

SEC Performance Budget for 2007

In accordance with Section 220 of Office of Management and Budget Circular A-11, the SEC has crafted the following *Performance Budget for Fiscal Year 2007*. This document aligns the goals and measures developed for the SEC's *Strategic Plan for Fiscal 2004-2009* with the SEC's budget request. It aims to improve the linkages between the SEC's resource needs, effectiveness, and outcomes, and is submitted in lieu of the agency's Government Performance and Results Act Annual Performance Plan, as permitted by OMB. Separately, the SEC has had its Office of Compliance Inspections and Examinations scored by OMB's Performance Assessment and Rating Tool (PART). The results of these assessments will be included in the President's budget request for fiscal year 2007.

Goals and Outcomes

As established in the SEC's strategic plan, the agency's four goals are to:

- Enforce compliance with federal securities laws;
- Promote healthy capital markets through an effective and flexible regulatory environment;
- Foster informed investment decision making; and
- Maximize the use of SEC resources.

The SEC works to meet these goals by, among other things, detecting violations and potential problems or issues in the securities markets and ensuring that the violations are addressed; crafting regulations that strengthen corporate and fund governance; providing investors with timely access to accurate, adequate, and useful disclosure materials that can be easily understood and analyzed across companies, industries, or funds; and ensuring that the agency's human capital strategies, information technology initiatives, and resources are appropriately aligned to achieve the agency's mission, goals, and outcomes.

Like other federal regulatory and law enforcement agencies, the SEC has found it challenging to develop measures that accurately depict the outcomes of the agency's activities. In many instances the effects of the agency's efforts can only be indirectly assessed. The SEC intends to continue refining its work in this area as it gains more experience in integrating its budget and performance functions. As part of this effort, the SEC is in the process of implementing a performance-based budgeting and activity-based costing system to help monitor operating costs, better allocate costs across business functions, and achieve greater cost efficiency. The agency will continue to assess alternatives for measuring outcomes that help the public gauge the SEC's progress in achieving its mission, as well as assist program officials in meeting their objectives.

At the end of this chapter are several indicators that are useful in 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. In most cases, the SEC

chose not to include targets for these indicators because they gauge the number of violations or “significant” deficiencies uncovered, and it would be inappropriate for the agency to conduct these activities with an eye towards hitting predetermined numerical targets rather than evaluating the evidence as presented.

Goal One: Enforce Compliance with Federal Securities Laws

Performance Measure 1 Percentage of First Enforcement Cases Filed Within Two Years.					
<p>Description: This measure identifies the percentage of first enforcement actions filed within two years of opening an investigation or inquiry. In conducting investigations, the Division of Enforcement 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.</p>					
FY 2003	FY 2004	FY 2005 Plan	FY 2005 Actual	FY 2006	FY 2007
62%	69%	54%	65%	66%	66%
<p>FY 2007 Request: The Division anticipates that there will be an increase in the number of first enforcement cases filed within two years of opening investigation or inquiry. However, the figures in this chart are dependent on the types of cases brought or emphasized in a specific year, as well as competing staff priorities such as litigating actions already filed and bringing additional enforcement actions.</p>					

Performance Measure 2 Enforcement Cases Successfully Resolved.				
<p>Description: A case is considered “successfully resolved” if it results in a favorable judgment for the SEC, 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.</p>				
FY 2004	FY 2005 Plan	FY 2005 Actual	FY 2006	FY 2007
98%	85%	99%	85%	85%
<p>FY 2007 Request: A continued high success ratio depends on numerous factors, including the complexity of cases, the extent to which parties contest actions, and the availability of litigation and investigation resources.</p>				

Performance Measure 3

Number of Requests To and By Foreign Regulators for Enforcement Assistance.

Description: Each year, the SEC makes hundreds of requests for enforcement assistance to foreign regulators, while responding to hundreds of other 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 more than 30 bilateral information-sharing agreements, as well as the Multilateral Memorandum of Understanding, the information-sharing arrangement negotiated through the International Organization of Securities Commissions (IOSCO). These agreements create a framework for information sharing and expedite international cooperation among regulators.

	FY 2002	FY 2003	FY 2004	FY 2005 Plan	FY 2005 Actual	FY 2006	FY 2007
Requests To Foreign Regulators	448	309	380	420	438	460	480
Requests From Foreign Regulators	353	344	372	410	315	330	340

FY 2007 Request: The number of requests between regulators is expected to rise gradually through fiscal year 2007.

Performance Measure 4

Investment Advisers and Investment Companies Examined.

Description: To conduct oversight of investment companies and advisers, the staff conducts routine examinations, inspections to follow up on tips and complaints, and special inspections to probe emerging risk areas. The growth in the industry, coupled with compliance problems associated with market timing and late trading, caused changes in the SEC's oversight of investment companies and advisers.

	FY 2002	FY 2003	FY 2004	FY 2005 Plan	FY 2005 Actual	FY 2006	FY 2007
Investment Advisers Examined	1,570	1,556	1,543	1,400	1,530	1,500	1,500
Investment Companies Examined	304	318	783	500	582	350	350

FY 2007 Request: The SEC will conduct routine exams of advisers with higher risk profiles on a three-year cycle and of randomly-selected firms with lower risk profiles. Cause inspections will be conducted as needed. To follow up on emerging and resurgent risks, special exams will be conducted as needed.

**Performance Measure 5
Distribution of Cases Across Core Enforcement Areas**

Description: Effective deterrence of securities fraud requires that the cases filed by the SEC have adequate reach across all core enforcement program areas. The mix and types of cases change from year to year based upon the conditions of the markets and the changes in financial instruments being used. The SEC's enforcement program seeks to maintain a presence and depth so that no single area dominates its case mix, nor is underrepresented. This measure evaluates whether the Commission maintains an effective distribution of cases so that no category exceeds 40% of the total.

	Percentage of Cases					
	FY 2003	FY 2004	FY 2005 Plan	FY 2005 Actual	FY 2006	FY 2007
Core Enforcement Program Areas						
Financial Disclosure	5%	6%	<40%	7%	<40%	<40%
Investment Advisers and Investment Companies	7%	7%	<40%	8%	<40%	<40%
Broker-Dealers	29%	28%	<40%	29%	<40%	<40%
Securities Offerings	11%	14%	<40%	16%	<40%	<40%
Insider Trading	20%	22%	<40%	15%	<40%	<40%
Market Manipulation	16%	15%	<40%	9%	<40%	<40%
Other	12%	8%	<40%	16%	<40%	<40%
Total	100%	100%	100%	100%	100%	100%

FY 2007 Request: The agency will continue to maintain a presence in all program areas with no category exceeding 40% of the total amount of cases brought in any one year. The exact percentage may vary depending on the circumstances and priorities unique to that year.

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

Performance Measure 1				
Milestones for Significant Rulemakings				
The Commission and staff engaged in extensive rulemaking to address issues of corporate and fund governance and to address provisions of the Sarbanes-Oxley Act. New standards for the governance policies and practices of SROs and participants in the investment management industry will have significant effects for years to come.				
Rulemaking	FY 2005 Plan	FY 2005 Actual	FY 2006	FY 2007
Investment Management				
Redemption Fees for Mutual Funds	Final Action	Adopted	Implement	
Hedge Fund Adviser Registration	Final Action	Adopted	Implement	
Broker-Dealer Exemption	Final Action	Adopted	Implement	Implement
Address Mutual Fund Late Trading	Final Action	No Action Taken	Final Action	Implement
Reform Fund Disclosure Regime	Propose	No Action Taken	Propose	Final Action
Changes to Adviser Disclosure Regime	Final Action	No Action Taken	Re-Propose	Final Action
Changes to Rule 12b-1	Evaluate	No Action Taken		
Corporation Finance				
Securities Offering Reform	Final Action	Adopted	Implement	
Asset-Backed Securities	Final Action	Adopted	Implement	
Shell Companies	Final Action	Adopted	Implement	
Shareholder Nomination Process	Final Action	No Action Taken		
Disclosures of Executive Compensation & Related Party Transactions	Propose	No Action Taken	Propose	Final Action
Communications with Beneficial Owners of Securities	Propose/Concept Release	No Action Taken	No Action Taken	
Interactive Data-XBRL	Adopt Voluntary Rules and Concept Release	Voluntary Rules Adopted/ Concept Release Issued	Decide Whether to Propose Mandatory Rules	

Transition to IFRS Accounting Standards	Final Action	Adopted	Implement	
Deregistration of Foreign Private Issuers			Propose	Final Action
Tender Offer Rule Changes			Propose	Final Action
Electronic Proxy Statement Delivery			Propose	Final Action
Market Regulation National Market System (Regulation NMS)	Final Action	Adopted	Implement	Evaluate
Short Sale Regulation (Regulation SHO)	Implement Pilot	Adopted	Propose	Final Action
SRO Governance Rules	Final Action/ Concept Release	Proposed/Concept Release Issued	Final Action	Implement
Soft Dollars (interpretive release and disclosure rules)	Propose Interpretive Release	No Action Taken	Propose and Take Final Action on Interpretive Release/Propose Disclosure Rules	Implement Interpretive Release/Final Action on Disclosure Rules
Point-of-sale Disclosure/Confirmation Requirements	Final Action	Reopened Comment Period	Re-Propose	Final Action
Regulation B	Final Action	No Action Taken	Final Action	Implement
Net Capital Rule Revisions	Propose	No Action Taken	Propose and Final Action	Implement
Nationally Recognized Statistical Rating Organization (NRSRO)	Propose	Proposed	Final Action	Implement
Transfer Agent Rules			Propose	Final Action
FY 2007 Request: The SEC is planning a full regulatory agenda for 2007 that includes revisions to the fund disclosure regime, electronic proxy statement delivery, and the implementation of rule revisions related to point-of-sale requirements and the net capital rule.				

Performance Measure 2

Percentage of Responses to Exemptive, No-Action Letter, and Interpretive Requests Issued Within Six Months

Description: The SEC staff responds to inquiries from individuals or companies about whether an activity undertaken in a specified manner would violate the securities laws. The inquiries 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 originators of “no-action” requests submit their inquiries privately, but the SEC publicly releases both the request and its response upon completion. The staff also responds to requests to interpret specific provisions of the securities rules and reviews applications for exemptions from the securities laws.

FY 2004	FY 2005 Plan	FY 2005 Actual	FY 2006	FY 2007
84%	85%	89%	85%	85%

FY 2007 Request: The SEC will continue striving to meet or exceed the goal of completing 85% of these requests within six months. However, the agency’s success in achieving this goal is somewhat dependent upon the complexity of the requests received in a given year.

Performance Measure 3

Percentage of SRO Rule Filings Closed in Less Than 60 Days

Description: SRO rule changes are reviewed for consistency with investor protection and market operation and structure rules that govern the operation of registered national securities exchanges, clearing agencies, the NASD, and the Municipal Securities Rulemaking Board. The figures below represent the percentage of proposed SRO rules changes reviewed (i.e., approved or disapproved) within 60 days from receipt of the last amendment filed by the SRO.

FY 2003	FY 2004	FY 2005 Plan	FY 2005 Actual	FY 2006	FY 2007
74%	78%	75%	80%	75%	75%

FY 2007 Request: The Division of Market Regulation anticipates responding to 75% of SRO rule filings in less than 60 days.

Performance Measure 4

Global Access to U.S. Markets: Number of New Foreign Private Issuers Registering Securities with the SEC and the Dollar Amount of Securities Registered by Foreign Private Issuers

Description: The number of foreign companies registering stocks in the United States and the amount of money they bring to the public markets can be viewed as an indicator of the integrity, liquidity, and fairness of the U.S. markets.

	FY 2002	FY 2003	FY 2004	FY 2005 Plan	FY 2005 Actual	FY 2006	FY 2007
Companies	70	50	63	60	74	50	50
Dollar Value (in billions)	\$147	\$163	\$146	\$145	\$250	\$250	\$250

FY 2007 Request: Public offerings filed with the Commission are expected to total more than \$2.7 trillion, including securities registered for sale by foreign issuers in excess of \$250 billion. Approximately 50 foreign companies from 17 countries will enter the U.S. securities markets for the first time, and the agency anticipates that more than 1,200 foreign companies from over 50 countries will be filing periodic reports with the Commission.

Performance Measure 5

Milestones for International Regulatory Cooperation.

Description: In order to sustain an effective and flexible regulatory environment in the face of increasingly global financial markets, the SEC works with many securities regulators and international organizations, including the IOSCO, to improve global transparency and disclosure, strengthen the supervision of global firms and markets, reinforce regulatory standards, and enhance cross-border enforcement cooperation. SEC staff has also engaged in bilateral regulatory dialogues with foreign regulators in order to explore common approaches for regulating market participants operating on a cross-border basis.

Initiative	FY 2005	FY 2006	FY 2007
Eliminating GAAP reconciliation requirement for foreign issuers using IFRS	“Road map” published by SEC staff	Begin reviewing the consistency of foreign private issuers’ 2005 IFRS financial statements and accompanying reconciliations	Discuss implications of review with public constituencies; continue reviewing the faithfulness and consistency of foreign private issuers’ IFRS financial statements and accompanying reconciliations; identify changes to SEC rules that will be necessary upon elimination of reconciliation requirements
Bilateral regulatory dialogues	Launch dialogues with the China Securities Regulatory Commission and Japan’s Financial Services Authority; ongoing dialogues with the European Commission and Council of European Securities Regulations	Ongoing	Ongoing

Initiative	FY 2005	FY 2006	FY 2007
All IOSCO jurisdictions to be accepted as signatories or to express a commitment to seek legal authority to become signatories to the Multilateral Memorandum of Understanding on Enforcement Cooperation and Information-Sharing	Total of 28 jurisdictions accepted as signatories; agreed on target date of 2010 for 80 more jurisdictions	Additional jurisdictions accepted, with progress towards goal of adding 80 more jurisdictions by 2010	Additional jurisdictions accepted, with progress towards goal of adding 80 more jurisdictions by 2010
IOSCO initiative on preservation and repatriation of property in cross-border cases	Analyze powers available to regulators and other authorities within jurisdictions to freeze and repatriate assets	To be considered during 2006 IOSCO meetings	To be determined
IOSCO action plan to strengthen global capital markets against financial fraud	<p>Proposed and approved; advanced work in several areas, including:</p> <ul style="list-style-type: none"> • Establishing a dialogue with regulators in priority jurisdictions to develop a mutual understanding of their willingness and ability to share information; • Initiating work to identify trends with regard to recent audit failures; • Undertaking a study of issuer internal control requirements in specified jurisdictions; 	<p>To be determined upon receipt and analysis of commitments from priority jurisdictions</p> <p>Contribute to a report on trends with regard to recent audit failures</p> <p>Contribute to a fact-finding report</p>	<p>To be determined upon receipt and analysis of commitments from priority jurisdictions</p> <p>Continue implementation of report's recommendations and consider further work, as appropriate</p> <p>Continue implementation of</p>

	<ul style="list-style-type: none"> Identifying best practices for improving bond market transparency; and 	<p>regarding issuer internal control requirements in specified jurisdictions</p> <p>Contribute to a report on best practices for improving bond market transparency</p>	<p>report's recommendations and consider further work, as appropriate</p> <p>Continue implementation of report's recommendations and consider further work, as appropriate</p>
	<ul style="list-style-type: none"> Reviewing the role played by market intermediaries in recent financial scandals. 	<p>Complete review and, if necessary, contribute to developing a set of best practices for addressing conflicts of interest</p>	<p>Continue implementation of a set of best practices for addressing conflicts of interest and consider further work, as appropriate</p>

FY 2007 Request: The Commission and staff are pursuing a number of far-reaching objectives with other regulators designed to improve investor protection and strengthen global capital markets. For fiscal year 2005, this included developing a voluntary code of conduct for credit rating agencies; encouraging IOSCO members to develop mechanisms to assist foreign counterparts in freezing assets derived from illegal activity; and reaching an agreement that, by fiscal year 2010, all IOSCO members either will have been accepted as signatories to the IOSCO Multilateral Memorandum of Understanding (an international information-sharing arrangement for enforcement matters) or will have expressed a commitment to seek legal authority to become signatories. Continued progress is expected to be made in fiscal years 2006 and 2007 by the 80 IOSCO members that agreed to complete this process by fiscal year 2010.

Goal Three: Foster Informed Investment Decision Making

Performance Measure 1						
Percentage of Reporting Corporations and Investment Companies with Disclosures Reviewed by the SEC						
Description: The Sarbanes-Oxley Act requires that the SEC review the disclosures of all reporting companies and investment company portfolios at least once every three years. These reviews help improve the information available to investors and can uncover serious violations of the securities laws.						
	FY 2003	FY 2004	FY 2005 Plan	FY 2005 Actual	FY 2006	FY 2007
Corporations	23%	22%	36%	50%	47%	44%
Investment Company Portfolios	10%	54%	45%	37%	33%	33%
FY 2007 Request: The Division of Corporation Finance will review 44% of total reporting issuers during the year, although an estimated one-quarter of those issuers already will have been reviewed in fiscal 2005 or 2006. The 44% reporting company review level will deter fraud in public securities transactions, will help ensure that investors receive material information about emerging and novel issues, and will satisfy the review requirements of the Sarbanes-Oxley Act. Also, the Division of Investment Management anticipates that it will successfully comply with the Sarbanes-Oxley Act, by reviewing one-third of investment company portfolios in FY 2007.						

Performance Measure 2						
Percentage of Investment Adviser and Investment Company Transactional Reviews Completed Within Timeliness Goals						
Description: For initial registration statements, the SEC's goal is to comment within 30 days after they are filed (60 days for registration statements of insurance product separate accounts). The SEC also aims to comment on post-effective amendments within 45 days and preliminary proxy statements within 10 days after they are filed.						
	FY 2003	FY 2004	FY 2005 Plan	FY 2005 Actual	FY 2006	FY 2007
Initial Registration Statements	81%	88%	85%	90%	85%	85%
Post-Effective Amendments	86%	98%	90%	97%	90%	90%
Preliminary Proxy Statements	100%	100%	99%	100%	99%	99%
FY 2007 Request: As a benchmark, the staff aims under normal circumstances to provide comments within timeliness goals for at least 85% of registration statements, 90% of post-effective amendments, and 99% of preliminary proxy statements.						

Performance Measure 3

Average Time to Issue Initial Comments on Securities Act Filings.

Description: The target of 30 days has become a de facto industry standard for the maximum time to receive SEC comments. Companies often build this timeframe into their plans. The 30-day timeframe is considered aggressive given the other mandatory reviews the agency conducts and the fluctuation in filing volume that impacts workload plans.

FY 2003	FY 2004	FY 2005 Plan	FY 2005 Actual	FY 2006	FY 2007
27.7 days	27.8 days	<30 days	26.1 days	<30 days	<30 days

FY 2007 Request: The Division of Corporation Finance will continue to issue initial comments on 1933 and 1934 Act registration statements and transactional filings within 30 days of filing. The Division also will continue to monitor the average time from when it receives responses to its initial comments on annual reports, registration statements, and other transactional filings until final resolution, and the staff will work to decrease the amount of time attributable to staff review.

Performance Measure 4

Annual Number of On-Line Searches for EDGAR Filings

Description: Greater availability of market-sensitive information through the SEC's EDGAR system provides investors with the ability to make better-informed investment decisions. This measure gauges the demand for EDGAR data through the SEC's website (in millions).

FY 2002	FY 2003	FY 2004	FY 2005 Plan	FY 2005 Actual	FY 2006	FY 2007
96.9	141.5	288.9	425	379	480	600

FY 2007 Request: The SEC anticipates that demand for the disclosure data from EDGAR will continue to increase as EDGAR ticker and full-text search capabilities and the agency's initiative on interactive data are implemented.

Performance Measure 5

Percentage of Forms and Submissions Filed Electronically and in a Structured Format

Description: The SEC is continuing to emphasize electronic filing to make information available to the public in a format that can be easily obtained and analyzed. The SEC currently has over 100 forms that must be filed with the agency, which annually generate hundreds of thousands of filings with the agency. This measure identifies the percentage of forms that are in electronic format and the percentage of resulting filings that are received electronically by the SEC. In addition, the agency is redesigning its form filing capabilities to rely on more structured formats (e.g., information is captured in a comma delimited, XML, XBRL, or other format). This measure also gauges the percentage of forms that are available to be filed in a structured format and the percentage of resulting filings that are received in the structured format.

	FY 2003	FY 2004	FY 2005 Plan	FY 2005 Actual	FY 2006	FY 2007
Electronic Filings						
Percentage of forms in electronic format	71.8%	71.8%	71.8%	71.8%	73%	74%
Percentage of filings received electronically	76.3%	88.1%	88.6%	88.6%	90%	90%
Structured Filings						
Percentage of forms in structured format	3.9%	3.9%	5.3%	5.4%	7%	8%
Percentage of filings received in structured format	20.8%	35.6%	34.2%	35.0%	36%	37%

FY 2007 Request: The percentage of forms and submissions filed electronically and in a structured format will continue to increase with the introduction of “interactive data” into EDGAR.

Performance Measure 6

Number and Percentage of Investor Complaints, Questions, and Requests Completed by the Office of Investor Education (OIEA) Within Seven Calendar Days

Description: OIEA serves the tens of thousands of investors who contact the SEC each year with investment-related complaints and questions. A substantial portion of the complaints received require input from the entities involved and cannot be resolved in less than 30 to 60 days. Nevertheless, the staff aims to close out as many new matters as possible within seven calendar days.

	FY 2002	FY 2003	FY 2004	FY 2005 Plan	FY 2005 Actual	FY 2006	FY 2007
Contacts Received	82,337	70,574	73,481	72,000	76,221	76,000	76,000
Unique Files Opened	81,748	71,373	73,415	72,000	71,737	71,000	71,000
Unique Files Closed	n/a	n/a	n/a	n/a	71,879	71,000	71,000
Closed within seven calendar days	64,818	58,133	60,688	60,000	58,443	58,000	59,000
Percentage	79%	81%	83%	83%	81%	82%	83%

FY 2007 Request: During FY 2005, OIEA began to transition to a new correspondence management system that no longer records each investor contact as a unique file. As a result, the number of new unique files fell despite a 1% increase in the volume of investor contacts. The SEC anticipates that the number of new matters created each year will increase slightly in FY 2006 and FY 2007, and that proposed enhancements to the new system will increase staff efficiency.

Performance Measure 7

OIEA Publications Distributed by the GSA

Description: OIEA 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, how to check out brokers and advisers, and where to find information about companies. In addition to posting these materials on the SEC's website, OIEA publishes a dozen hard-copy educational brochures. The General Services Administration's Federal Consumer Information Center (FCIC) serves as one of the most important distribution channels for the SEC's most popular English and Spanish publications.

FY 2002	FY 2003	FY 2004	FY 2005 Plan	FY 2005 Actual	FY 2006	FY 2007
81,917	89,095	300,530	250,000	476,095	325,000	350,000

FY 2007 Request: OIEA will continue to see increased demand for the SEC's educational materials and will work closely with GSA's FCIC to distribute these materials to targeted audiences at lower costs. The agency aims to continue increasing its distribution volumes in the coming years and has revised its FY 2006 and FY 2007 estimates accordingly.

Goal Four: Maximize Use of SEC Resources

Performance Measure 1 Staff Turnover Rate						
Description: This measure is determined by dividing the number of employees that leave the agency during the fiscal year by the total number of permanent and term employees on board at the beginning of the year.						
FY 2002	FY 2003	FY 2004	FY 2005 Plan	FY 2005	FY 2006	FY 2007
5.8%	5.9%	6.3%	<7%	7.5%	8%	<7%
FY 2007 Request: The SEC will continue striving to keep its turnover rate at or below 7%, despite the expected increase in turnover in fiscal years 2005 and 2006. The higher rates in these two years are due in part to a high number of retirements. The SEC is monitoring this increase very closely and will evaluate whether additional steps must be taken to keep turnover rates in check.						

Performance Measure 2 Milestones Achieved on Major Human Capital Initiatives					
Description: The SEC implemented eight human capital initiatives related to training, recruitment, retention, and work-life programs.					
	FY 2004	FY 2005 Plan	FY 2005 Actual	FY 2006	FY 2007
SEC University	Implemented	Expand	Expanded	Evaluate and Expand	Expand
New Employee Orientation	Implemented	Evaluate	Evaluated and Expanded	Revise	Evaluate and Revise
Expanded Management Training	Implemented	Evaluate	Evaluated and Expanded	Evaluate and Expand	Evaluate and Expand
AVUE Digital Services	Implemented	Evaluate	Evaluated	Evaluate	Evaluate
New Recruitment Program (Nationwide Recruitment with Executive Recruiting Firms)	Implemented	Evaluate	Implemented	Evaluate and Revise	Implement
Pay and Benefit Revisions (e.g., Vision and Dental Coverage)	Implemented	Evaluate	Evaluated	Expand	Evaluate
Negotiate a New Collective Bargaining Agreement				Negotiate and Implement	Implement & Evaluate
Pay for Performance and Performance Improvement Planning	Implemented	Evaluate	Evaluated and Expanded	Evaluate, Revise, and Expand	Expand and Evaluate
Enterprise Telework Program	Implemented	Evaluate	Evaluated	Expand	Evaluate
FY 2007 Request: The Commission will continue to evaluate and expand its human capital initiatives in fiscal year 2007, building on performance and evaluation results from fiscal years 2005 and 2006 to refine the programs and services as needed.					

Performance Measure 3				
Percentage of IT Projects That Adhere to the SEC's Capital Planning and Investment Committee (CPIC) Process				
Description: The SEC has information technology capital planning committees designed to ensure that IT projects are appropriately evaluated and considered. A corresponding CPIC process is being refined to ensure that IT projects are effectively managed, completed on time, and within budget. This measure identifies the percentage of IT projects that adhere to the agency's CPIC process.				
FY 2004	FY 2005 Plan	FY 2005 Actual	FY 2006	FY 2007
100%	100%	90%	100%	100%
FY 2007 Request: All IT projects will continue to conform to the agency's required CPIC process.				

Performance Measure 4				
Milestones achieved on major IT projects.				
Description: The SEC is focusing its IT investments in five primary areas to enhance program effectiveness and operational efficiencies. A variety of projects are being planned or implemented in these areas that range in complexity and duration (e.g., some may be completed in a single fiscal year while others span multiple fiscal years). This measure identifies the range of initiatives and the project's major milestones.				
	FY 2005 Plan	FY 2005 Actual	FY 2006	FY 2007
EDGAR/Disclosure Modify EDGAR to accommodate interactive data in XBRL format for financial reports	Initiate	Initiated	Implement	Complete
Transition EDGAR system management to new contract	Initiate	Initiated	Complete	
Enhance SEC.gov to improve EDGAR data searches and accessibility for investors	Initiate	Initiated	Implement	Complete
Enforcement/Examination Activities Image backlog of paper-based discovery documents	Complete	In Progress	Complete	
Provide fully automated processing of options trade records in support of enforcement investigations	Initiate	In Progress	Complete	
Redesign the enforcement case management system to improve management of fines and disgorgements	Initiate	Initiated	Implement	Implement
Upgrade analytical tools available to examiners	Initiate	Initiated	Implement	Complete
Internal Productivity Implement new systems to support expansion of telework	Initiate	In Progress	Complete	

Upgrade telecommunications systems in Washington metro area	Complete	Completed	Implement (In Phases)	Complete
Security/Disaster Recovery Migrate to alternate data center	Complete	Completed		
Certify and accredit major systems for information security risk	Initiate	In Progress	Complete	
Institute awareness training and incident response programs	Implement	Completed		
Implement Homeland Security Presidential Directive 12 for personnel identity verification and access control	Initiate	Initiated	Implement	Implement
E-Gov/Enterprise Architecture and Capital Planning Investment Control (CPIC) Redesign organizational structure of IT function	Complete	Completed		
Redesign capital planning and project management processes	Implement	In Progress	Complete	
Institute enterprise architecture (EA) program	Implement	In Progress	Initiate	Complete
Implement new procurement and budgeting/performance management systems	Initiate	Initiated		
Participate in cross-agency E-Travel project	Initiate	Initiated	Complete	
FY 2007 Request: The SEC expects to make progress in all five areas to enhance program effectiveness and operational efficiencies.				

Performance Measure 5					
Receive an Unqualified Audit Opinion on the SEC's Audited Financial Statements With No Material Weaknesses Noted in Internal Controls over Financial Reporting					
Description: Under the Accountability of Taxpayer Dollars Act of 2002, the Commission is required to meet all proprietary accounting guidelines for federal agencies and to undergo annual audits. The SEC completed its first two audits in 2004 and 2005, conducted by the U.S. Government Accountability Office (GAO).					
	FY 2004	FY 2005 Plan	FY 2005 Actual	FY 2006	FY 2007
Unqualified Opinion	Yes	Yes	Yes	Yes	Yes
Material Weaknesses	3	3	4	0	0
FY 2007 Request: In both the 2004 and 2005 audits, GAO gave the SEC unqualified opinions on its financial statements, but found three material weaknesses in its internal controls related to financial reporting, disbursements and penalties, and information technology security. The SEC is working aggressively to resolve these three material weaknesses by the end of fiscal 2006. In addition, in 2005 the SEC reported a weakness in controls over budget planning. This weakness will be fully resolved in fiscal 2006.					

Other Indicators Related to SEC Activities

Indicator 1	
Number and Percentage of Examinations Finding “Significant” Deficiencies	
Description: Examiners find a wide range of deficiencies during examinations. Some of these deficiencies are more technical in nature, such as failing to include all information that is required to be in a record. Other deficiencies may have caused harm to customers or clients of a firm, had a high potential to cause harm, or reflect recidivist misconduct. These latter deficiencies are among those categorized as “significant.” This measure was first implemented in FY 2005 and data is not available for prior years. The staff expects to continue to refine the factors that are used to measure the significance of examination findings.	
	FY 2005
Fund/Adviser Exams	
Number	769
Percent	37%
Broker/Dealer Exams	
Number	351
Percent	47%
Discussion: Because this indicator is new, the fiscal year 2005 results cannot be compared with recent trends. However, based on anecdotal evidence, it appears that the fiscal year 2005 levels are considerably higher than those of a few years ago.	

Indicator 2			
Referrals to the Division of Enforcement From the Office of Compliance Inspections and Examinations or the Division of Corporation Finance			
Description: The SEC’s Division of Enforcement receives referrals from a variety of sources. For example, the examination staff and the Division of Corporation Finance’s disclosure review program strive to uncover serious potential violations of the federal securities laws, among other objectives. When possible violations are found, they are referred to the Division of Enforcement for further investigation. This indicator measures the number of enforcement referrals from the examination staff and the Division of Corporation Finance within each fiscal year.			
	FY 2003	FY 2004	FY 2005
Examination Staff	171	482	399
Corporation Finance	231	415	640
Discussion: Referrals to the Division of Enforcement remained at high levels relative to the pattern before 2003. This continuing trend is due mainly to the examination staff’s continuing efforts to focus on the most salient risks to investors and to the Division of Corporation Finance’s ongoing initiative to identify delinquent filers. Results are not projected for this indicator.			

Indicator 3

Monetary Disgorgement and Penalties Ordered and the Amounts and Percentage Collected by the SEC

Description: 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 use amounts paid as penalties to reduce losses to injured parties. Funds not returned to investors are sent to the U.S. Treasury; neither disgorgement nor penalties go to the SEC. This chart lists disgorgement and penalties ordered as a result of SEC cases and the amounts collected by the agency.

	FY 2003	FY 2004	FY 2005
Ordered	\$313 million	\$1.3 billion	\$3.1 billion
Collected	\$141 million	\$924 million	\$2.3 billion
Percentage	45%	71%	72%

Discussion: The amount of disgorgements and fines may vary widely year to year, and collection success rates depend on numerous variables, including the financial status and size of the parties sued.

Indicator 4 (New Indicator)

Assets Frozen Abroad as a Result of SEC Coordination with Foreign Regulators

Description: In order to effectively enforce compliance with federal securities laws and in support of enforcement cases filed domestically, the SEC works closely with foreign regulators, law enforcement agencies, and courts to locate ill-gotten proceeds that have been transferred overseas and freeze the accounts in which they are located. Violators are detected and their assets are seized so that they cannot benefit from this activity.

	FY 2005
Assets Frozen Abroad	\$15.3 million

Discussion: The SEC cannot identify a trend for this indicator because only one year of data is currently available.

Indicator 5

Percentage of Households Owning Mutual Funds

Description: Near record numbers of Americans continue to invest in the U.S. securities markets through the purchase and sale of stocks, bonds, and mutual funds. In particular, the number and percentage of U.S. households that own mutual funds grew dramatically during the 1990s as stock and bond mutual funds became a key repository for U.S. savings dollars. These data are derived from a survey of approximately three thousand households conducted by the Investment Company Institute. Results have a standard error of +/- 1.8% at the 95% confidence level. The sample is weighted to match the age distribution of the U.S. population. The number of U.S. households is based on the most recent estimate by the U.S. Bureau of the Census.

FY 2002	FY 2003	FY 2004	FY 2005
49.6%	47.9%	48.1%	47.5%

Discussion: The proportion of households owning mutual funds held steady in fiscal year 2005, relative to the previous two years.

Indicator 6

Number of Corporate Disclosure Filings “Significantly” Improved By Staff Comments, and Number of “Significant” Actions Taken By Disclosure Review Staff to Protect Investment Company Shareholders

Description: For corporate filings, comments are issued to elicit better compliance with applicable disclosure requirements and improve the information available to investors. In many instances, amendments involve financial restatements. The determination of “significance” stems from the nature of the change (e.g., restating positive income as a loss) or the size of the company. With respect to investment company filings, the staff takes actions to elicit better compliance with applicable disclosure requirements, improve the information available to investors, and ensure that fund investment, marketing, and operational activities as described in disclosure documents are conducted in accordance with federal law.

	FY 2005
Corporate Filings	Data not available
Investment Company Filings	

Discussion: The Divisions of Corporation Finance and Investment Management continued to work toward establishing a means for accurately tracking data on comments that result in significant enhancements in financial and other disclosures or other significant actions to protect shareholders. The divisions will provide data for this measure once such tracking methods are in place.