Agency and Mission Information

Executive Summary

The U.S. Securities and Exchange Commission (SEC or Commission) is pleased to submit its budget request for fiscal year (FY) 2015. The SEC is requesting $1.7 billion in support of 5,183 positions and 4,688 FTE for FY 2015. This requested budget level would allow the SEC to hire an additional 639 positions to accomplish several key priorities, including:

- Remedying inadequate examination coverage for investment advisers and other key aspects of the agency's jurisdiction;
- Strengthening our core investigative, litigation, and analytical enforcement functions;
- Continuing the agency's investments in the technologies needed to keep pace with today's high-tech, high-speed markets; and
- Hiring additional staff experts to enhance the agency's oversight of the rapidly changing markets and increased regulatory responsibilities.

In FY 2013, the SEC made substantial progress in a number of mission-critical areas. It continued to build upon an already strong enforcement program, bringing a wide variety of complex and high-impact actions that yielded orders to return $3.4 billion in disgorgement and civil penalties. By way of comparison, the SEC's appropriation for FY 2013 was $1.321 billion. The agency also began to insist on admissions in certain cases and employ cutting-edge analytics to identify potentially fraudulent conduct. In addition, the SEC made significant progress in fulfilling an aggressive rulemaking agenda, including acting on a number of important mandates required by the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) and the Jumpstart Our Business Startups (JOBS) Act. It also continued to improve its efficiency and effectiveness by enhancing its technology and data analytics capabilities.

Despite these gains, the SEC needs significant additional resources to keep pace with the growing size and complexity of the securities markets and the agency's broad responsibilities. The agency currently oversees over 11,000 investment advisers, almost 10,000 mutual funds, 4,450 broker-dealers, 450 transfer agents, 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). The SEC also has responsibility for reviewing the disclosures and financial statements of approximately 9,000 reporting companies, and has new or expanded responsibilities over the derivatives markets, an additional 2,500 exempt reporting advisers to hedge fund and other private funds, more than 1,000 municipal advisors, 10 registered credit rating agencies, and 7 registered clearing agencies. And, between the Dodd-Frank and the JOBS Acts, the SEC has been given nearly 100 new rulemaking responsibilities.

Stated simply, the SEC's jurisdiction is vast and its mission is critically important. The SEC needs substantially more in the way of resources to fulfill its mission to investors, companies, and the markets. This budget request focuses on addressing these resource challenges by increasing funding in the following areas:

- Expanding oversight of investment advisers and strengthening compliance;
- Bolstering enforcement;
- Leveraging technology;
- Building oversight of market infrastructure, derivatives and clearing agencies;
- Supporting implementation of the JOBS Act and enhancing reviews of corporate disclosures;
- Focusing on economic and risk analysis to support rulemaking and oversight; and
- Enhancing training and development of SEC staff.

The following provides a brief description of these key components; a more detailed description of our FY 2015 budget needs by division and office are described later in this request.

Expanding Oversight of Investment Advisers and Strengthening Compliance

During FY 2013, due to significant resource constraints, the SEC examined only about nine percent of registered investment advisers. The number of registered advisers has increased by more than 40 percent over the last decade, while the assets under management by these advisers have increased more than two-fold, to almost $55 trillion. At the same time, the industry has been increasing its use of new and complex products, including derivatives and certain structured products; employing technologies that facilitate high-frequency and algorithmic trading; and developing complex "families" of financial services companies with integrated operations that include both broker-dealer and investment adviser affiliates. In an effort to use its funds to the highest and best purpose, the SEC has focused its limited examination staff on those areas posing the greatest risk to investors. Additional resources, however, are sorely needed to permit the SEC to increase its examination coverage of investment advisers. The status quo does not provide sufficient protection for investors who increasingly turn to investment advisers for assistance navigating the securities markets and investing for retirement and family needs.

Therefore, under the FY 2015 request one of the SEC's top priorities is to add an additional 316 positions to the examination program in its Office of Compliance Inspections and Examinations (OCIE). Additional staff will allow the agency to examine more registered firms, particularly in the investment management industry, continue implementation of certain legislative changes, and more effectively risk target and monitor market participants. Additionally, OCIE would also be able to continue ongoing efforts to enhance its risk assessment and surveillance through the development of new technologies in the areas of text analytics, visualization, search, and predictive analytics.

Bolstering Enforcement

The Division of Enforcement faces several key challenges in preserving its ability to vigorously pursue wrongdoing across the securities markets:

- Constantly evolving equity markets, including the growth of automated trading, "dark pools", and other factors require additional resources to uncover unlawful trading strategies.
- The Division's whistleblower office takes in thousands of tips per year, generating a fresh stream of case leads that deserve investigation.
- In today's society wrongdoers have an ever-expanding array of options for concealment and encryption, and the Division requires additional resources to stay on top of this changing technology landscape.
- Enforcement's Financial Reporting and Audit Task Force, created in the fall of 2013, will focus on violations relating to the preparation of financial statements, issuer reporting and disclosure, and audit failures. These investigations often require a significant investment of staff time, and absent additional funds, those resources will have to be drawn from other priority areas.
- Enforcement is working to identify and address any securities law violations or issues related to the SEC's new rules implemented under the JOBS Act. The Division requires additional resources to devote appropriate attention to this new field while also maintaining its focus on existing priorities.
- The Division will utilize its Microcap Fraud Task Force to investigate fraud in the issuance, marketing, and trading of micro-cap securities and to develop long term strategies for combatting abuses in that market. Although the SEC is committed to pursuing these violations, the Division requires additional resources to ensure that these types of violations continue to be aggressively pursued.

In FY 2015, the SEC's Enforcement Division will continue to enhance its core investigative, litigation, and analytical functions to address increasingly complex financial products and transactions. Enforcement will seek to hire 126 new staff, including additional legal, accounting, and industry staff experts, primarily for investigations and litigation. In addition, the Division will continue to invest in technology that enables the staff to work more efficiently and effectively in its policing of the markets.

As in prior years, Enforcement will continue to collaborate with external stakeholders including market participants, other federal agencies, foreign regulators and law enforcement agencies who play an important role in the Division's identification, investigation, and litigation of securities law violations, including wrongdoing that crosses borders.

Leveraging Technology

The SEC has committed to leveraging technology to streamline operations and increase the effectiveness of its programs. While the agency has made significant progress over the past few years in modernizing its technological systems, both internal and external constituents have urged that it continue to fund those efforts and to make new investments if it is to keep pace with the complex and rapidly changing markets it regulates. The SEC's FY 2015 budget request, which includes full use of the SEC Reserve Fund, would support a number of key Information Technology (IT) initiatives, including:

- **EDGAR modernization**, a multi-year effort to simplify the financial reporting process to promote automation and reduce filer burden. With a more modern EDGAR, both the investing public and SEC staff will benefit from having access to cleaner, better data.
- **Tips, Complaints, and Referral (TCR) system**, to bolster the flexibility, configurability, and adaptability of the system. TCR enhancements will provide automated triage of the tips and complaints the agency receives, as well as improved intake, resolution tracking, searching, and reporting functionalities.
- **Enterprise Data Warehouse**, a centralized repository for Commission to organize the disparate sources of data in our space and help the public gain easier access to more usable market data. The EDW is the SEC's primary effort to bring together data from different divisions and offices, so the data is not "stovepiped" and can be more easily analyzed across the agency.
- **Data Analytics Tools**, to assist in the integration and analysis of large amounts of data, allowing for computations, algorithms and quantitative models that can lead to earlier detection of fraud or suspicious behavior.
- **Examination improvements**, aimed toward improving risk assessment and surveillance tools and datasets that will help the staff monitor for trends and emerging fraud risks, as well as improving the workflow system supporting SEC examinations.
- **Enforcement investigation and litigation tracking**, to support Enforcement teams with the receipt and loading of materials produced during investigations and litigation. The SEC also would build the capability to permit the electronic transmittal of data instead of the current practice of receiving content via the mail for manual tracking and loading; implement a document management system for Enforcement's internal case files; and revamp the tools used to collect trading data from market participants.
- **SEC.gov modernization**, to make one of the most widely used Federal Government websites more flexible, informative, easier to navigate and secure for investors, public companies, registrants and the general public.
- **Information Security**, to upgrade security tools and processes and to develop and train analytical staff to monitor, respond to, and remediate risks ever-increasing security threats. Rather than conduct only periodic assessments of security, OIT will focus on continuous risk monitoring.
- **Business Process Automation and Improvement**, to improve the efficiency and effectiveness of the agency in serving the public.

Building Oversight of the Securities Markets and Infrastructure

Our markets are high-speed and constantly evolving. Trading and Markets will need to enhance its effort to address market structure and technology developments in order to effectively assess market activity across a wide range of complex trading venues. The Division will continue its work with self-regulatory organizations (SROs) to enhance critical market infrastructure, and also, in conjunction with the Commission's Division of Economic Risk and Analysis (DERA), will continue to enhance recently implemented tools and systems that facilitate the analysis of trade and order data from both standard public market and commercially available proprietary market feeds. The Division also plans to expand its oversight of clearing agencies and other critical market infrastructure.

In FY 2015, the Division of Trading and Markets will also face significant entirely new challenges in its regulation and supervision of the U.S. securities markets, securities market infrastructure, securities intermediaries, and other market participants. The Division expects a significant number of new registrants under the Dodd-Frank Act and the JOBS Act once registration requirements under those laws go into effect, including security-based swap execution facilities, security-based swap data repositories, security-based swap dealers, major security-based swap participants, and crowdfunding portals. Additional staff will be needed to undertake these new market-related responsibilities, including staff focused on market supervision, analytics and research, and derivatives policy and trading practices.

Accordingly, in the FY 2015 budget request the SEC proposes to add 25 positions in its Division of Trading and Markets.

Enhancing Reviews of Corporate Disclosures

For FY 2015, the SEC also requests 25 new positions for its Division of Corporation Finance. With additional resources, Corporation Finance plans to continue its multi-year effort to enhance its disclosure review program for large or financially significant companies; provide increased interpretive guidance; and evaluate trends in the increasingly complex offerings of asset-backed securities and other structured financial products. During FY 2015, Corporation Finance also will continue to implement the rulemakings required by the Dodd-Frank and JOBS Acts. The Division will implement these improvements while meeting the review cycle requirements of the Sarbanes-Oxley Act.

Focusing on Economic and Risk Analysis to Support Rulemaking and Oversight

The SEC's Division of Economic and Risk Analysis (DERA) works to integrate analysis of economic, financial, and legal disciplines with data analytics and quantitative methodologies in support of the SEC's mission. For FY 2015, the SEC seeks to add 14 positions in DERA, primarily to hire financial economists to perform analyses and research in support of Commission activities. Specifically, DERA plans to hire experts who can assist with:

- the rulemaking process by providing the Commission and staff with economic analysis and technical advice;
- data analysis for risk-based selection of firms and issues for inquiries, investigations and examinations;
- improving structured data initiatives in order to allow a better view into market developments; and
- leveraging additional high-quality financial market data.

DERA also plans to hire computer scientists with mathematical and statistical programming experience to support risk assessment and risk metrics, analytics, rulemaking, and economic analysis.

Enhancing Monitoring of the Investment Management Industry

In the past ten years, the number of portfolios of mutual funds, ETFs, and closed-end funds has increased by 17 percent and assets under management increased by 123 percent. Perhaps more significantly, during that period, the complexity in the investment management industry increased dramatically, reflecting growing sophistication in product design and portfolio strategies.

For FY 2015, the SEC requests 25 new positions for its Division of Investment Management. With additional resources, IM plans to:

- Improve the reporting of information about fund operations and portfolio holdings by mutual funds, closed-end funds and exchange traded funds;
- Continue to build capacity to manage and analyze data filed by hedge funds and other private funds;
- Bolster the technical expertise of the IM disclosure review program to, among other things, identify trends and monitor the risks related to the growth and increased product sophistication in the asset management industry; and
- Enhance the ability of IM's Risk and Examinations Office to manage, monitor and analyze industry data IM gathers, provide ongoing financial analysis of the asset management industry, including in particular the risk-taking activities of investment advisers and investment companies, and gather and analyze through its examination function operational information directly from participants in the asset management industry.

Enhancing Training and Development of SEC Staff

The SEC's staff is the most important driver of the agency's success, and providing robust and up-to-date training is critical in order for the staff to maintain and enhance its expertise over our constantly changing markets. The agency is requesting to increase its staff training budget in FY 2015 in order to provide high-quality and meaningful training. Increased funding for training will principally support training and development for employees directly involved in examinations, investigations, fraud detection, litigation, and other core mission responsibilities of the SEC. The training will consist of specialized in-depth training concerning new trends in the securities industry and changing market conditions, as well as analytics and forensics. The investment in training also will allow the SEC to provide continuing education courses that staff are required to take to maintain necessary legal and financial credentials.

Vision, Mission, Values and Goals

Vision

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

Mission

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

Values

Integrity	Effectiveness	Fairness
Accountability	Teamwork	Commitment to Excellence

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

Goal 1: Establish and maintain an effective regulatory environment

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

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

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

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

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.

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

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

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

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

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

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

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

History and Purpose

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

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

The SEC is responsible for overseeing the nation's securities markets and 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 the Financial Industry Regulatory Authority (FINRA), Municipal Securities Rulemaking Board (MSRB), and Public Company Accounting Oversight Board (PCAOB). Under the Dodd-Frank Wall Street Reform and Consumer Protection Act1 (Dodd-Frank Act), the agency's jurisdiction was expanded to include certain participants in the derivatives markets, private fund advisers, and municipal advisers among other changes.

The SEC consists of five presidentially appointed Commissioners, with staggered five-year terms. One of the Commissioners is designated by the President as Chair of the Commission.

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

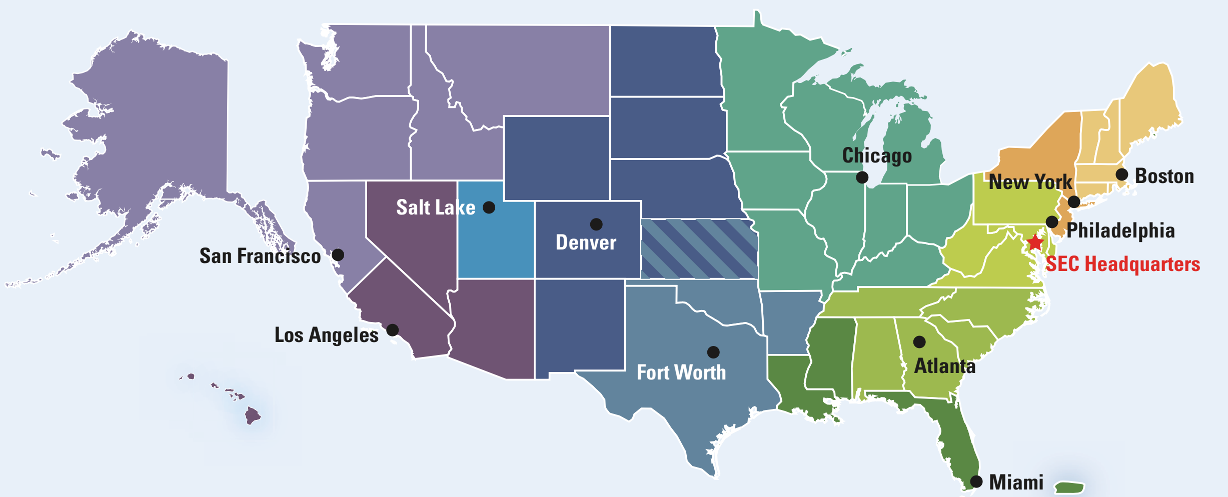
Each year, the SEC brings hundreds of civil enforcement actions against individuals and companies for violation of securities laws. Examples of infractions include insider trading, accounting fraud, and providing false or misleading information about securities or the companies that issue them. One of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

Organizational Structure and Resources

SEC Office Locations

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

SEC HEADQUARTERS AND REGIONAL OFFICE LOCATIONS



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

SEC Organization Structure

The SEC is an independent Federal agency established pursuant to the Exchange Act. It is headed by a bipartisan five-member Commission, comprised of the Chair and four Commissioners, who are appointed by the President and confirmed by the Senate. The Chair serves as the Chief Executive Officer. The SEC is organized into five main divisions: Enforcement; Corporation Finance; Investment Management; Economic and Risk Analysis; and Trading and Markets. In fiscal year (FY) 2013, the agency employed 4,023 full-time equivalents (FTE), including 3,903 permanent and 120 temporary FTEs. The SEC organization chart below is as of September 30, 2013.