400	400
New 1934 Act	90	100	100
New Issuer Reviews <sup>1</sup>	520	500	500
Total Reviews	4,720	4,600	4,600
<b>Rulemaking and Interpretive</b>			
General Advice and Coordination			
No-Action Letters/Interpretive Requests	95	100	100
No-Action Letters (Shareholder Proposals)	295	300	300

<sup>1</sup> Because of the inherent difficulty of predicting future market and economic conditions, the division assumes for planning purposes a steady level of transactional filings for future periods.

## DIVISION OF TRADING AND MARKETS

<i>(DOLLARS IN THOUSANDS)</i>	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request
<b>Full-Time Equivalents</b>	263	248	250
<b>Cost:</b>			
Salaries and Benefits	\$ 66,008	\$ 65,405	\$ 66,611
Non-Personnel Expenses	19,161	18,303	23,212
<b>Total Costs</b>	<b>\$ 85,169</b>	<b>\$ 83,708</b>	<b>\$ 89,824</b>

Totals may not appear to sum from detail lines due to rounding of actual values

The mission of the Division of Trading and Markets (TM) is to establish and maintain standards for fair, orderly, and efficient markets while fostering investor protection and confidence in the markets. To meet the mission requirements, TM is divided into different offices, each of which has specific functions and is focused on a specific part of the markets. These include: (i) Broker-Dealer Finance/Risk; (ii) Chief Counsel; (iii) Clearance and Settlement; (iv) Derivatives Policy and Trading Practices; and (v) Market Supervision. In addition, the division has two groups that serve in supporting functions: the Office of Analytics and Research, and the Office of the Managing Executive.

Overall, TM supervises the SROs and other major market participants in the U.S. securities markets, including 21 securities exchanges (equities and options), 81 alternative trading systems (ATS), over 3,900 broker-dealers, seven active clearing agencies, nearly 380 transfer agents, FINRA, and various securities information processors.

TM is responsible for numerous separate rulemaking initiatives. Many of these rulemakings are focused on modernizing or establishing new ongoing supervisory and regulatory functions that will extend into FY 2019 and beyond. These initiatives include:

- Development and implementation of pilot programs designed to test shifts in fee models;

- Establishment of clear standards of conduct for broker-dealers to ensure transparency and fairness to investors;
- Implementation of a modernized regulatory framework for ATSS, enhancing transparency and protecting consumer information; and
- Continuation of work related to the regulatory frameworks for security-based swaps and other derivatives products.

Ongoing work of the division includes the review of SRO rule proposals for consistency with the Exchange Act standards of investor protection, fair and orderly markets and market structure, and other statutory requirements. Additionally, staff throughout the division regularly responds to requests for interpretive guidance on existing rules to ensure compliance, as well as requests for exemptive and no-action relief. In FY 2017, TM processed 165 amendments to national securities exchange registrations (Form 1), registered 13 new ATSS, and processed about 4,800 new investment product submissions (19b-4e).

### FY 2019 Request

In FY 2019, TM requests 16 restored positions to undertake new market-related responsibilities resulting from ongoing or recently completed rulemakings, and to continue improving the agency's market oversight and supervision. This includes a significantly enhanced

focus on fixed income markets, requiring specialized industry expertise and staffing to support the new Fixed Income Market Structure Advisory Committee, established in early FY 2018. That committee's work will initially focus on the structure and operation of the U.S. fixed income markets, bond market liquidity, and the extent to which any corporate bond market recommendations might also be relevant for the municipal bond market. Staff will be required to fully develop, propose, and implement related recommendations.

In FY 2019, the division will expand its work related to cybersecurity and other risks that present a threat to market stability. This work is required across the industry where this sort of risk continues to increasingly become a greater concern. Such cyber risks have the potential to be significantly disruptive to U.S. markets and enhanced expertise is required to adequately ameliorate this risk.

FY 2019's work will include implementation of rule initiatives from FY 2018, and will incorporate lessons from the pilot programs underway. Building off lessons from the Tick Size Pilot, the division expects to further explore policies to enhance market structure in the small cap, illiquid segment of the market, to better encourage capital formation for smaller companies. Significant market structure changes may be warranted in this area and an additional pilot may be required to gather the requisite data to improve the structure of our markets for this segment.

Risks and opportunities within the markets associated with new Financial Service Technologies (FinTech) is another area of division focus, requiring study of the flexibility of current regulatory frameworks and policies and application of lessons learned. As technology underpinning the U.S. markets evolves at a rapid pace, the division seeks to study the rise of such technologies, including new types of electronic matching platforms and other secondary market tools and their impact on market liquidity. These studies, and associated pilot programs, will inform future regulatory considerations and initiatives.

The division seeks to expand the agency's depth of expertise in the area of market insight and analysis, enabling improved information sharing and issue spotting in support of the agency's market threat detection and response capabilities. Staying current with market trends and developments is essential to the agency's ability to remain an effective regulator. The requested restored positions would also help the division implement its new and enhanced responsibilities to oversee clearing agencies and swap data repositories as well as supplement staffing on existing work affected by the hiring freeze.

Other restored positions would: (i) help improve the SEC's analytics and reporting on broker-dealers' finances, internal controls, and risk management practices; (ii) process an increasing number of rule proposals from a growing number of SROs; and (iii) provide interpretive guidance related to existing rules.

## Workload Data

Activity	FY 2017 Actual	FY 2018 Estimate	FY 2019 Request
<b>Securities Firm Supervision</b>			
SRO Proposed Rule Changes Reviewed <sup>1</sup>	45	63	56
SEC Rulemaking, Exemptive Orders, and Interpretive and Other Actions	2	5	5
Interpretive, Exemptive, and No-Action Request Letters Closed <sup>2</sup>	12	15	15
Reviews of Potential Enforcement Actions	1,223	1,300	1,300
Notices filed by SROs relating to Applications for Admission or Continuance as or with an SRO Member Notwithstanding a Statutory Disqualification <sup>3</sup>	15	25	25
Provision of Interpretation and Guidance and Responding to General Questions <sup>4</sup>	16,240	16,500	16,500
Tips, Complaints, and Referrals (TCR)	474	450	450
Risk Assessment of Broker-Dealers Filing Form 17-H			
Firms Assessed	100	100	100
Filings Reviewed	300	300	300
Risk Supervision of Alternative Net Capital Broker-Dealers			
Firms Assessed	7	7	7
Filings Reviewed	84	84	84
Risk Supervision of OTC Derivatives Dealers and Security-Based Swap Dealers			
Firms Assessed	8	8	12
Filings Reviewed	96	96	144
Applications Reviewed	4	4	4
Broker-Dealers			
Registrants	3,917	3,875	3,850
Registration Applications Filed	174	170	165
Registration Amendments Filed	10,835	10,800	10,750
Registrations Withdrawn or Cancelled	412	400	390
Financial Reports Filed	5,624	5,400	5,100
Security-Based Swap Dealers			
Registrants	—	—	15
Registration Applications Filed	—	—	15
Major Security-Based Swap Participants			
Registrants	—	—	2
Registration Applications Filed	—	—	2
Funding Portals	36	50	150
<b>Securities Market &amp; Infrastructure Supervision</b>			
SRO Proposed Rule Changes and Advance Notices Reviewed <sup>1</sup>	2,904	3,094	2,728
NMS & SRO Plan Amendments Filed	26	20	20
SEC Rulemaking, Exemptive Orders, and Interpretive and Other Actions	12	10	10

continued on next page

<sup>1</sup> This data includes filings, pre-filings, and amendments reviewed.

<sup>2</sup> This data includes requests for which a formal response was not issued, such as items that were withdrawn, but omit routine correspondence (such as routine broker-dealer financial responsibility correspondence and foreign control location letters filed under Rule 15c3-3 of the Securities Exchange Act).

<sup>3</sup> Activity description changed from "Registered Representative Reentry Applications Filed" to better describe this data.

<sup>4</sup> Calls and emails received by TM staff directly from the public increased dramatically over last year. This increase was driven in large part by a move to allow certain registrants to file certain filings electronically, which generated significant questions and requests for assistance.

## Workload Data (continued)

Activity	FY 2017 Actual	FY 2018 Estimate	FY 2019 Request
<b>Securities Market &amp; Infrastructure Supervision (continued)</b>			
Interpretive, Exemptive, and No-Action Request Letters Closed	38	30	30
Securities Exchanges			
Registrants	21	22	23
Registration Applications Filed	—	1	1
Registration Amendments Filed	165	173	180
Registrations Withdrawn or Cancelled	—	—	—
Alternative Trading Systems			
Registrants	90	98	111
Initial Operations Reports Filed	18	15	20
Initial Operations Report Amendments Filed	149	162	183
Cessations	9	7	7
Quarterly Reports	329	358	405
Security-Based Swap Execution Facilities <sup>5</sup>			
Registrants	—	—	—
Registration Applications Filed	—	—	—
Proposed Rule Changes Filed	—	—	—
Clearing Agencies (Active) <sup>6</sup>			
Registrants	9	10	10
Registration Applications Filed	1	—	—
Security-Based Swap Data Repositories <sup>7</sup>			
Registrants	—	2	2
Registration Applications Filed	2	—	—
Transfer Agents <sup>8</sup>			
Registrants	299	290	290
Registration Applications Filed	7	7	7
Registration Amendments Filed	179	175	170
Registrations Withdrawn or Cancelled	19	22	25
Annual Reports Filed	243	240	235
Large Traders			
Registrants	6,269	6,557	6,857
Registration Applications Filed	589	580	580
Registration Amendments Filed	2,755	2,900	3,000
Terminated or Inactive	301	300	300
Annual Reports Filed	3,155	6,557	6,857

<sup>5</sup> The Commission has granted an exemption from the statutory requirement to register as a "security-based swap execution facility" to any facility that trades security-based swaps, pending adoption and implementation of final rules governing security-based swap execution facilities.

<sup>6</sup> As of December 31, 2017, it is unclear whether additional clearing agencies will seek registration in 2018.

<sup>7</sup> As of December 31, 2017, it is unclear whether additional security-based swap data repositories will seek registration in 2018.

<sup>8</sup> This data only includes SEC-registered transfer agents and omits the approximately 80 transfer agents registered with a bank regulatory agency, which the Commission also oversees.

## DIVISION OF INVESTMENT MANAGEMENT

<i>(DOLLARS IN THOUSANDS)</i>	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request
<b>Full-Time Equivalents</b>	182	176	175
<b>Cost:</b>			
Salaries and Benefits	\$ 47,193	\$ 47,254	\$ 47,491
Non-Personnel Expenses	12,151	10,488	13,140
<b>Total Costs</b>	<b>\$ 59,344</b>	<b>\$ 57,742</b>	<b>\$ 60,631</b>

Totals may not appear to sum from detail lines due to rounding of actual values

The Division of Investment Management (IM) works to fulfill the SEC's mission by administering the Investment Company Act of 1940 and the Investment Advisers Act of 1940 and developing regulatory policy for open-end management investment companies (commonly known as mutual funds), exchange-traded funds (ETF), closed-end funds, variable insurance products and other investment companies, and for investment advisers.

Investment companies—including mutual funds and ETFs—are the principal means by which middle class Americans invest in the capital markets. Investment companies provide a crucial link between U.S. households seeking an investment return on dollars saved for education or retirement, and U.S. corporations, non-profits, and national, state, and local governments seeking capital from the securities markets to fund projects that provide needed goods, services, and economic growth.

Investment companies supply significant amounts of debt and equity capital to a variety of issuers. In terms of percentage of market value of outstanding securities, they hold:

- 31 percent of U.S. corporate stock
- 19 percent of U.S. and foreign corporate bonds
- 13 percent of U.S. Treasury and government agency securities
- 23 percent of U.S. municipal securities

As of September 2017, there were 12,616 SEC-registered investment advisers reporting approximately \$71.7 trillion in regulatory assets under management. Approximately 51 percent of these advisers provide investment advice to mainstream retail investors. Approximately 37 percent provide investment advice to private funds such as hedge funds and private equity funds with gross assets of about \$11.6 trillion. In addition to registered investment advisers, the SEC also receives reports from approximately 3,743 exempt reporting advisers—those who are exempt from registering with the SEC because they are venture capital fund advisers or mid-sized private fund advisers—who report managing approximately \$2.6 trillion in private funds.

### FY 2019 Request

The SEC requests a total of seven restored positions for IM to implement key policy objectives.

One new position is requested for an ETF industry professional. Among other responsibilities, the staff person would evaluate novel and complex ETF products, structures, trading mechanisms and index replication methodologies; obtain and interpret information resulting from dialogue with portfolio managers, authorized participants, index arbitrage traders, operations managers, personnel involved in physical and synthetic index replication, and other technical experts; and assist in targeted examinations that involve ETF industry participants.

One new position is requested for a derivatives professional to apply sophisticated quantitative analysis techniques to the review of disclosure filings of investment companies.

Two new positions are requested to work with asset management industry participants to formulate policy recommendations with respect to issues involving the impact of new technologies on the investment management and investment adviser industries, including issues related to cybersecurity, FinTech, and the emergence of roboadvice.

One new position is requested for expertise specific to fixed income mutual funds and ETFs to help the division analyze and address market structure issues involving bond funds and ETFs and work with the Commission’s new Fixed Income Market Structure Advisory Committee on these matters.

One new position is requested to strengthen IM’s capacity to conduct ongoing analysis of data related to IM disclosure, regulatory, and industry engagement programs, and enhance IM’s ability to respond rapidly to market events with policy recommendations that are informed by sophisticated quantitative analysis.

One new position is requested to improve oversight of private funds, their investment advisers, and business development companies (BDC). The position would be used to augment capacity to analyze Form PF data; enhance IM’s ability to respond to private fund adviser interpretive requests, identify policy issues, and recommend regulatory changes in light of changing conditions; and assist the division and other Commission staff in understanding the investment process used by BDCs.

## Workload Data

Activity	FY 2017 Actual	FY 2018 Estimate	FY 2019 Request
<b>Disclosure</b>			
New Portfolios and Insurance Contracts Filed on Registration Statements	2,795	2,850	2,850
New Portfolio Disclosures and Insurance Contracts Reviewed	1,726	1,830	1,830
Existing Portfolios and Insurance Contracts Filed on Post-Effective Amendments <sup>1,2</sup>	34,871	33,800	33,975
Existing Portfolio Disclosures and Insurance Contracts Reviewed <sup>2</sup>	5,492	5,233	5,237
Portfolios and Insurance Contracts Filed on Proxy Statements	1,781	1,450	1,450
Portfolios and Insurance Contracts Filed on Proxy Statements Reviewed	1,781	1,450	1,450
Annual and Periodic Reports Filed	14,511	14,400	14,475
Annual and Periodic Reports Partially Reviewed	5,009	4,800	4,825
Total Filings	53,958	52,500	52,750
Total Filings Reviewed	14,008	13,313	13,342
Percent Reviewed	26%	25%	25%
<b>Interpretive Guidance</b>			
Formal and Informal Requests for Guidance	1,232	1,205	1,205
Enforcement-Related Matters Reviewed	2,352	840	850
Exemptive Relief Requests Concluded	309	275	275

<sup>1</sup> Included in post-effective amendments are open-end, closed-end, and unit investment trust (UIT) portfolios.

<sup>2</sup> With respect to post-effective amendments, historically, over 90 percent of open-end and closed-end portfolios that contain material changes in disclosure or in fund operations are reviewed. Because of their repetitive nature, amendments to UIT portfolios are generally not reviewed.

## DIVISION OF ECONOMIC AND RISK ANALYSIS

<i>(DOLLARS IN THOUSANDS)</i>	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request
<b>Full-Time Equivalents</b>	157	147	145
<b>Cost:</b>			
Salaries and Benefits	\$ 39,919	\$ 39,428	\$ 39,323
Non-Personnel Expenses	28,088	32,964	35,758
<b>Total Costs</b>	<b>\$ 68,007</b>	<b>\$ 72,392</b>	<b>\$ 75,081</b>

Totals may not appear to sum from detail lines due to rounding of actual values

The Division of Economic and Risk Analysis (DERA) continues to provide a powerful combination of sophisticated economic, financial, and legal expertise, and rigorous data analytic and quantitative methodologies in furtherance of the SEC’s mission. The division is involved across the entire range of SEC activities, including policy-making, rulemaking, enforcement, and examination. As the agency’s “think tank,” DERA relies on a variety of academic disciplines, quantitative and non-quantitative approaches, and knowledge of market institutions and practices to help the Commission approach complex matters in a fresh light. DERA also assists in the Commission’s efforts to identify, analyze, and respond to risks and trends, including those associated with new financial products and strategies. Through the range and nature of its activities, DERA serves the critical function of promoting collaborative efforts throughout the agency and breaking through silos that might otherwise limit the impact of the agency’s institutional expertise.

The division produces high-quality, data-driven analyses that address the economic issues associated with the regulation of the financial markets and the enforcement of federal securities laws. DERA’s support for the SEC primarily falls into four categories.

### Informing Policy-Making with Robust Economic Analysis and Cutting-Edge Research

DERA provides economic expertise for policy-making by analyzing the economic effects of regulations and other priority initiatives, and by engaging in novel research regarding the regulation of financial markets. DERA provides theoretical and data-driven economic analyses to support the Commission’s broad regulatory agenda. These analyses typically examine the need for regulatory action, consider potential economic effects by collecting and analyzing market data and evaluating pertinent academic literature, among other methods, and evaluate public comments.

### Producing Papers and Studies on Significant Economic Issues

DERA produces papers and studies on significant economic issues that support the Commission’s mission. These staff-authored white papers and memoranda are publicly available on the DERA website and are often cross-referenced in Commission rulemakings or other policy initiatives. These papers showcase DERA staff’s academically rigorous research that aims to inform policy as it is being developed.



## Supporting Enforcement and Inspection Activities

DERA economists directly support the SEC’s enforcement and litigation activities by applying economic methods to address agency investigations, negotiations, and distribution of recovered funds to harmed investors. With increasing frequency, DERA is requested to testify as fact and expert witnesses on behalf of the Commission. The fact that this expertise is resident in the division is extremely cost effective when compared to the cost associated with contracting outside professionals. DERA also supports agency staff with examination planning, including providing guidance on the collection and analysis of data to help promote risk-based examination programs.

## Improving Accessibility and Usability of SEC Data

DERA takes innovative approaches to developing solutions that make market information accessible to internal and external audiences. Structured data reporting enhances access for the Commission and other users to key information about registrants, their practices, and their offerings. DERA works closely with agency offices and divisions to design data structuring approaches for required disclosures, and supports the SEC’s data collection and usage by designing taxonomies, validation rules, data quality

assessments, and dissemination tools to facilitate high-quality data analyses. Once this data is ingested, DERA provides a variety of platforms—and continues to develop new ones—that allow non-technical staff to access and use vast quantities of market data.

## FY 2019 Request

The SEC seeks four restored positions to begin to address both the most critical staffing needs that have resulted from attrition and the continued demand for economic expertise from across the agency. All four positions would be filled with financial economists and will be targeted to fill essential skill gaps within DERA’s risk assessment and policy offices. Two of these financial economists are for DERA’s Office of Risk Assessment to address unmet customer demand for support and expertise in cyber/operational risk, structured finance, and investment advisers/asset management.

The remaining two financial economists positions are for DERA’s policy offices to enhance the level of economic expertise to focus on policy and rule-making matters related to financial accounting and disclosure (including PCAOB matters) as well as private funds, registered investment companies, and investment advisers.

## Workload Data

Activity	FY 2017 Actual	FY 2018 Estimate	FY 2019 Request
Reviews of Commission Rules <sup>1</sup>	78	80	82
Reviews of SRO and PCAOB Filings	55	57	59
Advice on Regulatory, Enforcement, and Risk Assessment Issues	3,443	3,500	3,500
Interactive Data Compliance Monitoring	8,334	7,960	7,600
Interactive Data Programs Supported	13	13	14

<sup>1</sup> Includes staff participation in Commission rulemaking at all stages of development as well as 10-year rule reviews required by the Regulatory Flexibility Act.

## OFFICE OF THE GENERAL COUNSEL

<i>(DOLLARS IN THOUSANDS)</i>	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request
<b>Full-Time Equivalents</b>	141	134	131
<b>Cost:</b>			
Salaries and Benefits	\$ 36,938	\$ 36,647	\$ 36,252
Non-Personnel Expenses	9,917	9,060	11,194
<b>Total Costs</b>	<b>\$ 46,855</b>	<b>\$ 45,707</b>	<b>\$ 47,446</b>

*Totals may not appear to sum from detail lines due to rounding of actual values*

The General Counsel serves as the chief legal officer of the SEC and heads the Office of the General Counsel (OGC). OGC provides independent legal analysis and advice to the Chairman, Commissioners, and operating divisions on all aspects of the Commission's activities. OGC also defends the Commission in federal district courts, represents the Commission in appellate matters and *amicus curiae* filings, and oversees the SEC's bankruptcy program. In addition, OGC represents the SEC and its members and employees at the trial and appellate levels when they are parties or witnesses in civil or administrative litigation arising from the performance of official functions. OGC also performs a wide variety of other legal functions in support of the Commission's operations.

In FY 2019, OGC will continue to focus on legislative initiatives to reform the existing regulatory structure for the securities markets and the financial services industry. The staff of experienced attorneys will handle complex agency and securities law issues and address legal challenges to rulemakings. OGC also expects to provide technical assistance to Congress and other financial regulatory agencies on numerous legislative initiatives and other matters. OGC will continue to manage the agency's appellate litigation, including appeals related to complex enforcement cases and challenges to new rulemakings. The staff will also continue to provide assistance and advice in responding to Congressional requests for information and documents.

## Workload Data

Activity	FY 2017 Actual	FY 2018 Estimate	FY 2019 Request
<b>Appellate Cases</b>			
Open Matters	174	175	175
<b>Adjudicatory Matters</b>			
Pending Beginning of Year	67	77	70
Received	52	32	32
Completed	42	39	39
Pending End of Year	77	70	63
<b>Legislation</b>			
Testimony	4	20	20
Correspondence with Congress and Others	91	180	180
Legislative Analysis and Technical Assistance	501	380	380
Other	91	110	110
<b>Advisory Services</b>			
SEC Statutes			
Analysis of Enforcement Memoranda	2,225	2,200	2,200
Review of Rulemaking and Other Projects	465	600	630
Review of Articles and Speeches	358	300	300
Non-SEC Statutes			
Freedom of Information Act (FOIA) – Internal Appeals	605	620	620
Personnel Matters	245	245	245
Procurement Matters	750	760	780
Labor Matters	25	30	30
Attorney Misconduct Investigations	410	425	430
Other (Subpoenas)	51	50	50
<b>Corporate Reorganization</b>			
Petitions Involving Public Investor Interest	54	60	60
Chapter 11 Cases: Appearances			
Filed	29	30	30
Closed	46	30	30
Chapter 11 Cases: Monitored			
Filed	25	30	30
Closed	29	25	25
Disclosure Statement Reviews	82	90	90
Disclosure Statements Commented On	60	60	60

## OTHER PROGRAM OFFICES

<i>(DOLLARS IN THOUSANDS)</i>	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request
<b>Full-Time Equivalents:</b>			
Office of the Chief Accountant	49	50	49
Office of Investor Education and Advocacy	43	42	42
Office of International Affairs	55	53	51
Office of Administrative Law Judges	13	12	12
Office of the Investor Advocate	11	11	12
Office of Credit Ratings	44	41	41
Office of Municipal Securities	9	10	10
Office of the Advocate for Small Business Capital Formation	—	1	3
<b>Total Full-Time Equivalents</b>	<b>224</b>	<b>220</b>	<b>220</b>
<b>Cost:</b>			
Salaries and Benefits	\$ 57,392	\$ 57,013	\$ 57,612
Non-Personnel Expenses	23,672	20,747	25,774
<b>Total Costs</b>	<b>\$ 81,064</b>	<b>\$ 77,761</b>	<b>\$ 83,386</b>

*Totals may not appear to sum from detail lines due to rounding of actual values*

This section describes the responsibilities and activities of the agency's smaller program offices.

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

**Office of Investor Education and Advocacy:** Serves investors who complain to the SEC about investment fraud or the mishandling of their investments by securities professionals, ensures the views of retail investors inform the Commission's regulatory policies and disclosure programs, and works to improve investors' financial literacy.

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

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

**Office of the Investor Advocate:** Provides assistance to investors in resolving significant problems they may have with the SEC or with SROs, and identifying areas in which investors would benefit from changes to federal laws or to SEC regulations or SRO rules.

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

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

Office of the Advocate for Small Business Capital Formation: Will be created by the SEC as required by the SEC Small Business Advocate Act (P.L. 114-284). Among other functions, the office will identify needs of small businesses and small business investors, and how the regulations of the Commission or SROs can be changed to better address those needs.

# OFFICE OF THE CHIEF ACCOUNTANT

<i>(DOLLARS IN THOUSANDS)</i>	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request
<b>Full-Time Equivalents</b>	49	50	49
<b>Cost:</b>			
Salaries and Benefits	\$ 14,427	\$ 14,616	\$ 14,510
Non-Personnel Expenses	3,869	3,574	4,538
<b>Total Costs</b>	<b>\$ 18,297</b>	<b>\$ 18,191</b>	<b>\$ 19,048</b>

Totals may not appear to sum from detail lines due to rounding of actual values

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

## FY 2019 Objectives and Priorities

The Accounting Group will continue to advise on significant ongoing changes in the accounting and disclosure standards developed and issued by the FASB and IASB, such as revenue recognition, leases, and financial instruments. Also, the Accounting Group will continue to consult with companies and auditors regarding the application of accounting and disclosure standards, including the impact of the comprehensive tax reform from the Tax Cuts and Jobs Act of 2017.

The Professional Practice Group (PPG) will continue to provide expert advice related to auditing, independence, and internal control over financial reporting. PPG also assists the Commission in its oversight of the PCAOB. PPG primarily provides this advice in

rulemaking support, overseeing the PCAOB (including PCAOB standard-setting), and consultations. In addition, PPG has been assisting in PCAOB oversight since its formation in the early 2000s. PCAOB has reached a relative steady state, but has grown tremendously during this time, which results in larger oversight activity.

The Office of the Chief Counsel and Enforcement Liaison (OCCEL) will continue to assist ENF on cases involving accounting, auditing, and auditor independence. Based on the increased number and complexity of cases in these areas, OCCEL finds an ever increasing need to work with ENF teams at an earlier stage of their investigations. In addition, rulemaking activities in OCA are expected to increase. Furthermore, OCCEL will continue to assist with staff speeches, panel discussions, and briefing statements that involve or relate to OCA activity.

The International Group anticipates continuing monitoring work on international accounting standards. The International Group is expecting that implementation questions associated with new major standards going into effect will cause it to spend additional time on interpretive activities. In addition, the IASB is now moving forward on fundamental work related to disclosure effectiveness, which is an area the International Group wants to closely monitor given the SEC’s existing rules and pending rulemaking efforts.

## Workload Data

Activity	FY 2017 Actual	FY 2018 Estimate	FY 2019 Request
<b>Oversight of Accounting and Auditing Standard-Setting</b>			
U.S. Accounting Standard Setter Trustee and Board Appointments	4	5	5
U.S. Accounting Standard-Setting Projects and Interpretations	64	65	65
International Accounting Standard-Setting Projects and Interpretations	54	61	61
U.S. Auditing Oversight (PCAOB) Board Appointments	—	5	—
Inspections of PCAOB Programs	1	—	—
U.S. Auditing Standards and Other Rules Issued by PCAOB and Approved by SEC	—	3	3
International Audit/Ethics Standard-Setting Projects and Interpretations	13	13	11
<b>Development of Commission Accounting and Auditing Policies</b>			
SEC Rule Amendments and SEC Staff Announcements and Bulletins	7	12	12
International Organization of Securities Commissions (IOSCO) Policy Statements, Consultation Papers, and Reports	1	3	2
<b>Interpretation of Accounting Standards, Policies, and Positions</b>			
Resolution of Accounting Issues of SEC Registrants	130	140	130
Discussions of International Accounting Issues	30	49	52
<b>Recommendations for Actions on the Qualification of Accountants to Practice Before the Commission</b>			
PCAOB Inspections of Audit Firms Subject to SEC Oversight	273	247	250
Auditor Independence Consultations	205	225	250
<b>Supervision of the Procedures for the Commission's Accounting and Auditing Enforcement Activities</b>			
Consultations on Potential Enforcement Investigations	311	311	311
Rule 102(e) Accountant Reinstatement Applications	26	21	21
<b>Assistance with Resolving Differences on Accounting Issues Between Registrants and the Commission</b>			
<i>(Included within Interpretation of Accounting Standards, Policies, and Positions listed above)</i>	N/A	N/A	N/A
<b>OCA External Outreach and Communication</b>			
Speeches, Panel Discussions, and Meetings with Constituent Groups	143	159	159

# OFFICE OF INVESTOR EDUCATION AND ADVOCACY

(DOLLARS IN THOUSANDS)	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request
<b>Full-Time Equivalents</b>	43	42	42
<b>Cost:</b>			
Salaries and Benefits	\$ 10,922	\$ 10,654	\$ 10,766
Non-Personnel Expenses	8,391	5,793	7,088
<b>Total Costs</b>	<b>\$ 19,313</b>	<b>\$ 16,447</b>	<b>\$ 17,854</b>

Totals may not appear to sum from detail lines due to rounding of actual values

The Office of Investor Education and Advocacy (OIEA) seeks to provide individual investors with the information they need to make sound investment decisions. OIEA administers two primary programs to promote this mission: assisting individual investors with complaints and inquiries about the securities markets and market participants, and conducting educational outreach to individual investors. OIEA also helps to inform Commission policy by advising the Commission and Commission staff on various issues from the perspective of the individual investor, including with respect to rulemakings, Investor Advisory Committee recommendations, and through IOSCO’s Committee on Retail Investors.

Research indicates that many retail investors are not taking key steps to protect their money from investment fraud, including researching the background of an investment professional before investing. In FY 2019, OIEA plans to continue its “Before You Invest, Investor.gov” public service campaign focused on helping individuals protect themselves from investment fraud, including raising awareness about [Investor.gov](http://Investor.gov).

OIEA is seeking one restored position to expand its investor education efforts by focusing on initiatives aimed at increasing the number of investment professional background checks on [Investor.gov](http://Investor.gov) by retail investors.

## Workload Data

Activity	FY 2017 Actual	FY 2018 Estimate	FY 2019 Request
<b>Investor Assistance</b>			
Total Investor Assistance Matters Closed	16,756	16,000	16,000
Percentage of Investor Assistance Matters Closed Within:			
7 Days	65%	62%	62%
30 Days	94%	90%	90%
<b>Investor Education</b>			
Page Views on OIEA Web Pages <sup>1</sup>	9,100,000	8,000,000	10,000,000
In-Person Investor Events	146	90	90
Number of Investor Alerts and Bulletins Issued	34	32	32

<sup>1</sup> OIEA implemented technical changes in FY 2016 to help users navigate SEC online investor education material more efficiently, resulting in fewer page views. As a result, the target for FY 2017 was changed from 37.5 million to eight million page views.



# OFFICE OF INTERNATIONAL AFFAIRS

<i>(DOLLARS IN THOUSANDS)</i>	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request
<b>Full-Time Equivalents</b>	55	53	51
<b>Cost:</b>			
Salaries and Benefits	\$ 13,198	\$ 13,536	\$ 13,159
Non-Personnel Expenses	3,400	3,473	4,771
<b>Total Costs</b>	<b>\$ 16,598</b>	<b>\$ 17,009</b>	<b>\$ 17,930</b>

Totals may not appear to sum from detail lines due to rounding of actual values

The Office of International Affairs (OIA) advances the SEC’s mission by promoting international enforcement and supervisory cooperation; developing and implementing strategies to further SEC policy interests in the regulation and oversight of cross-border securities activities; managing and executing the SEC’s participation in international regulatory bodies; engaging in regulatory dialogues with international counterparts; and providing technical assistance to strengthen partnerships with foreign authorities.

## FY 2019 Objectives and Priorities

The Regulatory Policy Group will continue to advise the Chairman, Commissioners, and staff on strategies for advancing the Commission’s objectives in international organizations, including the Financial Stability Board (FSB) and IOSCO, and to coordinate the Commission’s participation in these bodies; promote the Commission’s bilateral relationships with other jurisdictions and work with foreign authorities to address cross-border policy issues that may have an impact on U.S. market participants, i.e., the Markets in Financial Instruments Directive; and collaborate with other divisions and offices with respect to developing or operationalizing SEC rulemakings or other policy initiatives with cross-border elements.

The International Enforcement Cooperation Group will assist ENF in conducting investigations and enforcement proceedings with international aspects, including where wrongdoers, witnesses, evidence, or the proceeds of fraud are located abroad; advise and help foreign authorities with their investigations and litigation, e.g., where perpetrators, witnesses, evidence, or the proceeds of a fraud are located in the United States; and move forward the Commission’s policy objectives in the international cooperation area, including promoting best practices and overcoming obstacles with respect to cross-border enforcement-related information sharing. Consistent with the Commission’s enforcement priorities, which include a focus on retail investors and cyber-related misconduct, the International Enforcement Cooperation Group will continue to promote initiatives to address frauds that affect retail investors such as cross-border pump and dump frauds. OIA’s International Enforcement Group will also assist ENF to combat cyber-enabled misconduct such as market manipulation schemes accomplished by foreign hackers and initial coin offering (ICO)-related frauds.

The Supervisory Cooperation Group plans to assist SEC examination staff in OCIE and OCR on cross-border supervisory issues; advise and help foreign regulators with supervisory matters involving globally-active regulated entities; and develop and implement additional cooperation memoranda of understanding and other supervisory cooperation arrangements with foreign regulatory authorities.

The Technical Assistance Group will continue to build capacity and strong relationships with the same foreign counterparts the agency relies on for assistance with SEC enforcement cases and overseas examinations. In response to requests from foreign securities authorities, the group will provide technical advice and training; review regulatory oversight regimes and suggest improvements; and consult on draft legislation, regulations, and operational processes and procedures.

## Workload Data

Activity	FY 2017 Actual	FY 2018 Estimate	FY 2019 Request
SEC ENF Requests to SEC OIA for International Assistance <sup>1</sup>	1,272	1,389	1,506
Responses to Foreign Requests for SEC Enforcement Assistance <sup>1</sup>	599	627	655
Number of International Regulatory and Law Enforcement Officials Trained <sup>2</sup>	1,837	1,850	1,850
SEC Requests for Supervisory Cooperation Assistance <sup>3</sup>	169	174	179
Responses to Foreign Requests for SEC Supervisory Cooperation Assistance <sup>4</sup>	153	158	163
International Regulatory Initiatives (including regulatory initiatives) <sup>5</sup>	144	178	178

1 OIA's FY 2018 estimate and FY 2019 request use a linear trend analysis of actual results from the last five fiscal years in combination with FY 2018 Q1 actual results. The FY 2018 estimate and FY 2019 request to OIA are higher than OIA's previous submission and the FY 2018 estimate and FY 2019 request for responses to foreign requests are lower than OIA's previous submission as a result of such analysis.

2 OIA's FY 2018 and FY 2019 figures are contingent on the availability of sufficient domestic and foreign resources.

3 OIA projects a three percent increase in the number of requests for supervisory cooperation from SEC staff, including OCIE, OCR, and TM. The FY 2018 estimate is higher than OIA's previous submission because OIA used FY 2017 actual results to calculate the FY 2018 estimate.

4 OIA projects a three percent increase in the number of foreign requests for SEC assistance in supervisory matters. The FY 2018 estimate is higher than OIA's previous submission because OIA used FY 2017 actual results to calculate the FY 2018 estimate.

5 The Regulatory Policy Unit tracks bilateral and multilateral engagements for the Chairman, Commissioners, and OIA staff that the Regulatory Policy Unit coordinates and supports. The Regulatory Policy Unit also supports staff throughout the agency on internal projects with international aspects and international projects that are not quantified in this tracking mechanism.

# OFFICE OF ADMINISTRATIVE LAW JUDGES

<i>(DOLLARS IN THOUSANDS)</i>	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request
<b>Full-Time Equivalents</b>	13	12	12
<b>Cost:</b>			
Salaries and Benefits	\$ 2,542	\$ 2,472	\$ 2,498
Non-Personnel Expenses	648	574	709
<b>Total Costs</b>	<b>\$ 3,190</b>	<b>\$ 3,046</b>	<b>\$ 3,207</b>

Totals may not appear to sum from detail lines due to rounding of actual values

The Office of Administrative Law Judges (OALJ) supports the SEC’s mission by conducting hearings, issuing initial decisions, and adjudicating ancillary matters in administrative proceedings. The Commission initiates an administrative proceeding by issuing an order instituting proceedings, which contains ENF’s allegations against one or more respondents. In most cases, an order instituting proceedings directs that a public hearing be held before an administrative law judge for the purpose of taking evidence, determining whether the allegations are true, and issuing an initial decision within a specific time period.

Administrative law judges serve as independent adjudicators. Under the Administrative Procedure Act and the Commission’s Rules of Practice, administrative law judges conduct public hearings in a manner similar to federal bench trials, at locations throughout the United States. They preside at and regulate the course of these hearings, which may include setting filing deadlines, issuing subpoenas, holding prehearing conferences, and ruling on motions. Following the hearing and consideration of the parties’ post-hearing submissions, the administrative law judge prepares an initial decision setting forth his or her factual findings and legal conclusions and, where appropriate, determining whether sanctions are warranted.

If a respondent fails to file an answer to the order instituting proceedings, appear at a conference or hearing, respond to a dispositive motion, or otherwise defend the proceeding, the administrative law judge may issue an initial decision finding the respondent in default and accepting the allegations as true. In certain proceedings, summary disposition, as opposed to a live hearing, may be used to resolve all or some of the issues.

OALJ anticipates the Commission will institute and order public hearings in 200 proceedings in FY 2019. The exact number and specific nature of these cases are unknown. In FY 2018, OALJ expects to dispose of many of the new assignments and the 109 proceedings recently remanded by the Commission. *See* Pending Admin. Proc., Securities Act of 1933 Release No. 10440, 2017 SEC LEXIS 3724 (Nov. 30, 2017), [www.sec.gov/litigation/opinions/2017/33-10440.pdf](http://www.sec.gov/litigation/opinions/2017/33-10440.pdf).

OALJ expects that with its currently allocated staff levels it will be capable of handling the 200 proceedings anticipated in FY 2019. Two hundred proceedings exceeds the 185 proceedings assigned in 2017, but is less than the number of cases assigned per year in 2014–2016 and the number of cases anticipated in FY 2018.

## Workload Data

Activity	FY 2017 Actual	FY 2018 Estimate	FY 2019 Request
<b>Proceedings Inventory</b>			
Pending Disposition Beginning of Year	84	101	101
Ordered for Hearing	185	300	200
Disposed	168	300	200
Canceled Before Hearing	52	150	50
Canceled After Hearing	1	—	—
Initial Decision Issued	115	150	150
Pending Disposition End of Year	101	101	101

# OFFICE OF THE INVESTOR ADVOCATE

(DOLLARS IN THOUSANDS)	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request
<b>Full-Time Equivalents</b>	11	11	12
<b>Cost:</b>			
Salaries and Benefits	\$ 2,720	\$ 2,747	\$ 3,035
Non-Personnel Expenses	1,631	2,340	2,536
<b>Total Costs</b>	<b>\$ 4,350</b>	<b>\$ 5,087</b>	<b>\$ 5,571</b>

Totals may not appear to sum from detail lines due to rounding of actual values

The mandate for the Office of the Investor Advocate (OIAD) is set forth in Section 4(g) of the Securities Exchange Act of 1934. The office is responsible for, among other things, identifying areas in which investors would benefit from changes to federal laws, SEC regulations, or the rules of SROs, and for providing assistance to investors in resolving significant problems they may have with the SEC or SROs.

## Investor Advocacy

Consistent with the requirements of Section 4(g), the office is responsible for identifying problems that investors have with financial service providers and investment products; analyzing the potential impact on investors of proposed regulations and rules; identifying areas in which investors would benefit from changes in SEC regulations or SRO rules; and proposing changes in regulations, legislation, or administration of programs that may mitigate problems identified.

## Reports to Congress

The office is responsible for submitting two reports to Congress per year. A *Report on Objectives* is due no later than June 30 of each year, and its purpose is to set forth the objectives of the Investor Advocate for the following fiscal year. The *Report on Activities* is due no later than December 31 of each year, and it

describes the activities of the Investor Advocate during the immediately preceding fiscal year. Among other things, the *Report on Activities* must summarize the most serious problems encountered by investors during the reporting period, identify any Commission or SRO action that was taken to address those problems, and recommend, as appropriate, any administrative and legislative actions to resolve problems encountered by investors.

## Ombudsman

The Investor Advocate is required to appoint an Ombudsman to act as a liaison between the SEC and any retail investor in resolving problems that retail investors may have with the SEC or SROs. The Ombudsman must also review policies and procedures and make recommendations to encourage the investing public and other interested persons to submit questions to the Investor Advocate regarding compliance with the securities laws, and establish safeguards to maintain the confidentiality of communications between the investing public and the Ombudsman. The Ombudsman must also evaluate the effectiveness of this program and submit semiannual reports to the Investor Advocate for inclusion in the reports to Congress.

## Investor Testing

OIAD uses investor testing and other outreach efforts, as appropriate, to gather input on rulemaking initiatives and better understand investor-based informational needs. OIAD is currently conducting monthly online polls, a research project to assess the current state of investor awareness concerning the different types of financial professionals and the associated standards of care, and a research project on mutual fund fee disclosure. These research projects entail surveys coupled with focus groups and one-on-one interviews. OIAD anticipates additional research projects will develop in FY 2019 to support the Commission’s rulemaking agenda. As a result, OIAD has an acute need for additional staff with the expertise

and skills necessary to conduct high-quality investor research and analysis. The restored position requested in FY 2019 would provide this type of expertise and directly align with the Commission’s strategic goals by strengthening its ability to evaluate retail investor issues.

## Investor Advisory Committee

The Investor Advocate serves as a member of the Investor Advisory Committee, which is authorized by Section 39 of the Exchange Act. This committee advises and consults with the SEC on regulatory priorities and protection of investors. OIAD provides support and assistance to this advisory committee to assist it with fulfilling its statutory mission.

## Workload Data

Activity	FY 2017 Actual	FY 2018 Estimate	FY 2019 Request
<b>Ombudsman</b>			
Investor Matters	226	275	325
Investor Contacts	1,331	1,500	1,650
Outreach Events/Speeches	22	18	20
<b>Investor Advocacy</b>			
SEC Rulemakings Reviewed	16	20	25
SRO Rulemakings Reviewed	444	450	450
Policy Recommendations to SEC, SROs, or Congress	2	8	8
Outreach Events/Speeches	37	36	36
<b>Investor Advisory Committee Support</b>			
In-Person Committee Meetings	4	5	4

# OFFICE OF CREDIT RATINGS

<i>(DOLLARS IN THOUSANDS)</i>	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request
<b>Full-Time Equivalents</b>	44	41	41
<b>Cost:</b>			
Salaries and Benefits	\$ 11,371	\$ 10,489	\$ 10,599
Non-Personnel Expenses	5,194	4,315	5,226
<b>Total Costs</b>	<b>\$ 16,565</b>	<b>\$ 14,804</b>	<b>\$ 15,825</b>

Totals may not appear to sum from detail lines due to rounding of actual values

The Office of Credit Ratings (OCR) is charged with administering Commission rules with respect to the practices of NRSRO. These rules are aimed toward promoting accuracy in credit ratings issued by NRSROs, ensuring that credit ratings are not unduly influenced by conflicts of interest and helping to ensure that firms provide greater disclosure to investors. In support of this mission, OCR conducts policy oversight of NRSROs and conducts examinations.

As required under the Dodd-Frank Act, OCR staff must possess knowledge of and expertise in corporate, municipal and structured debt finance.

## FY 2019 Request

OCR seeks to restore two securities compliance examiner positions. The first position would provide OCR with the opportunity to build out its senior management team in support of the office’s examination and monitoring responsibilities and the OCR-DERA Credit Ratings Analytical Data Unit.

This unit would allow OCR to perform in-depth analyses of models against data sets and data feeds to strengthen OCR’s oversight of NRSROs.

The second restored position would strengthen OCR’s examination and monitoring programs and allow for more detailed analyses of rating files, documents, methodologies, and policies and procedures. The examination and monitoring of NRSROs for compliance with the federal securities laws and Commission rules would continue to account for the most significant portion of OCR’s workload in any fiscal year. OCR will further monitor and review registrants’ technological initiatives, cybersecurity governance, and risk assessment processes relating to access rights, data loss prevention, vendor management, training, and incident response. In addition, OCR will continue to evaluate and monitor credit models quantitatively and qualitatively, and will initiate specialized examinations to conduct sweeps and targeted examinations as appropriate.

## Workload Data

Activity	FY 2017 Actual	FY 2018 Estimate	FY 2019 Request
Annual Examinations and Other Examination Compliance Activities	45	44	45
Studies, Reports, and Related Matters	28	31	33
Regulatory and Legislative Initiatives	8	5	8
Orders and No-Action Letters	1	5	7
Monitoring Meetings	34	36	38
Form NRSRO – Initial Applications and Annual Certifications	57	51	58
Enforcement/TCR	63	60	63
International Activities	112	114	115
Business Processes	37	39	41



## OFFICE OF MUNICIPAL SECURITIES

<i>(DOLLARS IN THOUSANDS)</i>	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request
<b>Full-Time Equivalents</b>	9	10	10
<b>Cost:</b>			
Salaries and Benefits	\$ 2,211	\$ 2,302	\$ 2,326
Non-Personnel Expenses	540	522	634
<b>Total Costs</b>	<b>\$ 2,750</b>	<b>\$ 2,824</b>	<b>\$ 2,960</b>

*Totals may not appear to sum from detail lines due to rounding of actual values*

The Office of Municipal Securities (OMS) oversees the \$3.8 trillion municipal securities market and administers the Commission’s rules pertaining to municipal securities brokers and dealers, municipal advisors, investors in municipal securities, and municipal issuers. OMS also coordinates with MSRB on rulemaking and enforcement actions.

OMS advises the Commission on policy matters relating to the municipal securities market, and is responsible for policy development, coordination, and implementation of Commission initiatives to improve the municipal securities market. OMS provides technical assistance to other SEC offices and divisions, including OCIE and ENF. OMS is responsible for reviewing and processing all MSRB proposed rule changes on behalf of the Commission. OMS also regularly engages in public awareness and outreach activities, and closely monitors current issues in the municipal securities market.

In FY 2019, OMS will continue to coordinate the SEC’s municipal securities activities, administer SEC rules relating to the municipal securities market, oversee MSRB rulemaking, inform the Commission on current market issues, advise the Commission on policy matters relating to the municipal securities market, and provide technical assistance to other SEC offices and divisions. In addition, OMS will continue to lead semiannual meetings with MSRB and FINRA regarding the municipal securities market, as required by the Dodd-Frank Act; meet with MSRB and FINRA staff regularly to discuss rulemaking, examination, and enforcement activities; meet with Internal Revenue Service staff; and coordinate with other regulators as needed. OMS will also continue to work closely with the municipal securities industry to educate market participants about the federal securities laws applicable to the municipal securities market.

## Workload Data

Activity	FY 2017 Actual	FY 2018 Estimate	FY 2019 Request
SRO Proposed Rule Changes Reviewed <sup>1</sup>	9	9	12
SEC Rulemaking and Interpretive Actions	1	2	2
Interpretive, Exemptive, and No-Action Request Letters Closed	2	2	2
Reviews of Potential Enforcement Actions	22	23	23
Congressional, Governmental, Industry, and Public Correspondence and Inquiries <sup>2</sup>	580	650	650
Public Awareness and Market Outreach	28	32	32
<b>Municipal Advisors <sup>3</sup></b>			
Registrants <sup>4</sup>	651	596	606
Registration Applications Filed	43	45	50
Registration Amendments Filed	599	1,192	1,212
Registrations Withdrawn or Canceled <sup>5</sup>	60	100	40

1 This data includes filings, pre-filings, and amendments reviewed.

2 This data combines correspondence and telephone/internet inquiries.

3 This data reflects the expanded responsibilities assigned to the Commission for oversight of municipal advisors (firms and sole proprietors) by the Dodd-Frank Act. In addition, there are approximately 3,675 Form MA-Is on file with the Commission in relation to natural persons engaged in municipal advisory activities.

4 These figures reflect all active MA registrations as of September 30 of the applicable fiscal year.

5 These figures reflect the number of registration withdrawals or cancellations effective as of September 30 of the applicable fiscal year.

# OFFICE OF THE ADVOCATE FOR SMALL BUSINESS CAPITAL FORMATION

<i>(DOLLARS IN THOUSANDS)</i>	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request
<b>Full-Time Equivalents</b>	—	1	3
<b>Cost:</b>			
Salaries and Benefits	\$ —	\$ 197	\$ 719
Non-Personnel Expenses	—	156	273
<b>Total Costs</b>	<b>\$ —</b>	<b>\$ 353</b>	<b>\$ 992</b>

*Totals may not appear to sum from detail lines due to rounding of actual values*

The SEC is in the process of establishing the Office of the Advocate for Small Business Capital Formation (OASB), as required by the SEC Small Business Advocate Act (P.L. 114-284), to help small businesses and investors resolve significant problems incurred with the SEC or SROs. OASB conducts outreach with small businesses and small business investors to solicit views on relevant capital formation issues and analyzes the impact of proposed regulations and rules on small businesses and small business investors. OASB also proposes changes in SEC regulations that aim to

mitigate problems and promote the interests of small businesses and small business investors. In addition, OASB will consult with the Investor Advocate on issues related to small businesses and small business investors.

The SEC is currently engaged in the process of hiring the advocate for Small Business Capital Formation, who will oversee this new office. In FY 2019, the SEC requests five additional positions to carry out the functions of the office.

## AGENCY DIRECTION AND ADMINISTRATIVE SUPPORT

(DOLLARS IN THOUSANDS)	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request
<b>Full-Time Equivalents:</b>			
Agency Direction			
Office of Executive Staff	28	35	31
Office of Public Affairs	15	21	21
Office of the Secretary	24	25	24
Subtotal	67	81	76
Administrative Support			
Office of the Chief Operating Officer	15	13	14
Office of Financial Management	98	95	93
Office of Information Technology	171	173	177
Office of Human Resources	120	107	105
Office of Acquisitions	57	56	55
Office of Support Operations	100	94	92
Office of Strategic Initiatives	15	29	29
Office of the Ethics Counsel	18	19	19
Office of Minority and Women Inclusion	9	9	9
Office of Equal Employment Opportunity	14	15	15
Subtotal	617	610	608
<b>Total Full-Time Equivalents</b>	<b>684</b>	<b>691</b>	<b>684</b>
<b>Cost:</b>			
Salaries and Benefits	\$ 161,993	\$ 156,972	\$ 156,802
Non-Personnel Expenses	52,464	53,996	65,405
<b>Total Costs</b>	<b>\$ 214,457</b>	<b>\$ 210,968</b>	<b>\$ 222,207</b>

Totals may not appear to sum from detail lines due to rounding of actual values

This section details the SEC's agency-wide executive activities, operations, and administrative functions.

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

**Office of the Chief Operating Officer:** Provides executive leadership by directing the management and coordination of the SEC's core mission support activities.

**Office of the Ethics Counsel:** Administers the Commission's Ethics Program and interprets the SEC's Supplemental Ethics Rules as well as federal government-wide ethics laws, rules, and regulations.

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

**Office of Equal Employment Opportunity:** Strives to enhance access to employment opportunities for the best and brightest talent, and to foster an equitable work environment in which employees can perform the SEC's mission.

## AGENCY DIRECTION

<i>(DOLLARS IN THOUSANDS)</i>	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request
<b>Full-Time Equivalents:</b>			
Office of Executive Staff	28	35	31
Office of Public Affairs	15	21	21
Office of the Secretary	24	25	24
<b>Total Full-Time Equivalents</b>	<b>67</b>	<b>81</b>	<b>76</b>
<b>Cost:</b>			
Salaries and Benefits	\$ 15,383	\$ 18,858	\$ 17,758
Non-Personnel Expenses	7,099	8,289	9,747
<b>Total Costs</b>	<b>\$ 22,482</b>	<b>\$ 27,147</b>	<b>\$ 27,504</b>

*Totals may not appear to sum from detail lines due to rounding of actual values*

Agency Direction includes the Commissioners and their staff, as well as Office of Legislative and

Intergovernmental Affairs, Office of Public Affairs, and Office of the Secretary.

## EXECUTIVE STAFF

(DOLLARS IN THOUSANDS)	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request
<b>Full-Time Equivalents</b>	28	35	31
<b>Cost:</b>			
Salaries and Benefits	\$ 7,061	\$ 8,967	\$ 8,022
Non-Personnel Expenses	2,162	2,041	2,402
<b>Total Costs</b>	<b>\$ 9,223</b>	<b>\$ 11,008</b>	<b>\$ 10,424</b>

Totals may not appear to sum from detail lines due to rounding of actual values

The Executive Staff is comprised of the Chairman, the Commissioners, their staff, and OLIA.

The Chairman serves as the agency's senior responsible executive, overseeing all aspects of agency operations and setting the agency's substantive policy and rulemaking agenda. In addition, the Chairman and Commissioners are jointly responsible for interpreting and enforcing the federal securities laws; issuing new rules and amending existing rules; overseeing the inspection of securities firms and other regulated entities; overseeing SROs in the securities, accounting, and auditing fields; and coordinating U.S. securities regulation with federal, state, and foreign authorities. The staff in the Chairman's Office and in each Commissioner's Office assist with these functions.

OLIA serves as the liaison between the SEC and Congress, and is responsible for responding to

requests from Congress for information related to agency programs and legislation affecting the SEC or its mission.

Specifically, OLIA coordinates testimony and witness preparation for SEC officials appearing at Congressional hearings; responds to requests by members of Congress and their staff for meetings, briefings, and technical assistance on legislation and other matters affecting the SEC or its mission; responds to requests from members of Congress and their staff for information concerning the operations and activities of the SEC; and assists in responding to Congressional correspondence. OLIA also serves as the agency's official liaison to other federal government agencies such as the U.S. Department of the Treasury, U.S. Commodity Futures Trading Commission, and other federal financial regulatory agencies.

### Workload Data

Activity	FY 2017 Actual	FY 2018 Estimate	FY 2019 Request
Commission Meetings	87	91	96
Calendar Items	565	593	623
Seriatim Actions	485	509	534
Congressional Testimonies	4	6	6
Chairman's and Congressional Correspondence	1,110	1,500	1,500

## OFFICE OF PUBLIC AFFAIRS

<i>(DOLLARS IN THOUSANDS)</i>	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request
<b>Full-Time Equivalents</b>	15	21	21
<b>Cost:</b>			
Salaries and Benefits	\$ 3,395	\$ 4,619	\$ 4,667
Non-Personnel Expenses	1,370	2,205	2,444
<b>Total Costs</b>	<b>\$ 4,766</b>	<b>\$ 6,823</b>	<b>\$ 7,111</b>

Totals may not appear to sum from detail lines due to rounding of actual values

The Office of Public Affairs (OPA) assists the Commission with making the work of the SEC open to the public, understandable to investors, and accountable to taxpayers. The office helps every other SEC division and office accomplish the agency’s mission—to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation.

OPA leverages technology and multimedia capabilities to deliver news, data, and other information to inform the public and facilitate the ability of the public to interact with the SEC. The group maintains the agency’s website, [SEC.gov](http://SEC.gov), which is among the most-visited websites in the federal government. OPA also manages content on the SEC’s social media and other digital platforms using the forms and formats

investors prefer and rely on. Additionally, OPA helps enhance SEC workforce efficiency, collaboration, and engagement by executing strategic communication initiatives and facilitating access to knowledge databases and systems.

OPA will continue these activities in FY 2019, including continuous improvements and customizations to the SEC’s modernized intranet site that will be deployed in FY 2018 to fit individual staff needs and further enhance staff performance. In doing so, OPA will reduce costs and increase efficiency by working with SEC divisions and offices to consolidate their content from multiple proprietary software platforms to a single, unified open source platform.

### Workload Data

Activity	FY 2017 Actual	FY 2018 Estimate	FY 2019 Request
News Releases and Statements	328	385	385
Email and Mobile Bulletins	4,453	4,500	4,500
Social Media Posts <sup>1</sup>	6,892	7,500	8,000
Number of SharePoint Top-Level Sites, Web Pages, or Applications Created and/or Administered <sup>2</sup>	21	15	15
Number of Internal Communications Artifacts, including Articles, Reminders, and Daily Emails Distributed	3,804	4,348	4,600
Website Content Updates	32,884	35,000	35,000
Number of Digital Signage Slides, Posters, and Kiosk Announcements	459	480	575

<sup>1</sup> Social media posts include those done by the individual divisions/offices on SEC-official accounts (10 Twitter accounts, 2 Facebook accounts, 1 Flickr account, 1 YouTube account, 1 Pinterest account, and 1 LinkedIn account). See [www.sec.gov/opa/socialmedia](http://www.sec.gov/opa/socialmedia)

<sup>2</sup> Number only represents the top-level (i.e., first level/parent) sites. A total of nearly 490 subsites, pages, and/or workflows comprise these sites.

## OFFICE OF THE SECRETARY

<i>(DOLLARS IN THOUSANDS)</i>	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request
<b>Full-Time Equivalents</b>	24	25	24
<b>Cost:</b>			
Salaries and Benefits	\$ 4,927	\$ 5,272	\$ 5,068
Non-Personnel Expenses	3,566	4,043	4,901
<b>Total Costs</b>	<b>\$ 8,494</b>	<b>\$ 9,316</b>	<b>\$ 9,969</b>

Totals may not appear to sum from detail lines due to rounding of actual values

The Office of the Secretary (OS) reviews all documents issued by the Commission, schedules and coordinates Commission meetings, prepares and maintains records of Commission actions, and advises the Commission and staff about practice and procedure. OS directly supports the Commission staff and receives and tracks filings in administrative proceedings. OS is responsible for the public dissemination of Commission documents, such as notices, orders, and rulemakings and, in collaboration with OPA, managing the web content management system.

Because all enforcement actions, examination reports, and rulemakings flow through OS, the agency's rulemaking agenda and enforcement program will have a significant impact on OS workload in FY 2019. In recent years, OS has generally experienced significantly increased workload levels. The higher

workload OS has experienced aligns with the agency's increased enforcement actions and rulemaking activity during that timeframe. In addition, OS has also focused resources on improving operational efficiency and effectiveness and the development of new information technology (IT) systems designed to replace legacy systems or improve the services OS provides to the public.

In FY 2019, OS will continue to support Commission operations. OS expects that the workload directly tied to supporting Commission operations will remain steady or slightly above the workload levels OS experienced in the last few years. In FY 2019, OS will also continue to improve business operations and enhance recently implemented IT systems to further improve OS efficiency and effectiveness.

### Workload Data

Activity	FY 2017 Actual	FY 2018 Estimate	FY 2019 Request
Releases Processed	3,412	4,500	4,700
Public Comment Letters Processed	22,000	24,000	26,000
Documents Posted on Website	5,335	5,400	5,450
Administrative Proceedings Items Processed	5,066	5,200	5,350
Service of Process – Administrative Proceedings	8,169	9,800	10,045



## OFFICE OF THE CHIEF OPERATING OFFICER

<i>(DOLLARS IN THOUSANDS)</i>	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request
<b>Full-Time Equivalents:</b>			
Office of the Chief Operating Officer	15	13	14
Office of Financial Management	98	95	93
Office of Information Technology	171	173	177
Office of Human Resources	120	107	105
Office of Acquisitions	57	56	55
Office of Support Operations	100	94	92
Office of Strategic Initiatives	15	29	29
<b>Total Full-Time Equivalents</b>	<b>576</b>	<b>567</b>	<b>565</b>
<b>Cost:</b>			
Salaries and Benefits	\$ 136,952	\$ 127,567	\$ 128,387
Non-Personnel Expenses	41,875	42,126	51,539
<b>Total Costs</b>	<b>\$ 178,827</b>	<b>\$ 169,693</b>	<b>\$ 179,926</b>

*Totals may not appear to sum from detail lines due to rounding of actual values*

The Office of the Chief Operating Officer (OCOO) develops, coordinates, and provides strategic leadership and operational oversight of the SEC’s core mission support activities and compliance with administrative requirements from Congress and the Executive Branch.

OCOO in FY 2018 has also established a new chief risk officer position to coordinate the agency’s risk management functions, and a small front office staff who perform specialized activities and functions to support the SEC’s mission.

There are six offices within OCOO:

- Office of Financial Management (OFM)
- Office of Information Technology (OIT)
- Office of Human Resources (OHR)
- Office of Acquisitions (OA)
- Office of Support Operations (OSO)
- Office of Strategic Initiatives (OSI)

# OFFICE OF THE CHIEF OPERATING OFFICER (FRONT OFFICE)

(DOLLARS IN THOUSANDS)	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request
<b>Full-Time Equivalents</b>	15	13	14
<b>Cost:</b>			
Salaries and Benefits	\$ 3,468	\$ 2,728	\$ 3,016
Non-Personnel Expenses	2,038	1,392	2,821
<b>Total Costs</b>	<b>\$ 5,506</b>	<b>\$ 4,120</b>	<b>\$ 5,837</b>

Totals may not appear to sum from detail lines due to rounding of actual values

The front office of the Office of the Chief Operating Officer (OCOO) oversees and coordinates the activities of the six component offices described in subsequent pages.

Chief Risk Officer, Enterprise Risk and Internal Controls, and Audit Coordination and Follow-up: The OCOO front office will be home to the agency’s chief risk officer (CRO) who will coordinate the agency’s enterprise risk management functions, as required under OMB Circular A-123. The CRO will be responsible for the agency’s internal controls over operations and coordinating the annual management assurance statements.

Small Office Managing Executive Support: OCOO will continue to support small offices throughout the agency by providing administrative and management support to help those offices focus on their specific missions.

## FY 2019 Request

The OCOO requests two restored positions to further support establishment of the CRO and enhance risk management programs. Specifically, this request would include initiatives to expand the management of enterprise-wide risks such as risks identified by audit organizations, and enhance the agency’s internal control program.

## Workload Data

Activity	FY 2017 Actual	FY 2018 Estimate	FY 2019 Request
Number of Audits Facilitated	35	35	35
Number of Projects and Operational Activities Supported	111	102	102

# OFFICE OF FINANCIAL MANAGEMENT

(DOLLARS IN THOUSANDS)	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request
<b>Full-Time Equivalents</b>	98	95	93
<b>Cost:</b>			
Salaries and Benefits	\$ 21,059	\$ 21,330	\$ 21,035
Non-Personnel Expenses	6,016	5,789	7,001
<b>Total Costs</b>	<b>\$ 27,074</b>	<b>\$ 27,119</b>	<b>\$ 28,036</b>

Totals may not appear to sum from detail lines due to rounding of actual values

The Office of Financial Management (OFM) is responsible for the SEC's financial and budgetary operations. Specifically, OFM oversees the agency's financial systems; prepares financial statements and reports; maintains the formulation and execution of the SEC's annual budget; coordinates the agency's performance and cost reporting; and manages internal controls over financial reporting.

During FY 2019, OFM will continue to improve the efficiency and effectiveness of the SEC's financial systems and processes as well as support the necessary rulemaking efforts to tag registration fee data to automate a highly manual review process. OFM also plans to continue the development and implementation of a Disgorgement and Penalty System. OFM has completed the implementation of the EDGAR Fee System Modernization and will continue working to refine the system.

## Workload Data

Activity	FY 2017 Actual	FY 2018 Estimate	FY 2019 Request
<b>Accounting and Finance</b>			
Quarterly/Annual Financial Statements Issued <sup>1</sup>	36	36	36
Financial Transactions Analyzed <sup>2</sup>	7,211,022	7,200,000	7,200,000
Analysis and Reconciliation Reports Prepared <sup>3</sup>	6,489	6,554	6,619
<b>Planning and Budget</b>			
Number of Conference Requests Submitted in AERS	83	83	83
Percent of Reserve Fund Letters Delivered to Congress on Time	93%	100%	100%

<sup>1</sup> This workload metric includes the five required financial statements—Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, Statement of Budgetary Resources, and the Statement of Custodial Activity—on a quarterly and annual basis (20 statements total); and the four Investor Protection Fund financial statements required on a quarterly and annual basis (16 statements total). This metric does not include the government-wide financial statements.

<sup>2</sup> This workload metric captures all financial transactions processed in the financial system and analyzed by SEC staff.

<sup>3</sup> This workload metric accounts for all analysis and reconciliation reports prepared during the review of transactions.

# OFFICE OF INFORMATION TECHNOLOGY

<i>(DOLLARS IN THOUSANDS)</i>	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request
<b>Full-Time Equivalents</b>	171	173	177
<b>Cost:</b>			
Salaries and Benefits	\$ 40,939	\$ 42,813	\$ 44,301
Non-Personnel Expenses	18,700	21,818	25,410
<b>Total Costs</b>	<b>\$ 59,639</b>	<b>\$ 64,631</b>	<b>\$ 69,711</b>

Totals may not appear to sum from detail lines due to rounding of actual values

Technology, data, and analytics are critical to the mission of the SEC and its ability to deliver information to the public. The increasing size and complexity of the U.S. capital markets require the SEC to more efficiently leverage technology to streamline operations and increase the effectiveness of the agency's programs.

The Office of Information Technology (OIT) is advancing a robust cybersecurity program to strengthen the agency's data management capabilities and migrate select applications and workloads to secure cloud environments.

## FY 2019 Request

In support of these efforts, the SEC is seeking an additional \$45 million to fund critical requirements, including:

- Continuing the development of advanced analytics solutions that provide new capabilities to detect and expose suspicious behavior in high frequency trading and other complex trading areas across markets;
- Improving storage, processing, security, and management of large volumes of data, including the agency's e-Discovery program, which is approaching one petabyte of data;
- Modernizing the SEC's infrastructure and computing environment to enhance security, improve performance, and streamline delivery; and
- Improving the SEC's ability to analyze fixed income market data.

OIT is also focused on enhancing cybersecurity efforts to prevent threats, which pose risks to investors, financial services firms, markets, and the SEC itself.

These efforts build on the significant progress made over the past several years in modernizing technology systems. OIT supports the Commission and staff of the SEC in all aspects of IT. OIT has overall management responsibility for the Commission's IT program, including application development, infrastructure operations and engineering, user support, IT program management, capital planning, security, and enterprise architecture. OIT operates the EDGAR system, which electronically receives, processes, and disseminates more than 500,000 financial statements and other corporate filings every year. OIT also maintains a dynamic and robust website that receives more than 18 billion page views annually. The website provides free public access to the EDGAR database and contains a wealth of information about the Commission and the securities industry.

OIT is also requesting 16 additional positions to be applied within the areas of cybersecurity, data management, and governance. OIT intends to expand its cloud and data management capabilities and enhance its cybersecurity posture by continuing the buildout of the SEC's information security defenses and monitor-

ing capabilities to ensure the appropriate controls, policies, and procedures are in place to safeguard the Commission. The requested positions would allow OIT to continue focusing on service delivery to ensure internal business partners obtain the most value from

technology investments. These positions would allow OIT to meet increasing internal and external demand for data with secure, efficient technology solutions that expand the Commission’s capability to detect fraud and suspicious activity.

## Workload Data

Activity	FY 2017 Actual	FY 2018 Estimate	FY 2019 Request
<b>EDGAR Filings, Disclosure, and Review</b>			
Online Searches for EDGAR Filings (in millions)	14,899	14,933	16,389
Number of Electronic Filings Received (in millions)	1.76	1.8	1.9
<b>Internal Process Improvements and Employee Productivity</b>			
User Requests for Helpdesk Assistance	167,548	165,000	165,000
Amount of Network-Based Storage (Terabytes)	21,915	24,000	25,200
Network Users	6,254	6,800	6,800
<b>Information Security and Disaster Recovery</b>			
Percentage of Major Systems Certified and Accredited	86%	94%	94%
Technical Support – Internet and Email Inquiries <sup>1</sup>	135	N/A	N/A
Technical Support – Telephone Inquiries <sup>1</sup>	27,581	N/A	N/A

<sup>1</sup> Technical Support measures moved to OSI in 2018.

# OFFICE OF HUMAN RESOURCES

(DOLLARS IN THOUSANDS)	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request
<b>Full-Time Equivalents</b>	120	107	105
<b>Cost:</b>			
Salaries and Benefits	\$ 38,095	\$ 23,513	\$ 23,240
Non-Personnel Expenses	6,598	5,887	7,248
<b>Total Costs</b>	<b>\$ 44,692</b>	<b>\$ 29,399</b>	<b>\$ 30,488</b>

Totals may not appear to sum from detail lines due to rounding of actual values

The Office of Human Resources (OHR) provides leadership for the strategic management of the SEC's human capital in order to enhance the SEC's performance through effective alignment and management of human capital. OHR consults with management, administers programs, establishes policies, and ensures compliance with federal regulations.

- Performance management and awards
- Labor relations
- Disability program
- Work-life programs
- Telework
- Employee records processing and maintenance

OHR develops, implements, and evaluates the Commission's human capital programs and policies for the following areas:

- Recruitment, staffing, and retention
- Position management and classification
- Compensation administration
- Benefits counseling and processing
- Leadership and employee development

OHR's FY 2019 allocation will further the strategic management of the SEC's human capital by attracting and retaining a diverse and talented workforce; administering programs to enhance employee engagement and leadership development; implementing advanced technologies to enhance and streamline work processes; and establishing policies and procedures to ensure compliance with federal regulations and negotiated agreements.

## Workload Data

Activity	FY 2017 Actual	FY 2018 Estimate	FY 2019 Request
AskHR Inquiries	3,183	13,564	14,000
Personnel Actions Processed <sup>1</sup>	22,530	22,530	23,205
Recruitment Actions	118	209	212
Training Sessions Held	940	830	830
Number of Training Session Attendees	33,298	28,000	28,000
Studies, Reviews, and Policies Issued	538	547	564

<sup>1</sup> Comparative analysis of end Q2, FY 2017. Assumptions are very conservative and based on a fiscal outlook that includes a flat budget with limited hiring and normal and/or induced attrition, i.e., Voluntary Early Retirement Authority and Voluntary Separation Incentive Payments. These also account for personnel actions processing for regular and recurring actions associated with current employees such as career ladder promotions, career tenure changes, awards, etc.

# OFFICE OF ACQUISITIONS

<i>(DOLLARS IN THOUSANDS)</i>	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request
<b>Full-Time Equivalents</b>	57	56	55
<b>Cost:</b>			
Salaries and Benefits	\$ 11,473	\$ 12,047	\$ 11,914
Non-Personnel Expenses	2,667	2,361	2,955
<b>Total Costs</b>	<b>\$ 14,140</b>	<b>\$ 14,408</b>	<b>\$ 14,868</b>

*Totals may not appear to sum from detail lines due to rounding of actual values*

The Office of Acquisitions (OA) is responsible for procuring all goods and services—except real property and employee training—for the SEC. OA provides oversight of the Government Purchase Card (GPC) Program and certification programs for OA staff, Contracting Officer’s Representatives (COR), and program/project managers. OA is responsible for maintaining the on-site/off-site contractor database, closing out contracts, and the implementation and enforcement of specific Congressional legislation, Executive mandates, and other directives relating to procurement.

OA reports detailed information on expenditures and assures contract-related data is properly reported to federal systems and SEC financial systems. OA tracks and reports a broad range of information, in addition to financial data, required by the SEC for its financial reporting. Examples include the Buy American Act information; awards by Congressional district, state, vendor, business type, and competition information;

and small business and other data necessary to ensure transparency and accountability with respect to numerous federal programs.

In early FY 2018, OA further strengthened internal controls over the contractual aspects of financial reporting. OA also focused on enhancements for the Electronic Contract File (eFile) Project, which resulted in improved contract administration, greater transparency, and improved reporting. OA’s focal point in early FY 2018 was to make sure CORs received proper training and enforced their use of eFile. The redesign for the OA Customer Support SharePoint site was implemented, providing OA customers access to all documents and information required for the acquisition of supplies and services. In FY 2019, OA plans to continue the COR Improvement Initiative to create a more comprehensive COR Program that will provide efficient and functional control, transparency, and management of the COR Program across the SEC.

## Workload Data

Activity	FY 2017 Actual	FY 2018 Estimate	FY 2019 Request
Procurement Actions (Contracts and Purchase Orders)	2,530	2,500	2,500
Total Value of Contracts with Business Funded by SEC	\$ 406,721,133	\$ 407,000,000	\$ 407,000,000
Additional Value of Interagency Agreements Obligated (in dollars)	\$ 24,959,993	\$ 25,000,000	\$ 25,000,000
GPC Cardholders Audited	115	115	115
Closeout Actions Processed	790	750	750
Dollars Recovered for Reuse (Closeouts & ULO De-Obligations)	\$ 35,000,000	\$ 25,000,000	\$ 25,000,000
CORs Managed	460	460	465
Small Business Actions Processed	1,560	1,500	1,500
Dollars Spent with Small Business	\$ 214,836,658	\$ 210,000,000	\$ 210,000,000
Percent Small Business Dollars (23% Federal-Wide Minimum Goal)	56.00%	55.00%	55.00%
Multi-Agency Collaborative Actions	1,166	1,170	1,170
Multi-Agency Contract Value Awarded (in dollars)	\$ 289,183,630	\$ 289,000,000	\$ 289,000,000



## OFFICE OF SUPPORT OPERATIONS

<i>(DOLLARS IN THOUSANDS)</i>	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request
<b>Full-Time Equivalents</b>	100	94	92
<b>Cost:</b>			
Salaries and Benefits	\$ 18,700	\$ 18,717	\$ 18,394
Non-Personnel Expenses	5,029	3,982	4,980
<b>Total Costs</b>	<b>\$ 23,730</b>	<b>\$ 22,699</b>	<b>\$ 23,374</b>

Totals may not appear to sum from detail lines due to rounding of actual values

The Office of Support Operations (OSO) implements a variety of programs to manage the agency's facilities and assets. OSO is responsible for processing requests made under the Freedom of Information and Privacy Acts (FOIA), the management of all agency records in accordance with the Federal Records Act, maintaining

the security and safety of SEC facilities, and managing property, equipment, and overall building operations.

In FYs 2018 and 2019, the office will work with the General Services Administration (GSA) to support GSA's procurement of new leases for both the SEC's headquarters and its New York Regional Office.

### Workload Data

Activity	FY 2017 Actual	FY 2018 Estimate	FY 2019 Request
Records Management – Official Certifications	1,918	2,014	2,115
Records Management – Document Requests	801	841	883
FOIA Requests Carried Forward from Prior FYs	565	559	559
New FOIA/PA Requests Received	13,063	13,500	14,000
FOIA/PA Requests Completed	13,069	13,200	13,500
Security Services – Interim Suitability Determinations Made	2,616	2,050	2,050
Security Services – HSPD-12 Credentials Issued	2,499	1,730	1,800
Security Services – HSPD-12 Credential Certificates Updated	1,113	1,224	1,225
Print Production (millions of pages)	2.4	2.4	2.4

## OFFICE OF STRATEGIC INITIATIVES

<i>(DOLLARS IN THOUSANDS)</i>	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request
<b>Full-Time Equivalents</b>	15	29	29
<b>Cost:</b>			
Salaries and Benefits	\$ 3,219	\$ 6,419	\$ 6,487
Non-Personnel Expenses	828	898	1,125
<b>Total Costs</b>	<b>\$ 4,046</b>	<b>\$ 7,317</b>	<b>\$ 7,611</b>

*Totals may not appear to sum from detail lines due to rounding of actual values*

The Office of Strategic Initiatives (OSI) provides executive-level oversight for the ongoing transformation of specific functions and programs to include business ownership of EDGAR and the respective EDGAR Redesign (ERD) Program initiative.

### EDGAR Business Owner/Program Office

The EDGAR Program Office (EPO) provides operational support to the EDGAR business owner and is responsible for coordinating EDGAR issues that arise from filer interactions as well as providing coordination between SEC divisions/offices to resolve EDGAR-related issues. The EPO also serves as a business partner to OIT and represents the business interests of the SEC's divisions/offices in the EDGAR software development lifecycle.

### EDGAR Redesign Program

ERD is a multi-year, cross-SEC initiative to develop and deliver the next generation electronic disclosure system. This effort is aimed toward making it easier for registrants to fulfill their disclosure responsibilities through the EDGAR system, for investors to find useful disclosure information, and for the SEC to manage the system.

### Information Services and Data

OSI is responsible for managing the Commission's steady-state budget and contract actions, in coordination with SEC's OA for purchasing data and information used in support of the SEC's divisions and offices. This includes data used in analytics, electronic information services, and physical information collections across the SEC.

## Workload Data

Activity	FY 2017 Actual	FY 2018 Estimate	FY 2019 Request
<b>EDGAR Business Owner/Program Office</b>			
EDGAR Development Releases	20	12	8
EDGAR Infrastructure Releases	4	4	4
EDGAR Filer Manual Seriatim Updates	5	5	4
Technical Support – Internet and Email Inquiries <sup>1</sup>	N/A	150	175
Assistance and Technical Support – Telephone Inquiries <sup>1</sup>	N/A	33,000	34,122
EDGAR Form IDs Processed	53,483	55,087	56,740
<b>Information Services</b>			
Public Reference – Visitors	500	500	500
Library Password Management – Active Passwords	22,198	21,000	21,000
Library Acquisitions – Contracts Managed	117	114	114
Library Acquisitions – Invoices Reviewed/Paid	702	700	700
Creating New Content	293	300	310
Library Reference – Quick Reference Requests	1,983	2,000	2,000

<sup>1</sup> The Filer Technical Support program and corresponding workload items have been transferred to OSI from OIT, effective FY 2018. This program has been renamed "Filer Assistance and Technical Support" and the "Assistance and Technical Support Telephone Inquiries" workload item now consists of both Filer Support and Filer Technical Support telephoning functions.

# OFFICE OF THE ETHICS COUNSEL

<i>(DOLLARS IN THOUSANDS)</i>	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request
<b>Full-Time Equivalents</b>	18	19	19
<b>Cost:</b>			
Salaries and Benefits	\$ 4,257	\$ 4,653	\$ 4,702
Non-Personnel Expenses	911	877	1,092
<b>Total Costs</b>	<b>\$ 5,168</b>	<b>\$ 5,529</b>	<b>\$ 5,794</b>

Totals may not appear to sum from detail lines due to rounding of actual values

The Office of the Ethics Counsel (OEC) is responsible for administering the Commission’s Ethics Program and for interpreting the SEC’s Supplemental Ethics Rules as well as federal government-wide ethics laws, rules and regulations. OEC provides independent legal analysis and advice to the Chairman, Commissioners, and divisions and offices on ethics issues. In addition, the OEC Compliance team manages personal trading requests for staff Commission-wide in compliance with the SEC Supplemental Ethics Rules and provides training and counseling on personal trading questions. OEC is also the SEC’s liaison with the United States Office of Government Ethics (OGE). OEC expects its workload and responsibilities to increase as the overall workforce of the SEC increases and as the number of enforcement matters increase in FY 2019.

In FY 2019, OEC will continue to advise and counsel all SEC employees and members on personal and financial conflicts of interest; post-employment restrictions; securities holdings and transactions of SEC employees and their immediate families; gifts; seeking and negotiating other employment; outside activities; and financial disclosure. Additionally, OEC continues Commission memoranda reviews for potential conflicts of employees with complex financial holdings. Further, the office will strive to automate the OGE form 450 filing process, the 8B letter process, and plans to migrate the Personal Trading Compliance System to an enhanced platform. OEC will continue compliance testing of SEC population data. Additionally, OEC will continue compliance testing agency-wide. Lastly, OEC will steadily improve and enhance the SEC Ethics Program to best service the agency and its employees.

## Workload Data

Activity	FY 2017 Actual	FY 2018 Estimate	FY 2019 Request
Ethics Counseling Inquiries	8,400	9,200	9,476
Review of Public Financial Disclosure Forms	380	410	422
Commission Memoranda Reviews	1,450	1,550	1,597
Review of Confidential Financial Disclosure Forms	4,210	4,600	4,738
Clearance of 8B Requests	240	260	268
Pre-clearance of Requests for Trading	34,000	37,400	38,522
Employees Trained in Ethics	5,470	6,000	6,180
Review of SEC Forms 682 – Financial Disclosure Forms	570	620	639

# OFFICE OF MINORITY AND WOMEN INCLUSION

<i>(DOLLARS IN THOUSANDS)</i>	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request
<b>Full-Time Equivalents</b>	9	9	9
<b>Cost:</b>			
Salaries and Benefits	\$ 2,088	\$ 2,101	\$ 2,123
Non-Personnel Expenses	1,160	1,181	1,321
<b>Total Costs</b>	<b>\$ 3,248</b>	<b>\$ 3,282</b>	<b>\$ 3,444</b>

*Totals may not appear to sum from detail lines due to rounding of actual values*

The Office of Minority and Women Inclusion (OMWI) is responsible for all matters related to diversity in management, employment, and business activities at the SEC. The responsibilities of OMWI include developing standards for equal employment opportunity and the diversity of the SEC’s workforce (including senior management); facilitating increased participation of minority-owned and women-owned businesses in the SEC’s programs and contracts; ensuring the fair inclusion of women and minorities within the workforce of existing contractors (and, as applicable, of subcontractors); and assessing the diversity policies and practices of entities regulated by the SEC. In accordance with Title VII of the Jumpstart Our Business Startups (JOBS) Act, OMWI conducts outreach efforts to businesses owned by veterans, women, and minorities to inform them about the JOBS Act and how it can support capital formation across our communities.

OMWI will continue to promote diversity and inclusion in its core areas of workforce, business activities, and regulated entities. OMWI’s workforce activity

will remain focused on development, advancement, and collaboration with divisions and offices that fill positions in FY 2019 to tailor outreach efforts. OMWI will continue to direct efforts toward enhancing diversity at the senior levels of the SEC workforce. OMWI will also continue its work building the financial services industry and SEC “pipeline” of diverse talent through its own outreach and events as well as through partnerships, conferences, career fairs, and other events held by diverse professional associations, organizations, and educational institutions. With regard to business activities, OMWI works to introduce minority-owned and women-owned businesses of all sizes to opportunities at the SEC, and will continue to collaborate with OA to promote access to contracting and sub-contracting opportunities through its extensive outreach and matchmaking at industry events, and via one-on-one meetings at SEC Vendor Outreach Days. Given the SEC’s focus on information technology and cybersecurity, OMWI anticipates emphasizing supplier outreach in those areas.

## Workload Data

Activity	FY 2017 Actual	FY 2018 Estimate	FY 2019 Request
Diversity Assessments	N/A	60	75
Advancing Employee Development	N/A	2	2
Reporting Requirements and Data Analyses	167	110	110
Diversity and Inclusion Programs	70	65	65
Diversity and Inclusion Training	21	15	15
Roundtable or Public Meetings	5	5	5
Vendor Outreach	82	60	60
Targeted Advertisement Sources	265	80	80
Diversity Standards and Policies	4	2	2
Good Faith Effort Contract Reviews <sup>1</sup>	99	70	75

<sup>1</sup> Effective FY 2017, OMWI changed the calculation methodology for Good Faith Effort (GFE) contract reviews to the number of GFE reviews conducted rather than the percentage of GFE reviews conducted.

# OFFICE OF EQUAL EMPLOYMENT OPPORTUNITY

<i>(DOLLARS IN THOUSANDS)</i>	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request
<b>Full-Time Equivalents</b>	14	15	15
<b>Cost:</b>			
Salaries and Benefits	\$ 3,312	\$ 3,793	\$ 3,833
Non-Personnel Expenses	1,419	1,523	1,706
<b>Total Costs</b>	<b>\$ 4,732</b>	<b>\$ 5,316</b>	<b>\$ 5,540</b>

Totals may not appear to sum from detail lines due to rounding of actual values

The Office of Equal Employment Opportunity (OEEO) strives to enhance equal access to employment opportunities for the best and brightest talent and foster an equitable work environment in which employees perform the SEC’s mission. SEC employees come from diverse backgrounds and are entitled to a workplace where employment decisions are made without regard to race, color, sex, age, religion, national origin, or genetic information. Like other demographic groups protected by statute, the law shields individuals with disabilities from discrimination. However, individuals with disabilities may lawfully receive preferential treatment, e.g., in the hiring process. To maintain the neutrality and impartiality necessary to fulfill its responsibilities, OEEO is required to be independent of any other SEC office, and the OEEO director reports to the SEC Chairman. OEEO has two primary analytical functions: Compliance and Barrier Analysis.

The Compliance function applies legal principles to the processing and adjudication of complaints of discrimination under Title VII of the Civil Rights Act, the

Age Discrimination in Employment Act, the Rehabilitation and Americans with Disabilities Acts, and the Genetic Information Nondiscrimination Act. The Equal Employment Opportunity Commission enforces these laws, adjudicates cases, and regulates equal employment opportunity programs across the federal government.

The Barrier Analysis function analyzes quantitative and qualitative data to determine whether a policy, practice, or procedure impedes access to employment opportunities for members of a protected demographic group. When OEEO identifies such an impediment, the office collaborates with stakeholders to identify options to eliminate the potential barrier in the employment lifecycle, starting with recruitment and ending with separation. In support of its two analytical functions, OEEO also provides opportunities to quickly resolve disputes, conducts mandatory training, and files required annual reports with external stakeholders. OEEO engages frequently with internal and external stakeholders to perform its functions.

## Workload Data

Activity	FY 2017 Actual	FY 2018 Estimate	FY 2019 Request
Compliance	530	500	500
Reporting	8	8	8
Barrier Analysis	2,399	2,225	2,225
Mission Support	1,257	1,250	1,250

# OFFICE OF INSPECTOR GENERAL

<i>(DOLLARS IN THOUSANDS)</i>	FY 2017 Actual	FY 2018 Annualized CR	FY 2019 Request
<b>Full-Time Equivalents</b>	48	49	49
<b>Cost:</b>			
Salaries and Benefits	\$ 11,357	\$ 11,979	\$ 12,105
Non-Personnel Expenses	3,142	3,924	4,539
<b>Total Costs</b>	<b>\$ 14,499</b>	<b>\$ 15,903</b>	<b>\$ 16,644</b>

Totals may not appear to sum from detail lines due to rounding of actual values

The Office of Inspector General (OIG) is an independent office that conducts audits of programs and operations of the SEC and investigations into allegations of misconduct involving the SEC’s programs and operations. The mission of the OIG is to detect fraud, waste, and abuse, and to promote integrity, economy, efficiency, and effectiveness in the SEC’s programs and operations. The rapid pace of significant internal and external changes impacting the work of the SEC drives the work of the OIG. The OIG supports the efforts of Congress and the SEC to fulfill their responsibilities and achieve their goals and objectives with respect to oversight of the securities industry and investor protection.

In FY 2019, the OIG will continue to focus on improving agency programs and operations through audits, evaluations, and reviews. The office also will enhance staff and agency integrity by investigating allegations of misconduct involving the SEC’s programs and operations. The OIG’s workload remains high and the office expects both its investigative and audit teams to maintain active workloads through FY 2019.

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act) enacted on July 21, 2010, imposed significant new responsibilities on the SEC as a whole and, as a result, on the OIG. In particular, Section 966 of the Dodd-Frank Act required the OIG to establish an OIG SEC Employee Suggestion

Program (ESP). Under that program, SEC employees may submit to the OIG suggestions for improving the SEC’s work efficiency, effectiveness, and productivity, as well as the SEC’s use of its resources. SEC employees may also submit through the ESP allegations of waste, abuse, misconduct, or mismanagement within the SEC. During FY 2019, the OIG will continue to monitor, track, and analyze information received through the ESP and will increase efforts to promote the program to solicit suggestions that will improve the SEC’s effectiveness in overseeing the securities markets and protecting investors. The OIG will also produce the required annual report to Congress on the ESP. In addition, the OIG will operate a program for recognizing employees who make suggestions, through the ESP, that result in increased work efficiency, effectiveness, or productivity of the SEC, or reduce waste, abuse, misconduct, or mismanagement, as provided for by the Dodd-Frank Act.

In addition, there has been continued coordination with other Inspector Generals (IG) to strengthen the oversight of the federal financial regulatory structure. For example, the SEC IG currently serves on the Council of Inspectors General on Financial Oversight (CIGFO), which was established by Section 989E of the Dodd-Frank Act. The OIG’s participation on CIGFO requires additional resources to provide effective oversight. In particular, the OIG will be required in FY 2019 to prepare a section of CIGFO’s



annual report to Congress. That section of the report will highlight the concerns and recommendations in the OIG’s ongoing and completed work, focusing on issues that might apply to the broader financial sector. CIGFO may also task the SEC’s OIG to conduct other audit or review activities on behalf of CIGFO.

The OIG currently has 54 authorized positions. For FY 2019, the OIG is not requesting any additional positions.

### Regulatory Requirement

The Inspector General Reform Act of 1978 (as amended through P.L. 114-317) requires that each IG submit a budget estimate and request each fiscal year to the head of the agency to which the IG reports. Section 6(f)(1) requires that the request include:

- The aggregate amount of funds requested for the operations of the OIG;
- The portion of that amount requested for OIG training, including a certification from the IG that the amount requested satisfies all OIG training requirements for that FY; and

- The portion of that amount necessary to support the Council of the Inspectors General on Integrity and Efficiency (CIGIE).

As required by the Act, the IG of the SEC submits the following information for the OIG’s budget estimate and request for FY 2019.

- The aggregate budget request for the operations of the OIG is \$15,206,268.75.
- The OIG budget request incorporates a sufficient aggregate amount of funds for the operations of the OIG. The OIG training needs have traditionally been partially funded out of the agency’s training budget. OIG estimates FY 2019 specialized training costs of \$108,000. The IG certifies that the aggregate amount of the request satisfies all training requirements for the OIG for FY 2019 and also any assessment required to support CIGIE.
- The estimated amount of the SEC OIG’s contribution to CIGIE is 0.22 percent of the budget request, or \$33,380.35.

### Workload Data

Activity	FY 2017 Actual	FY 2018 Estimate	FY 2019 Request
<b>Audits/Evaluations</b>			
Pending Beginning of Year <sup>1</sup>	4	5	4
Opened	13	12	12
Completed	12	13	12
Pending End of Year	5	4	6

<sup>1</sup> The total FTE on the previous table represents the entire OIG organization; however, the workload data above only includes the Office of Audits. The investigative workload of the OIG is not included in the workload table because it would be inappropriate to speculate on the number of investigations the OIG would need to conduct during a given time period.

# Other Information

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# RISKS, INTERNAL CONTROLS, AND MANAGEMENT CHALLENGES

As the markets, products, and participants that the SEC oversees and regulates increase in size and complexity, the agency's mandate to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation becomes more challenging. To maximize the use of the SEC's resources to fulfill this mission, the agency continually strives to allocate its time and funds toward the highest and best uses. The SEC must always reevaluate its operations to identify emerging risks and ensure the agency's resources are deployed to most efficiently address agency priorities.

## Risk Management

The Office of the Chief Operating Officer will be home to the agency's first-ever chief risk officer (CRO), slated to be hired in FY 2018. The CRO's responsibilities include coordinating the agency's enterprise risk management functions, as required under OMB Circular A-123. The enterprise risk management program assists the agency in achieving its strategic and operational objectives by providing an enterprise-wide, strategically aligned, systematic, and structured methodology for managing the agency's most significant risks and challenges. The CRO will be a key member of the Risk Management Oversight Committee and provides governance and oversight of the SEC's enterprise risk management program. This committee oversees the development and implementation of strategic and programmatic risk policies, frameworks, and methodologies, and also produces and maintains the agency's risk profile. In FY 2019, the SEC will continue to focus on its enterprise risk management practices and work to integrate enterprise risk management with our strategic goals, performance metrics, and our internal control environment, as well as support risk-informed decision-making.

## Management Assessments of Internal Challenges

The SEC remains committed to maintaining strong internal controls. Internal control is an integral component of effective agency management, providing reasonable assurance that the following objectives are being achieved: effectiveness and efficiency of operations, reliability of reporting, and compliance with laws and regulations. The Federal Managers' Financial Integrity Act of 1982 (FMFIA) establishes management's responsibility to assess and report on internal accounting and administrative controls. Such controls include program, operational, and administrative areas, as well as accounting and financial management. The FMFIA requires federal agencies to establish controls that reasonably ensure obligations and costs are in compliance with applicable law; funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and revenues and expenditures are properly recorded and accounted for to maintain accountability over the assets. The FMFIA also requires agencies to annually assess whether financial management systems conform to related requirements (FMFIA § 4).

Section 963 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act) describes the responsibility of SEC management to establish and maintain adequate internal controls and procedures for financial reporting. This section requires an annual financial controls audit, a Government Accountability Office (GAO) audit of the SEC's assessment of the effectiveness of internal control, and internal controls attestations by the Chairman and the chief financial officer (CFO).

The assurance statements are based on reports from each division director and office head on the effectiveness of their controls. These statements are based on self-assessments and internal reviews supported by control testing, as well as recommendations for improvement from audits, investigations, and reviews conducted internally by the SEC's Office of Inspector General (OIG) and GAO. In evaluating internal controls, the SEC also considers other sources of information, which include, but are not limited to, the following:

- An entity-level control assessment;
- Internal management reviews, self-assessments, and tests of internal controls;
- Management's personal knowledge gained from daily operations;
- Reports from GAO and the OIG;
- Reviews of financial management systems;
- Reports pursuant to the Federal Information Security Management Act (FISMA) and OMB Circular A-130, *Management of Federal Information Resources*;

- Reports and other information from Congress or agencies such as the OMB, the Office of Personnel Management (OPM), or the General Services Administration (GSA) reflecting the adequacy of internal controls; and
- Additional reviews relating to a division or office's operations.

The SEC's annual assessment of internal controls, based on these sources, is discussed in the SEC's Agency Financial Report (AFR), which can be found at [SEC.gov](http://SEC.gov).

### Management Challenges Identified by the Office of Inspector General

The SEC's FY 2017 AFR provides a summary of the most serious management and performance challenges facing the SEC, as identified by the OIG in the *Other Information* section. The AFR also details the actions currently being taken to address these challenges.

The table on the next page describes how the resources requested for FY 2019 will help address the challenges identified by the Inspector General.

**Regulatory Oversight**

The SEC must continue to find ways to use its limited resources to keep pace with changes in the size and complexity of the securities markets and the market participants the SEC oversees and regulates, absent additional funding increases.

The Office of Compliance Inspections and Examinations (OCIE) has worked to increase its examination coverage of investment advisers, including re-allocating staff and enhancing its use of advanced quantitative techniques, and continues to seek new ways to increase its efficiency while strengthening internal controls.

The SEC continues to recognize the need to maximize technology to better identify risks, uncover frauds, sift through large volumes of data, inform policy-making, and streamline operations. Key information technology (IT) initiatives include the following:

- Expanding data analytics tools;
- Improving examinations through risk assessment and surveillance tools;
- Enhancing systems that support the enforcement program;
- Improving access and usefulness of information available to the public through the Electronic Data Gathering, Analysis, and Retrieval (EDGAR) system; and
- Investing in further business process automation and enhancements.

**Information Security**

To ensure an effective information security program, the SEC is increasing investments in information security to address the ability to monitor and avoid advanced persistent threats, and to improve risk management and monitoring. The SEC is conducting an ongoing assessment of the agency's cybersecurity risk profile and preparedness, including: (1) the formation of a senior-level cybersecurity working group to coordinate information sharing; (2) risk and threat monitoring; (3) incident response and other cross-divisional and interagency efforts; and (4) an assessment of reporting and escalation procedures. Each of these efforts is moving forward and, as is the nature of matters of this type, will require substantial time and effort to complete. Chairman Clayton's October 4, 2017, testimony before the House Financial Services Committee, available at [www.sec.gov/news/testimony/testimony-examining-secs-agenda-operation-and-budget](http://www.sec.gov/news/testimony/testimony-examining-secs-agenda-operation-and-budget), provides a detailed overview of the agency's ongoing efforts to strengthen and uplift its cybersecurity risk profile.

In FY 2018, the SEC is conducting reviews of agency systems, assessing the types of data the SEC keeps and the related security systems, processes, and controls. The agency is also working to enhance escalation protocols for cybersecurity incidents in order to enable greater agency-wide visibility and understanding of potential cyber vulnerabilities and attacks.

**Acquisition  
Management**

In FY 2019, the Office of Acquisitions (OA) will continue working on a variety of fronts to further promote effective contract management by improving communications between Contracting Officers and Contracting Officer Representatives; conducting annual reviews of contract files to make sure they contain the appropriate documentation; and improving reporting. In parallel, OA and the Office of Information Technology are addressing each of the particular OIG recommendations related to the data center and EDGAR contracts.

continued on next page

**Human Capital  
Management**

During FY 2016, the SEC released a Human Capital Strategic Plan to align the agency's human capital with the achievement of its mission, goals, and objectives. The agency also released an SEC Strategic Workforce Plan, which provides an overview of the current workforce; identifies critical workforce competencies for SEC mission-critical occupations; and identifies perceived workforce competency gaps from supervisors/managers. The Office of Human Resources (OHR) will conduct periodic reviews to assess whether the plan aligns with current agency workforce and succession planning efforts.

The SEC also took several actions during the year to strengthen workforce planning and performance management. In FY 2017, the SEC conducted a training needs assessment for staff within OHR and plans to conduct a competency assessment in FY 2018 for other key occupations not previously assessed.

In FY 2019, the Office of Minority and Women Inclusion (OMWI) will continue to work with all divisions and offices, SEC senior leadership, the agency's Diversity Council, the Office of Equal Employment Opportunity, and OHR to promote diversity in the agency's workforce and cultivate an inclusive work environment. The SEC will continue to implement existing initiatives and explore new strategies for improving gender, racial, and ethnic diversity in SEC mission-critical occupations and senior management positions. Further, OMWI will continue to work with OA to build on the agency's success in advancing the agency's supplier diversity goals.

OMWI will also continue to conduct post-award reviews of agency contractors to determine compliance with the SEC's Contract Standard for Contractor Workforce Inclusion.

# CROSS-AGENCY COLLABORATION

The SEC values its many partnerships with other federal agencies, financial regulators, foreign governments, and SEC divisions and offices. Collaborating across regulatory boundaries, market segments, and national borders furthers the SEC's ability to achieve its mission. The securities markets are large and dynamic, and the SEC understands that cooperation is essential for it to meet its strategic goals. Some examples of collaboration efforts taking place at the SEC during FY 2017–2019 are highlighted below.

## Strategic Goal 1

To establish an effective regulatory environment, several SEC divisions and offices regularly collaborate with both internal and external partners.

For example, the SEC participates in international regulatory organizations such as the Financial Stability Board (FSB), which promotes international financial stability by coordinating national financial authorities and international standard-setting bodies as they work toward developing strong regulatory, supervisory and other financial sector policies. The FSB fosters a level playing field by encouraging coherent implementation of these policies across sectors and jurisdictions. The SEC also participates in the International Organization of Securities Commissions (IOSCO), the international body that brings together the world's securities regulators. The SEC works with foreign securities regulators from over 30 countries to develop international guidance, recommendations and standards, and assesses the implementation of financial market reforms and their ramifications for U.S. investors. The Office of International Affairs (OIA) also represents the SEC in the Joint U.S.-EU Financial Regulatory Forum/U.S.-EU Financial Services Committee, and the US-India Financial Regulatory Dialogue, where regulatory and economic issues are discussed with foreign counterparts.

To enhance credit rating agency oversight, the SEC's Office of Credit Ratings (OCR) meets with international regulators in the Supervisory General Colleges for Credit Rating Agencies, where topics that are relevant to the industry such as business strategy, compliance and risk management, cybersecurity, and technology matters are addressed. OCR also shares information and examination findings with the international regulators of the three largest, globally-active credit rating agencies to further strengthen regulatory oversight of nationally recognized statistical rating organizations.

## Strategic Goal 2

To foster and enforce compliance with the federal securities laws, the SEC works closely with other agencies and foreign governments.

Oversight of broker-dealers is in many ways a coordinated effort with the Financial Industry Regulatory Authority (FINRA). The SEC and FINRA work together on matters of mutual interest with respect to regulated entities and securities offerings. The SEC's Office of Compliance Inspections and Examinations (OCIE) and FINRA have regular contact to discuss strategic initiatives, examination coordination, risk assessment efforts, rulemaking issues, industry risks, etc. This type of coordination is ultimately intended to make oversight of broker-dealers more effective and efficient and to improve compliance within the industry. As an example, the two agencies coordinate to formally present Compliance Outreach Seminars. The SEC also participates in semi-annual meetings with FINRA to discuss topics relating to financial reporting of broker-dealers. OCIE also makes a number of referrals for further investigation to other regulators and law enforcement as well as informational referrals throughout the year.



The Division of Enforcement (ENF) collaborates with a number of law enforcement entities to enforce compliance with securities laws. For example, ENF, the U.S. Department of Justice (DOJ), and the 94 U.S. Attorneys' Offices frequently collaborate on individual cases and broad sweeps or task forces through access grants to their respective investigative files. ENF also collaborates with the Federal Bureau of Investigation (FBI) on individual matters and through a Memorandum of Understanding to embed, on a full-time basis, several agents and intelligence analysts from the FBI's Economic Crimes Unit into the division's Office of Market Intelligence (OMI) for the purpose of information sharing and leveraging each other's resources and expertise.

ENF also collaborates with other federal agencies, routinely exchanging tips, complaints, and referrals (received by OMI), and sharing information and intelligence. ENF primarily collaborates in this regard with the DOJ, the 94 U.S. Attorneys' Offices, and the FBI, but also collaborates with other federal and state agencies including, among others, the Consumer Financial Protection Bureau (CFPB), the Commodity Futures Trading Commission (CFTC), the Department of Education, the Department of Labor, the Federal Trade Commission (FTC), the Internal Revenue Service, the Financial Crimes Enforcement Network (FinCEN), and the Office of the Comptroller of the Currency (OCC).

To promote international cooperation among securities regulators in their respective investigations and cases, the SEC's Office of International Affairs (OIA) and ENF often support the SEC's law enforcement and regulatory counterparts abroad. This collaboration includes, for example, requests from ENF for international assistance and requests for assistance from foreign regulatory and law enforcement authorities. In addition, each year ENF participates in the SEC's Annual International Enforcement Institute, where ENF staff share important information about enforcement-related issues. OIA also collaborates with the

DOJ and foreign law enforcement agencies on investigations of possible violations of U.S. securities laws where international issues exist.

The work performed by the SEC's Division of Investment Management (IM) and Division of Trading and Markets (TM) further supports the SEC's goal to enforce compliance with securities laws. IM, for example, routinely shares information with the DOJ, CFTC, Federal Reserve Board (FRB), Swiss securities regulator, UK securities regulator, and the New York Department of Financial Services in connection with various enforcement actions resulting in injunctive actions or criminal convictions against financial services entities that implicate provisions of the Investment Company Act of 1940. In addition, IM and TM frequently collaborate with FinCEN on various matters relating to anti-money laundering. IM staff and their colleagues provided technical guidance and comment to the U.S. responses to the Financial Action Task Force's Anti-Money Laundering technical compliance criteria, Treasury's national money laundering and terrorist financing risk assessments, and FinCEN's consideration of rules that would subject investment advisers to certain anti-money laundering requirements.

### Strategic Goal 3

The SEC frequently works with other entities to facilitate access to the information investors need to make informed investment decisions.

Led by the Office of Investor Education and Advocacy (OIEA), the SEC participates in numerous collaboration activities with other regulators, federal agencies, and committees to make information accessible to investors. For example, OIEA is a national partner of Jump\$tart and OIEA's director, Lori Schock, serves on Jump\$tart's board of directors (ex officio). Jump\$tart is a coalition of diverse education stakeholders, including federal agencies, non-profits, and financial firms that work together to educate and prepare young Ameri-

cans for life-long financial success. Jump\$tart partners include, among others, FDIC, FRB, FTC, FINRA, GSA, OCC, North American Securities Administrators Association (NASAA), and the U.S. Department of Agriculture.

The SEC also collaborates with external partners to protect the financial wellbeing of American seniors. The SEC works closely with the Elder Justice Inter-agency Working Group (EJWG) and the Elder Justice Coordinating Council (EJCC) to safeguard their interests. The EJWG is responsible for carrying out elder justice activities including elder abuse prevention, research, grant and program funding, and prosecution. The EJCC is a federal entity charged with identifying and proposing solutions to the problems surrounding elder abuse, neglect, and financial exploitation. Among other roles, OIEA helps inform the groups of the SEC's initiatives to protect older Americans from investment fraud and abusive sales practices. Furthermore, through the Outsmarting Investing Fraud program, OIEA staff conducts educational programs with the FINRA Investor Education Foundation, state securities regulators, and AARP on how to identify common persuasion techniques used by con artists.

OIEA also participates on behalf of the SEC on the Financial Literacy and Education Commission (FLEC), which was established under the Fair and Accurate Credit Transactions Act of 2003. FLEC is chaired by the Secretary of the Treasury and made up of the heads over 20 additional federal agencies. The Commission was tasked to develop a national financial education website ([MyMoney.gov](https://www.mymoney.gov)) and a national strategy on financial education.

An attorney in OIEA's Office of Chief Counsel and the assistant director of OIEA's Office of Investor Education have also been coordinating with various special emphasis groups regarding outreach efforts to investors. These groups include the Asian Pacific American Committee, the Caribbean American Heritage

Committee, and the Hispanic and Latino Opportunity, Leadership, and Advocacy Committee.

#### Strategic Goal 4

To enhance the Commission's performance through effective alignment and management of human, information, and financial capital, the Commission's administrative offices often work collaboratively with other agencies.

Below are just a few examples of activities in which the SEC participates to help further enhance the effectiveness of core operations.

The Office of Human Resources (OHR) participates in quarterly discussions with the FDIC, CFTC, Federal Housing Finance Administration, OCC, National Credit Union Association, and Farm Credit Administration to benchmark benefits and work-life program offerings among the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) agencies. The shared goal is to benchmark program areas, share information about their human capital management practices, and explore best practices. OHR and these organizations participate in a bi-annual survey to benchmark compensation and benefits programs. The survey is conducted by a third party with the SEC compensation team managing the contract and internal agency agreements. OHR also partakes in the Enterprise Data & Analytics Community of Practice, a collaboration effort sponsored by the SEC, GSA, NASAA, OCC, and the U.S. Department of Veterans Affairs to share human capital analytics and data visualization best practices.

The Office of General Counsel (OGC) meets quarterly with labor law attorneys and labor relations specialists from the FIRREA agencies to discuss labor law issues. OGC also participates in a community of practice group of attorneys representing federal agencies in employment law matters. Participants regularly schedule speakers from across the federal government

to present on new developments in federal employment law. Members also participate in an active listserv to address issues of common concern.

The Office of Information Technology works extensively with the Department of Homeland Security (DHS) and OMB on the security of agency systems. As one example, the SEC has been taking advantage of government-wide DHS offerings meant to help assess and bolster agency information security programs.

The Office of Strategic Initiatives helps the SEC gain efficiencies by participating in the Information Services (Library) collaboration effort with an emphasis on fostering relationships with peer FSOC libraries to develop a forum for discussing common issues,

including licensing terms, data sharing, and library infrastructure needs. Participants include the Senate, Georgetown University Law Library, Law Library of Congress, Jones Day, Crowell & Moring, Finnegan, and FSOC libraries. By meeting with peer and other external libraries, the SEC is able to discuss best practices and develop benchmarking metrics.

The Office of Support Operations (OSO) works closely with GSA to consolidate SEC's real estate portfolio nationwide. Since 2011, OSO has identified and pursued eight opportunities representing an estimated annual rent savings of up to \$15.9 million by 2021 primarily by exiting leases and rightsizing rentable square feet requirements upon existing lease expirations.

# EVIDENCE BUILDING

Internal and external evaluations play a significant role in monitoring and improving SEC program performance. Through objective measurement and analysis, agency managers determine the extent to which programs are achieving mission objectives allowing them to direct SEC resources accordingly. In FY 2017, there were seven GAO reports and 11 Office of Inspector General reports related to agency operations. Beyond this, examples of reviews and evaluations that the agency has initiated and plans to continue are listed below.

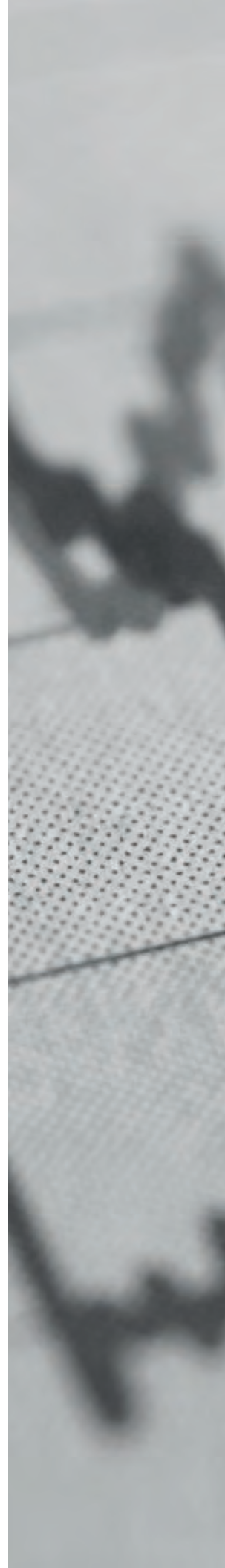
- The agency will continue to advance broad-based reviews of core agency programs. For example, the Division of Trading and Markets also continues to work with staff at other applicable regulators to explore ways to improve price transparency and address potential regulatory gaps in the government securities markets.
- Through customer satisfaction surveys and other research, the Office of Investor Education and Advocacy and the Office of the Investor Advocate will seek additional information regarding the behavior of individual investors, the type of information they need and use when making investment decisions, and the usefulness of SEC's investor education programs and materials.
- In 2017, the SEC initiated an assessment of the agency's internal cybersecurity risk profile and approach to cybersecurity from a regulatory and oversight perspective.
- The SEC reviews performance goal data on a quarterly basis. Each quarter, the SEC's performance improvement office reviews the status of performance goals and indicators to determine whether the agency is on target for achieving these goals for the fiscal year. The report includes the quarterly result for each performance goal or indicator and the progress achieved toward meeting the target for the fiscal year. This review process is in-line with OMB and Performance Improvement Council recommendations for frequent data-driven reviews.
- The agency tracks the number of SEC staff participants in mission-focused training and development programs and will report on specific items through the use of post-course evaluations to assess the impact and results of this training on a five-point scale. In FY 2016, the agency began offering more virtual training to enhance the accessibility of real-time training and reduce costs associated with classroom-based training.

# LINKS TO ADDITIONAL INFORMATION AND RESOURCES

Reference	URL
Strategic Plan for 2014–2018	<a href="http://www.sec.gov/about/sec-strategic-plan-2014-2018.pdf">www.sec.gov/about/sec-strategic-plan-2014-2018.pdf</a>
FY 2017 Agency Financial Report	<a href="http://www.sec.gov/files/sec-2017-agency-financial-report.pdf">www.sec.gov/files/sec-2017-agency-financial-report.pdf</a>
Prior Year Congressional Budget Justifications	<a href="http://www.sec.gov/reports">www.sec.gov/reports</a>
Investor.gov	<a href="http://www.investor.gov">www.investor.gov</a>
Office of the Whistleblower	<a href="http://www.sec.gov/whistleblower">www.sec.gov/whistleblower</a>
Enforcement Actions	<a href="http://www.sec.gov/spotlight/enf-actions-fc.shtml">www.sec.gov/spotlight/enf-actions-fc.shtml</a>
Laws that Govern the Securities Industry	<a href="http://www.sec.gov/about/laws.shtml">www.sec.gov/about/laws.shtml</a>
Glossary of Terms and Acronyms	<a href="http://www.sec.gov/fast-answers">www.sec.gov/fast-answers</a>

# FY 2017 Annual Performance Report (APR) and FY 2019 Annual Performance Plan (APP)

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# A READER'S GUIDE TO SEC PERFORMANCE INFORMATION

The SEC is currently developing a Strategic Plan to detail the agency's vision for the next five years that will be published in 2018 for public comment.

The chapters included within this section comprise the agency's FY 2017 APR and FY 2019 APP and explain how the SEC uses resources to achieve each of its four strategic goals. These strategic goals, strategic objectives, and performance goals and indicators were developed as part of the Strategic Plan process for FY 2014–2018.

**Strategic Goal Summary:** Reviews the purpose of each strategic goal and provides additional information to identify the resources allocated toward achieving the goal.

**Strategic Objective:** Describes the SEC's strategic objectives that are used to gauge the agency's performance as related to each strategic goal.

**Performance Goals and Indicators:** Presents the performance goals and performance indicators by objective, comparing planned and actual performance levels for FY 2017. Four years of historical data is provided for performance goals and performance indicators where available.

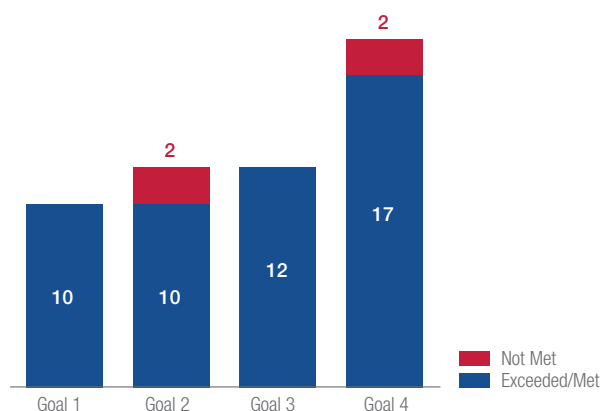
## FY 2017 APR AND FY 2019 APP SUMMARY

The SEC focuses its resources on: (1) establishing and maintaining an effective regulatory environment; (2) fostering and enforcing compliance with the federal securities laws; (3) facilitating access to the information investors need to make informed investment decisions; and (4) enhancing the agency's performance through effective alignment and management of human, information, and financial capital. In FY 2017, total SEC obligations were \$1.651 billion<sup>1</sup> in support of 4,616 total full-time equivalents (FTE). Of 53 total performance targets, the agency met or exceeded 49 and did not meet four.

The budget request for FY 2019 totals \$1.683 billion,<sup>2</sup> an increase of about \$32 million relative to the agency's FY 2017 obligations of \$1.651 billion. The FY 2019

budget request funds 4,457 FTEs, a decrease of about 159 FTEs and 46 positions compared to the FY 2017 level.

FY 2017 Performance Results Summary Table




<sup>1</sup> This figure excludes use of budget authority to liquidate prior obligations for deficient leases.

<sup>2</sup> This amount is the sum of \$1.658 billion in new budget authority and \$0.025 billion projected to come from de-obligations of prior fiscal years' actions.



# PERFORMANCE SUMMARY BY STRATEGIC GOAL AND STRATEGIC OBJECTIVE

 **STRATEGIC GOAL 1:** Establish and Maintain an Effective Regulatory Environment

The SEC believes that its rules and regulations should be drafted to enable market participants to clearly understand their obligations under the federal securities laws and to conduct their activities in compliance with law. The SEC aims to promulgate rules that are clearly written, easily understood, and tailored toward specific ends. In addition, the agency recognizes that regular reviews of our regulations and rulemaking processes are necessary to confirm that intended results are being achieved. When properly crafted, these rules serve to further the agency’s mission and allow for accurate and reliable information to be made available to investors.

In FY 2017, the agency met or exceeded all 10 performance targets in Strategic Goal 1. The SEC devotes a large share of resources to responding to no-action

letters and interpretive and other requests from regulated entities, public companies, and other outside parties. The agency is committed to increasing the response time to such requests.

In FY 2019, the agency is requesting a total of \$170.5 million and 463 FTEs toward achieving results in establishing an effective regulatory environment. Investor protection, market stability, and capital formation remain central to the SEC’s rulemaking agenda.

**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.

**Goal Leader(s):** Director, Division of Trading and Markets; Director, Division of Corporation Finance; Director, Division of Investment Management

**PERFORMANCE INDICATOR (PROCESS) 1.1.1**  
Number of investor testing research projects

**Description:** This metric tracks the number of research initiatives used to gather feedback from investors on the usefulness of disclosures and other input on SEC rulemaking.

Fiscal Year	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 Actual
Number of projects	2	0	0	0	0	1

**Responsible Division/Office:** Office of the Investor Advocate

**Data Source:** Microsoft Office Suite Tools

**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.

**Goal Leader(s):** Director, Division of Trading and Markets; Director, Division of Corporation Finance

**PERFORMANCE GOAL 1.2.1**  
**Time to complete SEC review of SRO rules that are subject to SEC approval**

**Description:** The SEC reviews SRO rule proposals for consistency with the Exchange Act standards of investor protection, fair and orderly operation of the markets and market structure, as well as other statutory requirements. This metric gauges the timeliness of those reviews.

Fiscal Year	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 Plan	FY 2017 Actual	FY 2018 Estimate	FY 2019 Estimate
Within 45 days	75%	74%	75%	63%	60%	60%	64%	60%	60%

**Target:** Exceeded

**Analysis:** During FY 2017, the SEC approved or disapproved 302 SRO rule changes filed pursuant to Section 19(b)(2) of the Exchange Act. Of the 302 filings, 64 percent were approved or disapproved within the 45-day standard for publication, which exceeds the 60 percent target established.

**Responsible Division/Office:** Division of Trading and Markets

**Data Source:** SRO Rule Tracking System (SRTS)

**PERFORMANCE INDICATOR (PROCESS) 1.2.1**  
**Percentage of SRO rule filings that are submitted for immediate effectiveness**

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

Fiscal Year	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 Actual
Percentage	72%	78%	72%	78%	77%	69%

**Responsible Division/Office:** Division of Trading and Markets

**Data Source:** SRO Rule Tracking System (SRTS)

**PERFORMANCE INDICATOR (PROCESS) 1.2.2**  
**Percentage of transaction dollars settled on time each year**

**Description:** This indicator measures the efficiency of the U.S. clearance and settlement system for equity securities.

Fiscal Year	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 Actual
Percentage	99%	98%	99%	99%	99%	99%

**Responsible Division/Office:** Division of Trading and Markets

**Data Source:** Depository Trust & Clearing Corporation and NYSE Technologies

**PERFORMANCE INDICATOR (PROCESS) 1.2.3**  
**Percentage of market outages at SROs and electronic communications networks (ECN) that are corrected within targeted timeframes <sup>1</sup>**

**Description:** Market outages reflect problems in the systems' underlying the securities markets that could have an adverse effect on the markets' ability to function as required. The SEC assesses the reliability and resiliency of these systems to minimize the number and duration of outages. This metric gauges how quickly outages are resolved so that market activity can resume.

Fiscal Year	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 Actual
Within 2 hours	71%	80%	80%	63%	41%	49%
Within 4 hours	89%	86%	85%	77%	54%	58%
Within 24 hours	100%	98%	96%	96%	71%	83%

**Responsible Division/Office:** Office of Compliance Inspections and Examinations

**Data Source:** Reporting pursuant to Regulation SCI

<sup>1</sup> Performance data reported for this measure from FY 2011–FY 2015 was reported under the agency's voluntary Automation Review Policy program (ARP). During FY 2016, Regulation SCI went into effect, effectively replacing this voluntary program. Under the old ARP program, entities reported on outages, but under Regulation SCI, entities are now being asked to report "disruptions." Disruptions are a broader list of events that may have resulted in longer periods of event duration. In addition, there is a greater breadth of events being reported, as there has been a significant increase in the number of entities now being required to report.

**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 clearly their obligations under the securities laws.

**Goal Leader(s):** Director, Division of Trading and Markets; Director, Division of Corporation Finance; Director, Division of Investment Management; Director, Division of Economic and Risk Analysis

**PERFORMANCE GOAL 1.3.1**  
**Length of time to respond to written requests for no-action letters (NAL), exemptive applications, and written interpretive requests**

**Description:** The SEC staff responds to requests for guidance from individuals and market participants about specific provisions of the federal securities laws. These queries may seek interpretations of the securities laws or regulations, or assurances that no enforcement action will be taken if the individual or market participant engages in a specified activity. The staff also reviews applications for exemptions from the securities laws. Written responses to such requests for guidance, when provided, are generally available to the public, as are applications and related notices and orders, when issued. This metric gauges the timeliness of initial comments issued by the Divisions of Trading and Markets, Investment Management, and Corporation Finance.

Fiscal Year	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 Plan	FY 2017 Actual	FY 2018 Estimate	FY 2019 Estimate
Division of Trading and Markets: No-action letters, exemptive applications, and written interpretive requests (combined figure)									
Percentage within required timeframe	89%	93%	83%	88%	81%	80%	86%	80%	80%

**Target:** Exceeded

**Analysis:** TM exceeded the established target for FY 2017. Its target is based on a fixed deadline for responses to written requests for no-action letters, exemptive applications, and written interpretive requests (collectively, "requests"). Some requests are extremely complex and require extensive consideration and consultation both within and outside TM. TM's approach has been to allow these requests the thorough consideration they demand, even when that means the request is not closed within the targeted timeframe, so that nuance and detail can be properly considered.

**Responsible Division/Office:** Division of Trading and Markets

**Data Source:** TM Request Tracking Log

Division of Investment Management									
No-action letters and interpretive requests	100%	100%	100%	100%	97%	80%	97%	80%	80%
Exemptive applications	100%	99%	99%	100%	100%	80%	100%	80%	80%

**Target:** No-action letters and interpretive requests – Exceeded; Exemptive applications – Exceeded

**Analysis:** IM continues to exceed its target of issuing initial comments on no-action letters and exemptive applications within 120 days. IM has been able to achieve this level of success because providing initial comments within the targeted timeframe has been a continuing priority.

**Responsible Division/Office:** Division of Investment Management

**Data Source:** CCO Tracker

Division of Corporation Finance									
No-action letters and interpretive requests	98%	98%	97%	94%	93%	90%	98%	90%	90%
Shareholder proposals	100%	100%	100%	100%	100%	100%	100%	100%	100%

**Target:** No-action letters and interpretive requests – Exceeded; Shareholder proposals – Met

**Analysis:** CF achieved its target of responding to 100 percent of shareholder proposal requests prior to the company's proxy filing date. CF surpassed its FY 2017 target by providing initial comments on no-action letters within 30 days for 98 percent of requests.

**Responsible Division/Office:** Division of Corporation Finance

**Data Source:** Division No-Action Letter database and Division Shareholder Proposal database

**PERFORMANCE GOAL 1.3.2**  
**Timeliness of responses to requests for informal guidance received by the Trading and Markets dedicated hotline or email box**

**Description:** The Division of Trading and Markets maintains a dedicated phone line and an email account to provide market participants with avenues to request information and informal guidance regarding the Exchange Act and rules thereunder. This metric reflects the timeliness of the staff's responses to these requests.

Fiscal Year	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 Plan	FY 2017 Actual	FY 2018 Estimate	FY 2019 Estimate
Respond to or refer inquiries within 2 weeks	Prior-year data not available		99%	98%	99%	95%	98%	95%	95%

**Target:** Exceeded

**Analysis:** TM surpassed its FY 2017 target by responding to or referring inquiries within 2 weeks for 98 percent of inquiries.

**Responsible Division/Office:** Division of Trading and Markets

**Data Source:** Division of Trading and Markets' Office of Interpretation and Guidance Log

**PERFORMANCE INDICATOR (CONTEXTUAL) 1.3.1**  
**Number of published economic reports**

**Description:** This indicator gauges the number of economic reports that staff of the Division of Economic and Risk Analysis publishes annually on the SEC's website.

Fiscal Year	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 Actual
Number of reports	Prior-year data not available	23	15	29	33	43

**Responsible Division/Office:** Division of Economic and Risk Analysis

**Data Source:** SEC.gov

**PERFORMANCE INDICATOR (PROCESS) 1.3.2**  
**Number of amendments to national securities exchange registrations (Form 1)**

**Description:** This indicator provides information about the volume of material filed with the SEC that involves amendments to exchange registrations.

Fiscal Year	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 Actual
Number of amendments	Prior-year data not available		117	161	160	165

**Responsible Division/Office:** Division of Trading and Markets

**Data Source:** Form 1 Amendments List

**PERFORMANCE INDICATOR (PROCESS) 1.3.3**  
**Number of Alternative Trading System registrations (Form ATS)**

**Description:** This indicator provides information about the volume of material filed with the SEC that involves filings related to ATS registrations.

Fiscal Year	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 Actual
Number of registrations	Prior-year data not available		12	9	6	16

**Responsible Division/Office:** Division of Trading and Markets

**Data Source:** ATS Events List

**PERFORMANCE INDICATOR (PROCESS) 1.3.4**  
**Number of new investment product submissions**

**Description:** This indicator provides information about the volume of material filed with the SEC that involves new product submissions pursuant to Rule 19b-4(e) of the Exchange Act.

Fiscal Year	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 Actual
Number of submissions	Prior-year data not available		2,047	2,285	4,635	4,855

**Responsible Division/Office:** Division of Trading and Markets

**Data Source:** 19b-4(e) Log

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

Goal Leader(s): Director, Office of International Affairs

**PERFORMANCE GOAL 1.4.1**  
**Supervisory cooperation requests from foreign authorities for SEC assistance and SEC requests for assistance on supervisory cooperation from foreign authorities**

**Description:** The SEC makes requests to foreign authorities for supervisory cooperation assistance and responds to such requests from foreign regulators through both formal mechanisms, such as supervisory memoranda of understanding, and on an ad hoc basis.

Fiscal Year	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 Plan	FY 2017 Actual	FY 2018 Estimate	FY 2019 Estimate
Supervisory cooperation requests from foreign authorities	Prior-year data not available	25	117	113	148	152	153	158	163
SEC requests for assistance on supervisory cooperation from foreign authorities	Prior-year data not available	118	96	135	135	139	169	174	179

**Target:** Supervisory cooperation requests from foreign authorities – Exceeded; SEC requests for assistance on supervisory cooperation from foreign authorities – Exceeded

**Analysis:** The actual SEC results in FY 2017 exceeded the estimate by approximately 22 percent.

**Responsible Division/Office:** Office of International Affairs

**Data Source:** International Program Oversight Database and Business Objects Reports

**PERFORMANCE GOAL 1.4.2**  
**Number of non-U.S. regulators trained**

**Description:** This metric shows the reach of the SEC’s technical assistance programs for regulators around the world. The SEC conducts these training sessions to assist countries in developing and maintaining robust protections for investors and promoting cross-border enforcement and supervisory assistance.

Fiscal Year	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 Plan	FY 2017 Actual	FY 2018 Estimate	FY 2019 Estimate
Number of non-U.S. regulators	1,785	1,716	2,382	1,666	2,145	1,800	1,837	1,850	1,850

**Target:** Exceeded

**Analysis:** The actual results for FY 2017 exceeded the performance target.

**Responsible Division/Office:** Office of International Affairs

**Data Source:** International Program Oversight Database and Business Objects Reports



## STRATEGIC GOAL 2: Foster and Enforce Compliance with Federal Securities Laws

Fostering compliance with federal securities laws is interwoven through all of the SEC’s programs and is central to fulfilling the critical mission of the agency. Through disclosure reviews and examinations of broker-dealers, investment advisers, self-regulatory organizations (SRO), and other market participants, the SEC seeks both to detect violations of the securities laws and rules, and to foster strong compliance and risk management practices within these firms and organizations. The SEC’s enforcement program also investigates and prosecutes violations of the law with the aim of holding wrongdoers accountable, returning funds to harmed investors whenever possible, and building deterrence

against future violations. In FY 2017, the agency met or exceeded 10 and did not meet two performance targets in Strategic Goal 2. For FY 2019, the agency is requesting a total of \$987.2 million and 2,678 FTEs for Goal 2. These resources will allow the SEC to expand the reach of the examination program and address the growing number and complexity of registered firms. Additionally, the Commission will be able to take prompt action to halt misconduct, sanction wrongdoers effectively, and return funds to harmed investors.

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

**Goal Leader(s):** Director, Office of Compliance Inspections and Examinations

### PERFORMANCE GOAL 2.1.1 Number of industry outreach and education programs targeted to areas identified as raising particular compliance risks

**Description:** Targeted communication with industry participants on topics shaping the examination program is intended to enhance compliance practices and prevent violations before they occur. This metric identifies the number of major outreach efforts conducted, including the SEC’s national and regional compliance outreach events, published risk alerts, and other educational programs and initiatives.

Fiscal Year	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 Plan	FY 2017 Actual	FY 2018 Estimate	FY 2019 Estimate
Number of major outreach efforts	12	15	63	129	158	100	128	100	100

**Target:** Exceeded

**Analysis:** The SEC seeks to encourage a strong culture of ethical behavior and decision-making at organizations and promote compliance with federal securities laws. As part of its efforts to promote compliance within the industry, OCIE conducted more than 125 outreach and educational programs events during the year, including Compliance Outreach seminars and various other outreach initiatives with registrants, regulators, and industry groups. As part of this work, the program also issued six National Risk Alerts, presented at SEC Speaks, and published other significant materials during the year. In addition, staff from throughout the program participated in a number of other outreach efforts, including speaking at more than a hundred industry conferences and related engagements that are not reflected in the above numbers.

**Responsible Division/Office:** Office of Compliance Inspections and Examinations

**Data Source:** Internal tracking, although many of the events noted above are referenced on the SEC’s website



**PERFORMANCE GOAL 2.1.2**  
**Percentage of firms receiving deficiency letters that take corrective action in response to all exam findings**

**Description:** At the conclusion of examinations, the staff communicates identified deficiencies to registrants in the form of a deficiency letter. Registrants are then given a chance to respond to staff findings and often take action to remedy any problems and potential risks, including monetary compensation to clients and enhancements to disclosures, policies, and procedures. Most often, registrants respond that they have corrected the deficiencies and implemented measures to prevent recurrence.

Fiscal Year	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 Plan	FY 2017 Actual	FY 2018 Estimate	FY 2019 Estimate
Percentage	92%	86%	89%	90%	88%	89%	91%	90%	90%

**Target:** Exceeded

**Analysis:** The SEC works to enforce and foster compliance with federal securities laws through its examination program. During examinations in FY 2017, the staff identified a number of areas where firms appeared not to be in compliance with federal securities laws. In response to deficiency letters that were sent to firms by the staff, the vast majority of registrants have continued to assert that they are taking corrective action in response to the staff's findings. This measure continues to show that registrants are using examination results to improve operations and compliance with federal securities laws.

**Responsible Division/Office:** Office of Compliance Inspections and Examinations

**Data Source:** Tracking and Reporting Exam National Documentation System (TRENDS)

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

Goal Leader(s): Director, Office of Compliance Inspections and Examinations

**PERFORMANCE GOAL 2.2.1**  
**Percentage of investment advisers, investment companies, and broker-dealers examined during the year**

**Description:** This metric indicates the number of registrants examined by the SEC or an SRO as a percentage of the total number of registrants. This metric includes all types of examinations: risk priority examinations, cause inspections to follow up on tips and complaints, limited-scope special inspections to probe emerging risk areas, and oversight examinations of broker-dealers to test compliance and the quality of examinations by FINRA.

Fiscal Year	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 Plan	FY 2017 Actual	FY 2018 Estimate	FY 2019 Estimate
Investment advisers	8%	9%	10%	10%	11%	13%	15%	15%	15%
Investment companies	12%	11%	10%	15%	17%	10%	11%	11%	11%
Broker-dealers	49%	46%	49%	51%	50%	48%	48%	48%	48%

**Target:** Investment advisers – Exceeded; Investment companies – Exceeded; Broker-dealers – Met

**Analysis:** Building and maintaining examination coverage of the industry helps the Commission promptly detect violations of federal securities laws and promote compliance with such laws. During FY 2017, the examination program met or exceeded its coverage targets. The program focused particular efforts in the investment adviser space and was able to improve coverage beyond targeted levels. In addition to conducting examinations, the staff continued to exert considerable time and attention during the year on enhancing its risk assessment efforts to ensure that the program is spending its limited time and resources on those activities and firms presenting the highest risk. Further, program resources were also allocated during the past year to other critical activities intended to improve the long-term performance of the program, including industry outreach initiatives, rulemaking projects, and other program improvement efforts.

**Responsible Division/Office:** Office of Compliance Inspections and Examinations

**Data Source:** Tracking and Reporting Exam National Documentation System (TRENDS) (IA, IC, and BD SEC data) and SRO Databases (BD SRO Data)

**PERFORMANCE GOAL 2.2.2**  
**Percentage of compliance exams that are timely concluded in accordance with the Office of Compliance Inspections and Examinations’ (OCIE) statutory deadline**

**Description:** The staff conducts examinations each year of registered entities, including investment advisers, investment company complexes, transfer agents, and broker-dealers. The staff strives to complete its examinations and communicate findings in the most efficient and effective manner and within its statutory deadline. This metric reflects the percentage of examinations concluded within the statutory deadline.

Fiscal Year	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 Plan	FY 2017 Actual	FY 2018 Estimate	FY 2019 Estimate
Percentage	Prior-year data not available	100%	100%	100%	100%	100%	100%	100%	100%

**Target:** Met

**Analysis:** The staff’s goal is to identify and communicate potential issues to firms to ensure that compliance problems and issues are corrected quickly. During FY 2017, 100 percent of completed examinations were done within OCIE’s statutory deadline. Overall, this performance goal helps the SEC ensure that deficiencies are promptly resolved by firms.

**Responsible Division/Office:** Office of Compliance Inspections and Examinations

**Data Source:** Tracking and Reporting Exam National Documentation System (TRENDS)

**PERFORMANCE GOAL 2.2.3**  
**Number of joint exams, information sharing agreements, and formal meetings with other regulators**

**Description:** The SEC attempts to coordinate and collaborate with other regulators on areas of mutual interest. This helps to ensure that all regulators are informed of ongoing risks and issues related to broad market practices as well as specific entities of mutual interest. This cooperation is critical to the exam program to ensure that certain higher risk firms and activities are addressed in the most efficient and effective manner. This metric tracks critical cooperation activities that are occurring between the SEC's exam program and other regulators.

Fiscal Year	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 Plan	FY 2017 Actual	FY 2018 Estimate	FY 2019 Estimate
Number of joint exams, active sharing agreements, and formal meetings	Prior-year data not available		391	442	445	375	376	350	350

**Target:** Exceeded

**Analysis:** The exam program continued to conduct joint/coordinated exams and held hundreds of meetings with other regulators, which has proved an effective method of overseeing entities and issues that cross jurisdictional lines. The program also maintained a number of sharing agreements with these regulators to help ensure that information could be shared in an appropriate and timely manner.

**Responsible Division/Office:** Office of Compliance Inspections and Examinations

**Data Source:** Tracking and Reporting Exam National Documentation System (TRENDS)

**PERFORMANCE INDICATOR (CONTEXTUAL) 2.2.1**  
**Percentage of exams that identify deficiencies, the percentage that result in a "significant finding," and the percentage referred to the Division of Enforcement**

**Description:** Examiners find a wide range of deficiencies during examinations. Some of the deficiencies are more technical in nature, such as failing to include all information that is required to be in a record. However, other deficiencies may cause harm to customers or clients of a firm, have a high potential to cause harm, or reflect recidivist misconduct. The latter deficiencies are among those categorized as "significant." This indicator identifies the percentage of exams that identified deficiencies, that resulted in significant deficiency findings, and that were referred to Enforcement.

Fiscal Year	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 Actual
Percentage that identify deficiencies	80%	80%	76%	77%	72%	72%
Percentage that result in a "significant finding"	42%	35%	30%	31%	27%	20%
Percentage referred to the Division of Enforcement	Prior-year data not available	13%	12%	11%	9%	7%

**Responsible Division/Office:** Office of Compliance Inspections and Examinations

**Data Source:** Tracking and Reporting Exam National Documentation System (TRENDS)

**PERFORMANCE INDICATOR (OUTPUT) 2.2.2**  
**Number of cause exams that result from tips, complaints, and referrals**

**Description:** Analysis of a tip can support the request for a cause exam. This indicator would identify the number of SEC cause exams that result from tips collected through outreach efforts.

Fiscal Year	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 Actual
Number of cause exams	Prior-year data not available	222	149	173	191	177

**Responsible Division/Office:** Office of Compliance Inspections and Examinations

**Data Source:** Tracking and Reporting Exam National Documentation System (TRENDS)

**PERFORMANCE INDICATOR (OUTPUT) 2.2.3**  
**Number of rulemaking initiatives assisted by the National Exam Program**

**Description:** The examination program interacts with registrants on a regular basis, and this work provides critical feedback toward ensuring effective and practical rulemaking and policy efforts. This indicator tracks how frequently the examination program assists with rulemaking initiatives.

Fiscal Year	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 Actual
Number of rulemaking initiatives assisted by the NEP	Prior-year data not available		30	26	24	16

**Responsible Division/Office:** Office of Compliance Inspections and Examinations

**Data Source:** Internal tracking

**PERFORMANCE INDICATOR (OUTPUT) 2.2.4**  
**Number of investigations or inquiries originating from a tip or complaint**

**Description:** Analysis of a tip or complaint can result in the need for further enforcement investigation. The indicator identifies the volume of SEC investigations that result from tips and complaints received by the SEC.

Fiscal Year	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 Actual
Number of investigations	296	289	291	325	336	307

**Responsible Division/Office:** Division of Enforcement

**Data Source:** HUB case management and tracking system for the Division of Enforcement

**PERFORMANCE INDICATOR (OUTPUT) 2.2.5**

**SEC investigations in which requests for access to information were granted by the SEC to other authorities, such as SROs or other state, federal, and foreign enforcement authorities**

**Description:** The SEC works closely with other regulators and authorities. This measure identifies the number of investigations in which the SEC granted one or more authorities access to information concerning an investigation during the fiscal year. This may include requests for access to SEC investigative files concerning investigations that the SEC continues to pursue, as well as those in which the SEC has completed its investigation.

Fiscal Year	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 Actual
Number of investigations	515	504	501	498	496	505

**Responsible Division/Office:** Division of Enforcement

**Data Source:** HUB case management and tracking system for the Division of Enforcement

**PERFORMANCE INDICATOR (OUTPUT) 2.2.6**

**Requests from foreign authorities for SEC assistance and SEC requests for assistance from foreign authorities**

**Description:** Each year, the SEC makes hundreds of requests for enforcement assistance to foreign regulators, while responding to hundreds of such requests from other nations. To facilitate this type of assistance, and encourage other countries to enact laws necessary to allow regulators to cooperate with their foreign counterparts, the SEC has entered into bilateral information sharing arrangements, as well as the Multilateral Memorandum of Understanding, an information sharing arrangement negotiated through the International Organization of Securities Commissions (IOSCO).

Fiscal Year	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 Actual
Number of requests from foreign authorities	450	508	541	531	636	599
Number of SEC requests	718	717	966	929	1,027	1,272

**Responsible Division/Office:** Office of International Affairs

**Data Source:** International Program Oversight Database and Business Objects reports

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

Goal Leader(s): Director, Division of Enforcement

**PERFORMANCE GOAL 2.3.1**  
**Percentage of enforcement actions in which the Commission obtained relief on one or more claims**

**Description:** This metric identifies, as to all parties to enforcement actions that were resolved in the fiscal year, the percentage against whom the Commission obtained a judgment or order entered on consent, a default judgment, a judgment of liability on one or more charges, and/or the imposition of monetary or other relief.

Fiscal Year	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 Plan	FY 2017 Actual	FY 2018 Estimate	FY 2019 Estimate
Percentage	89%	93%	94%	95%	97%	92%	94%	92%	92%

**Target:** Exceeded

**Analysis:** In addition to securing victories in specific cases through litigation and trial, the SEC's litigation efforts also help the SEC obtain appropriate settlements in other cases by demonstrating that it will pursue litigation and trial, if necessary, to obtain appropriate relief. The SEC endeavors to resolve actions quickly and on a favorable basis where practicable, while at the same time filing contested matters where favorable settlements are unavailable before filing. The agency seeks to direct its limited resources toward cases that are likely to have the greatest impact in furthering of the SEC's mission.

**Responsible Division/Office:** Division of Enforcement

**Data Source:** HUB case management and tracking system for the Division of Enforcement

**PERFORMANCE GOAL 2.3.2**  
**Percentage of first enforcement actions filed within two years of the opening of an investigation**

**Description:** This metric concerns the pace of investigations that lead to the filing of enforcement actions. Specifically, this metric captures the rate at which the first enforcement action arising out of an investigation was filed within two years of the opening of the investigation. If the investigation was preceded by a matter under inquiry, the metric draws on the date of the opening of the matter under inquiry. In conducting investigations, the Enforcement program continually strives to balance the need for complete, effective, and fair investigations with the need to file enforcement actions in as timely a manner as possible.

Fiscal Year	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 Plan	FY 2017 Actual	FY 2018 Estimate	FY 2019 Estimate
Percentage	63%	58%	64%	58%	53%	65%	52%	65%	65%

**Target:** Not Met

**Analysis:** In FY 2017, the percentage of first enforcement actions filed within two years of the opening of the matter under inquiry (MUI) or investigation was 52 percent, which is a decrease compared to the FY 2016 result (53 percent). While timeliness in filing actions can be influenced by a number of factors, it is important because it can enhance the action's deterrent impact.

**Plan for Improving Program Performance:** To address the issue of timeliness in investigations, the division is taking measures that include emphasizing expediency in quarterly case reviews, promoting best practices regarding efficiencies in various phases of the investigative process, leveraging data analytics capabilities, and conducting training on tools that expedite investigations.

**Responsible Division/Office:** Division of Enforcement

**Data Source:** HUB case management and tracking system for the Division of Enforcement

**PERFORMANCE GOAL 2.3.3**  
**Average months between opening a matter under inquiry or an investigation and commencing an enforcement action**

**Description:** This metric captures the average number of months between the opening of an investigation and the filing of the first enforcement action arising out of that investigation. If the investigation was preceded by a matter under inquiry, the metric draws on the date of opening of the matter under inquiry. In conducting investigations, the enforcement program continually strives to balance the need for complete, effective, and fair investigations with the need to file enforcement actions in as timely a manner as possible. While not all investigations result in the filing of enforcement actions, this metric provides information concerning the pace of investigations that do lead to such actions and supplements the previous goal, which measures the percentage of first enforcement actions filed within two years.

Fiscal Year	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 Plan	FY 2017 Actual	FY 2018 Estimate	FY 2019 Estimate
Months	21	21	21	24	24	20	24	20	20

**Target:** Not Met

**Analysis:** In FY 2017, the average number of months between opening a matter under inquiry (MUJ) or investigation and commencing an enforcement action was 24 months, which was the same as FY 2016. Timeliness in filing actions is important because it can enhance the action's deterrent impact. At the same time, many of the division's cases are complex and can take extended periods of time to develop successfully.

**Plan for Improving Program Performance:** To address the issue of timeliness in investigations, the division is taking measures that include emphasizing expediency in quarterly case reviews, promoting best practices regarding efficiencies in various phases of the investigative process, leveraging data analytics capabilities, and conducting training on tools that expedite investigations.

**Responsible Division/Office:** Division of Enforcement

**Data Source:** HUB case management and tracking system for the Division of Enforcement

**PERFORMANCE GOAL 2.3.4**  
**Percentage of debts where either a payment has been made or a collection activity has been initiated within 180 days of the due date of the debt**

**Description:** The SEC can seek a wide range of remedies for failure to comply with the securities laws. These remedies include civil monetary penalties and disgorgement. When the remedies are imposed by the SEC or the federal district court, payments must be made by a certain date. This metric identifies the percentage of debts where debtors have made payments, or the SEC has initiated a collection activity within 180 days of the due date. Such collection activities include, among other things, demand letters, negotiation of payment plans, enforcing the payment of the debt through the courts, or other judicial remedies.

Fiscal Year	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 Plan	FY 2017 Actual	FY 2018 Estimate	FY 2019 Estimate
Percentage	92%	95%	92%	95%	96%	92%	99%	92%	92%

**Target:** Exceeded

**Analysis:** The division has successfully integrated all collections functions within the Office of Collections and, as a result, exceeded the target for this performance measure.

**Responsible Division/Office:** Division of Enforcement

**Data Source:** DELPHI, HUB case management and tracking system for the Division of Enforcement

### PERFORMANCE GOAL 2.3.5

#### Percentage of Fair Fund and disgorgement fund plans that have distributed 80 percent of the available funds for distribution within twenty-four (24) months of the approval of the distribution plan

**Description:** In addition to other types of relief, the SEC may seek orders requiring parties to disgorge any money obtained through wrongdoing. The SEC also is empowered to seek civil penalties for violations of the securities laws. Where appropriate, the SEC has sought to return disgorged funds to harmed investors and, as a result of the Fair Funds provisions in law, to combine amounts paid as penalties with disgorged funds, or to create a Fair Fund from penalties only, to reduce losses to injured parties and to maximize funds available for distribution. This metric identifies the percentage of distribution plans that reached a critical mass during the fiscal year and within twenty-four (24) months of the approval of the distribution plan. The distribution plan includes the timeline and procedures required to return the funds to injured investors. This reflects Commission-wide efforts to implement plans to return money to investors quickly. Any funds not returned to investors are sent to the U.S. Treasury or the Investor Protection Fund established pursuant to Section 21F(g) of the Securities Exchange Act of 1934. Neither disgorgement nor penalties are used for the SEC's own expenses.

Fiscal Year	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 Plan	FY 2017 Actual	FY 2018 Estimate	FY 2019 Estimate
Percentage	80%	73%	81%	96%	93%	80%	96%	80%	80%

**Target:** Exceeded

**Analysis:** In FY 2017, the division exceeded the target by 16 percentage points. Going forward, the division will continue its efforts to prioritize the timeliness and efficiency of distributing funds, which have been enhanced through such efforts as centralizing the function and implementing various process improvements.

**Responsible Division/Office:** Division of Enforcement

**Data Source:** HUB case management and tracking system for the Division of Enforcement

### PERFORMANCE INDICATOR (CONTEXTUAL) 2.3.1

#### Percentage of filed enforcement actions reflecting characteristics that present enhanced risk to investors and markets, as measured by the nature of the investigation, conduct, parties and impact

**Description:** This indicator assesses the quality of the cases filed by the Division of Enforcement. The indicator focuses on cases filed by the SEC that involve factors reflecting enhanced risk to investors and markets. Such cases may involve: (i) those identified through risk analytics and cross-disciplinary initiatives to reveal difficult-to-detect or early stage misconduct, thus minimizing investor loss and preventing the spread of unlawful conduct and practices; (ii) particularly egregious or widespread misconduct and investor harm; (iii) vulnerable victims; (iv) a high degree of scienter; (v) involvement of individuals occupying substantial positions of authority, or having fiduciary obligations or other special responsibilities to investors; (vi) involvement of recidivists; (vii) high amount of investor loss prevented; (viii) misconduct that is difficult to detect due to the complexity of products, transactions, and practices; (ix) use of innovative investigative or analytical techniques; (x) effective coordination with other law enforcement partners; and/or (xi) whether the matter involves markets, transactions, or practices identified as an enforcement priority, or that advances the programmatic priorities of other SEC Divisions or Offices.

Fiscal Year	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 Actual
Percentage	Prior-year data not available		62%	58%	57%	44%

**Responsible Division/Office:** Division of Enforcement

**Data Source:** Qualitative Index Spreadsheet



**PERFORMANCE INDICATOR (CONTEXTUAL) 2.3.2**  
**Total amount distributed within the fiscal year, and the number of Fair Funds from which those distributions came**

**Description:** In its enforcement actions, the SEC may seek to return funds to harmed investors through disgorgement of ill-gotten gains or through the Fair Funds provision of the Sarbanes-Oxley Act. This provision permits the SEC to combine amounts paid as penalties with disgorged funds, or to create a Fair Fund from penalties only, to reduce losses to injured parties. This reflects the SEC's efforts to return funds to injured investors. This indicator identifies the total amount distributed within the fiscal year, and the number of Fair Funds from which those distributions came. This indicator may increase or decrease in dollar amount and number of distribution funds based on the number of SEC enforcement actions brought involving distributions, amounts ordered and paid in those actions, and other factors. Due to the variation in reporting timelines established for each individual distribution, reported amounts are based on the agency's best available information. Reported amounts do not include those funds distributed through receiverships. Any funds not returned to investors are sent to the U.S. Treasury or the Investor Protection Fund established pursuant to Section 21F(g) of the Securities Exchange Act of 1934. Neither disgorgement nor penalties are used for the Commission's own expenses.

Fiscal Year	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 Actual
Amount distributed (in millions)	\$815	\$251	\$424	\$158	\$140	\$1,073
Number of Fair Funds	31	22	28	34	35	32

**Responsible Division/Office:** Division of Enforcement

**Data Source:** HUB case management and tracking system for the Division of Enforcement Distributions Management System

**PERFORMANCE INDICATOR (OUTPUT) 2.3.3**  
**Percent of enforcement actions filed that arose out of national priority investigations**

**Description:** The Division of Enforcement conducts many enforcement actions each year that can be characterized as high impact and of national priority. High impact or national priority investigations include investigations that are significant for one or more of the following reasons—the matter: (i) presents an opportunity to send a particularly strong and effective message of deterrence, including with respect to markets, products, and transactions that are newly developing or that are long established but by their nature present limited opportunities to detect wrongdoing and thus to deter misconduct; (ii) involves particularly egregious or extensive misconduct; (iii) involves potentially widespread and extensive harm to investors; (iv) involves misconduct by persons occupying positions of substantial authority or responsibility, or who owe fiduciary or other enhanced duties and obligations to a broad group of investors or others; (v) involves potential wrongdoing as prohibited under newly-enacted legislation or regulatory rules; (vi) concerns potential misconduct that occurred in connection with products, markets, transactions, or practices that pose particularly significant risks for investors or a systemically important sector of the market; (vii) involves a substantial number of potential victims and/or particularly vulnerable victims; (viii) involves products, markets, transactions, or practices that the Enforcement Division has identified as priority areas; and/or (ix) provides an opportunity to pursue priority interests shared by other law enforcement agencies on a coordinated basis.

Fiscal Year	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 Actual
Percentage	20%	15%	16%	25%	27%	19%

**Responsible Division/Office:** Division of Enforcement

**Data Source:** HUB case management and tracking system for the Division of Enforcement

**PERFORMANCE INDICATOR (CONTEXTUAL) 2.3.4**  
**Criminal actions related to conduct under investigation by the SEC**

**Description:** In some instances, conduct may involve both civil and criminal violations and may be investigated by both the SEC and the criminal authorities. This indicator identifies the number of criminal actions that are related to conduct under investigation by the SEC.

Fiscal Year	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 Actual
Number of criminal investigations	126	126	127	134	109	128

**Responsible Division/Office:** Division of Enforcement

**Data Source:** HUB case management and tracking system for the Division of Enforcement

**PERFORMANCE INDICATOR (CONTEXTUAL) 2.3.5**  
**Disgorgement and penalties ordered and the amounts collected**

**Description:** In addition to other types of relief, the SEC may seek orders requiring parties to disgorge any money obtained through wrongdoing. The SEC is also empowered to seek civil penalties for violations of the securities laws. In some cases, the SEC will seek to obtain large monetary sanctions, even in instances where the prospect of collecting on a judgment is slight. The rationale for seeking monetary relief in these circumstances is that such relief, even when likely uncollectible, might become collectible in the future based on the defendant's changed circumstances, and also because such relief can serve to deter others from violating the securities laws. Where appropriate, the SEC has sought to return disgorged funds to harmed investors. Funds not returned to investors are sent to the Treasury or the Investor Protection Fund established pursuant to Section 21F(g) of the Securities Exchange Act of 1934. This indicator lists disgorgement and penalties ordered as a result of SEC cases in each fiscal year and the amounts collected in those actions as of the end of FY 2015. The indicator for collected amounts could change over time based on various factors.

Fiscal Year	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 Actual
Ordered amounts (in millions)	\$3,104	\$3,424	\$4,166	\$4,195	\$4,082	\$3,789
Collected amounts (in millions)	\$1,236	\$2,334	\$2,580	\$2,408	\$2,656	\$1,873

**Responsible Division/Office:** Division of Enforcement

**Data Source:** DELPHI



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

A strong economy and a vibrant securities market rely on investor confidence and the widespread availability of relevant information about those securities. The SEC promotes informed investment decisions through two main approaches. The first is to require that investors have accurate, adequate, and timely public access to disclosure materials that are easily understood and analyzed. The second is to implement a variety of investor education initiatives aimed at giving investors a better

understanding of the operations of the nation’s securities markets. In FY 2017, the agency exceeded all 12 performance targets in Strategic Goal 3. For FY 2019, the SEC is requesting a total of \$210.6 million and 571 FTEs toward achieving results in Strategic Goal 3.

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

**Goal Leader(s):** Director, Division of Corporation Finance; Director, Division of Investment Management

#### PERFORMANCE GOAL 3.1.1 Percentage of public companies and investment companies with disclosures reviewed each year

**Description:** The Sarbanes-Oxley Act requires that the SEC review, at least once every three years, the disclosures of all companies and investment company portfolios reporting under the Exchange Act. These reviews help improve the information available to investors and may identify possible violations of the federal securities laws. This metric gauges the number of public companies and investment companies reviewed each year.

Fiscal Year	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 Plan	FY 2017 Actual	FY 2018 Estimate	FY 2019 Estimate
Division of Corporation Finance									
Corporations	48%	52%	52%	51%	56%	33%	56%	33%	33%

**Target:** Exceeded

**Analysis:** CF exceeded its planned level of companies reviewed in FY 2017.

**Responsible Division/Office:** Division of Corporation Finance

**Data Source:** Electronic Data Gathering, Analysis, and Retrieval (EDGAR) System, Filing Activity Tracking System (FACTS)

Division of Investment Management									
Investment company portfolios	36%	34%	35%	35%	36%	33%	35%	33%	33%

**Target:** Exceeded

**Analysis:** Consistent with Section 408 of the Sarbanes Oxley-Act of 2002, IM strives to review disclosures made by certain public issuers, including issuers’ financial statements, no less frequently than once every three years. The targeted number of annual reviews assumes that IM meets this goal.

**Responsible Division/Office:** Division of Investment Management

**Data Source:** Microsoft Office Suite Tools

**PERFORMANCE GOAL 3.1.2**  
Time to issue initial comments on Securities Act filings

**Description:** The target of 30 days or less has become a de facto industry standard for the maximum time to receive initial comments.

Fiscal Year	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 Plan	FY 2017 Actual	FY 2018 Estimate	FY 2019 Estimate
Days	24.9	25.6	25.8	26.0	25.5	<30.0	25.4	<30.0	<30.0

**Target:** Exceeded

**Analysis:** CF achieved its goal of having a response time for initial comments of less than 30 days.

**Responsible Division/Office:** Division of Corporation Finance

**Data Source:** Division of Corporation Finance Management Dashboards

**PERFORMANCE GOAL 3.1.3**  
Percentage of investment company disclosure reviews for which initial comments are completed within timeliness goals

**Description:** For initial registration statements, the SEC's goal is to issue initial comments within 30 days after they are filed (60 days for registration statements of insurance product separate accounts and related mutual funds). The SEC also aims to comment on post-effective amendments within 45 days, and on preliminary proxy statements within 10 days after they are filed.

Fiscal Year	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 Plan	FY 2017 Actual	FY 2018 Estimate	FY 2019 Estimate
Initial registration statements	96%	98%	98%	98%	98%	85%	100%	85%	85%
Post-effective amendments	95%	99%	99%	98%	100%	90%	99%	90%	90%
Preliminary proxy statements	100%	98%	99%	98%	99%	99%	100%	99%	99%

**Target:** Initial registration statements – Exceeded; Post-effective amendments – Exceeded; Preliminary proxy statements – Exceeded

**Analysis:** IM strives to review all significant disclosures made by registrants in Commission filings under the Investment Company Act, including initial registration statements and post-effective amendments with material changes. IM may limit the scope of a review, through selective review procedures, to a review of only the disclosure in a filing that has not been previously reviewed. During periods of increased filings, IM is able to handle the increased workload largely through the use of such selective review procedures. IM generally does not set a target for the number of filings that are reviewed in a fiscal year because IM does not dictate the number of filings that registrants make. Instead, other factors, such as registrant business decisions or the implementation of new disclosure requirements, typically drive whether investment companies make filings and the type of filings that they make. IM sets targets for the timeliness of reviews.

**Responsible Division/Office:** Division of Investment Management

**Data Source:** Electronic Data Gathering, Analysis, and Retrieval (EDGAR) System

**PERFORMANCE INDICATOR (CONTEXTUAL) 3.1.1**  
**Total digital audience including website, social media, and mobile media**

**Description:** Digital media has become the dominant channel for investors seeking to access information. These statistics will help evaluate the extent to which investors are turning to the SEC, identify the channels they use, and quantify the amount of information they receive.

Fiscal Year	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 Actual
SEC.gov page views (in billions)	Prior-year data not available	3.72	4.49	6.37	7.90	18.40
Social media followers	236,700	258,733	308,261	382,702	399,086	434,908
Total email/mobile subscriptions	631,839	740,318	799,055	982,817	1,051,625	1,395,591
Total email bulletins sent (in millions)	33.44	40.85	47.01	56.45	57.64	43.6
Total mobile bulletins sent	150,303	238,815	366,032	461,753	614,325	554,548

**Responsible Division/Office:** Office of Public Affairs

**Data Source:** Akamai Technologies, Google Analytics, GovDelivery, Hootsuite, social media channels

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

**Goal Leader(s):** Director, Office of Investor Education and Advocacy

**PERFORMANCE GOAL 3.2.1**  
**Number of page views of online investor education content, and number of in-person events, including those with specifically targeted communities and organizations**

**Description:** The Office of Investor Education and Advocacy (OIEA) initiates investor education campaigns on key strategies for making informed investment decisions, including publicizing online resources for researching investment professionals and investments, understanding fees, and identifying fraud. OIEA staff also participates in in-person events for investors, both general and those targeted toward specific investors, such as seniors, service members, and other affinity groups. This metric tracks page views of SEC online investor education materials and the number of investor events in which OIEA staff participated.

Fiscal Year	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 Plan	FY 2017 Actual	FY 2018 Estimate	FY 2019 Estimate
Number of page views (in millions)	Prior-year data not available	12.1	22.2	23.6	23.7	8.0	9.1	8.0	10.0
Number of in-person events	Prior-year data not available	52	51	71	112	80	146	90	90

**Target:** Number of page views – Exceeded; Number of in-person events – Exceeded

**Analysis:** The public's use of Investor.gov and investor education materials on SEC.gov exceeded the SEC's performance target, with particular interest in the calculators, tools, and resources for checking the background of investment professionals. OIEA participated in 70 events focused on military personnel and their families as part of the SEC's Military Financial Literacy Campaign, helping it exceed its target for in-person events.

**Responsible Division/Office:** Office of Investor Education and Advocacy

**Data Source:** Google Analytics, Microsoft Office Suite Tools

**PERFORMANCE GOAL 3.2.2**  
**Timeliness of responses to investor contacts**

**Description:** OIEA serves the tens of thousands of investors each year who contact the SEC with investment-related complaints and questions. The staff aims to close out as many new investor assistance matters as possible within seven to thirty business days.

Fiscal Year	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 Plan	FY 2017 Actual	FY 2018 Estimate	FY 2019 Estimate
Closed within 7 days	54%	62%	62%	65%	64%	62%	65%	62%	62%
Closed within 30 days	93%	93%	92%	93%	92%	90%	94%	90%	90%

**Target:** Closed within 7 days – Exceeded; Closed within 30 days – Exceeded

**Analysis:** OIEA continued to focus its efforts on identifying and referring key investor assistance matters to the agency's Tips, Complaints, and Referrals (TCR) system and exceeded its 7-day and 30-day targets for FY 2017.

**Responsible Division/Office:** Office of Investor Education and Advocacy

**Data Source:** Internal log using IRIS data

**PERFORMANCE GOAL 3.2.3**  
**Customer satisfaction rating of OIEA's online investor education resources**

**Description:** This metric gauges the effectiveness, helpfulness, and usability of OIEA's online investor education resources.

Fiscal Year	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 Plan	FY 2017 Actual	FY 2018 Estimate	FY 2019 Estimate
Satisfaction index	Prior-year data not available	81	83	84	83	Benchmark for federal government websites (73)	82	TBD	TBD

**Target:** Exceeded

**Analysis:** Investor.gov's customer satisfaction score (82) continued to exceed the federal government benchmark (73) due in part to site refinements based on feedback from Investor.gov visitors.

**Responsible Division/Office:** Office of Investor Education and Advocacy

**Data Source:** ForeSee results online portal

**PERFORMANCE GOAL 3.2.4**  
**Number of new investor education materials designed specifically to help investors protect themselves from fraud**

**Description:** Through OIEA—and often in conjunction with other organizations, the staff issues Investor Alerts and other forms of educational materials that inform investors about different permutations of fraud, new investment products, and other topical issues. This metric measures the number of new investor education materials issued by OIEA.

Fiscal Year	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 Plan	FY 2017 Actual	FY 2018 Estimate	FY 2019 Estimate
Number of education materials	24	26	28	31	32	32	34	32	32

**Target:** Exceeded

**Analysis:** In FY 2017, OIEA published 34 investor alerts and bulletins to meet its goal, many of which were focused on warning investors about possible fraudulent schemes.

**Responsible Division/Office:** Office of Investor Education and Advocacy

**Data Source:** SEC.gov and Investor.gov

**PERFORMANCE INDICATOR (PROCESS) 3.2.1**  
**Number of investor testing research projects**

**Description:** This metric tracks the number of research initiatives used to gather feedback from investors regarding the usefulness of disclosures and other input on SEC rulemaking.

Fiscal Year	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 Actual
Number of projects	2	0	0	0	0	1

**Responsible Division/Office:** Office of the Investor Advocate

**Data Source:** Microsoft Office Suite Tools

**PERFORMANCE INDICATOR (PROCESS) 3.2.2**  
**Number of sets of recommendations prepared by the investor advisory committee**

**Description:** This indicator tracks the recommendations from the Investor Advisory Committee regarding investors' perspectives and priorities.

Fiscal Year	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 Actual
Number of sets of recommendations	0	4	4	4	4	0

**Responsible Division/Office:** Office of the Investor Advocate

**Data Source:** SEC.gov



**Strategic Goal 4:** Enhance the Commission's Performance through Effective Alignment and Management of Human, Information, and Financial Capital

The investing public and the securities markets are best served by an efficient, well-managed, and agile SEC. The Office of the Chief Operating Officer (OCOO) and its six operational offices—the Office of Support Operations (OSO), the Office of Financial Management (OFM), the Office of Human Resources (OHR), the Office of Strategic Initiatives (OSI), the Office of Acquisitions (OA), and the Office of Information Technology (OIT)—will focus on providing organizational and infrastructure improvements necessary to advance the Commission’s mission. The SEC is also extremely mindful of its responsibility to maximize the

impact of public funds. In FY 2017, the agency met or exceeded 17 and did not meet two performance targets in Strategic Goal 4. During FY 2019, the agency will continue to focus on recruiting, developing, and retaining high-performing staff with current market expertise. Furthermore, the SEC will continue to strengthen internal controls. The agency is requesting a total of \$274.9 million and 745 FTEs in FY 2019 to achieve results in Strategic Goal 4.

**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.

**Goal Leader(s):** Director, Office of Human Resources; Director, Office of Minority and Women Inclusion

**PERFORMANCE GOAL 4.1.1**  
Turnover

**Description:** When employee morale and engagement are high, high-performing employees tend to remain in the organization. Although turnover can fluctuate based on a variety of factors, the SEC aims to keep its turnover rate relatively low, below eight percent per year.

Fiscal Year	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 Plan	FY 2017 Actual	FY 2018 Estimate	FY 2019 Estimate
Percentage turnover	6.58%	6.58%	5.60%	6.20%	3.61%	<8.00%	4.61%	<8.00%	<8.00%

**Target:** Met

**Analysis:** The agency’s results were within target. The two main sources of attrition in FY 2017 were employees leaving the SEC for private sector employment (approximately 45 percent of SEC losses) or retiring (approximately 40 percent of SEC losses).

**Responsible Division/Office:** Office of Human Resources

**Data Source:** Interior Business Center



**PERFORMANCE GOAL 4.1.2**  
**Expanding staff expertise**

**Description:** Internal training and hiring programs are designed to help the agency recruit and develop a diverse and qualified staff with the key skills, industry knowledge, and expertise to support the SEC mission. In particular, there is a need to train examiners, attorneys, economists, and other experts for subject matter expertise relevant to the marketplace and investment and trading practices. This metric tracks whether certain areas requiring significant training are being addressed. The agency will track the number of SEC staff participants in mission-focused training and development programs and will report on specific items through the use of post-course evaluations to assess the impact and results of this training on a five-point scale.

Fiscal Year	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 Plan	FY 2017 Actual	FY 2018 Estimate	FY 2019 Estimate
Mission-focused training attendance	Prior-year data not available		16,270	17,093	17,273	16,000	26,252	16,000	16,000
Post-course evaluations of mission-focused training	Prior-year data not available		4.14	4.24	4.33	4.30	4.32	4.30	4.30

**Target:** Mission-focused training attendance – Exceeded; Post-course evaluations of mission-focused training – Exceeded

**Analysis:** The metric tracks instructor led training, for which the agency's results exceeded the target goal for FY 2017 by 64 percent. Beginning in FY 2016 and continuing in FY 2017, the agency also began offering more training virtually to enhance the accessibility of real-time training and reduce costs associated with classroom-based training. During FY 2017, the agency had over 55,000 instances of virtual training, an increase of approximately 12,000 instances.

**Responsible Division/Office:** Office of Human Resources

**Data Source:** Course Attendance Identified in LEAP (Instructor-led courses only) and End of Course Evaluation Report Summary provided by Metrics that Matter

**PERFORMANCE GOAL 4.1.3**  
**Number of diversity-related partnerships/alliances**

**Description:** Increased numbers of diversity-related partnerships or alliances with professional associations and educational organizations provides additional opportunities to educate students about the SEC's work and to recruit career professionals from all segments of society. The SEC will track the number of partnerships and/or alliances with diverse professional associations and educational organizations.

Fiscal Year	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 Plan	FY 2017 Actual	FY 2018 Estimate	FY 2019 Estimate
Number of partnerships/alliances	12	13	18	18	18	20	20	20	20

**Target:** Met

**Analysis:** In FY 2017, OMWI met the performance target of 20. The office established 2 new partnerships during the fiscal year and intends to maintain 20 partnerships moving forward.

**Responsible Division/Office:** Office of Minority and Women Inclusion

**Data Source:** Office of Minority and Women Inclusion Internal Records and Section 342 of DFA

**PERFORMANCE GOAL 4.1.4**  
**Survey rankings**

**Description:** Annual and other rankings, together with other metrics and indicators of federal government agencies will be used as one kind of metric to determine the SEC's overall success in improving employee morale and employee engagement.

Fiscal Year	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 Plan	FY 2017 Actual	FY 2018 Estimate	FY 2019 Estimate
<i>Best Places to Work</i> ranking	Ranked #19	Ranked #15	Ranked #14	Ranked #10	Ranked #6	Ranked #5	Ranked #5	Ranked #5	Ranked #5
Average of employee engagement and global satisfaction index	Prior-year data not available	61%	66%	68%	75%	75%	77%	80%	81%

**Target:** *Best Places to Work* ranking – Met; Average of satisfaction index – Exceeded

**Analysis:** In 2017, the SEC moved up one spot and now ranks #5 in the mid-size agency category.

**Responsible Division/Office:** Office of Human Resources

**Data Source:** Annual Partnership for Public Service calculated ranking based on Annual Employee Viewpoint Survey (EVS) administered by OPM and Average of Employee Engagement and Global Satisfaction Index from OPM EVS

**PERFORMANCE GOAL 4.1.5**  
**Bench strength<sup>1</sup>**

**Description:** To maintain mission effectiveness, it is essential that attrition in the leadership ranks is quickly addressed by having a highly-qualified and diverse pool of internal candidates ready to assume those critical roles. This metric is calculated as an average ratio of the number of qualified internal candidates for key leadership positions.

Fiscal Year	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 Plan	FY 2017 Actual	FY 2018 Estimate	FY 2019 Estimate
Percentage	Prior-year data not available		68%	149%	266%	280%	366%	300%	300%

**Target:** Exceeded

**Analysis:** The agency has recently placed a greater emphasis on focused leadership development cohort programs such as Aspiring Leaders and Leadership Development for our SK-14, SK-15, SK-16, and SK-17 employees. This increases our bench strength while developing cross-group collaboration.

**Responsible Division/Office:** Office of Human Resources

**Data Source:** Course Attendance Identified in LEAP (Instructor-led courses only) and End of Course Evaluation Report Summary provided by Metrics that Matter

<sup>1</sup> Percentage equals the number of SK 14–17 staff with significant leadership development divided by the number of senior officer positions typically filled by internal staff.

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.

Goal Leader(s): Director, Office of Information Technology

**PERFORMANCE GOAL 4.2.1**  
**Ensure SEC's systems and applications are available**

**Description:** The SEC aims to enhance its computing infrastructure to eliminate downtime if systems at one site fail, among other objectives. This metric will capture the percentage of systems and applications that can fail over within 8 hours.

Fiscal Year	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 Plan	FY 2017 Actual	FY 2018 Estimate	FY 2019 Estimate
Percentage of servers virtualized	79%	93%	95%	95%	95%	95%	91%	95%	95%
Percentage fail over within 8 hours	Prior-year data not available		100%	100%	100%	100%	100%	100%	100%

**Target:** Percentage of servers virtualized – Not Met; Percentage fail over within 8 hours – Met

**Analysis:** OIT continues to leverage virtualization technologies for the SEC's computing infrastructure. Virtual servers are considered the standard for all server builds. Dedicated physical server use requires CIO approval and remained under 5 percent.

**Responsible Division/Office:** Office of Information Technology

**Data Source:** OIT Network Operations Center (NOC) – automated network monitoring tools

**PERFORMANCE GOAL 4.2.2**  
**Equip the SEC with an enhanced technology infrastructure to support enterprise infrastructure**

**Description:** The SEC aims to promote collaboration and information sharing across the enterprise. To improve efficiency and knowledge management, the SEC will consolidate and centralize its collaborative technologies to a commonly used enterprise set by 2020. This metric will measure the percentage of the SEC's offices and divisions that utilize centralized enterprise collaboration solutions.

Fiscal Year	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 Plan	FY 2017 Actual	FY 2018 Estimate	FY 2019 Estimate
Number of enterprise solutions	25%	30%	35%	40%	45%	45%	45%	45%	45%

**Target:** Met

**Analysis:** Enterprise solutions are leveraged across SEC offices and divisions, but higher percentages for this metric will require consolidation of related capabilities within the office and divisions.

**Responsible Division/Office:** Office of Information Technology

**Data Source:** Approved software applications list

**PERFORMANCE GOAL 4.2.3**  
**Expand the SEC’s video teleconferencing (VTC) capabilities to support an increasing geographically dispersed workforce**

**Description:** The SEC seeks to develop a state of the art video teleconference solution that allows users to conduct a video/ teleconference meeting between HQ, regional offices, and multiple endpoints simultaneously; collaborate and share presentation materials; and use VoIP technology to host video teleconferences from their offices/workspaces with other SEC users or conference rooms. This metric will measure the average “uptime” or availability of all VTC systems.

Fiscal Year	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 Plan	FY 2017 Actual	FY 2018 Estimate	FY 2019 Estimate
Availability rate for VTC solutions	Prior-year data not available	80.00%	99.99%	99.99%	99.99%	99.99%	99.99%	99.99%	99.99%

**Target:** Met

**Analysis:** VTC services are leveraged across the SEC. Their high availability is attributed to the SEC’s investments in better technology, documented procedures, and training.

**Responsible Division/Office:** Office of Information Technology

**Data Source:** Telecommunications monitoring system

**PERFORMANCE GOAL 4.2.4**  
**Pursue continuous technology cost reductions and efficiencies**

**Description:** Recent technology enhancements—e.g., data center consolidation, virtualization, and maintenance contract reductions—are producing technical efficiencies and cost savings. This metric will measure the amount of these costs savings.

Fiscal Year	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 Plan	FY 2017 Actual	FY 2018 Estimate	FY 2019 Estimate
Percent reduction in operational run cost leveraging technology and process efficiencies	Prior-year data not available	18.70%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

**Target:** Met

**Analysis:** OIT has implemented a strategic initiative, the Steady State Cost Reduction Plan, to review all Steady State project costs. This plan has both short- and long-term objectives as well as business impact assessments. This effort is SEC-wide, with a focus on leveraging market data to capture significant improvements during contract negotiations.

**Responsible Division/Office:** Office of Information Technology

**Data Source:** OIT Network Operations Center (NOC)

**PERFORMANCE GOAL 4.2.5**  
**Enhance the SEC's enterprise data warehouse infrastructure and performance**

**Description:** The Enterprise Data Warehouse (EDW) infrastructure will enable the provisioning of data to Commission staff for search and analysis through a virtual data warehouse platform. This metric will measure the availability of EDW and data sources.

Fiscal Year	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 Plan	FY 2017 Actual	FY 2018 Estimate	FY 2019 Estimate
Availability rate for the EDW infrastructure components in production	Prior-year data not available		99%	99%	99%	99%	99%	99%	99%

**Target:** Met

**Analysis:** EDW services are leveraged across the SEC. Availability is attributed to the use of redundant clustered servers, improved procedures, and training.

**Responsible Division/Office:** Office of Information Technology

**Data Source:** OIT Network Operations Center (NOC) – automated network monitoring tools

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

**Goal Leader(s):** Chief Financial Officer; Chief Operating Officer

**PERFORMANCE GOAL 4.3.1**  
**Financial audit results**

**Description:** Under the Accountability of Taxpayer Dollars Act of 2002, the agency is required to meet all proprietary and budgetary accounting guidelines for federal agencies and to undergo annual audits. The SEC's audits are conducted by the Government Accountability Office.

Fiscal Year	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 Plan	FY 2017 Actual	FY 2018 Estimate	FY 2019 Estimate
Unqualified opinion	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Material weakness	0	0	0	0	0	0	0	0	0
Significant deficiency	2	1	1	0	0	0	0	0	0

**Target:** Unqualified opinion – Met; Material weakness – Met; Significant deficiency – Met

**Analysis:** In FY 2017, the Government Accountability Office (GAO) released an unmodified opinion on SEC's financial statements and internal controls over financial reporting in which no significant issues were identified. This sustained achievement underscores SEC's commitment to sound financial management and our high standards of accountability, transparency, and ethics.

**Responsible Division/Office:** Office of Financial Management

**Data Source:** GAO's Independent Auditor's Report in the FY 2017 SEC Agency Financial Report

**PERFORMANCE GOAL 4.3.2**  
**Assurance statement on internal control over operations**

**Description:** In accordance with OMB A-123 and Section 961 of the Dodd-Frank Act, the SEC conducts an annual assessment of the effectiveness of internal controls. The SEC will continue to develop its Operational Risk program and enhance cross-organizational processes to support all division and office management assurance statements. Success is measured by the quality of risk and control assessments and management self-identification and resolution of improvement opportunities.

Fiscal Year	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 Plan	FY 2017 Actual	FY 2018 Estimate	FY 2019 Estimate
Unmodified opinion	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes
Material weakness	0	0	0	0	0	0	1	0	0

**Target:** Unmodified opinion – Not Met; Material weakness – Exceeded

**Analysis:** For FY 2017, the SEC did not provide an unmodified opinion on its internal control over operations. A material weakness related to cybersecurity risks was identified.

**Plan for Improving Program Performance:** The SEC is proactively working to address and mitigate these deficiencies in FY 2018, which includes taking steps to improve communication and escalation protocols and enhance the information security of the Electronic Data Gathering, Analysis, and Retrieval (EDGAR) system.

**Responsible Division/Office:** Office of the Chief Operating Officer

**Data Source:** SEC Financial Audit Report

**PERFORMANCE GOAL 4.3.3**  
**Timely completion of corrective action on Office of Inspector General (OIG) and the GAO audit recommendations**

**Description:** Timely completion of audit recommendations is an important SEC priority. This metric measures how well the Commission is doing in completing corrective action on OIG audit recommendations within established timeframes.

Fiscal Year	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017 Plan	FY 2017 Actual	FY 2018 Estimate	FY 2019 Estimate
OIG recommendations completed in less than one year	Prior-year data not available	78%	76%	74%	67%	75%	86%	75%	75%

**Target:** Exceeded

**Analysis:** In FY 2017, the SEC completed 86 percent of corrective actions on OIG and GAO audit recommendations on time.

**Responsible Division/Office:** Office of the Chief Operating Officer

**Data Source:** Audit Management System (Archer)

# Appendices

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Appendix C: SEC's Responses to Government Accountability Office Reports.....	133



BANK





# APPENDIX A: DIVISIONS AND OFFICES

## Headquarters

DIVISION OF CORPORATION FINANCE

William Hinman, Director  
(202) 551-3100

DIVISION OF ECONOMIC AND RISK ANALYSIS

Jeffrey Harris, Director  
(202) 551-6600

DIVISION OF ENFORCEMENT

Stephanie Avakian, Co-Director  
Steven Peikin, Co-Director  
(202) 551-4500

DIVISION OF INVESTMENT MANAGEMENT

Dalia Blass, Director  
(202) 551-6720

DIVISION OF TRADING AND MARKETS

Brett Redfearn, Director  
(202) 551-5500

OFFICE OF ACQUISITIONS

Vance Cathell, Director  
(202) 551-7300

OFFICE OF ADMINISTRATIVE LAW JUDGES

Brenda P. Murray, Chief Administrative Law Judge  
(202) 551-6030

OFFICE OF THE CHIEF ACCOUNTANT

Wesley Bricker, Chief Accountant  
(202) 551-5300

OFFICE OF THE CHIEF OPERATING OFFICER

Kenneth A. Johnson, Chief Operating Officer  
(202) 551-2200

OFFICE OF COMPLIANCE INSPECTIONS  
AND EXAMINATIONS

Peter Driscoll, Director  
(202) 551-6200

OFFICE OF CREDIT RATINGS

Jessica Kane, Acting Director  
(212) 336-9080

OFFICE OF EQUAL EMPLOYMENT OPPORTUNITY

Peter Henry, Acting Director  
(202) 551-6040

OFFICE OF THE ETHICS COUNSEL

Shira Pavis Minton, Ethics Counsel/  
Designated Agency Ethics Official  
(202) 551-5170

OFFICE OF FINANCIAL MANAGEMENT

Caryn Kauffman, Acting Chief Financial Officer  
(202) 551-7840

OFFICE OF THE GENERAL COUNSEL

Robert Stebbins, General Counsel  
(202) 551-5100

OFFICE OF HUMAN RESOURCES

Lacey Dingman, Chief Human Capital Officer  
(202) 551-7500

OFFICE OF INFORMATION TECHNOLOGY

Pamela Dyson, Director/Chief Information Officer  
(202) 551-8800

OFFICE OF INSPECTOR GENERAL

Carl W. Hoecker, Inspector General  
(202) 551-6061

OFFICE OF INTERNATIONAL AFFAIRS  
Paul A. Leder, Director  
(202) 551-6690

OFFICE OF THE INVESTOR ADVOCATE  
Rick Fleming, Investor Advocate  
(202) 551-3302

OFFICE OF INVESTOR EDUCATION AND  
ADVOCACY  
Lori Schock, Director  
(202) 551-6500

OFFICE OF LEGISLATIVE AND  
INTERGOVERNMENTAL AFFAIRS  
Bryan Wood, Director  
(202) 551-2010

OFFICE OF MINORITY AND  
WOMEN INCLUSION  
Pamela A. Gibbs, Director  
(202) 551-6046

OFFICE OF MUNICIPAL SECURITIES  
Rebecca Olsen, Acting Director  
(202) 551-5680

OFFICE OF PUBLIC AFFAIRS  
John Nester, Director  
(202) 551-4120

OFFICE OF THE SECRETARY  
Brent Fields, Secretary  
(202) 551-5400

OFFICE OF STRATEGIC INITIATIVES  
Mark Ambrose, Director  
(202) 551-8600

OFFICE OF SUPPORT OPERATIONS  
Barry Walters, Director/Chief FOIA Officer  
(202) 551-8400

*Note: As required by the SEC Small Business Advocate Act, the agency created the Office of the Advocate for Small Business Capital Formation in FY 2017. This office will be staffed in FY 2018.*

## Regional Offices

### ATLANTA REGIONAL OFFICE

Richard Best, Regional Director  
950 East Paces Ferry Road NE, Suite 900  
Atlanta, GA 30326  
(404) 842-7600  
email: atlanta@sec.gov

### BOSTON REGIONAL OFFICE

Paul Levenson, Regional Director  
33 Arch Street, 24th Floor  
Boston, MA 02110  
(617) 573-8900  
email: boston@sec.gov

### CHICAGO REGIONAL OFFICE

Robert J. Burson, Acting Regional Director  
Jane E. Jarcho, Acting Regional Director  
175 W. Jackson Boulevard, Suite 900  
Chicago, IL 60604  
(312) 353-7390  
email: chicago@sec.gov

### DENVER REGIONAL OFFICE

Julie K. Lutz, Regional Director  
1961 Stout Street, Suite 1700  
Denver, CO 80294  
(303) 844-1000  
email: denver@sec.gov

### FORT WORTH REGIONAL OFFICE

Shamoil Shipchandler, Regional Director  
Burnett Plaza  
801 Cherry Street  
Suite 1900, Unit 18  
Fort Worth, TX 76102  
(817) 978-3821  
email: dfw@sec.gov

### LOS ANGELES REGIONAL OFFICE

Michele Wein Layne, Regional Director  
444 South Flower Street, Suite 900  
Los Angeles, CA 90071  
(323) 965-3998  
email: losangeles@sec.gov

### MIAMI REGIONAL OFFICE

Eric I. Bustillo, Regional Director  
801 Brickell Avenue, Suite 1800  
Miami, FL 33131  
(305) 982-6300  
email: miami@sec.gov

### NEW YORK REGIONAL OFFICE

Marc P. Berger, Regional Director  
Brookfield Place  
200 Vesey Street, Suite 400  
New York, NY 10281  
(212) 336-1100  
email: newyork@sec.gov

### PHILADELPHIA REGIONAL OFFICE

G. Jeffrey Boujoukos, Regional Director  
One Penn Center  
1617 John F. Kennedy Boulevard  
Suite 520  
Philadelphia, PA 19103  
(215) 597-3100  
email: philadelphia@sec.gov

### SALT LAKE REGIONAL OFFICE

Dan Wadley, Acting Regional Director  
351 S. West Temple Street  
Suite 6.100  
Salt Lake City, UT 84101  
(801) 524-5796  
email: saltlake@sec.gov

### SAN FRANCISCO REGIONAL OFFICE

Jina L. Choi, Regional Director  
44 Montgomery Street, Suite 2800  
San Francisco, CA 94104  
(415) 705-2500  
email: sanfrancisco@sec.gov

## APPENDIX B: VERIFICATION AND VALIDATION OF PERFORMANCE DATA

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

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

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

# APPENDIX C: SEC'S RESPONSES TO GOVERNMENT ACCOUNTABILITY OFFICE REPORTS

This appendix provides the SEC's responses to Government Accountability Office (GAO) reports that included recommendations for the agency head.

The following are examples of letters that were sent to each appropriate committee.



UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

November 20, 2017

The Honorable Thad Cochran  
Chairman  
Committee on Appropriations  
United States Senate  
S-128, The Capitol  
Washington, DC 20510

Dear Chairman Cochran:

This letter addresses the recommendations concerning the U.S. Securities and Exchange Commission ("SEC") included in the U.S. Government Accountability Office report entitled "Telecommunications: Agencies Need to Apply Transition Planning Practices to Reduce Potential Delays and Added Costs" (GAO-17-464, dated September 21, 2017).

Because the SEC, like many other agencies, relies on existing GSA telecommunications contracts for core communications infrastructure services, we understand the importance of planning for a smooth transition when the current GSA contracts expire in 2020, and are succeeded by the Enterprise Infrastructure Solutions (EIS) contract. To plan for this transition, in FY 2016, the SEC's Office of Information Technology (OIT) established a cross-functional team responsible for managing the SEC's migration of services to those offered by EIS. To date, OIT has authored an EIS transition plan and executed an Interagency Agreement with GSA to assist in preparing for EIS network services.

We are pleased that the GAO found that the SEC had fully or partially implemented best practices previously identified by GAO as key to a successful telecommunication transition in the areas of structured transition management approach, transition plans, and telecommunications inventory practices. With the GSA's August 1, 2017 award of the EIS contract, the SEC now has sufficiently detailed pricing and offering information to move to the next phase of our transition planning efforts.

We concur with GAO's four recommendations addressed to the SEC and have outlined our corrective actions in the attached enclosure.

Thank you for the opportunity to provide you with additional information about the agency's continuing work in this area. If you have any questions or would like to discuss this response in more detail, please contact me at 202-551-2100, or have a member of your staff

The Honorable Thad Cochran  
Page 2

contact Bryan Wood, Director of the Office of Legislative and Intergovernmental Affairs, at (202) 551-2010.

Sincerely,



Jay Clayton  
Chairman

Attachment

Attachment

Securities and Exchange Commission  
Actions Taken or Planned with Respect to  
Reports #GAO-17-464

**Recommendation 12:** Identify the agency's future telecommunications needs, areas for optimization, and the costs and benefits of new technology; complete a strategic analysis of the agency's telecommunications requirements; and incorporate the requirements into transition planning.

**Response:** The SEC will establish an EIS planning team comprised of key IT personnel from across the agency, including regional offices, to do the work requested by the recommendation. This includes identifying future needs, costs and benefits, and areas for improvement, so that the SEC can incorporate the results into transition planning.

**Recommendation 13:** Identify roles and responsibilities related to the management of assets and human capital and legal expertise for the transition; include key local and regional officials in its transition communications plan; and use configuration and change management processes in its transition.

**Response:** The SEC will formally document the roles and responsibilities of key EIS transition team members across the various agency offices, including regional offices. The SEC will also develop a transition communications plan that includes configuration and change management practices.

**Recommendation 14:** Identify the resources needed for the full transition, justify requests for transition resources, identify staff resources needed for the full transition, and analyze training needs for the staff assisting with the transition.

**Response:** The SEC has identified the resources believed necessary to the transition from Networkx to EIS and the agency's IT Capital Planning and Investment Control committee will consider the matter once the SEC receives its full-year FY 2018 budget.

**Recommendation 15:** Demonstrate that the Commission's transition goals and measures align with its mission, identify transition risks related to critical systems and continuity of operations, and identify mission-critical priorities in its transition timeline.

**Response:** The SEC will develop a risk mitigation strategy document that addresses how the transition aligns to mission-critical requirements and identifies transition risks related to critical systems and continuity of operations.



GAO Report: "Telecommunications: Agencies Need to Apply Transition Planning Practices to Reduce Potential Delays and Added Costs" (GAO-17-464, dated September 21, 2017)



UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

November 20, 2017

The Honorable Patrick Leahy  
Vice Chairman  
Committee on Appropriations  
United States Senate  
S-146A, The Capitol  
Washington, DC 20510

Dear Vice Chairman Leahy:

This letter addresses the recommendations concerning the U.S. Securities and Exchange Commission ("SEC") included in the U.S. Government Accountability Office report entitled "Telecommunications: Agencies Need to Apply Transition Planning Practices to Reduce Potential Delays and Added Costs" (GAO-17-464, dated September 21, 2017).

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We are pleased that the GAO found that the SEC had fully or partially implemented best practices previously identified by GAO as key to a successful telecommunication transition in the areas of structured transition management approach, transition plans, and telecommunications inventory practices. With the GSA's August 1, 2017 award of the EIS contract, the SEC now has sufficiently detailed pricing and offering information to move to the next phase of our transition planning efforts.

We concur with GAO's four recommendations addressed to the SEC and have outlined our corrective actions in the attached enclosure.

Thank you for the opportunity to provide you with additional information about the agency's continuing work in this area. If you have any questions or would like to discuss this response in more detail, please contact me at 202-551-2100, or have a member of your staff

GAO Report: "Telecommunications: Agencies Need to Apply Transition Planning Practices to Reduce Potential Delays and Added Costs" (GAO-17-464, dated September 21, 2017) *(continued)*

The Honorable Patrick Leahy  
Page 2

contact Bryan Wood, Director of the Office of Legislative and Intergovernmental Affairs, at (202) 551-2010.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jay Clayton", with a long horizontal flourish extending to the right.

Jay Clayton  
Chairman

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Securities and Exchange Commission  
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**Recommendation 12:** Identify the agency's future telecommunications needs, areas for optimization, and the costs and benefits of new technology; complete a strategic analysis of the agency's telecommunications requirements; and incorporate the requirements into transition planning.

**Response:** The SEC will establish an EIS planning team comprised of key IT personnel from across the agency, including regional offices, to do the work requested by the recommendation. This includes identifying future needs, costs and benefits, and areas for improvement, so that the SEC can incorporate the results into transition planning.

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**Recommendation 15:** Demonstrate that the Commission's transition goals and measures align with its mission, identify transition risks related to critical systems and continuity of operations, and identify mission-critical priorities in its transition timeline.

**Response:** The SEC will develop a risk mitigation strategy document that addresses how the transition aligns to mission-critical requirements and identifies transition risks related to critical systems and continuity of operations.



UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

November 20, 2017

The Honorable Rodney P. Frelinghuysen  
Chairman  
Committee on Appropriations  
U.S. House of Representatives  
H-305, The Capitol  
Washington, DC 20515

Dear Chairman Frelinghuysen:

This letter addresses the recommendations concerning the U.S. Securities and Exchange Commission ("SEC") included in the U.S. Government Accountability Office report entitled "Telecommunications: Agencies Need to Apply Transition Planning Practices to Reduce Potential Delays and Added Costs" (GAO-17-464, dated September 21, 2017).

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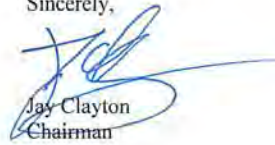
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Thank you for the opportunity to provide you with additional information about the agency's continuing work in this area. If you have any questions or would like to discuss this response in more detail, please contact me at 202-551-2100, or have a member of your staff

The Honorable Rodney P. Frelinghuysen  
Page 2

contact Bryan Wood, Director of the Office of Legislative and Intergovernmental Affairs, at (202) 551-2010.

Sincerely,



Jay Clayton  
Chairman

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Securities and Exchange Commission  
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**Response:** The SEC has identified the resources believed necessary to the transition from Networkx to EIS and the agency's IT Capital Planning and Investment Control committee will consider the matter once the SEC receives its full-year FY 2018 budget.

**Recommendation 15:** Demonstrate that the Commission's transition goals and measures align with its mission, identify transition risks related to critical systems and continuity of operations, and identify mission-critical priorities in its transition timeline.

**Response:** The SEC will develop a risk mitigation strategy document that addresses how the transition aligns to mission-critical requirements and identifies transition risks related to critical systems and continuity of operations.



UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

November 20, 2017

The Honorable Nita Lowey  
Ranking Member  
Committee on Appropriations  
U.S. House of Representatives  
1016 Longworth House Office Building  
Washington, DC 20515

Dear Ranking Member Lowey:

This letter addresses the recommendations concerning the U.S. Securities and Exchange Commission ("SEC") included in the U.S. Government Accountability Office report entitled "Telecommunications: Agencies Need to Apply Transition Planning Practices to Reduce Potential Delays and Added Costs" (GAO-17-464, dated September 21, 2017).

Because the SEC, like many other agencies, relies on existing GSA telecommunications contracts for core communications infrastructure services, we understand the importance of planning for a smooth transition when the current GSA contracts expire in 2020, and are succeeded by the Enterprise Infrastructure Solutions (EIS) contract. To plan for this transition, in FY 2016, the SEC's Office of Information Technology (OIT) established a cross-functional team responsible for managing the SEC's migration of services to those offered by EIS. To date, OIT has authored an EIS transition plan and executed an Interagency Agreement with GSA to assist in preparing for EIS network services.

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We concur with GAO's four recommendations addressed to the SEC and have outlined our corrective actions in the attached enclosure.

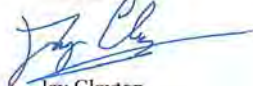
Thank you for the opportunity to provide you with additional information about the agency's continuing work in this area. If you have any questions or would like to discuss this response in more detail, please contact me at 202-551-2100, or have a member of your staff

GAO Report: "Telecommunications: Agencies Need to Apply Transition Planning Practices to Reduce Potential Delays and Added Costs" (GAO-17-464, dated September 21, 2017) *(continued)*

The Honorable Nita Lowey  
Page 2

contact Bryan Wood, Director of the Office of Legislative and Intergovernmental Affairs, at (202) 551-2010.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jay Clayton", with a long horizontal flourish extending to the right.

Jay Clayton  
Chairman

Attachment



Attachment

Securities and Exchange Commission  
Actions Taken or Planned with Respect to  
Reports #GAO-17-464

**Recommendation 12:** Identify the agency's future telecommunications needs, areas for optimization, and the costs and benefits of new technology; complete a strategic analysis of the agency's telecommunications requirements; and incorporate the requirements into transition planning.

**Response:** The SEC will establish an EIS planning team comprised of key IT personnel from across the agency, including regional offices, to do the work requested by the recommendation. This includes identifying future needs, costs and benefits, and areas for improvement, so that the SEC can incorporate the results into transition planning.

**Recommendation 13:** Identify roles and responsibilities related to the management of assets and human capital and legal expertise for the transition; include key local and regional officials in its transition communications plan; and use configuration and change management processes in its transition.

**Response:** The SEC will formally document the roles and responsibilities of key EIS transition team members across the various agency offices, including regional offices. The SEC will also develop a transition communications plan that includes configuration and change management practices.

**Recommendation 14:** Identify the resources needed for the full transition, justify requests for transition resources, identify staff resources needed for the full transition, and analyze training needs for the staff assisting with the transition.

**Response:** The SEC has identified the resources believed necessary to the transition from Network to EIS and the agency's IT Capital Planning and Investment Control committee will consider the matter once the SEC receives its full-year FY 2018 budget.

**Recommendation 15:** Demonstrate that the Commission's transition goals and measures align with its mission, identify transition risks related to critical systems and continuity of operations, and identify mission-critical priorities in its transition timeline.

**Response:** The SEC will develop a risk mitigation strategy document that addresses how the transition aligns to mission-critical requirements and identifies transition risks related to critical systems and continuity of operations.

GAO Reports: "Information Security: SEC Improved Control of Financial Systems but Needs to Take Additional Actions" (GAO-17-469 and GAO-17-429SU, dated July 27, 2017)



UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

September 28, 2017

The Honorable Rodney P. Frelinghuysen  
Chairman  
Committee on Appropriations  
U.S. House of Representatives  
H-305, The Capitol  
Washington, DC 20515

Dear Chairman Frelinghuysen:

This letter addresses the recommendations contained in the U.S. Government Accountability Office reports entitled "Information Security: SEC Improved Control of Financial Systems but Needs to Take Additional Actions" (GAO-17-469 and GAO-17-429SU, dated July 27, 2017).

I have been focused on cybersecurity since my first weeks at the Commission and, as current events demonstrate all too well, this is an area where the Commission needs to continue to devote significant resources and attention. In May 2017, I initiated an assessment of our internal cybersecurity risk profile and our approach to cybersecurity from a regulatory and oversight perspective. Components of this initiative build on prior agency efforts in this area and include establishing a senior-level cybersecurity working group to coordinate information sharing, risk monitoring, and incident response efforts throughout the agency.


I support the GAO's IT security recommendations. To date, the SEC has implemented all 11 recommendations that were open as of the start of FY 2017. The agency has also implemented 12 of the 15 recommendations contained in the July 2017 reports and plans to complete corrective actions on the remaining three recommendations by the end of the calendar year. For the implemented items, the SEC has submitted evidence to GAO of actions taken, and will continue to track the recommendations until GAO concurs that the actions taken are sufficient.

In addition to addressing findings identified by GAO, the SEC, during the current fiscal year, also completed a number of significant initiatives to strengthen the agency's cybersecurity posture. These included replacing the agency's legacy vulnerability management system with an enhanced capability, implementing Personal Identity Verification (PIV) card authentication across the agency, deploying a modernized filing fee system, and implementing enhancements to EDGAR's firewall protections and test filing environment.

The Honorable Rodney P. Frelinghuysen  
Page 2

Thank you for the opportunity to provide you with additional information about the agency's continuing work in this area. If you have any questions or would like to discuss this response in more detail, please contact me at 202-551-2100, or have a member of your staff contact Bryan Wood, Director of the Office of Legislative and Intergovernmental Affairs, at (202) 551-2010.

Sincerely,



Jay Clayton  
Chairman

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

September 28, 2017

The Honorable Thad Cochran  
Chairman  
Committee on Appropriations  
United States Senate  
Room S-128, The Capitol  
Washington, DC 20510

Dear Chairman Cochran:

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Sincerely,



Jay Clayton  
Chairman



UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

May 19, 2017

The Honorable Rodney Frelinghuysen  
Chairman  
Committee on Appropriations  
U.S. House of Representatives  
H-305, The Capitol  
Washington, D.C. 20515

Dear Chairman Frelinghuysen:

The Securities and Exchange Commission (SEC) is pleased to have been selected as one of the four agencies the Government Accountability Office (GAO) studied as part of its review of telework program controls in the Federal Government. The SEC has a robust telework program, and we are continually working to improve the program.

We reviewed GAO's report entitled *Federal Telework: Additional Controls Could Strengthen Telework Program Compliance and Data Reporting* (GAO-17-247), released on March 20, 2017. In the report, GAO recommends that the SEC implement controls to verify that supervisors have completed telework training before entering into telework agreements with their employees and that completion of this training be documented. The SEC agrees with GAO's recommendation. Previously, the SEC required all supervisors to complete telework training within 90 days of hire or promotion to a supervisory position. In March 2017, the agency reduced the timeframe and now requires new supervisors to complete telework training within two weeks. The SEC continues to document completion of training in its electronic system.

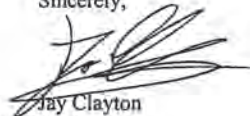
GAO also recommends that the SEC's telework policy require documentation of regular or periodic reviews of all telework agreements. The SEC agrees with GAO's recommendation. The SEC's policy on telework is contained in the Collective Bargaining Agreement (CBA) between the SEC and its union. The CBA states, "Employees may be required to re-certify their telework agreement on an annual basis to ensure that all information is accurate and up to date." The telework program system is being upgraded to require annual review and recertification of all telework agreements. This change is expected to be completed in 2017.

Please do not hesitate to contact me at (202) 551-2100, or have a member of your staff

The Honorable Rodney Frelinghuysen  
Page 2

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Sincerely,



Jay Clayton  
Chairman



UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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Committee on Appropriations  
United States Senate  
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Washington, D.C. 20510

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Sincerely,



Jay Clayton  
Chairman

The SEC's FY 2019 Congressional Budget Justification/Annual Performance Plan and FY 2017 Annual Performance Report were successfully produced through the efforts of our talented staff. To these individuals, we offer our sincerest appreciation. To comment on this report, please send an email to [PerformancePlanning@sec.gov](mailto:PerformancePlanning@sec.gov).

U.S. Securities and  
Exchange Commission  
100 F Street NE  
Washington, DC 20549  
[www.sec.gov](http://www.sec.gov)