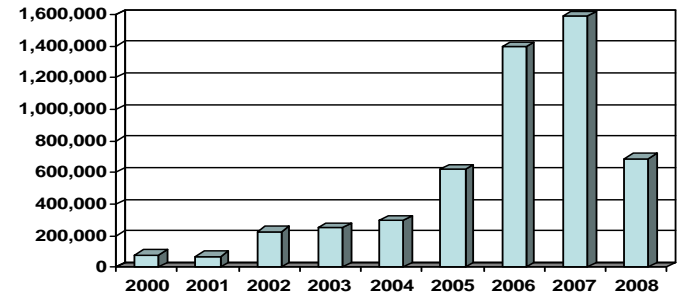


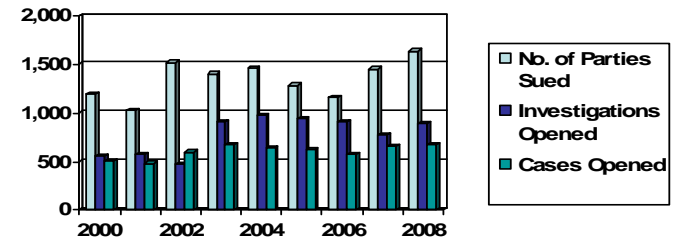
SEC Enforcement

- The Commission's law enforcement arm
 - Investigates securities law violations, and recommends and prosecutes civil actions
 - Obtains evidence from many sources, including market surveillance, investor tips and complaints, other SEC divisions and offices, SROs, other securities industry sources, other financial regulators, and media reports
- In 2008, brought 671 actions; 2nd highest in SEC history
 - Sought director and officer bars against 132 defendants; filed 39 emergency TRO actions to halt ongoing fraud; sought 46 asset freezes; halted trading in 189 issuers for inadequate disclosure
 - Cases included: 157 financial fraud; 121 securities offerings; 52 market manipulation; and 61 insider trading
- In past year, filed 9 cases involving subprime issues; many others under active investigation
 - Subjects of investigations include lenders; investment banks and other large financial institutions; securitizers; credit rating agencies; home builders; and companies that provided mortgages to investors to enable them to finance securities purchases
- Between 2004 and 2008, ordered \$8.2 billion in disgorgement and \$4.7 billion in penalties against wrongdoers
- In 2008, distributed over \$1 billion to injured investors through Fair Funds; expect significant distribution in 2009
 - \$800 mm (AIG); \$375 mm (Invesco/AIM); \$320 mm (Alliance)
- Working with other regulators, over the past year helped to provide tens of thousands of ARS investors with over \$67 billion of liquidity
 - In recent settlement with largest broker-dealers in ARS market, many aggrieved investors (including retail customers, small businesses and charitable organizations) will have right to receive 100 cents on the dollar
- Other Enforcement Working Groups focusing on:
 - Hedge Funds: manipulation, short-selling and collusion; insider trading; offering frauds; other misconduct
 - Rumors and Market Manipulation: reviewing data obtained through September 2008 Section 21(a) SEC Order directed at hedge funds, broker-dealers and institutional investor trading and market activity

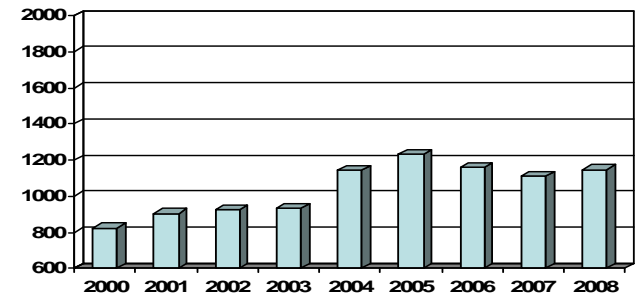
Volume of Tips & Complaints



Investigations & Actions



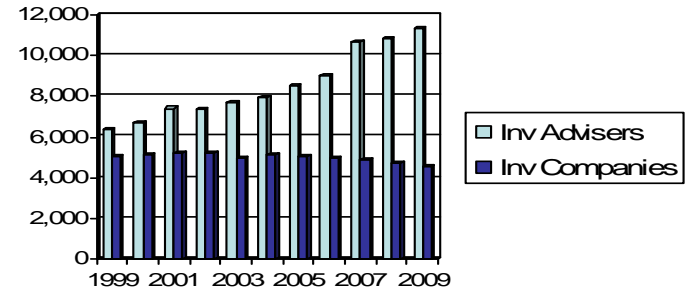
Staffing Levels



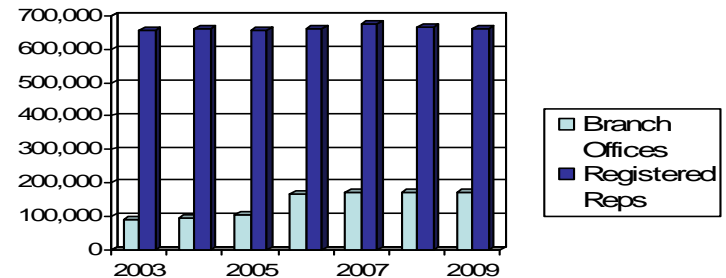
SEC Compliance & Examinations

- Goals: examine for compliance with the securities laws; encourage compliance with those laws; and obtain information about areas of potential risk in the securities industry
- Tools: routine, oversight, cause and “sweep” examinations
- In 2008, using risk-based targeting, conducted examinations of:
 - 1,521 investment advisers (14% of registered universe of 11,300 registered investment advisers)
 - 219 fund complexes (23% of universe of 950 fund complexes)
 - 135 transfer agents (22% of universe of 600 registered transfer agents)
 - 720 broker dealer firms (together with FINRA, 55% of universe of 5500 registered broker dealers examined)
- Recently examined controls over safekeeping investor assets at over 100 securities firms; currently examining hedge funds that have indications of aberrational performance returns
- Recent focus areas (partial list):
 - Risk of theft and misappropriation of investor money
 - Falsification of performance results
 - Valuation of illiquid or difficult to price securities
 - Manipulative rumors
 - Controls over non-public information and insider trading
 - Suitability of sales of complex structured products to retail investors

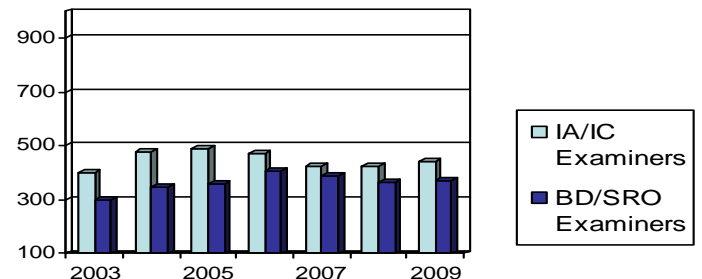
Registered Inv Advisers and Companies



Broker-Dealers



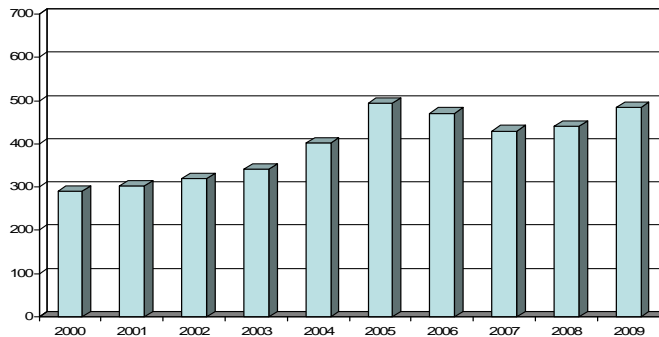
Staffing Levels



SEC Corporation Finance

- Administers the Securities Act of 1933, the Securities Exchange Act of 1934 and the Trust Indenture Act of 1939, as they relate to public companies
 - Reviews offering, merger, disclosure and proxy materials for 12,500 public companies; in 2008, reviewed annual filings of nearly 5,000 companies and more than 600 new issuers
- Anticipated 2009 activities include:
 - Recommendations relating to reconsideration of shareholder nominations of directors; shareholder advisory votes on executive compensation (for TARP companies); and enhanced proxy disclosure concerning board oversight of risk management, compensation consultant conflicts of interests, and director qualifications

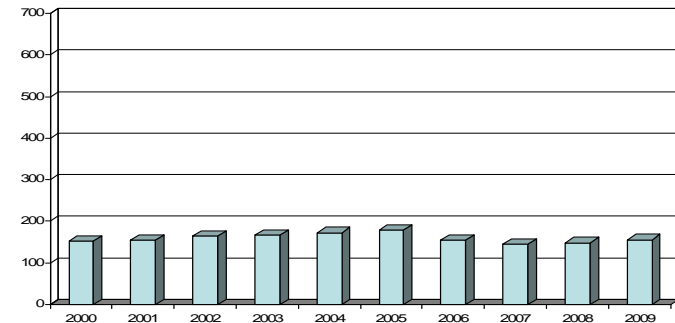
Staffing Level



SEC Investment Management

- Administers the Investment Company and Investment Advisers Acts of 1940
 - Reviews disclosures for 4,600 investment companies (representing 36,500 portfolios): in 2008, reviewed 2,085 new portfolios; performed 4,485 SOX reviews
 - Provides formal and informal guidance: in 2008, fulfilled 1,105 requests for guidance
- Anticipated 2009 activities include:
 - Enhancing investor adviser custody and compliance requirements; strengthening money market fund regulation; and, working with staff from Trading & Markets, harmonizing investment adviser/broker-dealer obligations

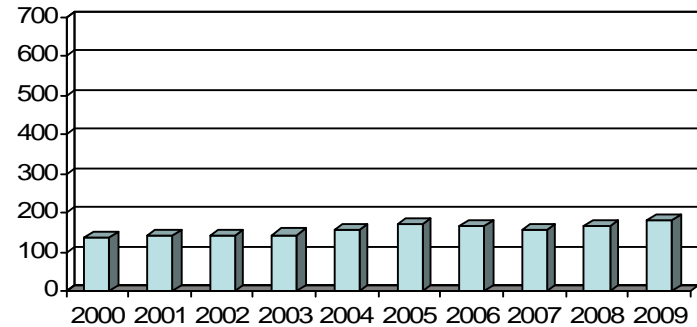
Staffing Level



SEC Trading & Markets

- Administers the Securities Exchange Act of 1934 as it relates to financial participants and the securities markets
 - Establishes standards for the securities markets and major market participants, including broker-dealers, exchanges, other self-regulatory organizations (e.g., FINRA, MSRB), clearing agencies, transfer agents, and credit rating agencies
- Anticipated 2009 activities include:
 - Considering further regulation of short sales and NRSROs
 - Through a new Broker-Dealer Risk Office, focusing on broker-dealers that are part of a holding company
 - Considering proposing to amend rules so that the Commission has information to assess the risk that an affiliate's business activities (particularly unregulated activities) pose to the broker-dealer
 - Harmonize investment adviser and broker-dealer obligations

Staffing Level



SRO Rule Filings Processed CY2000 - CYTD 2009

