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United States: Securities and Exchange Commission (SEC)

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Planning for the Future

Strategic Plan

U.S. Securities and Exchange Commission

FISCAL YEARS 2010–2015



This document represents the U.S. Securities and Exchange Commission's fourth strategic plan prepared in accordance with the Government Performance and Results Act of 1993. The plan sets out the Commission's mission, vision, values, and strategic goals for fiscal years 2010 through 2015. After the plan surveys the forces shaping the SEC's environment, it then details the outcomes the agency is seeking to achieve, the strategies and initiatives that will be undertaken to accomplish those outcomes, and the performance measures that will be used to gauge the agency's progress.

Comments on this Strategic Plan should be directed to strategicplan@sec.gov.

Message from the Chairman

Protecting investors is our core mission. And, everything we do is with that goal in mind.

When we shut down an insider trading scheme, we are protecting investors. When we detect fraud during an examination, we are protecting investors. When we adopt rules or provide guidance to ensure fair markets or to provide investors with the information that they need, we are protecting investors.

And, when we devised our Strategic Plan for 2010-2015, investor protection was the thread woven throughout.


It makes sense because the SEC's success as the nation's securities market regulator rests squarely on our ability to establish and maintain a market in which the interests of investors are paramount.

This Strategic Plan is ambitious. Through the activities described, we are committing ourselves to even stronger enforcement of our securities laws; even more focus on fair and transparent markets; even tougher oversight of those market participants that are registered with the Commission; even higher quality investor-oriented information; and even more effective use of our own resources.

Successful implementation of this Plan will require two things. First, internally, we must continue to drive ourselves as hard as possible. We must maintain our investor-first focus, and must continue to look for ways to build our expertise while also increasing our effectiveness. Second, we must have access to sufficient resources to hire the necessary staff, obtain the necessary expertise, and secure the necessary technology. As is more fully described in the "Resources" section of the Plan, adequate budgets, over the long run are essential.

The Plan also outlines specific performance metrics. Many of the measures reflect new and innovative approaches for gauging how we are doing as an agency. Collectively, these measures take a much broader view of the work of the agency and the impact it has in fulfilling its mission. We will track our performance against these metrics, and report annually on how we are doing.

This Plan was prepared with significant involvement of our staff, and I thank them for their continued dedication. I also urge each employee to take this Plan to heart; let it guide each of us as we continue to work for America's investors.



Mary L. Schapiro
Chairman
June 7, 2010

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For further information on selected terms and topics, please see “Fast Answers” at <http://www.sec.gov/answers.shtml>.

Mission

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

Vision

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

Values

Integrity: As the SEC is the federal agency entrusted with regulating and conducting enforcement for the U.S. securities markets, each member of the agency's workforce has a responsibility to demonstrate the highest ethical standards to inspire confidence and trust.

Accountability: The SEC embraces the responsibility with which it is charged. In carrying out its mission, SEC employees hold themselves accountable to the public and take responsibility for achieving SEC goals.

Effectiveness: The SEC strives to work creatively, proactively, and effectively in assessing and addressing risks to the securities markets, the public, and other market participants. The staff is committed to finding innovative and flexible approaches to the Commission's work and using independent judgment to explore new ways to fulfill the SEC's mission in the most efficient and effective manner possible.

Teamwork: The SEC recognizes that its success depends on a diverse, coordinated team committed to the highest standards of trust, hard work, cooperation, and communication. The staff is committed to working together and coordinating effectively with investors, business, governments, and other organizations in the U.S. and abroad.

Fairness: In exercising its regulatory and enforcement powers, the SEC treats investors, market participants, and others fairly and in accordance with the law. As an employer, the SEC seeks to hire and retain a skilled and diverse workforce, and to ensure that all decisions affecting employees and applicants are fair and ethical. As professionals, the staff treats all with respect and dignity.

Commitment to Excellence: The SEC is committed to the highest standards of excellence in pursuit of the agency's mission. The investing public and the U.S. securities markets deserve nothing less.

Strategic Goals and Outcomes

Strategic Goal 1: Foster and enforce compliance with the federal securities laws

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

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

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

Strategic Goal 2: Establish an effective regulatory environment

Outcome 2.1: The SEC establishes and maintains a regulatory environment that promotes high-quality disclosure, financial reporting, and governance, and that prevents abusive practices by registrants, financial intermediaries, and other market participants.

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

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

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

Outcome 3.1: Investors have access to high-quality disclosure materials that are useful to investment decision making.

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

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

Outcome 4.1: The SEC maintains a work environment that attracts, engages, and retains a technically proficient and diverse workforce that can excel and meet the dynamic challenges of market oversight.

Outcome 4.2: The SEC retains a diverse team of world-class leaders who provide motivation and strategic direction to the SEC workforce.

Outcome 4.3: Information within and available to the SEC becomes a Commission-wide shared resource, appropriately protected, that enables a collaborative and knowledge-based working environment.

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

Environmental Perspective & Outlook

The SEC's goals and priorities are influenced by a number of external environmental factors, including the demands of fulfilling its mission in complex and global financial markets and the legislative construct within which we work. During the past two years, this environment has changed dramatically, and it is almost certain that further significant changes are on the horizon. While this Strategic Plan attempts to anticipate various ways in which our markets, regulated industries and legislative underpinnings may transform over time, no plan can anticipate all possible scenarios. The following discussion outlines the agency's perspective and outlook on the most significant environmental factors that have influenced—and are expected to continue to influence—the SEC's fulfillment of its mission.

The Global Financial Markets

During the past several years, the financial markets have become increasingly complex and global in nature. Throughout the world, industries, products, and practices have continuously evolved in these markets, and capital has flowed across international borders.

The global financial markets are in the midst of significant challenges, however. The subprime mortgage crisis exposed weaknesses in financial industry regulation and the global financial system. The abrupt end to a broad credit boom—which included widespread declines in underwriting standards, breakdowns in lending oversight, overly generous credit ratings, and increased reliance on complex and opaque credit instruments—had pervasive financial and economic ramifications. Businesses, both large and small, failed because of the absence of a viable credit market. Several major financial institutions collapsed, were acquired under duress, or became subject to government control. A money market fund that “broke the buck” led to a “run” on certain money market funds.

As investors sought the most stable markets, credit spreads reached historic highs and many fixed-income and short-term loan markets essentially ceased to function. Stock prices in every major country plummeted, and in October 2008, the Dow Jones Industrial Average suffered its worst weekly loss in its 112-year history. By March 2009, the Dow had dropped more than 50 percent from its mid-2008 peak. Between June 2007 and November 2008, Americans lost more than a quarter of their net worth. By early November 2008, the value of retirement, savings, and investment assets suffered dramatic losses, and housing prices had dropped 20 percent from their 2006 peak.

During the past two years, national governments and international organizations have taken significant steps both to stem further economic deterioration and to prevent a recurrence of the factors that helped cause it. The SEC, as an independent and integrated capital markets regulator, has and will continue to play a vital role in these efforts and will coordinate with other regulators and enforcement authorities to that end. As we do so, the financial crisis and the complex and global nature of the markets will present continuing challenges.

Financial products and practices are always evolving in the U.S. and global capital markets. This was true before the current crisis, and will be equally true for the foreseeable future. While (as described below) reform efforts may address current regulatory gaps, complexity in the capital markets is here to stay. Moreover, it is impossible to predict with certainty how the markets will evolve and what new issues will arise. We do know that the search for higher or more stable returns will foster the development of new products and different practices. Today's market environment always resists stasis.

Evolving Regulatory Reform

In June 2009, the U.S. Department of the Treasury published key objectives for reform of the financial regulatory system. (*Financial Regulatory Reform: A New Foundation*) These reforms focus on:

- Strengthening regulation over financial institutions, particularly those that may pose unregulated risk to the country's financial system, including requiring advisers to hedge funds and other private pools of capital to register with the SEC.
- Establishing more comprehensive supervision of the financial markets, including new requirements for market transparency, robust regulation of over-the-counter derivatives, stronger regulation of credit rating agencies, and a requirement that issuers and originators retain a financial interest in securitized loans.
- Protecting consumers of and investors in financial products from abuse, including by expanding SEC authority over mutual fund disclosure, aligning the duties of intermediaries across financial products, and paying whistleblowers for information that leads to enforcement actions resulting in significant financial sanctions.
- Providing the government with better tools for dealing with future financial crises.
- Raising international regulatory standards and cooperation, including working toward improvement of accounting standards in the wake of the credit crisis and the development of a single set of high quality global accounting standards.

Since that time, the Treasury has proposed several legislative initiatives aimed at furthering the objectives. Members of Congress, the President's Working Group on Financial Markets, and others have debated and will continue to debate these recommendations during the coming months, and final approaches may significantly differ from those recommended. Notwithstanding some uncertainty as to the precise outline of the future legislative landscape, the SEC is using the lessons learned from the financial crisis to make improvements in areas already within its purview—that is, the agency's own operations as well as its regulations. These improvements include the following:

- Safeguarding investors through proposed rules related to custody of assets held by investment advisers;
- Enhancing risk-based examinations of financial firms;
- Improving fraud detection techniques and enhancing targeted training;
- Developing and integrating further risk assessment tools and techniques across the agency;
- Revamping the handling of complaints and tips;
- Recruiting additional staff with specialized industry expertise;
- Expanding the scope and reach of enforcement staff through streamlined procedures, a restructured organization, and creation of specialized units;
- Bolstering the regulatory regime for credit rating agencies;

- Strengthening the money market fund regulatory regime; and
- Exploring whether additional regulation is appropriate to address potentially abusive short selling.

Continuing Risks

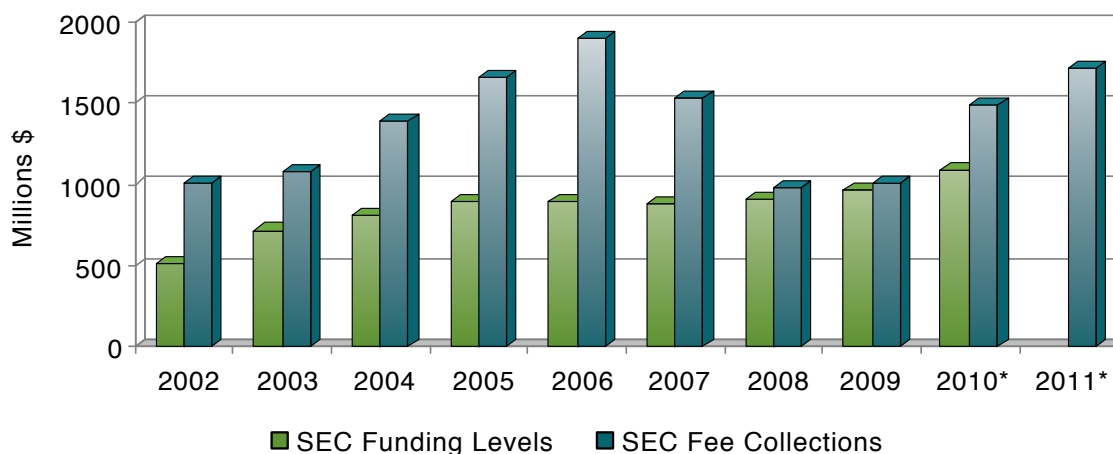
Many of the initiatives outlined in this Strategic Plan are designed to address specific problems brought to light by the global financial crisis. Despite best efforts, however, it is impossible to predict and plan for all potential challenges. The degree of the agency's success in achieving its goals and outcomes may depend upon factors such as those listed below.

- The goals and outcomes outlined in this Strategic Plan are dependent upon the SEC obtaining significantly enhanced resources, in terms of number of staff, the expertise that the agency is able to recruit and retain, and the information systems that we are able to effectively deploy.
- A prolonged delay in recovery of the global financial system—and the global economy supported by that system—could result in further stress on all market participants and potentially alter behavior in unanticipated ways.
- Legislative and regulatory changes may not be successful in providing regulators with a comprehensive understanding of systemic risk or sufficient tools to manage that risk more effectively.
- Reform of financial industry regulation may drive those whose activity is curtailed to other harmful actions or may unintentionally hamper behavior that would benefit the market and investors.
- Over-regulation or under-regulation may undermine the competitiveness of the U.S. capital markets in an increasingly competitive global marketplace.
- Over-regulation or under-regulation may chill innovation, entrepreneurship, and prudent risk taking.
- Regulations should not be perceived as a substitute for care and diligence on the part of investors in their own decision making.

SEC Resources

The SEC is an independent federal government agency funded through annual appropriations enacted by Congress and the President. These appropriations are offset by fees the agency collects on securities transactions, registrations, and merger/tenders. The SEC sets the rates for these fees in accordance with the Investor and Capital Markets Fee Relief Act, which reduced the overall amount of the SEC's fee collections and established annual collections targets for registration fees and transaction fees during the FY 2002–2011 period. Since the passage of the Act in 2002, the SEC's fee collections have exceeded the SEC's funding levels, as shown in the chart below.

Figure 1. Comparison of SEC Fee Collections and SEC Funding Levels



* For FY 2010 through FY 2011, the figures shown for projected fee collections are equal to the sum of the annual collections targets specified in the Investor and Capital Markets Fee Relief Act for registration fees and transaction fees.

The recent history of the SEC's annual appropriations illustrates how the agency's funding levels can vary over time. Between FY 2001 and FY 2005, Congress more than doubled the SEC's funding level to increase significantly the agency's workforce and technology program after the enactment of the Sarbanes-Oxley Act of 2002. Then, the SEC experienced flat or declining budgets between FY 2005 and FY 2007, resulting in a 10 percent reduction in its workforce and curtailing its investments in new or enhanced information technology systems. Although the FY 2008 and FY 2009 budgets enacted by Congress have permitted the agency to begin restoring these losses, as of FY 2009 the SEC is still operating below the levels of staff and new IT investments from earlier in the decade. Such variances in annual appropriations can present significant challenges for the agency as it seeks to craft and implement long-term strategies.

In addition, at the beginning of each fiscal year since 2000, the SEC has lacked a regular appropriation and therefore has had to operate under a continuing resolution, often for months at a time. (A continuing resolution is a stop-gap funding measure approved by Congress to maintain government operations, typically at the previous year's funding levels, in the absence of a regular appropriation.) In all, the SEC has spent more than one-quarter of

the time during the last ten fiscal years (between FY 2000 and FY 2009) under a continuing resolution. As a result, the SEC must restrain spending during the early months of each fiscal year to fit within the constraints of each continuing resolution. In addition, because of the delay in enactment of a regular appropriation, the SEC has less time during each fiscal year to implement the initiatives and activities funded under that regular appropriation. This compounds the challenges inherent in implementing long-term plans.

While during the last several years SEC budgets have not always been sufficient to maintain staffing levels and make important technology investments, the demands on SEC resources have continued to grow. For example, the number of tips and complaints received by the SEC's enforcement program rose by 146 percent between FY 2003 and FY 2008, to over 600,000 per fiscal year. In addition, the investment adviser industry overseen by the SEC has grown by 47 percent in the number of registrants and approximately 60 percent in assets under management between FY 2003 and July 2009. In all, in 2009 the SEC's 3,652 full-time equivalents oversaw a total of more than 35,000 entities, including about 12,000 public companies, more than 11,000 investment advisers, about 8,000 mutual funds, and about 5,500 broker-dealers, as well as national securities exchanges and self-regulatory organizations, transfer agents, the Municipal Securities Rulemaking Board, the Public Company Accounting Oversight Board (PCAOB), alternate trading systems, and credit rating agencies.

Swiftly developing markets hold implications not only for the sheer range and volume of activity the SEC must undertake, but also the sophistication of the tools it needs to have at its disposal. As financial products and the relationships among market participants become increasingly complex, SEC employees must continually upgrade their skills and stay abreast of market developments. The SEC's technology systems also must be able to handle a rapidly growing volume of information in emails, hard drives, and other media gathered during investigations and examinations; analyze the large amounts of financial data generated by securities market activity; and rival the increasingly sophisticated technologies of opposing counsel.

For these reasons, the sufficiency of the SEC's budgetary resources is a key factor that will affect the agency's success over the next five years. The SEC will continue working to secure the resources necessary to fulfill its critical mission and achieve the goals and outcomes outlined in this Strategic Plan. This will include analysis of, and discussions with Congress and the Administration about, moving to a self-funding structure. A self-funding structure would provide the SEC a stable, long term funding source as well as the ability to plan strategically for several years, similar to the other federal financial regulators.

Strategic Goal 1:

Foster and enforce compliance with the federal securities laws

“Our securities markets demand a strong, vigorous, independent and fair regulator. The SEC must craft clear and understandable regulations, actively promote a culture of compliance by all market participants, and enforce aggressively and impartially the laws and regulations on the books. In the end, the vitality of our securities markets depends on the success of these efforts.”

COMMISSIONER KATHLEEN L. CASEY

“To fulfill our mission, regulation must be more than the laws and rules on the books. I believe that laws and rules that are effectively implemented, and vigorously enforced, form the basis for a robust regulatory regime. I am committed to a strong SEC that exemplifies these principles.”

COMMISSIONER LUIS A. AGUILAR

FOSTERING COMPLIANCE WITH FEDERAL SECURITIES LAWS is interwoven through all of the Commission’s programs and is central to fulfilling its mission of protecting investors; maintaining fair, orderly and efficient markets; and facilitating capital formation. Through disclosure reviews and examinations of broker-dealers, investment advisers, self-regulatory organizations (SROs) 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. When violations do occur, the SEC investigates and brings enforcement actions against regulated persons and entities, as well as other market participants. These actions span the broad spectrum of securities laws, including, among others, matters of financial disclosure, securities offerings, insider trading, and market manipulation. The SEC strives to take prompt action to stop the misconduct, penalize the wrongdoers, and, where possible, return funds to harmed investors. These critical investor protection functions contribute to investors’ confidence in our capital markets.

As described further below, the SEC is instituting extensive reforms of its programs to foster and enforce compliance with the federal securities laws, to address issues raised by the agency’s failure to detect the Ponzi scheme operated by Bernard Madoff. These reforms include vastly expanding the SEC’s training programs, hiring staff with new skill sets, streamlining management, putting seasoned investigators on the front lines, revising enforcement and examination procedures, restructuring processes to ensure better sharing of information, leveraging the knowledge of third parties, revamping the way the SEC handles the hundreds of thousands of tips the agency receives annually, and improving risk-assessment techniques so that examiners are knocking on the right doors and delving into the right issues. There is much to be done in this area and it will require long-term commitment

and creativity. The acquisition of specialized skill sets and needed technology will require the SEC and Congress to work together to make these priorities a reality.

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

While detecting violations of the federal securities laws is an integral aspect of the Commission's programs (see Outcome 1.2, below), working to prevent future violations can be even more important to protecting investors and enhancing market integrity. The Commission's goal is to encourage regulated entities and reporting companies to do all that they reasonably can to identify possible compliance pitfalls and take preventative action before a violation occurs.

Initiatives designed to foster greater compliance with securities laws run throughout this Strategic Plan. They include efforts designed to provide investors with information they need so that they can wisely select and monitor their investments and professional intermediaries (see Outcome 3.1); to ensure that rules are written in an understandable way, so that those changed with compliance clearly understand their responsibilities (see Outcome 2.3); to create, as appropriate, prophylactic rules that prevent abusive trading or marketing practices (see Outcome 2.2); and to enhance incentives for regulated entities and reporting companies to self-correct (see Outcome 1.2).

Organizations vary significantly in terms of resources committed to compliance, in their level of sophistication, and in their ability to keep abreast of changes in the industry and in the regulatory environment. The SEC seeks to encourage within organizations of all sizes a strong "culture of compliance" – an environment, from top leadership down, that fosters ethical behavior and decision making. Simply put, this means instilling in every employee an obligation to do what is right. This philosophy should underpin all that the firm does, so that when employees make decisions, large and small, they are guided by a culture that reinforces acting in both a legal and ethical manner.

The SEC supports and encourages strong compliance efforts among publicly traded companies, investment companies, investment advisers, broker-dealers, issuers, and auditors. The SEC also seeks to promote general compliance with the securities laws by everyone who participates in our capital markets.

Initiatives:

To accomplish this outcome, the SEC plans to implement the following initiatives:

- **Promote investor awareness:** The SEC will issue investor alerts and other education initiatives designed to both arm investors to be their own first line of defense against fraud and other violations, and to assist them in understanding the role of intermediaries and new products. With this knowledge, investors will be better equipped to identify market participants with strong compliance programs, which should limit opportunities for investor abuse.
- **Expand outreach efforts for promoting compliance practices:** The SEC will enhance efforts to promote compliance by more proactive communications with registrants and their personnel, including chief compliance officers. These efforts will include expanding participation in CCO Outreach; disseminating more expansive and targeted materials to firms by means of Compliance Alerts; detailing areas where examiners have identified significant compliance deficiencies, best practices identified by examiners or industry groups, and rule changes; and raising registrant awareness of the seriousness of certain exam findings by holding post-examination compliance conferences.

- **Increase deterrence through enhanced communication strategies:** To deter future violations of the federal securities laws, the SEC will improve the quality, quantity, and means of communicating important information resulting from high impact Commission action. Such information might include major legal or other emerging issues arising in enforcement cases, matters of significance due to the size or magnitude of a fraud or the number of individuals affected by the Commission action, opportunities to improve corporate disclosure or accounting practices, or information relating to the adequacy or inadequacy of compliance efforts or remedial actions undertaken by persons involved in such cases.

Performance Metrics:

The SEC intends to use the following performance measures to gauge its progress in achieving this outcome:

Performance Metric	Description
<p>Number of new investor education materials designed specifically to help investors protect themselves from fraud</p> <p>Target: To Be Determined *</p>	<p>Through its Office of Investor Education and Advocacy (“OIEA”), and often in conjunction with other organizations, the agency issues Investor Alerts and other forms of educational material that inform investors about new or different permutations of fraud.</p>
<p>Number of industry outreach and education programs targeted to areas identified as raising particular compliance risks</p> <p>Target: To Be Determined *</p>	<p>Targeted communication with industry participants on topics shaping the examination program is intended to enhance compliance practices and prevent violations before they occur. This measure identifies the number of major outreach efforts conducted including the agency’s national and regional CCO outreach events, published Compliance Alerts, and other educational initiatives.</p>
<p>Percentage of firms receiving deficiency letters that take corrective action in response to all exam findings</p> <p>Target: 95%</p>	<p>At the conclusion of examinations, the staff communicates identified deficiencies to registrants in the form of a deficiency letter. Registrants are then given a chance to respond to staff findings and often take action to remedy any problems and potential risks. Most often, registrants respond that they have corrected the deficiencies and implemented measures to prevent recurrence.</p>
<p>Percentage of attendees at CCO outreach that rated the program as “Useful” or “Extremely Useful” in their compliance efforts</p> <p>Target: 92%</p>	<p>The CCO outreach program is designed to educate, inform, and alert CCOs of pertinent information, including about effective compliance controls, that may assist them in administering compliance programs within registered firms. Improving compliance programs will reduce violative activity, resulting in increased protection for investors. At the conclusion of all CCO outreach events, CCOs are given the opportunity to rate the usefulness of the information provided in assisting them in their compliance efforts.</p>

* This performance metric is new for the SEC. The agency plans to begin collecting this information and determine the current, baseline level for this metric before establishing a target.

Related Indicators

The following indicators are useful for understanding the SEC’s activities in this area, but should not be considered performance measures and do not include targets that the agency will strive to reach in future years. The agency chose not to include targets because it would be inappropriate to conduct these activities with any eye towards hitting predetermined numerical targets rather than evaluating the facts as presented.

Indicator	Description
Percentage of actions identified as “high impact” which have resulted in significant corrective industry reaction	The Commission is striving to enhance communication resulting from high impact action, as discussed above. This indicator will examine how market participants, whose behavior is intended to most be influenced by the enhanced communication, react to action. For example, are the issues raised by the Commission action discussed in prominent private sector educational forums or literature?
Annual increases or decreases in the number of CCOs attending CCO outreach programs	While the raw number of CCOs in the industry may vary depending on factors outside of the SEC’s control, the Commission seeks to provide educational programs that are highly valued by attendees and their employers. Analyzing changes in participation levels will foster continued improvement in both program content and outreach efforts.

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

Violations of the securities laws have tremendous impact on investors. Accordingly, prompt detection of potential securities law violations is important in limiting the harm caused to investors. By identifying violations early, the SEC seeks to punish wrongdoers promptly, correct violative behavior in the financial markets before it proliferates, stop fraud and manipulation before it affects a large number of investors, and locate and preserve investors’ assets before they are squandered or dissipated.

Detecting violations of the federal securities laws is a difficult but critical function, and one in which the agency continuously seeks to improve its efforts. In the midst of constantly evolving financial markets, the SEC seeks to strengthen its oversight of the large number of registrants by focusing its resources on the areas most at risk for fraud or other serious violations that could harm investors. This risk-based approach, which the agency continually seeks to refine, is implemented across agency programs through various methodologies aimed at identifying, assessing and managing risks to investors.

In addition, each year the SEC receives hundreds of thousands of tips and complaints, as well as referrals from SROs, that staff analyze to determine matters requiring investigation. The agency works closely with others—SROs, the Department of Justice and other criminal authorities, and state, federal, and foreign regulators—to maximize the breadth and depth of our combined efforts. The SEC has substantial initiatives underway to improve these agency functions, which will greatly enhance the agency’s detection efforts.

Initiatives:

To accomplish this outcome, the SEC plans to implement the following initiatives:

- **Improve management of tips and complaints:** The SEC will centralize the process for receiving, processing, and acting upon tips, complaints and referrals so they can be handled consistently and appropriately, including through examinations or enforcement investigations. This effort will also enhance the SEC's data on tips, complaints, and referrals, to help the agency spot trends and patterns about potential issues or violations that deserve further Commission action.
- **Enhance effectiveness of examination process:** The SEC will conduct a top-to-bottom review of the effectiveness of its examination process, in response to systemic failures identified by the SEC's Office of Inspector General. This review will focus not only on enhanced training, examination planning, recognition of and follow up regarding red flags, complaint evaluation, and third party verification procedures, but also the structural issues that have impaired communication both among examination staff and across divisions.
- **Establish a whistleblower program:** The SEC will encourage individuals and entities to identify potential parties to violations. The agency also will seek legislation from Congress to compensate whistleblowers who send the SEC productive tips, as is currently the case only with insider trading matters.
- **Improve surveillance capabilities:** The SEC will enhance the methods and tools for more effectively identifying and assessing risks in the markets and focusing surveillance efforts on entities, persons, and practices that pose high risk to investors and financial markets. As part of this effort, the SEC will seek to obtain greater access to data and insights from a variety of sources including data from registrants, SROs, commercial vendors, and other sources. In addition, the agency will expand the use of analytics to enhance the ability of examination and enforcement staff to detect potentially violative activity.
- **Make more effective use of data analysis:** The SEC will develop or obtain technology solutions to enhance the ability to easily access, search and analyze agency information on registrants and related entities, in order to help staff more effectively prepare for and conduct examinations.
- **Bolster the expertise of SEC staff:** The SEC will develop and implement specialized teams focusing on particular market issues that directly affect investors and the functioning of the markets, enhance the expertise of SEC staff through targeted training in critical areas, and enable staff to obtain additional training resulting in certifications, such as "Certified Fraud Examiners" and "Chartered Financial Analysts."
- **Implement New Cooperation Initiative:** The staff will use a variety of new tools—including cooperation agreements, deferred prosecution agreements and non-prosecution agreements—to encourage individuals and companies to promptly report violations and provide assistance to the agency.

Performance Metrics:

The SEC intends to use the following performance measures to gauge its progress in achieving this outcome:

Performance Metric	Description
<p>Percentage of cause and special exams (sweeps) conducted as a result of risk assessment process that includes multi-divisional input</p> <p>Target: To Be Determined *</p>	<p>As SEC staff expands its use of risk-based methods and has more data available for risk analysis, staff anticipates that the percentage volume of exams driven by a more robust risk assessment process will increase.</p>
<p>Percentage of advisers deemed “high risk” examined during the year</p> <p>Target: 33%</p>	<p>To conduct oversight of investment advisers, the staff conducts a risk-based program of examinations. Certain advisers are identified as high risk at the beginning of every fiscal year, and then inspections are planned on a cyclical basis. The staff’s goal is to inspect high risk advisers at least once every three years. Meeting this target will depend upon the SEC having sufficient resources to keep pace with growth in the industry and the need for examiners to check compliance with evolving regulatory requirements.</p>
<p>Percentage of investment advisers, investment companies, and broker-dealers examined during the year</p> <p>Target: Investment Advisers: 9%; Investment Companies: 15%; Broker-Dealers (exams by SEC or SROs): 55%</p>	<p>This measure indicates the number of registrants examined by the SEC or a SRO as a percentage of the total number of registrants. This measure includes all types of examinations: routine examinations, cause inspections to follow up on tips and complaints, limited-scope special inspections to probe emerging risk areas, oversight examinations of broker-dealers to test compliance and the quality of examinations by the Financial Industry Regulatory Authority (FINRA).</p>
<p>Percentage of non-sweep and non-cause exams that are concluded within 120 days</p> <p>Target: 75%</p>	<p>The staff conducts examinations each year of investment advisers, investment company complexes, transfer agents, and broker-dealers. The staff strives to complete its examinations in the most efficient and effective manner. When possible, the staff attempts to conclude its examinations within 120 days of the end of any field work completed. However, some examinations require significantly more time so that potential violations are fully reviewed. To ensure that time pressure does not impair quality, the target for this benchmark should not be set too high.</p>

* This performance metric is new for the SEC. The agency plans to begin collecting this information and determine the current, baseline level for this metric before establishing a target.

Related Indicators

The following indicators are useful for understanding the SEC’s activities, but should not be considered performance measures and do not include targets that the agency will strive to reach in future years. The agency chose not to include targets because it would be inappropriate for the agency to conduct these activities with an eye towards hitting predetermined numerical targets rather than evaluating the facts as presented.

Indicator	Description
Percentage of exams that identify deficiencies, and the percentage that result in a “significant finding”	Examiners find a wide range of deficiencies during examinations. Some of the deficiencies are more technical in nature, such as failing to include all information that is required to be in a record. However, other deficiencies may cause harm to customers or clients of a firm, have a high potential to cause harm, or reflect recidivist misconduct. The latter deficiencies are among those categorized as “significant.” This measure identifies the percentage of exams by registrant category that identified deficiencies, and that resulted in significant deficiency findings.
Number of tips that result in a “cause” exam or enforcement investigation	Analysis of a tip can result in an action plan being established to support the request for a cause exam or an enforcement action. This measure would identify the volume of SEC actions that result from tips collected through its outreach efforts.

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

Investors are not truly protected unless those who prey on them are swiftly and appropriately sanctioned. In holding violators of the federal securities laws accountable for their actions, Commission staff seek to balance limited resources and leverage important cooperative relationships with other law enforcement agencies, regulators, SROs, and the PCAOB. At the same time, the enforcement staff strives to obtain swift and firm sanctions, while remaining fair and reasonable. The breadth of the enforcement program’s capabilities in this area derives, in part, from its close cooperation with the other agency divisions that perform regulatory functions and also have deep knowledge about the market and its participants.

To improve the quality and efficiency of its investigations, the SEC is committed to streamlining internal processes to eliminate unnecessary delays. In pursuing violations of the securities laws, the SEC regularly works closely with other regulators and law enforcement agencies, and the agency plans to develop those relationships further to strengthen the reach of our efforts to hold wrongdoers accountable. The enforcement program also has seen a dramatic increase in its coordination efforts with foreign authorities, including requests for assistance to and from foreign regulators under bilateral and multilateral information-sharing agreements; requests to trace proceeds of fraud to foreign countries; actions to obtain asset freezes; and close cooperation with foreign authorities in investigations relating to market abuse, investment advisers, offering and disclosure fraud, complex derivatives, the Foreign Corrupt Practices Act, and other areas. The SEC is committed to expanding these efforts further.

Initiatives:

To accomplish this outcome, the SEC plans to implement the following initiatives:

- **Implement internal reforms of the enforcement program:** The SEC will continue to implement greater efficiencies in internal processes, including enhancing case management systems and strategic planning to improve the timeliness of investigations, better focus investigations and cases on programmatic priorities, and maximize agency resources for investigating and prosecuting wrongdoing.
- **Maintain specialty groups within the enforcement program:** The SEC will use specialized groups and task forces to move quickly and centralize expertise on the most critical issues emerging in the markets.
- **Enhance timeliness of distributions to wronged investors:** The SEC will improve timeliness and efficiency of its efforts to return money collected in enforcement actions to harmed investors.
- **Collaborate with other authorities on enforcement matters:** The SEC will strengthen the reach of its enforcement efforts by improving coordination and cooperation with other law enforcement agencies and regulators, both domestic and foreign, including referring matters that are more appropriately pursued by other agencies and SROs.
- **Enhance communications among SEC divisions and offices:** The SEC will improve communication and sharing of information between the enforcement program and other divisions and offices to bring to bear the collective expertise of the agency in a timely and efficient manner.
- **Review approach for enforcement penalties:** The SEC will assess and improve the agency's penalties framework so that penalties have the appropriate punitive and deterrent effect.
- **Broaden the range of enforcement sanctions:** The SEC will develop alternative approaches to sanctions to gain greater flexibility in bringing actions to a conclusion that benefits investors, including enhanced approaches to promoting greater cooperation from wrongdoers.

Performance Metrics:

The SEC intends to use the following performance measures to gauge its progress in achieving this outcome:

Performance Metric	Description
Percentage of enforcement cases successfully resolved Target: 90%	A case is considered “successfully resolved” if it results in a favorable outcome for the SEC, including through litigation, a settlement, or the issuance of a default judgment. In general, the SEC strives to successfully resolve as many cases as possible but, at the same time, aims to file large, difficult, or precedent-setting cases when appropriate, even if success is not assured. This measure does not include any cases in which the SEC awaits a final outcome. The measure is calculated on a per-defendant basis. Large cases may involve several defendants.
Percentage of first enforcement cases filed within two years Target: 65%	This measure identifies the percentage of first enforcement actions filed within two years of opening an investigation or 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.
Percentage of debts where either a payment has been made or a collection activity has been initiated within six months of the due date of the debt Target: 92%	The SEC can seek a wide range of remedies for failure to comply with the securities laws. These remedies include civil monetary penalties and disgorgement. When the remedies are imposed by the Commission or the federal district court, payments must be made by a certain date. This measure identifies the percentage of debts where debtors have made payments or the SEC has initiated a collection activity within 180 days of the due date. Such collection activities include, among other things, demand letters, negotiation of payment plans, enforcing the payment of the debt through the courts, or other judicial remedies.

Performance Metric	Description
<p>Percentage of Fair Fund and disgorgement fund plans that distributed the final tranche of funds to injured investors within 24 months of the order appointing the fund administrator</p> <p>Target: To Be Determined *</p>	<p>In addition to other types of relief, the Commission may seek orders requiring parties to disgorge any money obtained through wrongdoing. The Commission also is empowered to seek civil penalties for violations of the securities laws. Where appropriate, the Commission has sought to return disgorged funds to harmed investors and, as a result of the Fair Funds provision of the Sarbanes-Oxley Act, to combine amounts paid as penalties with disgorged funds to reduce losses to injured parties. After sufficient disgorgement and penalties have been collected to form a distribution fund, the Commission appoints, or, in civil actions, seeks the appointment of, a fund administrator to develop and subsequently implement an approved plan to distribute funds to injured investors. Using the claims-made process, the fund administrator identifies injured investors and determines amounts to be disbursed to eligible claimants. The distribution of funds to eligible claimants may be made in several tranches to return funds to investors more quickly, while efforts continue to locate any remaining investors through the claims-made process. This measure identifies the percentage of “claims-made” distribution plans that distributed the final tranche during the fiscal year and within 24 months of the order appointing the fund administrator. This reflects Commission-wide efforts to develop, approve, and implement plans to return funds to investors quickly, regardless of the monetary amount in the fund. Any funds not returned to investors are sent to the U.S. Treasury; neither disgorgement nor penalties are used for the Commission’s own expenses.</p>
<p>Percentage of Fair Fund and disgorgement fund plans approved by final order within the prior fiscal year which had a first tranche of funds distributed under those plans within 12 months of such approval date</p> <p>Target: 60%</p>	<p>In its enforcement cases, the Commission may seek to return funds to harmed investors through disgorgement of ill-gotten gains or through the Fair Funds provision of the Sarbanes-Oxley Act. This provision permits the Commission to combine amounts paid as penalties with disgorged funds to reduce losses to injured parties. This measure identifies the percentage of distribution plans for which a first tranche was distributed to injured investors within 12 months of the plans’ approval date. This reflects the Commission’s efforts to return funds to investors quickly, regardless of the monetary amount in the fund. Any funds not returned to investors are sent to the U.S. Treasury; neither disgorgement nor penalties are used for the Commission’s own expenses.</p>

* This performance metric is new for the SEC. The agency plans to begin collecting this information and determine the current, baseline level for this metric before establishing a target.

Related Indicators

The following indicators are useful for understanding the SEC’s activities, but should not be considered performance measures and do not include targets that the agency will strive to reach in future years. The agency chose not to include targets because it would be inappropriate for the agency to conduct these activities with an eye towards hitting predetermined numerical targets rather than evaluating the facts as presented.

Indicator	Description
SEC investigations referred to SROs or other state, federal, and foreign authorities for enforcement	The SEC works closely with other regulators and authorities so that violators of federal securities laws are held accountable. In certain circumstances, a matter may be more appropriately handled by another entity or in another venue, and the agency will refer the investigation for further action. This measure identifies the number (or percentage of the agency’s total number) of investigations that are referred to others for action.
Percent of all enforcement cases deemed “high impact”	High impact cases can include those that are the first of their kind, those that achieve an appropriate deterrent effect, cases that affect selected communities, cases addressing areas that are of particular interest to market participants, or cases of significant public interest.
Percent of cases that come from internally-generated referrals or prospects	Through enhanced risk assessment practices, the agency aims to improve its ability to identify internally-generated tips or prospects for cases. Internal prospects could include issues identified during the course of SEC examinations, analysis of data, disclosure reviews, or other activities.
Criminal proceedings relating to SEC investigations	In some instances, investigations may reveal that both civil and criminal violations have occurred, and the agency will refer matters to criminal authorities for action. This measure identifies the number of SEC investigations referred to criminal authorities and the number (or percentage) resulting in criminal proceedings.
Disgorgement and Penalties Ordered and the Amounts Collected by the SEC	In addition to other types of relief, the SEC may seek orders requiring parties to disgorge any money obtained through wrongdoing. The SEC is also empowered to seek civil penalties for violations of the securities laws. Where appropriate, the SEC has sought to return disgorged funds to harmed investors. Funds not returned to investors are sent to the Treasury. This indicator lists disgorgement and penalties ordered as a result of SEC cases and the amounts collected by the SEC. This indicator could increase or decrease based on various factors.

Indicator	Description
<p>Requests from foreign authorities for SEC assistance and SEC requests for assistance from foreign authorities</p>	<p>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 the Multilateral Memorandum of Understanding, an information-sharing arrangement negotiated through the International Organization of Securities Commissions (IOSCO).</p>

Strategic Goal 2:

Establish an effective regulatory environment

“The SEC’s mission is to protect investors, maintain efficient markets and promote capital formation. In order to establish and maintain an effective regulatory environment in furtherance of this mission, we need to understand the markets we regulate, be consistent and transparent in the application of the laws we enforce, and be scrupulous in our consideration and analysis of proposed regulatory changes. A regulatory ethos that focuses on knowledge, fairness, and rigorous empiricism will ensure high quality regulation.”

COMMISSIONER KATHLEEN L. CASEY

“As the investor’s advocate, the responsibility of rulemaking at the SEC is a serious undertaking. The SEC is the only federal regulator whose mission is to protect investors. When investor confidence falters, it is our job to search for solutions that will help restore their confidence in the fairness and integrity of our markets.”

COMMISSIONER ELISSE B. WALTER

“The Commission’s 2010-2015 strategic plan will guide the agency in its important work protecting investors, maintaining well-functioning markets, and facilitating capital formation. When we promote each element of our tripartite mission, the Commission ensures that the full range of investor interests is advanced and that enterprises are able to raise capital efficiently. I look forward to working with the Commission staff and my fellow Commissioners as we execute this plan.”

COMMISSIONER TROY A. PAREDES

THE COMMISSION'S RESPONSIBILITY is to put the federal securities laws into action by establishing a regulatory environment in which the agency's mission can be met and sustained. When existing laws impair this mission, the Commission also has a duty to advise Congress about necessary corrective measures. Most securities law and regulation flow from two central principles. First, all investors should have equal access to accurate, complete and timely information about the investments they buy, sell and hold. Second, investors should be able to rely upon self-regulatory organizations, broker-dealers, investment advisers, investment companies, and other market participants to conduct investors' securities transactions efficiently and in the investors' best interests.

The Commission has broad authority to shape the regulatory framework for the securities industry. Rulemaking often is required to remedy abusive practices or to respond to Congressional mandates, changing economic conditions, advances in technology, or novel products or services. In general, rulemaking and policies are designed to improve disclosure, facilitate the flow of important information to investors and the public, improve governance, promote high-quality accounting standards, enhance the accountability of financial intermediaries and other market participants, and strengthen the structure of the trading markets, among other goals. When properly crafted, these rules serve to further the agency's mission.

In addition to promulgating its rules and regulations, the SEC provides guidance when, among other things, it sets forth the views of the Commission or its staff on questions of current concern, without stating them in the form of legal requirements. The principal form of this guidance is publicly available staff statements on a particular legal or accounting issue or on an interpretation of a rule or regulation. The staff also responds to inquiries from individuals and companies about whether an activity undertaken in a specified manner would violate the securities laws. The inquiries can take the form of written requests that the staff not recommend enforcement or other action to the Commission if the activity is completed as specified. The Commission also issues individual orders granting relief from provisions of the securities laws when the specific facts indicate that doing so is consistent with the protection of investors and the policy and purposes behind the laws. These orders can serve as a testing ground for useful innovation and may pave the way for rulemaking.

The Commission believes that its rules and regulations should be drafted to enable market participants to understand clearly their obligations under the federal securities laws and to conduct their activities in compliance with law. Just as the securities laws require that disclosures be clear and precise, the Commission aims to promulgate rules that are clearly written, easily understood, and tailored toward specific ends. In addition, the agency recognizes that regular reviews of Commission regulations and its rulemaking processes are necessary to confirm that intended results are being achieved.

Outcome 2.1: The SEC establishes and maintains a regulatory environment that promotes high-quality disclosure, financial reporting, and governance, and prevents abusive practices by registrants, financial intermediaries, and other market participants.

The investments of nearly every American family are dependent upon the maintenance of healthy capital markets. The greater availability of and access to investment opportunities can help Americans build their portfolios to create a better life for themselves and their children. Investment opportunities may include attendant hazards, however, such as the potential for abuse by market intermediaries and other participants. Such abuses erode the investing public's trust and undermine investor confidence in markets as a whole. To

protect investors and to promote confidence in the integrity and fairness of the markets, the Commission uses its regulatory authority to deter potentially abusive tactics.

The federal securities laws entrust the Commission with authority to shape the regulatory framework so that investors are protected through the availability of high-quality disclosure about their investments. In addition, the agency develops regulations that promote and strengthen corporate and fund governance.

Initiatives:

To accomplish this outcome, the SEC plans to implement the following initiatives:

- **Improve the quality and usefulness of disclosure:** The SEC will continue to evaluate and, where necessary, amend its requirements to improve the quality and usefulness of registrants' disclosures to investors. Areas of focus will include disclosure about risk management, executive compensation decisions and practices, nomination of directors, board governance, and discussion and analysis of results of operations and financial condition.
- **Analyze trends in new financial instruments and market innovations:** The SEC will proactively seek out information from market experts both within and external to the SEC to help inform the regulatory process, look for new risks, and ensure rules take into account the latest market practices. When possible, the SEC will directly collect and analyze relevant market data to identify upcoming trends, patterns, or relationships among asset classes, instruments and market participants.
- **Strengthen proxy infrastructure:** The SEC will conduct a comprehensive review of the issues related to the mechanics of proxy voting and shareholder-company communications, including the role of proxy advisory firms.
- **Modernize beneficial ownership reporting:** The SEC will consider how to modernize its beneficial ownership reporting requirements to, among other things, address the disclosure obligations relating to the use of equity swaps and other derivative instruments.
- **Harmonize regulatory structures for investment advisers and broker-dealers:** The SEC will continue reviewing how the different regulatory systems that apply to broker-dealers and investment advisers may be harmonized for the protection of investors.
- **Promote high-quality accounting standards:** The SEC will continue to promote the establishment of high-quality accounting standards by independent standard setters in order to meet the needs of investors. For example:
 - In overseeing the Financial Accounting Standards Board (FASB), the SEC will strengthen and support the FASB's independence and maintain the focus of financial reporting on the needs of investors, consistent with the recommendations set forth by the SEC Advisory Committee on Improvements to Financial Reporting;
 - The SEC will support FASB's efforts to improve financial reporting, including recent standard-setting initiatives such as off-balance sheet accounting and accounting for financial instruments; and

- Due to the increasingly global nature of the capital markets, the agency will promote higher quality financial reporting worldwide through, among other things, support for a single set of high-quality global accounting standards, and promotion of the ongoing convergence initiatives between the FASB and the International Accounting Standards Board.
- **Foster high-quality audits through the oversight of the accounting profession:** The SEC will continue to oversee the PCAOB and its regulation of the accounting profession through the PCAOB’s inspection and disciplinary programs. The SEC also will work closely with the PCAOB on the promulgation and interpretation of auditing standards to address current issues in the capital markets.
- **Continue global coordination and assistance:** The SEC will continue to work closely with its regulatory counterparts abroad, as well as with relevant international organizations, to promote high-quality securities regulation worldwide and convergence where appropriate. In addition, the SEC will continue to provide technical assistance to emerging and recently-emerged markets to help these jurisdictions in establishing and implementing laws and regulations that minimize the likelihood of regulatory arbitrage and promote cross-border enforcement and supervisory assistance.
- **Strengthen investment adviser and broker-dealer oversight:** The Commission will continue to enhance its oversight of investment advisers and broker-dealers. For example, the Commission is considering rules designed to prevent political contributions from influencing the selection of investment advisers to the detriment of public pension plan clients, as well as rules that would provide additional safeguards to investors when an adviser has custody of client assets. The Commission will also consider requiring those who provide investment advice to provide clients and prospective clients with clear, current, and more meaningful disclosure of their business practices, conflicts of interest, and backgrounds.
- **Address investment company distribution fees:** Given the evolution in the investment management industry and in the uses of investment company distribution fees, the SEC plans to reconsider the rule permitting these fees and the factors that fund boards must consider when approving or renewing them.
- **Enhance disclosures related to asset-backed securities:** The SEC is considering revising its rules and forms to improve registration and disclosure requirements for asset-backed securities.

Performance Metrics:

The SEC intends to use the following performance measures to gauge its progress in achieving this outcome:

Performance Metric	Description
Survey on quality of disclosure Target: To Be Determined *	Under this metric, the SEC plans to conduct a survey to elicit feedback on the quality of disclosures and the Commission's disclosure requirements. The SEC would track whether the percentage of respondents answering positively improves from year to year.
Number of consultations; joint events, reports, or initiatives; and joint examinations and other mutual supervisory efforts with SROs and other federal, state, and non-U.S. regulators Target: To Be Determined *	This metric gauges how much the SEC is coordinating with other financial regulatory agencies within a given fiscal year. Also, as securities markets around the world become increasingly integrated and globalized, it is essential that the SEC work frequently and effectively with its partner regulators both in the U.S. and abroad.
Number of non-U.S. regulators trained Target: 1,750 per year	This metric shows the reach of the SEC's technical assistance programs for regulators around the world. The SEC conducts these training sessions to assist countries in developing and maintaining robust protections for investors and promote cross-border enforcement and supervisory assistance.

* These performance metrics are new for the SEC, and the agency must further refine the statistics before establishing targets.

Related Indicator

The following indicator is useful for understanding the SEC's activities, but should not be considered a performance measure and does not include a target that the agency will strive to reach in future years.

Indicator	Description
Average cost of capital in U.S. relative to the rest of the world	Countries' cost of capital can vary according to their protections for investors, the strength of their disclosure regimes, and the presence of fair, orderly, and efficient markets, among other factors. Therefore, although this metric is affected by other economic factors, it can provide some indication of the quality of securities regulation in a given country.

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

Through rulemaking and other initiatives, the Commission works to assure that investors have fair access to securities markets; that their orders are handled in an efficient and transparent manner throughout the order entry, execution and settlement process; that securities laws and regulations do not promote regulatory arbitrage; and that U.S. securities markets remain vibrant, competitive and resilient. These efforts help to promote markets in which investors have the necessary information to make investment decisions, the price discovery process is fair and free from manipulation, and trades can be executed efficiently. Also, the Commission fosters capital formation by facilitating market access for novel products and innovative and competitive investment company structures when consistent with investor protection.

Self-regulation is a fundamental component of the regulation of U.S. securities markets and market intermediaries. The Commission's oversight of SROs serves to provide further assurance that our securities markets operate in a fair, efficient, and orderly manner; that they are competitive; and that they promote capital formation. The Commission has authority over the rulemaking and other activities of self-regulatory organizations, which include national securities exchanges, FINRA, and clearing agencies. In approving SRO rules, the Commission must determine, among other things, that these rules are designed to prevent fraudulent and manipulative practices, promote just and equitable principles of trade, and foster cooperation in the clearing and settling of trades, and that they do not create an unnecessary or inappropriate burden on competition.

Initiatives:

To accomplish this outcome, the SEC plans to implement the following initiatives:

- **Foster a strong market structure:** The SEC will continue to pursue initiatives that promote the goals of the national market system in the trading of securities, such as enhancing price transparency, facilitating best execution, assuring fair access to trading systems, and fostering fair competition. These may include:
 - Strengthening the incentives for investors to display trading interest, and thereby contribute to the public price discovery process;
 - Enhancing the post-trade transparency of alternative trading systems (including dark pools) in order to address market fragmentation and facilitate best execution;
 - Reviewing the impact of algorithmic and other automated trading on the markets, including its contribution to market volatility and, if warranted, developing an appropriate policy response;
 - Articulating core structural standards for registered exchanges, particularly in light of the development of affiliated exchange groups;
 - Considering rulemaking with respect to the options markets to promote continued fair, efficient, and non-discriminatory access to exchanges' quotations, to provide for uniform disclosure of execution quality statistics, and to address the extent to which quoting options in penny increments is appropriate;

- Updating Commission rules and regulations, such as Regulation ATS and Regulation NMS, to reflect market structure developments.
- **Strengthen the viability of self-regulation:** The SEC will take steps to promote the continued vigor of self-regulation, particularly in light of the potential conflicts of interest that have arisen as the securities exchanges have demutualized and become operators of highly-competitive, for-profit shareholder-owned businesses.
- **Enhance oversight of derivatives:** The SEC will consider ways to use its existing authority to improve the transparency and integrity of the over-the-counter (OTC) derivatives market, including the market for credit default swaps. The SEC also will work with other government agencies to seek changes to laws to fill regulatory gaps in the oversight of OTC derivatives. The SEC will work with the CFTC to seek to harmonize futures and securities laws for economically equivalent instruments.
- **Prevent market manipulation:** As part of this initiative, the SEC will review recent changes to the regulation of short sales to assess their effectiveness and determine whether additional modifications are warranted. The agency also intends to explore ways to enhance the transparency of trading activities to better deter and detect manipulation. In addition, the SEC will pursue initiatives to update and enhance the anti-manipulation rules that address the activities of underwriters, issuers, selling security holders and others in connection with securities offerings, as well as update and enhance the anti-manipulation rules that address issuer repurchases and timely public notice of dividends and other distributions.
- **Improve transparency and oversight of small capitalization securities:** The SEC will pursue initiatives focused on the special characteristics of the market for small capitalization securities, in order to enhance the transparency of this market and promote vigorous oversight. Goals of these initiatives will include assuring appropriate investor protections and promoting market efficiency. The SEC also will review its rule that governs the publication of quotations for securities that are not listed on a national securities exchange, to more narrowly focus that rule on those securities and situations most likely to raise concerns about fraud and manipulation.
- **Implement money market fund reforms:** The SEC plans to enhance the regulatory regime for money market mutual funds to better position them to meet demands from investors who want to redeem their shares on a short-term basis.
- **Streamline the process for introducing new exchange-traded funds:** The Commission will consider whether to permit certain exchange-traded funds to be introduced to the market without first submitting an application and receiving an order from the Commission.
- **Strengthen oversight of credit rating agencies:** The SEC will continue to enhance the program for registration and oversight of credit rating agencies that operate as nationally recognized statistical rating organizations, with a particular emphasis on measures designed to increase the transparency of ratings methodologies and performance and to address conflicts of interest inherent in the credit rating industry.
- **Improve clearance and settlement:** The SEC will continue to pursue initiatives to enhance the clearance and settlement of securities transactions by implementing “straight through processing,” the automation of the trade process from execution to settlement without manual intervention or the reentry of data. The SEC also will

consider whether to modify existing transfer agent rules in an effort to modernize the manner in which transfer agents provide transfer and other services in the U.S. clearance and settlement system.

- **Enhance market continuity of operations:** The SEC is working with critical market participants to develop adequate plans and procedures so that back-up infrastructure and personnel are able to maintain continuity of operations through any future market disruption.
- **Coordinate closely with other agencies on regulatory issues:** In order to create a more effective and coordinated regulatory environment, the SEC will partner with other federal, state, and non-U.S. regulatory agencies to share data, information and expertise on regulatory issues that cross jurisdictional boundaries, domestically and internationally.

Performance Metrics:

The SEC intends to use the following performance measures to gauge its progress in achieving this outcome:

Performance Metric	Description
<p>Percentage of transaction dollars settled on time each year</p> <p>Target: At least 99% of all equity trades by dollar value</p>	<p>This metric measures the efficiency of the U.S. clearance and settlement system for equity securities.</p>
<p>Average institutional transaction costs for exchange listed stocks on a monthly basis</p> <p>Target: To Be Determined *</p>	<p>This performance metric captures the actual cost of trading in large (institutional size) transactions.</p>
<p>Percentage of market outages at SROs and electronic communications networks (ECNs) that are corrected within targeted timeframes</p> <p>Target: 60% within 2 hours, 75% within 4 hours, and 96% within 24 hours</p>	<p>Market outages reflect problems in the systems underlying the securities markets that could have an adverse affect on the markets' ability to function as required. The SEC assesses the reliability and resiliency of these systems to minimize the number and duration of outages. This metric gauges how quickly outages are resolved, so that market activity can resume.</p>

* This performance metric is new for the SEC, and the agency must further refine the statistics before establishing targets.

Related Indicators

The following indicators are useful for understanding the SEC’s activities, but should not be considered performance measures and do not include targets that the agency will strive to reach in future years.

Indicator	Description
Average quoted spread for exchange listed stocks on a monthly basis	This indicator gauges the hypothetical cost of trading in small amounts at the quoted markets, based solely on published quotations.
Average effective spread for exchange listed stocks on a monthly basis	This indicator captures the cost of trading in small amounts based on actual trade prices and the quotes at the times of those trades.
Speed of Execution	This indicator gauges how quickly transactions are executed in the U.S. securities markets.
Average quoted size of exchange listed stocks on a monthly basis	This indicator measures the amount of liquidity visible to the market at the displayed quotes.
Average daily volatility of exchange listed stocks on a monthly basis	This statistic gauges short term price changes, which are an indicator of the risk of holding stock.

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

The process of developing and administering rules and regulations is one of the primary functions of the SEC and involves staff from virtually every division and office. One of the agency’s primary objectives is to maintain a regulatory framework that enables market participants to understand clearly their obligations.

The success of this outcome requires coordination among staff who bring a variety of different perspectives, with appropriate tools and support. In addition, the agency must continually reevaluate its regulatory framework so that it provides sufficient protections to investors as new products or services enter the market.

Initiatives:

To accomplish this outcome, the SEC plans to implement the following initiatives:

- **Improve agency-wide coordination of the rulemaking process:** The SEC will seek additional ways to break down internal organizational barriers and foster greater collaboration among divisions and offices on rulemaking initiatives. The agency will establish collaboration tools to more effectively gather and analyze data from across the SEC and manage rulemaking activities.

- **Enhance the economic support for Commission rules and regulations:** The SEC will continue to enhance assistance of economists earlier and more often in the rulemaking process, so that the Commission's rules and regulations continue to be appropriately informed by economic reasoning and robust cost-benefit analysis. This includes adopting a multi-disciplinary approach that combines economic analyses with relevant market data, detailed financial knowledge, and legal expertise.
- **Assess the effect of prior Commission rulemakings:** The SEC will periodically assess the impact of past rulemakings to gauge their effectiveness and determine whether more effective alternative approaches may have become available. Where appropriate, these determinations should employ empirical analysis. Pertinent divisions and offices will establish collaborative tools to more effectively conduct and coordinate such analyses.
- **Improve the process for no action, interpretive, and exemptive regulatory requests:** The SEC will continue reviewing its process for handling written requests for no-action, exemptive and interpretive relief, so that the agency's responses are completed in a timely and efficient manner.
- **Streamline the process for reviewing SRO rule filings:** Consistent with fulfilling its obligations under the Exchange Act with respect to the oversight of SRO rules, SEC will continue to explore further ways to streamline the SRO rule filing process.
- **Facilitate market access of financial products through exemptive rules:** The SEC will aim to eliminate the need for investment advisers and investment companies to submit applications for exemptive relief that are substantially similar to certain previously granted applications by adopting rules codifying the relief. For example, the SEC may propose rules or amendments to rules that would codify exemptive relief the SEC has granted permitting funds of funds, employees' securities companies and manager-of-manager structures.

Performance Metrics:

The SEC intends to use the following performance measures to gauge its progress in achieving this outcome:

Performance Metric	Description
<p>Length of time to respond to written requests for no-action letters, exemptive applications, and written interpretive requests</p> <p>Target: The Division of Trading and Markets' goal is to complete 85% of all responses within 60 days. The Division of Investment Management's goal is to provide initial comments on at least 75% of interpretive and no action requests within three weeks of receipt of the letter request, and initial comments on at least 80% of exemptive applications within 120 days after receipt of an application. The Division of Corporation Finance's targets are to complete 90% of initial comments on no-action letters within 30 days, and 100% of initial comments on shareholder proposals by a company's planned proxy mailing date.</p>	<p>The SEC staff responds to requests for guidance from individuals and companies about specific provisions of the federal securities laws. These queries can ask for proper interpretations of the securities laws or regulations, or for assurances that no enforcement action will be taken in certain circumstances. The staff also reviews applications for exemptions from the securities laws. Written responses to such requests for guidance, when provided, generally are publicly available, as are applications and related notices and orders, when issued. This measure gauges whether the Divisions of Trading and Markets, Investment Management, and Corporation Finance are issuing initial comments on these requests on a timely basis.</p>
<p>Survey on whether SEC rules and regulations are clearly understandable</p> <p>Target: To Be Determined *</p>	<p>The SEC aims to promote a regulatory environment in which market participants clearly understand their obligations. Through this metric, the SEC intends to survey market participants to determine whether they believe the Commission's regulatory requirements are clear.</p>

Performance Metric	Description
<p>Time to complete SEC review of SRO rules that are subject to SEC approval</p> <p>Target: 40% of filings completed by 35 days from date of publication and 80% of filings completed by 45 days from date of publication</p>	<p>The SEC reviews SRO rule proposals for consistency with the Exchange Act and the investor protection, market operation and structure, and other rules. This metric gauges how quickly the SEC completes these reviews after a proposed rule change requiring Commission approval has been filed.</p>

* This performance metric is new for the SEC. The agency plans to begin collecting this information and determine the current, baseline level for this metric before establishing a target.

Related Indicator

The following indicator is useful for understanding the SEC's activities, but should not be considered a performance measure and does not include a target that the agency will strive to reach in future years.

Indicator	Description
<p>Percentage of SRO rule filings that are submitted for immediate effectiveness</p>	<p>This metric gauges the proportion of SRO rule proposals that can be submitted for immediate effectiveness, without Commission approval.</p>

Strategic Goal 3:

Facilitate access to the information investors need to make informed investment decisions

“The SEC was created to restore investor confidence in our capital markets by providing investors and the markets with more reliable information and clear rules of honest dealing. SEC regulation aims to foster investor confidence with two common-sense notions. One, companies financed by the investing public must tell the public the truth about their businesses, the securities they are selling, and the risks involved in investment. Two, people who sell, trade, and provide advice about securities must treat investors fairly and honestly, putting investors’ interests first. The quality and credibility of disclosure documents filed with the SEC by public companies are at the heart of this approach.”

COMMISSIONER ELISSE B. WALTER

“Disclosure required by the SEC serves the needs of investors as well as the general public by increasing transparency and accountability. The information that is useful to the public, and that investors need in order to make prudent decisions, is dynamic. The SEC must keep pace with these changing needs by listening to investors and by anticipating the kinds of decisions that investors and the general public will face in the future. I am committed to working with my fellow Commissioners to advance the public interest.”

COMMISSIONER LUIS A. AGUILAR

“The federal securities laws are premised on a philosophy of disclosure. We have an obligation, therefore, to ensure that market participants are armed with the material information they need to make informed decisions. As our markets evolve, the regulatory regime needs to keep pace so that investors continue to have access to relevant information on a timely basis. This strategic plan will guide the Commission and its staff in meeting this challenge.”

COMMISSIONER TROY A. PAREDES

THE FEDERAL SECURITIES LAWS require that corporations, investment companies, and other entities provide investors with timely and meaningful information about, among other things, their operations and finances. Because an educated and informed investor ultimately provides the best defense against fraud and costly mistakes, these laws place great emphasis on providing the investing public with meaningful information. As part of its disclosure program, the SEC requires entities to disclose financial and non-financial information to the public, thereby providing a common pool of knowledge for all investors to use to judge for themselves if a security is a good investment. Similarly, SEC rules require that investors have access to certain information about the financial intermediaries that they rely upon for investment advice and other services. SEC staff review the filings that corporations, investment companies, and other entities submit to assess whether the disclosures appear adequate and accurate.

The goal of the SEC's investor education program is to give investors the information they need to evaluate current and potential investments, while also providing agency staff with critical insight about emerging trends and factors shaping investor decision making. The SEC staff aims to collect investor-focused data from a variety of sources and use it both to track trends in the securities industry and to identify, among other things, problematic brokers, firms, and sales practices. This information can help shape the agency's overall approach to risk assessment, focus internal resources, and shape the initiatives of other SEC offices and divisions. In addition, agency staff work collaboratively with other regulators and educational organizations to place information in the hands of the investing public to promote informed decisions, as well as to help investors avoid fraudulent schemes.

Outcome 3.1: Investors have access to high-quality disclosure materials that are useful to investment decision making.

Investors who have access to information and know what questions to ask are more likely to invest wisely, and to choose professional intermediaries that will best meet their objectives. The SEC understands that not all investors need the same information and that those needs are affected by their backgrounds, resources and goals. The SEC seeks to structure disclosure requirements so that investors are armed with the timely and meaningful information they need to make appropriate investment decisions.

As technology and the complexity of financial instruments change, so too do the needs of modern day investors. Providing investors with information in concise, easy-to-use formats that are tailored to their needs helps investors to help themselves. On a recurring basis, the agency examines its filing review program to explore whether its disclosure requirements, review criteria, approach to comments, and the professional and technology resources utilized provide maximum impact to benefit investors. As a result, new initiatives are generated and internal practices are revised that shape the future of the program.

Initiatives:

To accomplish this outcome, the SEC plans to implement the following initiatives:

- **Revise disclosure and reporting requirements to reflect the informational needs of today's investors:** The SEC will undertake a number of initiatives to enhance disclosure requirements for the benefit of investors, including reassessing current core corporate disclosure requirements and implementing the new mutual fund summary prospectus regime. In proposing changes for the Commission to consider, the staff will seek to modernize disclosure requirements and eliminate redundant reporting requirements. The staff's efforts will include a comprehensive review of proxy voting and shareholder communications to identify ideas and proposals for potential changes to rules. The SEC

also will consider changes requiring broker-dealers that sell securities such as mutual funds, variable insurance products and 529 plan interests to disclose information relating to their compensation and conflicts of interest and key product features at the “point of sale” and on the Internet.

- **Evaluate filing review programs for the most effective disclosures to investors:** Agency staff will evaluate the filing review programs to determine whether the SEC is properly using risk management tools to identify filings for review and seek enhancements in disclosure. This assessment will explore the criteria the agency uses to identify filings for review, the SEC’s approach to issuing comments to companies, and new ways for technology to help improve the agency’s programs.
- **Design and implement new disclosure regimes for specialized categories of issuers:** The SEC also will consider revising the disclosure requirements for securitized financial products and other complex financial instruments and work with the Department of Labor to address issues with respect to target date funds. The SEC intends to consider enhancing the information that a broker-dealer underwriting a primary offering of municipal securities must determine that an issuer will provide to shareholders, as well as to improve protections against identity theft and investor understanding of financial privacy notices. The SEC also intends to consider amending the broker-dealer and investment adviser registration forms, to elicit information that will be useful to investors in comparing and selecting investment professionals.

Performance Metrics:

The SEC intends to use the following performance measures to gauge its progress in achieving this outcome:

Performance Metric	Description
<p>Percentage of public companies and investment companies with disclosures reviewed each year</p> <p>Target: 33%</p>	<p>The Sarbanes-Oxley Act requires that the SEC review the disclosures of all companies and investment company portfolios reporting under the Exchange Act at least once every three years. These reviews help improve the information available to investors and may uncover possible violations of the securities laws.</p>
<p>Time to issue initial comments on Securities Act filings</p> <p>Target: Average of less than 30 days</p>	<p>The target of 30 days or less has become a de facto industry standard for the maximum time to receive initial comments.</p>

Performance Metric	Description
<p>Percentage of investment company disclosure reviews for which initial comments are completed within timeliness goals</p> <p>Target: Initial registration statements 85%; Post-effective amendments 90%; Prelim. proxy statements 99%</p>	<p>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 preliminary proxy statements within 10 days after they are filed.</p>
<p>Point of Sale “click-through rate”</p> <p>Target: To Be Determined *</p>	<p>The point of sale initiative relies on a layered approach that combines point of sale disclosure and Internet-based disclosure. This measure would determine how often investors click on broker-dealers’ web sites to obtain information about broker-dealer compensation and related conflicts of interest.</p>
<p>Access to broker-dealer and investment adviser background checks</p> <p>Target: To Be Determined *</p>	<p>Greater availability of professional background information of broker-dealers and their employees through the BrokerCheck system will provide investors with the ability to make better-informed decisions. Investors also have the ability to check the backgrounds of investment advisory firms through the SEC’s Investment Adviser Public Disclosure (IAPD) system. This measure would gauge the demand for disclosure information about broker-dealers and their employees through the BrokerCheck website and about investment advisers through the IAPD.</p>
<p>Investor demand for disclosures on municipal securities</p> <p>Target: To Be Determined *</p>	<p>Greater availability of market-sensitive information through the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access (EMMA) website will provide investors with the ability to make better-informed investment decisions and assist market participants in fulfilling their disclosure obligations. This measure gauges the demand for disclosure information about municipal securities through the EMMA website.</p>
<p>Satisfaction index for disclosure process</p> <p>Target: To Be Determined *</p>	<p>The agency will conduct survey research or focus groups to identify the level of satisfaction with disclosure requirements.</p>

* These performance metrics are new for the SEC. The agency plans to begin collecting this information and determine the current, baseline level for these metrics before establishing targets.

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

Understanding the interests and concerns of investors is critical to carrying out the Commission's investor protection mission. The agency advances this mission by communicating daily with investors, responding to their complaints and inquiries and providing educational programs and materials.

Prospectively, the agency intends to obtain more comprehensive information about the views and perspectives of investors. It will seek more robust information regarding the behavioral characteristics of investors and the types of information investors need and use as they make investment decisions. It will compile and provide this information to the Commission to help it develop rules and educational programs that address investors' views and concerns.

The agency is exploring ways to encourage investor input by presenting investors with clear, easily understandable explanations of Commission rule proposals and other Commission activities through a variety of communication channels, including new media. These efforts will complement those of the agency's Investor Advisory Committee, which was constituted to present the views and experience of a broad spectrum of investors, and which will serve as an additional source of information concerning investors' priorities and perspectives on the Commission's regulatory agenda.

More comprehensive data about investors also will drive the Commission's investor education efforts. Working in partnership with other federal and state agencies, financial industry associations, consumer groups and educational organizations, the agency will develop investor education initiatives that are targeted to specific audiences, yet share the common objective of helping investors to help themselves.

Initiatives:

To accomplish this outcome, the SEC plans to implement the following initiatives:

- **Inform rulemaking with research on investor behavior:** The SEC will proactively seek information on how different types of investors make investment decisions, in order to inform the Commission's rulemaking efforts and investor education programs and materials.
- **Reshape how agency information is made available to investors:** The SEC will encourage investor input in the Commission's regulatory agenda by providing easily understandable explanations of the Commission's activities, distributed through multiple communication channels including new media, and by responding in a timely fashion to investor contacts.
- **Address Investor Advisory Committee input:** The SEC will consider information and recommendations from the Investor Advisory Committee regarding investors' perspectives and priorities.
- **Modernize technology and service offerings targeted at assisting the investing public:** The SEC plans to use automated complaint tracking tools to identify emerging investor concerns and complaint trends to inform rulemaking efforts and the development of targeted educational materials.
- **Expand collaborative partnerships:** The SEC will partner with other federal and state agencies, securities regulators and non-profit organizations to shape and target educational initiatives to maximize their impact on specific communities of interest.

Performance Metrics:

The SEC intends to use the following performance measures to gauge its progress in achieving this outcome:

Performance Metric	Description
<p>Number of investors reached, and number of in-person events with specifically targeted communities and organizations</p> <p>Target: To Be Determined *</p>	<p>The agency has developed an extensive collection of free information to help investors understand the basics of investing; the risks and rewards of various products and strategies; the importance of diversification; and ways to find information about brokers, advisers, and companies. Much of this information is posted on the SEC’s Investor Information Web page, a key tool for informing and educating the investing public. In addition, the Office of Investor Education and Advocacy (OIEA) publishes hard-copy educational brochures and conducts in-person events. This measure seeks to determine the total number of investors reached by the SEC, and assess the effectiveness of outreach efforts conducted by OIEA and the regional offices targeted to specific investor groups (for example, seniors, military, or other affinity groups). The measure also assesses the use of various channels to reach investors, such as the SEC webpage, investor.gov, social networking sites, outreach programs, or public appearances.</p>
<p>Number of investor educational initiatives organized and produced</p> <p>Target: 5 per year</p>	<p>In partnership with other organizations, the agency will develop a number of educational campaigns intended to customize content and maximize its reach to various investor communities. Through the use of primary and secondary research including tracking emerging investor concerns and complaints, the agency will compile information on how to best target its efforts to the investing public. This measure identifies the number of major investor initiatives undertaken.</p>
<p>Timeliness of responses to investor contacts</p> <p>Target: 80% within seven days and 90% within thirty days</p>	<p>OIEA serves the tens of thousands 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 and thirty business days.</p>
<p>Percentage of rules impacting investors that are presented in alternate user-friendly formats</p> <p>Target: To Be Determined *</p>	<p>The agency intends to publish explanations of Commission actions in easily understandable language, to encourage investor participation and comments on issues affecting them. The agency also will track emerging concerns and trends and then transmit the information to the rulemaking divisions and other offices for consideration of possible regulatory responses. The SEC also may use surveys or questionnaires to collect input from investors to assist in assessing their views on Commission actions.</p>

Performance Metric	Description
<p>Customer satisfaction with usefulness of investor educational programs and materials</p> <p>Target: To Be Determined *</p>	<p>Through the use of focus groups and surveys, the agency will assess the usefulness of educational material provided to investors across a variety of channels based upon ease of use, appropriateness, and other factors.</p>

* These performance metrics are new for the SEC. The agency plans to begin collecting this information and determine the current, baseline levels for these metrics before establishing targets.

Strategic Goal 4:

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

“The SEC is a relatively small agency, but we are charged with protecting tens of millions of investors every day. The scope of our responsibility is broad and we feel the great weight of that responsibility every single day. Adopting new strategies for investing in our people and systems is fundamental to our success. Creating a culture of collaboration and leadership across the agency is having a tremendous impact on how we fulfill our mission. Through improved information technology tools, knowledge management practices, and staff learning and development opportunities the agency is transforming its capabilities and achieving better results.”

CHAIRMAN MARY L. SCHAPIRO

THE PUBLIC AND THE SECURITIES MARKETS are best served by an efficient, effective, and agile SEC. Given the immense size of the securities markets the SEC regulates, the SEC's success in fulfilling its mission is highly dependent upon its ability to continually direct its resources towards the most productive uses for investors and the public. The SEC also is extremely mindful of its responsibility to optimize the use of its resources because it is a government agency entrusted with taxpayer funds.

The agency continuously enhances its performance by making sound investments in human capital and new technologies and by employing strong financial management practices. With respect to its workforce, the agency must be able to attract and retain high-performing staff, continually update their skills so they are abreast of the latest developments in the industry, and create organizational structures and work processes that are efficient and effective. The agency's information technology environment must give employees the tools they need to view, analyze, and act upon the enormous volume of financial data and other information relevant to oversight of the securities markets. Finally, the SEC must continually direct its financial resources to their highest and best use, always subject to strong internal controls.

Outcome 4.1: The SEC maintains a work environment that attracts, engages, and retains a technically proficient and diverse workforce that can excel and meet the dynamic challenges of market oversight.

The Commission is committed to being an employer of choice by consistently attracting, hiring, developing, and retaining a high-quality, diverse, and results-oriented workforce. The SEC is continually refining a series of programs to enhance its human capital, such as by rewarding high performance, promoting high employee satisfaction, and updating staff skills for the effective oversight of the securities markets.

The expertise and specialized skills necessary for the field of securities regulation are a significant factor shaping the agency's human capital planning efforts. To maintain a pool of trained and prepared staff, the SEC is continuing to identify the mission-critical roles and competencies the agency requires today and in the future. Senior management, working with human resources staff, must identify the requisite skills, determine whether gaps exist in the SEC's workforce, and develop ways to bridge these gaps through training or recruiting strategies. The agency structures its recruitment efforts to attract new staff from a wide variety of demographic groups as part of its commitment to a diverse workforce. The SEC also works to retain high-performing staff, continually evaluating and refining its human capital programs to address issues that might affect employee satisfaction.

Initiatives:

To accomplish this outcome, the SEC plans to implement the following initiatives:

- **Increase employee engagement and retention:** To retain high caliber talent, the SEC will implement programs and initiatives focused on employee engagement and retention. In response to employee survey results, the SEC has conducted numerous interviews and focus groups with its workforce at every level. The recommendations derived from this information will form the basis for action plans aimed at improving the agency's organizational climate and workforce morale. These plans will be implemented and evaluated in a manner designed to promote continuous improvement. Improvements in organizational climate and workforce morale should lead to greater employee engagement and increased retention, particularly of high-performing employees.
- **Enhance employee development program:** For the SEC to fulfill its mission it must not only attract and select the most accomplished people in their fields, it must also continually invest in their training and development so that each employee can achieve and maintain the highest level of performance. Changes in market conditions, securities laws, federal regulations, best practices, and technology create challenges that must be met by a workforce skilled at managing change and supported by a strategic but flexible developmental program. The Office of Human Resources will encourage and monitor the use of individual development plans so that employee-specific needs are met. This initiative will be further enhanced by the implementation of a learning management system to automatically track learning programs, certifications, and competency gaps. This system will allow the Office to meet stakeholder reporting requirements efficiently.
- **Promote a diverse talent pipeline:** The SEC will develop and implement strategies and programs focused on creating a diverse talent pipeline to meet the SEC's current and future workforce needs. These strategies will include developing and expanding strategic partnerships and alliances with diverse educational institutions, professional associations, and community-based organizations. These partnerships and business alliances will also provide the SEC opportunities to recruit mid-level to high-level career professionals from all segments of society.
- **Implement new performance management program:** To promote the highest level of personal and organizational performance, the SEC must have a performance management program that is robust, credible, fair, and transparent. In FY 2009, the SEC implemented a new performance management system among its managers and supervisors. In FY 2010, the SEC will implement a similar system among all Senior Officers and non-supervisory staff. The SEC will invest in an extensive training program

for managers and other employees, evaluate the effectiveness and acceptability of the system, make improvements based on results of the evaluation, and support the program with technology and experienced consultants.

Performance Metrics:

The SEC intends to use the following performance measures to gauge its progress in achieving this outcome:

Performance Metric	Description
<p>Survey of employee engagement</p> <p>Target: Biennial Index score of 65% positive</p>	<p>The SEC strives to maintain a culture in which employees demonstrate a strong personal, positive connection with the organization and its mission and strategic goals. This connection, which can be called “employee engagement,” can result in higher-quality work, willingness to lead or participate in special projects, sharing job knowledge with others, mentoring other staff, or other positive contributions to the agency and its work. This index will be drawn from annual survey results and will track the agency’s success in improving employee engagement.</p>
<p>Best Places to Work ranking</p> <p>Target: Ranking of at least 5</p>	<p>This biennial ranking of federal government agencies will be used to determine the SEC’s overall success in improving our organizational climate.</p>
<p>Turnover</p> <p>Target: Annual rate of no more than 8% turnover</p>	<p>The SEC strives to maintain an organizational climate in which high-performing employees wish to remain. Although turnover can fluctuate based on a variety of factors, including the health of the economy and the number of outside job opportunities available for SEC staff, the agency aims to keep its turnover rate relatively low, below 8% per year.</p>
<p>Expanding staff expertise</p> <p>Target: To Be Determined *</p>	<p>Internal training and hiring programs are designed to help the agency recruit and develop its staff so that key skills, industry knowledge, and expertise are maintained. In particular, there is a need to hire more economists, trading specialists, and other experts with knowledge of the marketplace and both investment and trading practices. As the industry evolves, requisite staff skills and competencies are adjusted to stay current. Annual agency training goals and hiring practices are focused on ensuring staff have the necessary capabilities to address trends in the industry. This measure tracks whether certain areas requiring significant training are being addressed.</p> <p>For example, the agency will monitor the percentage of staff that has received or maintained significant relevant training in fraud detection as measured by achieving the status of a Certified Fraud Examiner, Chartered Financial Analyst, Series 7, or other relevant industry designations.</p>

Performance Metric	Description
<p>Size of competency gaps</p> <p>Target: 10% reduction annually</p>	<p>Key competencies will be rated as part of our Performance Management process. Once the SEC has implemented a technology system to support the performance management program, the agency will assess its baseline competency gaps annually and work to bring them down over time.</p>
<p>Number of diversity-related partnerships/alliances</p> <p>Target: 10 partnerships or alliances by 2014</p>	<p>Increased numbers of diversity-related partnerships and alliances with professional associations and educational organizations provide 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 or alliances and monitor the number and quality of hires stemming from these partnerships and alliances.</p>
<p>Survey feedback on the quality of the SEC's performance management program</p> <p>Target: 65% positive responses annually</p>	<p>The SEC will construct an index from survey results to determine the extent to which managers and other employees find the performance management program valuable, credible, transparent, and fair.</p>

* This performance metric is new for the SEC, and the agency must further refine the statistic before establishing a target.

Outcome 4.2: The SEC retains a diverse team of world-class leaders who provide motivation and strategic direction to the SEC workforce.

The SEC's success at fulfilling its strategic goals depends upon effective leadership at all levels. From branch chiefs to the agency's senior leadership, the SEC's leaders must not only motivate and manage employees effectively, but also play a critical role in identifying the key areas on which staff should focus their attention to generate the greatest benefit for investors. Through leadership and employee development programs, the Commission seeks to maintain a diverse cadre of technically proficient leaders that can conduct their supervisory responsibilities effectively and meet the dynamic challenges of market oversight.

Initiatives:

To accomplish this outcome, the SEC plans to implement the following initiatives:

- **Leadership development program:** To make certain the SEC has the caliber of leadership commensurate with its mission, the SEC will continue the construction and implementation of a comprehensive leadership development program. Specific aspects of the program include improving training for new supervisors, building skills in change management, increasing the number and scope of developmental opportunities for all leaders, and instituting a program to prepare non-supervisors to assume supervisory roles. In addition, the SEC will gradually institute a 360-degree feedback program for all Senior Officers and supervisors. The program will include targeted feedback, tailored developmental opportunities, and coaching.

- Employ evidence-based selection:** Ensuring that those with the greatest capacity for leadership are chosen for managerial positions is a key step in enhancing the leadership of the SEC. To achieve this objective, the SEC will enhance its approach towards selection, by training and supporting hiring officials in the use of better selection criteria, including the development and implementation of behavioral interviews. Once instituted, the SEC will consider whether to expand this approach to non-supervisory positions.

Performance Metrics:

The SEC intends to use the following performance measures to gauge its progress in achieving this outcome:

Performance Metric	Description
Quality of Hire Target: 75% rated at least 4 on a five-point scale annually	Data related to each new hire will be gathered from either the immediate supervisor or the selecting official, as appropriate. Data will be gathered three months after entry on board. This early assessment will not only inform the agency’s selection system, but will provide an opportunity to address quickly any developmental needs or performance issues.
Leadership Competency Gaps Target: Reduce gaps by 10% in each survey	A 360-degree feedback survey will be conducted across all leadership ranks. This will provide an SEC-wide score on each competency measured in the survey. The gap will be determined by subtracting the obtained scores from expected proficiency levels on key competencies. Progress will be determined by comparing this baseline to scores obtained from subsequent administrations of the survey.
Satisfaction with Leadership Development Program Target: Average score of 4 on a 5-point scale	After each major developmental event participants will complete a survey of items related to key training outcomes. Responses to these items will be compiled to create a composite score.

Outcome 4.3: Information within and available to the SEC becomes a Commission-wide shared resource, appropriately protected, that enables a collaborative and knowledge-based working environment.

Information technology plays a crucial role in the mission of the SEC. The increasing size and complexity of the U.S. markets require that the SEC leverage technology to continuously improve its productivity, as well as identify and address the most significant threats to investors. Information technology is an increasingly vital function to the SEC in modernizing filing practices, disseminating the vast quantity of regulatory filings, managing the large number of internal business processes and work products, and protecting the agency’s information assets.

The SEC gathers a wide variety of financial data and other information from a variety of sources, including filings, the agency’s investigations and examinations, tips and complaints, and commercial vendors. The agency is working to build systems that will allow more of this information to be quickly shared, analyzed, and joined with other information about the same

entity or individual. These efforts hold promise to save staff time, provide better information about the firms the SEC regulates, and enhance the agency's ability to uncover hidden risks to investors.

The SEC also continually invests in the agency's information technology infrastructure to maintain the necessary capacity, performance, resiliency, and security required to support the agency's business processes and information stores. The SEC will continue to improve the enterprise architecture, capital planning and investment control, information security management and privacy management programs to effectively oversee its information technology systems.

Initiatives:

To accomplish this outcome, the SEC plans to implement the following initiatives:

- **Make disclosure information more useful for analysis:** Disclosure documents are submitted to the Commission electronically and, as appropriate, disseminated electronically to the investing public. This initiative will review the current disclosure systems and processes and identify ways to optimize the use of technology to improve the way disclosure documents are constructed and submitted with more emphasis on data collection. A new filing system that is optimized for data retrieval and analysis will provide features that help users create filings that are appropriate to their purpose and that allow computers to extract data from the filings for automated analysis. The system will be more flexible, so as new disclosure documents are defined they can be implemented much more quickly, with all of the features of a modern, web-based filing system. Eventually, new filings structured for automated data retrieval and analysis will replace all filings submitted through the EDGAR system.
- **Improve SEC's information management and analysis functions:** The SEC aims to provide access to information and effective analytical capabilities for all appropriate staff in the agency. To accomplish this outcome, the SEC will work on several fronts to improve its abilities to acquire, store, manage, and deliver data and information in support of its critical business functions. Among the steps in this effort are cataloging the SEC's data and its interrelationships; ensuring data quality; and establishing new methods for capturing information, including from SEC staff themselves as they conduct examinations, investigations, and other activities.
- **Enhance workflow and document management:** Virtually all business processes within the Commission involve the acquisition, creation, review, and editing of documents. These processes are conducted informally without the benefit of automated tracking, notification, and auditing capabilities. Under this initiative, the SEC will assess its critical business processes and apply document management tools to increase productivity, enhance collaboration, and create a shared repository of essential documents and data. Among the business areas that would benefit from this effort are enforcement case management, disgorgement and penalties, examination management, management of Commission actions, filing of administrative proceedings, and rulemaking.
- **Enhance the SEC's electronic discovery program:** The SEC must have the technical capability to electronically organize and retrieve an extraordinary volume of documents obtained in the conduct of investigations. Under this initiative, the SEC will enhance the agency's current electronic discovery tools, to improve the agency's document storage, organization, and analytic capabilities. The agency also will create a repository

of documents and data that is more widely available across cases and with other Commission business functions as appropriate.

- **Enhance operational resiliency:** The SEC will support a reliable mobile computing environment that provides high performance, security, and cost effectiveness. The agency also will enhance the computing infrastructure, including through server virtualization and clustering, to eliminate down time if systems at one site fail, enhance security, and achieve cost savings.

Performance Metrics:

The SEC intends to use the following performance measures to gauge its progress in achieving this outcome:

Performance Metric	Description
<p>Percentage of SEC data sources accessible through a virtual data warehouse, and milestones achieved towards the creation of a robust information management program</p> <p>Data sources accessible through virtual data warehouse:</p> <p>Target to be determined.*</p> <p>Milestones: Target is to stay on schedule to “enable” all SEC data sources by 2013.</p>	<p>The SEC intends to reform its information management processes, so that data can be more easily accessed, shared, and analyzed across the organization. This metric will display the percentage of SEC data sources accessible for search and analysis through a virtual data warehouse. In addition, the SEC will track its success in achieving relevant milestones over the course of this multi-year effort. These milestones include establishing a formal information management program in 2010, completing an information catalog by 2011, providing capabilities to support analysis of information by 2012, and developing a capability that allows integration of business operations data for management, reporting and analysis by 2013.</p>
<p>Deployment of document management and workflow tools</p> <p>Target: Deployment of tools for the enforcement and examination programs by 2010 and other key offices such as the Office of the Secretary by 2011.</p>	<p>This metric will present the SEC’s success in applying document management and workflow tools to the Commission’s mission critical business functions. Over time, the SEC aims to deploy these tools for enforcement case management, the agency’s processes for handling disgorgement and penalties, examination management, management of Commission actions, and rulemaking.</p>

Performance Metric	Description
<p>Time to process evidentiary material for enforcement investigations</p> <p>Target: To Be Determined *</p>	<p>The SEC aims to improve its ability to process evidentiary material gathered during the course of its enforcement investigations, and enhance the agency's document storage, organization, and analytical capabilities. This metric will gauge whether these efforts succeed in reducing the time required to process evidentiary material, so it can be analyzed by enforcement staff.</p>
<p>System Availability</p> <p>Target: Systems are available more than 99% of the time; all systems and applications fail over within 4 hours of a data center outage; 50% of all SEC systems are virtualized by 2014.</p>	<p>The SEC aims to enhance its computing infrastructure to eliminate down time if systems at one site fail, among other objectives. This metric will capture the percentage of systems and applications that can fail over within 4 hours. In addition, the SEC will track the percentage of its systems that have been virtualized, further reducing down time and increasing their accessibility from alternative locations.</p>

* This performance metric is new for the SEC. The agency plans to begin collecting this information and determine the current, baseline level for this metric before establishing a target.

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

The public has every right to expect that the SEC will maintain strong financial management practices and robust internal controls. The SEC is placing great emphasis on bolstering its processes and systems in its budgeting, accounting, and internal control functions. In addition, the agency continues to focus on delivering complete, concise, and meaningful information about the financial and operating performance of the agency that supports management decision making.

Initiatives:

To accomplish this outcome, the SEC plans to implement the following initiatives:

- **Better integrate data from SEC administrative functions:** To accomplish the SEC's mission it is essential that management decisions are based on the best available information from multiple sources. This requires integrating information from human resources, financial management, information technology, and administrative services functions. To improve decision making and reporting capabilities, the SEC will examine its data collection, analysis and reporting methods to determine areas for improvement.
- **Achieve full integration of the SEC's financial systems:** The key to strengthening the agency's internal controls is to fully integrate the agency's financial management systems. This initiative will fully interface all systems affecting the financial status of the agency, using a service-oriented architecture that will allow changes to be made to one system without affecting other interfaced systems.

- Continue strong performance and accountability reporting:** Under the Accountability of Tax Dollars Act of 2002, the agency is required to prepare and submit annual audited financial statements. The SEC’s audits are conducted by the Government Accountability Office (GAO). The agency strives to maintain the highest standards of internal control and financial reporting. Agency staff will continue to evaluate and strengthen the agency’s internal control posture to support unqualified audit opinions.

Performance Metrics:

The SEC intends to use the following performance measures to gauge its progress in achieving this outcome:

Performance Metric	Description
<p>Milestones achieved towards establishment of a robust data management program</p> <p>Target:</p> <p>a) Key administrative data and reporting requirements identified by FY 2010;</p> <p>b) Relevant mission program data and reporting requirements identified by FY 2011;</p> <p>c) All key processes for data collection and reporting (based on (a) and (b) above) determined and documented by FY 2012;</p> <p>d) An integrated, automated data management program established by FY 2014, providing regular and ad hoc reporting and analysis.</p>	<p>A business process improvement effort will be initiated to identify enhancements needed to create a robust data management program over the next five years. This metric will gauge the agency’s success in establishing an integrated enterprise data management, reporting, and analysis capability for mission and back office data.</p>
<p>Financial systems integration</p> <p>Target: All interfaces between the core financial system and secondary systems that impact the Commission’s financial statements are automated.</p>	<p>As part of the SEC’s effort to integrate its financial systems, the agency will measure the percentage of secondary systems that are fully interfaced with the core financial system, in compliance with applicable standards.</p>

Performance Metric	Description
<p>Financial audit results</p> <p>Target: An unqualified audit opinion on SEC financial statements and no material weakness or non-conformance.</p>	<p>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.</p>

Program Evaluation

The SEC values independent, high-quality assessments of the agency's performance against its goals and desired outcomes. Such assessments are critical to the Commission's ability to evaluate its work, refine its programs, and redirect resources accordingly. The more than 150 audits, studies, and evaluations of SEC programs and securities industry-related issues completed since the release of the agency's previous Strategic Plan have served as an important resource in the development of this Strategic Plan. Over the next five years, the SEC will continue to draw on evaluations from a variety of sources to improve its programs.

Performance and Accountability Report

Beginning in fall 2004, the SEC has published annually a Performance and Accountability Report (PAR), describing the agency's accomplishments and presenting the results associated with the agency's performance metrics. The most recent version of the SEC's PAR can be found on the agency's website, at www.sec.gov. The SEC's Reports for FY 2006, FY 2007, and FY 2008 all have received the prestigious *Certificate of Excellence in Accountability Reporting* from the Association of Government Accountants.

Consultation with Outside Groups

The SEC frequently seeks the input of investors, industry groups, academia, and other experts to gain outside perspectives about its programs and various issues in the securities industry. These efforts include the SEC's newly-formed Investor Advisory Committee; Commission-sponsored roundtables focused on specific issues; the agency's Annual Government-Business Forum on Capital Formation, focused particularly on the needs of new, small, medium-sized, and independent businesses; the SEC's annual conference with the North American Securities Administrators Association; and solicitations of public comments on Commission rule proposals.

Government Accountability Office

The Government Accountability Office conducts dozens of studies or investigations related to the SEC's programs every year. In FY 2009, GAO's reports covered communication and utilization of resources within the enforcement program, oversight of clearing agencies, and the Commission's rules regarding short selling, among other areas. In addition, GAO performs an annual audit of the SEC's financial statements and internal controls.

Office of the Inspector General

The Office of Inspector General (OIG) is an independent office within the SEC that conducts audits of programs and operations of the Commission and investigations into allegations of misconduct by staff or contractors. In FY 2009, OIG reports covered the agency's oversight of Nationally Recognized Statistical Rating Organizations, SEC's activities involving Bernard L. Madoff, as well as procurement and contract management functions, among other areas.

Independent Evaluations

During 2009, the agency sought review of its complaints, tips, and referrals process. The evaluation was conducted by the Center for Enterprise Modernization, a federally funded research and development center operated by the MITRE Corporation. Recommendations

resulting from the assessment touch upon operations across the SEC and are currently being implemented. A review of the agency's processes for managing Freedom of Information Act requests also was conducted to improve response times and reduce the backlog of pending requests.

The SEC is expanding the use of surveys conducted by independent organizations as part of its program evaluation practices. In addition to the Federal Employee Viewpoint Survey conducted by the Office of Personnel Management, the agency will participate in the American Customer Satisfaction Index covering the government sector. Independent assessments to evaluate the effectiveness of internal controls over agency financial reporting and its information technology long-term strategy also are planned.



Planning for the Future

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