United States Securities and Exchange Commission

In Brief

Fiscal 2007

Congressional Budget Request

February 2006

Securities and Exchange Commission
($ in thousands)

Fiscal Year 2006 Enacted:	
Appropriated Offsetting Collections, Current Year	$863,117.0
Available Balances, Prior Year	$ 25,000.0
Total Fiscal Year 2006 Spending Authority	$888,117.0
Fiscal Year 2007 Request:	
Appropriated Offsetting Collections, Current Year	$890,846.0
Deobligated Balances, Prior Years	$ 14,000.0
Total Fiscal Year 2007 Request	$904,846.0

Appropriations Language

For necessary expenses for the Securities and Exchange Commission, including services as authorized by 5 U.S.C. 3109, the rental of space (to include multiple year leases) in the District of Columbia and elsewhere, and not to exceed $3,000 for official reception and representation expenses, $904,846,000, to remain available until expended; of which not to exceed $13,000 may be used toward funding a permanent secretariat for the International Organization of Securities Commissions; and of which not to exceed $100,000 shall be available for expenses for consultations and meetings hosted by the Commission with foreign governmental and other regulatory officials, members of their delegations, appropriate representatives and staff to exchange views concerning developments relating to securities matters, development and implementation of cooperation agreements concerning securities matters and provision of technical assistance for the development of foreign securities markets, such expenses to include necessary logistic and administrative expenses and the expenses of Commission staff and foreign invitees in attendance at such consultations and meetings including: (1) such incidental expenses as meals taken in the course of such attendance; (2) any travel and transportation to or from such meetings; and (3) any other related lodging or subsistence: *Provided,* That fees and charges authorized by sections 6(b) of the Securities Exchange Act of 1933 (15 U.S.C. 77f(b)), and 13(e), 14(g) and 31 of the Securities Exchange Act of 1934 (15 U.S.C. 78m(e), 78n(g), and 78ee), shall be credited to this account as offsetting collections: *Provided further,* That not to exceed $890,846,000 of such offsetting collections shall be available until expended for necessary expenses of this account: *Provided further,* That $14,000,000 shall be derived from available balances of funds previously appropriated to the Securities and Exchange Commission that were obligated in previous years and have subsequently been deobligated: *Provided further,* That the total amount appropriated under this heading from the general fund for fiscal year 2007 shall be reduced as such offsetting fees are received so as to result in a final total fiscal year 2007 appropriation from the general fund estimated at not more than $0.

Position and Cost Data for Fiscal Years 2005 - 2007

	FY 2005 Actuals			FY 2006 Enacted			FY 2007 Request		
	FTEs	Positions	Cost	FTEs	Positions	Cost	FTEs	Positions	Cost
Enforcement									
Headquarters	446	507		433	446		419	446	
Regions and Districts	786	831		783	818		768	818	
Total	1,232	1,338		1,216	1,264		1,187	1,264	
Compliance Inspections and Examinations									
Investment Management									
Headquarters	62	89		67	70		66	70	
Regions and Districts	427	451		425	444		417	444	
Subtotal	489	540		492	514		483	514	
Market Regulation									
Headquarters	81	120		87	91		86	91	
Regions and Districts	281	296		279	292		274	292	
Subtotal	362	416		366	383		360	383	
Total	851	956		858	897		843	897	
Corporation Finance	495	543		478	493		463	493	
Market Regulation	171	195		165	170		160	170	
Investment Management	180	200		165	170		160	170	
General Counsel									
Headquarters	119	132		121	128		120	128	
Regions and Districts	12	13		12	13		12	13	
Total	131	145		133	141		132	141	
Other Program Offices									
Chief Accountant	56	64		54	55		51	55	
Investor Education and Assistance	36	38		37	37		37	37	
International Affairs	24	26		25	25		23	25	
Economic Analysis	25	32		27	29		27	29	
Risk Assessment	5	8		8	8		8	8	
Administrative Law Judges	11	12		12	12		12	12	
Total	157	180		163	166		158	166	
Agency Direction and Administrative Support									
Executive Staff	37	43		36	40		36	40	
Public Affairs	7	11		6	7		7	7	
Secretary	25	29		24	25		23	25	
Executive Director	8	9		7	7		7	7	
Financial Management	42	45		46	51		48	51	
Human Resources	71	76		71	76		71	76	
Administrative Services	81	86		84	88		83	88	
Filing and Information Services	107	113		100	103		98	103	
Information Technology	118	131		121	126		118	126	
Equal Employment Opportunity	10	13		9	10		9	10	
Inspector General	10	11		10	10		10	10	
Total	516	567		514	543		510	543	
Total FTE and Positions	3,851	4,242		3,764	3,916		3,685	3,916	
Headquarters Total Permanent	2,227	2,533		2,193	2,277		2,142	2,277	
Regional Office Total Permanent	1,506	1,591		1,499	1,567		1,471	1,567	
Temporary	118	118		72	72		72	72	
Staff Salaries			$434,699,000			$458,705,800			$473,586,600
Personnel Benefits			121,629,200			123,913,900			128,222,300
Other Personnel Compensation			8,275,000			4,436,200			4,606,500
Sub-total Cost of Salaries			$564,603,200			$587,055,900			$606,415,400
Other Expenses									
Benefits for Former Personnel			81,600			70,600			71,800
Travel and Transportation of Persons			11,147,000			10,964,500			11,008,600
Transportation of Things			173,200			160,200			161,100
Communications and Rental			82,096,700			95,479,700			102,758,100
Printing and Reproduction			10,548,300			11,403,000			15,985,000
Other Services			131,935,000			125,292,600			139,845,000
Supplies and Materials			2,599,300			3,338,800			3,493,900
Equipment			32,732,200			21,638,400			20,107,100
Building Alterations			50,426,400			32,713,300			5,000,000
Claims and Indemnities			884,100			0			0
Sub-total Cost of Other Expenses			$322,623,800			$301,061,100			$298,430,600
Spending Authority			$887,227,000			$888,117,000			$904,846,000

Summary of Changes
($ in thousands)

	FY 2006 Enacted	FY 2007 Request	Net Change
Spending Authority....................	$888,117.0	$904,846.0	+$16,729.0
Full-time Equivalents.................	3,764	3,685	-79
Positions................................	3,916	3,916	- - -

Explanation of Changes:	Positions	FTE	Amount
One-time FY 2006 Adjustments			
Building alterations	- - -	- - -	-$27,796.9
Adjustment in Full-time Equivalents	- - -	-79	-12,556.5
Subtotal..............................	- - -	-79	-$40,353.4
FY 2006 Base Changes			
Annualization of FY 2006 pay raise	- - -	- - -	+4,750.6
FY 2007 pay raise	- - -	- - -	+9,697.8
Promotions and merit pay increases	- - -	- - -	+17,608.5
Increases in space rent & utilities	- - -	- - -	+6,553.8
Non-compensation inflation	- - -	- - -	+3,215.0
Subtotal..............................	- - -	- - -	+$41,825.7
FY 2007 Program Increase			
Information Technology	- - -	- - -	+$15,256.7
Total Change..........................	- - -	-79	+$16,729.0

Narrative Explanation of Changes

One-time Adjustments from FY2006

1. Building alterations. The decrease of $27.8 million from the FY 2006 level results from the SEC's fully extinguishing the build-out costs associated with the completion of the SEC's new headquarters building at Station Place, along with its new Boston and New York offices.

2. Adjustment in Full-time Equivalents. This adjustment of $12.6 million reflects the annualization of the staffing decreases that will occur in FY 2006 as the SEC returns to its historic lapse rate of 6 percent.

Base Changes for FY2007

1. Annualization of FY 2006 pay raise. The requested $4.8 million provides for the annualization of the FY 2006 3.1 percent pay raise that became effective in January 2006.

2. FY 2007 pay raise. The requested $9.7 million provides funding for a 2.3 percent pay raise, effective January 2007.

3. Promotions and merit pay increases. The requested $17.6 million provides funding for merit pay increases and career ladder promotions of eligible staff. This amount includes the costs of maintaining the SEC's pay-for-performance pay system.

4. Increases in space rent and utilities. The requested increase of $6.6 million is necessary for mandatory increases associated with the rental of space and utilities. These funds will cover full-year rent and utility costs in the new headquarters and regional offices in New York and Boston, as well as higher rates for space rent at other SEC facilities.

5. Non-compensation inflation. The requested $3.2 million funds an overall increase in non-personnel expenses of approximately 1.7 percent. This amount will cover inflation and other necessary expenses.

Program Change

1. Information Technology. The requested $15.3 million will provide the SEC with the funding necessary to continue investing significant resources in technology, for initiatives such as integrating interactive data into financial disclosure filings, streamlining the disclosure process for filers and investors, and deploying new enforcement case and examination management systems. With these funds, the SEC's information technology program also will return to the overall funding level provided in FY 2005.

SEC Strategic Goals

Goal 1: Enforce Compliance With Federal Securities Laws

The Commission seeks to detect problems in the securities markets, prevent and deter violations of federal securities laws, and alert investors to possible wrongdoing. When violations occur, the SEC aims to take prompt action to halt the misconduct, sanction wrongdoers effectively, and, where possible, return funds to harmed investors.

Goal 2: Promote Healthy Capital Markets Through an Effective and Flexible Regulatory Environment

The savings and investments of every American are dependent upon the maintenance of healthy capital markets. The Commission seeks to sustain an effective and flexible regulatory environment that will facilitate innovation, competition, and capital formation to ensure that our economy can continue to grow and to create jobs for our nation's future. Enhancing the productivity of America is a key goal that the SEC works to achieve by increasing investor confidence in the capital markets.

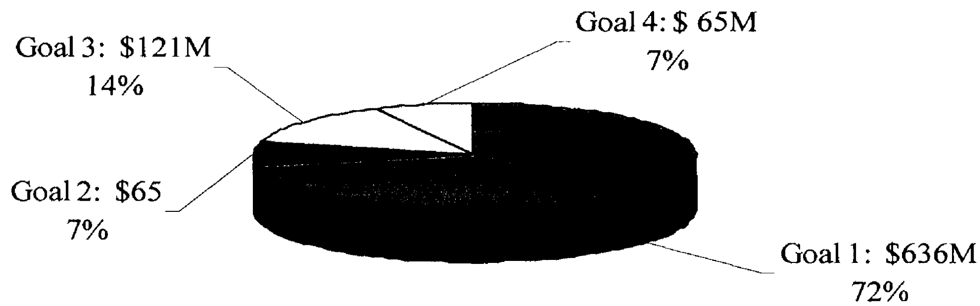
Goal 3: Foster Informed Investment Decision Making

An educated investing public ultimately provides the best defense against fraud and costly mistakes. The Commission works to promote informed investment decisions through two main approaches: reviewing disclosures of companies and mutual funds to ensure that clear, complete, and accurate information is available to investors; and implementing a variety of investor education initiatives.

Goal 4: Maximize the Use of SEC Resources

The investing public and the securities markets are best served by an efficient, well-managed, and proactive SEC. The Commission strives to improve its organizational effectiveness by making sound investments in human capital and new technologies, and by enhancing internal controls.

FY 2007 Request by Strategic Goal
($ in Millions)



2005 Accomplishments by Strategic Goal

FY 2005 was a year of tremendous accomplishment for the SEC on many different fronts. The agency's major achievements are discussed below, organized by the SEC's four goals, as established under the agency's five-year strategic plan. These goals may change as the Commission develops a new strategic plan over the next year.

Goal 1: Enforce Compliance with Federal Securities Laws

The SEC continued its efforts to improve compliance with the federal securities laws through enforcement activities and ongoing inspections of regulated entities.

Enforcement Program: In FY 2005, the SEC initiated 947 investigations, 335 civil proceedings, and 294 administrative proceedings covering a wide range of issues, including mutual fund and investment adviser fraud, accounting fraud, and failures at self-regulatory organizations. The Commission prevailed in the great majority of the enforcement actions decided by district courts or administrative law judges, and a total of more than $3 billion in disgorgement and penalties was ordered in SEC enforcement cases. Whenever practical, the Commission sought to return funds to harmed investors through the use of disgorgement or the "Fair Funds" provision of the Sarbanes-Oxley Act. The Commission also worked with foreign authorities to obtain information for use in cross-border enforcement matters and responded to foreign regulators' requests for assistance. The following are some of the notable enforcement actions taken by the SEC in FY 2005.

Actions involving mutual funds and investment advisers: The SEC brought several significant fraud cases in the mutual fund and investment adviser area. For example, the Commission addressed market timing abuses in cases against (i) Canadian Imperial Holdings and CIBC World Markets; (ii) Banc of America Capital Management, BACAP Distributors, and Banc of America Securities; and (iii) Columbia Management Advisors and Columbia Funds Distributor. In those three cases alone, the SEC ordered disgorgement, prejudgment interest, and penalties of $640 million, all of which will be distributed to investors harmed by the conduct.

In another case involving a substantial fraud, the SEC brought an action against two Citigroup subsidiaries: Smith Barney Fund Management and Citigroup Global Markets. In the proceeding, the Commission found that the respondents misrepresented and omitted material facts when recommending to the boards of the mutual funds that the funds change from the third-party transfer agent they previously used to an affiliated Citigroup transfer agent. The respondents agreed to pay $208 million in disgorgement, prejudgment interest, and penalties, which will be returned to investors pursuant to a distribution plan.

Actions involving accounting fraud, disclosure, and auditing failures: The SEC brought a number of cases relating to financial reporting misconduct, including major fraud actions against Time Warner and Qwest Communications International. Both cases involved inflated or improperly recognized revenue, among other violations. Time Warner agreed to pay $300 million in penalties, and Qwest agreed to pay $250 million in penalties, all of which will be distributed to harmed investors. The SEC addressed disclosures of executive compensation in a case against Tyson Foods and its former CEO, Donald Tyson, alleging that the company made misleading disclosures of perquisites and personal benefits provided to Donald Tyson. Tyson Foods agreed to pay a $1.5 million penalty, and Donald Tyson agreed to pay a $700,000 penalty.

In significant cases relating to audit failures, the SEC charged Deloitte & Touche in connection with its audits of Adelphia Corporation, and KPMG in connection with its audits of Xerox. Deloitte's charges stemmed from its failure to detect a massive fraud perpetrated by Adelphia and certain members of the Rigas family. Deloitte consented to pay a $25 million penalty in the federal court action and $25 million in a separate administrative proceeding. The firm also agreed to undertakings designed to address future audits of high-risk clients. The entire $50 million will be deposited into a fund to compensate victims of Adelphia's fraud. In the KPMG matter, the SEC charged the firm with permitting Xerox to manipulate its accounting practices to overstate equipment revenues by $3 billion and its true earnings by approximately $1.5 billion during a four-year period. The SEC also found that KPMG violated its obligations to disclose to Xerox illegal acts that came to its attention during the Xerox audits. KPMG consented to pay a total of approximately $22.5 million in disgorgement, prejudgment interest, and penalties.

Actions involving self-regulatory organizations: In an action against the New York Stock Exchange (NYSE), the Commission found that the NYSE failed to adequately monitor and police specialists who engaged in widespread and unlawful trading ahead of customer orders on the floor of the exchange, harming customers by about $158 million from 1999 through 2002. The NYSE agreed to various remedial measures, including spending $20 million to fund audits of its regulatory program every two years through 2011. The Commission also brought an action against the National Stock Exchange (NSX) and its CEO for similar failures. The NSX case related to the failure to enforce compliance by dealers with certain exchange rules from 1997 through 2003, which resulted in NSX's failure to detect hundreds of thousands of transactions in which NSX dealers engaged in unlawful trading ahead of customer orders. In another significant action, the Commission issued a report of investigation concerning Nasdaq, as overseen by its parent, the National Association of Securities Dealers (NASD), in connection with an investigation and inspection of wash trades and net capital violations by MarketXT, an NASD member firm. The report finds, among other things, that Nasdaq employees observed suspicious trading by MarketXT and did not communicate their observations to NASD Regulation. In response to the SEC's investigation and the inspection from which it stemmed, the NASD and Nasdaq have implemented a number of remedial steps, all designed to strengthen the self-regulatory oversight of their market.

<u>Examination Program</u>: The SEC's examination program worked to detect fraud and other possible violations of the federal securities laws; foster compliance with these laws; and inform the Commission and its staff of compliance issues. The Office of Compliance Inspections and Examinations (OCIE) used risk-based techniques to focus resources on those

activities that could pose the greatest compliance risk to investors and the integrity of the markets. In FY 2005, OCIE continued to upgrade its risk assessment techniques, and, given the breadth of its oversight responsibilities, substantially enhanced training for examiners. In addition, OCIE explored the use of new technologies that may facilitate the review of large volumes of data and enhance the examination process.

Examinations of investment advisers and investment companies: OCIE focused efforts on identifying the highest risk firms and activities. Specific examination reviews of investment companies and advisers focused on, among other areas: undisclosed arrangements between funds and fund service providers, pricing and valuation practices, accuracy of performance claims, compliance with anti-money laundering requirements, and market timing and late trading. OCIE also concluded an examination sweep of pension consultants and issued a public report outlining conflicts of interest and other concerns. Based on these findings, the SEC and the Department of Labor together published guidance for pension plan trustees that includes questions they can ask pension consultants to aid them in identifying these conflicts of interest.

In FY 2005, using the risk-based examination protocol, the examination staff found significant compliance or operational deficiencies in more than a third of the examinations conducted. Most of these examinations led to remedial action and improved compliance practices by the firms examined. For example, firms voluntarily reimbursed investors over $117 million as a result of examinations, indicating that investors were overcharged, or were owed money. In addition, 11% of examinations of funds and advisers found indications of serious problems that were referred to the Division of Enforcement for further investigation. To help strengthen compliance practices and to assist chief compliance officers in performing their important responsibilities, OCIE and the Division of Investment Management initiated the *"CCOutreach Program,"* which includes regional and national conferences designed to facilitate communications between the SEC staff and the industry about compliance issues, practices, and techniques.

Examinations of broker-dealers: In its FY 2005 examinations of broker-dealers, OCIE focused on areas of significant compliance risk, including: misuse of non-public information concerning trading activities of institutional investors; execution practices in equities and debt, including mark-ups; compliance with net capital and customer reserve obligations; and market timing and late trading in mutual fund shares. OCIE initiated special examinations with respect to: the suitability of recommendations made to retail investors; broker-dealers providing fee-based accounts; revenue-sharing practices; and sales of securities to members of the military. OCIE also assisted in implementing the SEC's program for monitoring consolidated supervised entities, and it inspected the internal controls and risk management practices at large broker-dealers. OCIE continued efforts to coordinate examination oversight among regulators. Also in FY 2005, examinations found compliance or operational deficiencies in more than 80% of examinations, and about one third of the examinations found problems that resulted in a referral to the Division of Enforcement staff or to a self-regulatory organization for further investigation. Importantly, most examinations resulted in remedial action and improved compliance by the firms examined.

Examinations of self-regulatory organizations: OCIE conducted risk-based and routine inspections of the surveillance, examination, disciplinary, arbitration, customer communication, and listing programs of self-regulatory organizations (SROs). In FY 2005, special focus was placed on surveillance for compliance with prohibitions on trading ahead of customer orders and "firm quote" obligations. The SEC began to develop procedures to review and analyze regulatory data that may allow the staff to monitor SRO regulatory activities more effectively and initiate more focused inspections.

Goal 2: Promote Healthy Capital Markets Through an Effective and Flexible Regulatory Environment

In 2005, the SEC undertook several rulemaking initiatives to address abuses in the mutual fund and investment advisory industries, improve disclosure to investors, reform the requirements that apply to the securities offering process, and modernize the structure of the national securities markets.

Mutual fund redemption fees: Following significant mutual fund reforms in FY 2004 relating to late trading and market timing scandals, the SEC in FY 2005 adopted a new redemption fee rule, which permits funds to impose a fee of up to 2% on the redemption of fund shares. The rule enhances investor protection by requiring that fund boards consider whether they should impose a redemption fee to protect fund shareholders from market timing and other possible abuses. The redemption fee is paid to the fund (rather than to fund management) for the direct benefit of fund shareholders.

Point-of-sale disclosure: As part of a continuing effort to strengthen disclosures to mutual fund investors, the SEC reopened the comment period on proposed rules that would require broker-dealers to disclose to their customers the costs and conflicts of interest that arise from the distribution of mutual fund shares. The proposal would require disclosure at the point of sale and in the confirmation statement.

Hedge fund adviser registration: In FY 2005, the SEC adopted a new rule requiring most hedge fund managers to register as investment advisers. The regulation was prompted by significant recent growth in hedge funds, which are estimated to have $1 trillion in assets. The SEC identified two other concerns that led to the rule's adoption: a growth in hedge fund fraud and increasing exposure of smaller investors, pensioners, and other market participants, directly or indirectly, to hedge funds. The rule is designed to provide the protections of the Investment Advisers Act of 1940 (Advisers Act) to hedge fund investors and to enhance the SEC's ability to oversee the securities markets.

Investment adviser/broker-dealer rule: The Commission adopted a new rule addressing the application of the Advisers Act to broker-dealers that offer fee-based accounts. Under the new rule, a broker-dealer is not, by reason of receiving fee-based compensation, subject to the Advisers Act if it provides investment advice in fee-based accounts that is solely incidental to the brokerage services provided to those accounts and if the broker-dealer makes required disclosures. A broker-dealer exercising discretion over customer accounts would be subject to the Advisers Act regardless of the form of compensation received (fixed fees or commissions). In addition, a broker-dealer would be subject to the Advisers Act if it provides investment advice as part of a financial plan and portrays itself to the public or its customers as a financial planner.

Market structure and Regulation NMS: In FY 2005, the SEC addressed important issues of equity market structure that cleared the way for significant market restructuring. In adopting Regulation NMS, the Commission set the terms for competing markets to access and interact with each other. It also resolved issues of minimum quoting increments and allocations of market data. These rule changes are intended to strengthen competition in the national market system for equity securities. Shortly after Regulation NMS was approved, the two largest U.S. equity markets—the NYSE and Nasdaq—announced mergers that, if consummated, will significantly reshape these markets. Other equity markets have also announced restructurings designed to increase their competitiveness.

Governance and structure of self-regulatory organizations (SROs): The Commission published two releases discussing the role and operation of SROs. The first release proposed rules setting governance standards for SROs, in order to increase their independence from member firms and to ensure their effective regulation if publicly owned. The rules would also require greater disclosure by SROs of their finances and structures. The second release requested comment on conflicts affecting SROs, and possible alternative self-regulatory structures to reduce these conflicts.

Short sale pilot program and Regulation M amended: The Commission implemented a pilot program to examine the impact of removing price restrictions on short sales of securities, while at the same time adopting rule changes requiring closeouts of naked short positions. The Commission also proposed amendments to Regulation M, which governs securities offerings, in order to tighten the regulations governing underwriters' stabilization, after-market solicitations, short covering transactions, penalty bids, and other activities. In addition, the Commission adopted amendments to update the penny stock rules and proposed an interpretive release to clarify the scope of the soft dollar safe harbor under Section 28(e) of the Securities Exchange Act of 1934 (1934 Act).

Consolidated supervised entities: The SEC approved applications from three and continued to review applications from two broker-dealers and their holding companies and affiliates for group-wide supervision as "consolidated supervised entities." These firms submit to this form of regulatory oversight in exchange for the use of an alternative method to compute net capital. The SEC's reviews involve detailed assessments of the applicants' capacity to manage financial and operational risks, including market, credit, and liquidity risk.

Credit rating agencies: Finally, the Commission proposed a new rule to define the term "nationally recognized statistical rating organization" (NRSRO), in order to clarify the recognition criteria and application process. The changes would enhance the agency's ability to ensure that such credit rating agencies continue to meet the minimum standards that led to NRSRO designation.

Securities offering reform: The Commission adopted amendments to the rules under the Securities Act of 1933 (Securities Act) that significantly relax restrictions on communications by issuers and underwriters around the time of securities offerings. The amendments continue the Commission's long-term efforts toward integrating disclosure and processes under the Securities Act and the 1934 Act. The greatest flexibility in communications is provided to issuers that have a reporting history and are widely followed in the marketplace. In addition, the reforms will facilitate rapid market access for well-known issuers.

Asset-backed securities: The Commission adopted comprehensive registration, disclosure, and reporting requirements under the Securities Act and the 1934 Act for asset-backed securities, an increasingly significant segment of the fixed-income capital markets. Also, the Commission adopted amendments relating to Form S-8 and Form 8-K filings in order to deter fraud and abuse by reporting shell companies.

Interactive data: The Commission established a voluntary program that permits registrants to furnish financial data required in filings under the Exchange Act and the Investment Company Act of 1940 in eXtensible Business Reporting Language (XBRL) format, which allows investors and other market participants, as well as the SEC itself, to analyze and personalize financial data in ways that are best suited for their purposes.

Small businesses: The SEC established the Advisory Committee on Smaller Public Companies to examine the impact of the Sarbanes-Oxley Act and other federal securities laws on those companies. The committee will issue a final report by April 2006, in which it will present recommendations for the Commission's consideration.

Internal control over financial reporting: After evaluating the substantial costs and efforts undertaken by companies to comply with Section 404 of the Sarbanes-Oxley Act and other regulatory requirements, the Commission extended by one year the compliance dates for certain reporting companies to meet the requirements for internal control over financial reporting requirements. The SEC, along with the Public Company Accounting Oversight Board, also has continued to monitor the implementation of Section 404 and provide interpretive guidance as necessary.

Accelerated filers: After considering the concerns expressed by large companies about their ability to file periodic reports under the accelerated filing schedule that would have become effective in 2006, the Commission postponed the final stage of the accelerated filing requirements. In addition, the Commission proposed rules that would limit the final stage of the accelerated filing schedule to only the largest companies and would eliminate for all companies the final stage of the accelerated filing schedule for quarterly reports.

Foreign private issuers: Recognizing that compliance with certain SEC requirements could be difficult and burdensome for foreign private issuers that are transitioning to the use of International Financial Reporting Standards (IFRS), the Commission provided an accommodation for foreign private issuers filing reports with the SEC that include financial statements prepared using IFRS for the first time. Finally, with the aim of recognizing the potential benefits to investors of enhanced comparability of financial information around the world, SEC staff issued a 'roadmap' highlighting the steps needed to eliminate the SEC requirement for foreign private issuers to reconcile financial statements prepared under IFRS to U.S. Generally Accepted Accounting Principles (GAAP).

Goal 3: Foster Informed Investment Decision Making

FY 2005 marked the third anniversary of the Sarbanes-Oxley Act, and as contemplated under the Act, the SEC worked diligently to improve the disclosures provided to investors. The agency also operated investor education programs and assisted investors who had questions about the securities markets or complaints about the treatment they received from securities professionals.

Disclosure Reviews: The Division of Corporation Finance continued to improve its disclosure review program. Under the Sarbanes-Oxley Act, the SEC is required to review at least once every three years the financial statements of each reporting company and investment company issuer. FY 2005 marked the final year of the first three-year cycle, and the Division met the requirement through its review of the financial statements of over 6,000 reporting companies in FY 2005. The Division's Office of Global Security Risk continued its systematic review of the disclosures of companies with contacts in countries identified as state sponsors of terrorism. These countries are often also known for human rights violations. The Division of Investment Management met the requirement to review all financial statements of investment company issuers during the three-year cycle, reviewing about 3,990 in FY 2005.

Investor Education: The SEC works to assist tens of thousands of investors who complain each year about the mishandling of their investments by securities professionals. In addition, the SEC responds to a wide range of questions from the public on how the securities industry works and where to find information about products, issuers, and securities professionals.

During FY 2005, the SEC's Office of Investor Education and Assistance (OIEA) opened 71,737 new matters resulting from investor complaints and questions, and closed 71,879 pending matters, of which 81% were closed within seven days. OIEA issued numerous investor alerts and publications in response to new scams and emerging products and issues. For example, in the aftermath of Hurricane Katrina, OIEA created a special web page to assist investors and regulated entities. The site includes alternate contact information for Gulf-area investment advisers; guidance on safely using the Internet to check account balances; and advice for investors on avoiding scams, protecting credit, and rebuilding banking and other financial records.

OIEA also led workshops and seminars and worked to enhance public awareness of SEC investor resources through outreach to public libraries and participation in public-private partnerships. During FY 2005, the staff distributed about 476,000 investor brochures through the General Services Administration's Federal Citizen Information Center. The SEC's investor education web pages received approximately 8.5 million hits. In addition to carrying out its education and assistance functions, OIEA also provided policy guidance on several key rulemaking initiatives. For example, OIEA collaborated with the Divisions of Investment Management and Market Regulation in using focus groups and in-depth investor interviews to test-market and refine disclosure documents.

Goal 4: Maximize the Use of SEC Resources

The SEC continued to improve its operational effectiveness in FY 2005 through organizational changes and enhancements of its information technology systems.

Audited Financial Statements: The agency completed its first full financial statement audit in 2005, consistent with the Accountability of Tax Dollars Act of 2002. The Government Accountability Office (GAO) performed the audit for FY 2004 and delivered an unqualified opinion, finding that the SEC's FY 2004 financial statements were "presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles." However, GAO did identify three material internal control weaknesses in the areas of: recording and reporting disgorgement and penalties; preparing financial statements; and information technology security. The agency takes these findings very seriously, particularly given its unique role in monitoring the financial reporting controls of public companies and regulated entities. The SEC continued working aggressively to address these weaknesses and expects to fully resolve them in FY 2006.

Strengthened Controls Over Budget Planning: The SEC worked aggressively in FY 2005 to strengthen budget planning for the agency's office facilities. In May 2005, the SEC disclosed to Congress that it had identified unbudgeted costs of approximately $48.7 million associated with the construction of its new facilities in Washington, D.C. and improvements to its new leased facilities in New York and Boston. The Government Accountability Office (GAO) conducted a review of these lapses and recommended certain actions to address them. The SEC has already adopted a number of these recommendations and plans to implement all remaining GAO recommendations during FY 2006. The SEC began to implement an activity-based costing and performance-based budgeting system, based on the recommendations of a requirements analysis completed in FY 2005. This system, the Budget and Program Performance Analysis System, will be a vital tool for management to strengthen internal controls and to provide a detailed picture of the Commission's operations and their effectiveness.

Procurement and Contracting: In FY 2005, the SEC reorganized the procurement and contracting function, recruited additional staff for this area, and selected an automated procurement application. These steps will improve the timeliness and quality of the SEC's acquisition operations and better integrate acquisition planning into the annual budget formulation process.

Staff Recruitment, Retention, and Training: The agency launched a variety of initiatives to expand the SEC University (SEC U), the agency's central workforce development program. These efforts included increasing the numbers and types of courses offered, offering options for attorneys and accountants to obtain continuing education credits, administering a comprehensive training needs assessment, and creating a website that details the SEC U's human capital development opportunities. The Commission also evaluated and significantly improved its orientation program for new employees.

The SEC continued to use several important human capital programs to retain employees with valuable skills. For example, the agency continued its compensation program that rewards superior performance through a pay-for-performance system. The SEC also offers an expanded benefits package that includes student loan repayment, dental and vision benefits, and other programs to attract and retain talented employees. Although attrition rose in FY 2005, the SEC was recently ranked among the top five places to work in the federal government in a study conducted by the Partnership for Public Service and *U.S. News & World Report.*

Information Technology: The SEC developed requirements for a fundamental redesign of the Division of Enforcement's case tracking system. The new system is expected to reduce the costs associated with searches and reports, eliminate duplicative and inaccurate data entry, and help the agency better track funds ordered through enforcement actions. The agency also upgraded the enforcement program's IT forensics capabilities, allowing staff to obtain and analyze data much more quickly from equipment subpoenaed or seized in the course of investigations.

The document imaging project, which was initiated in FY 2004 and continued in FY 2005, is intended to reduce the amount of time that enforcement staff spend searching for documents and protecting the information in case of disaster. The SEC made preparations to prioritize and scan the remaining backlog of investigation-related documents. In addition, the agency expanded imaging services to other offices.

Finally, the SEC piloted a number of new tools to help staff better identify sources of potential risk—whether in disclosure filings, market data, news feeds, evidentiary or examination documents, or elsewhere. For example, the staff piloted a set of tools that will analyze corporate and mutual fund filing information to identify companies most in need of review.

2007 Request by Strategic Goal

The SEC's major initiatives for 2007 are highlighted below and are described in further detail within the chapters that follow. The agency intends to implement these initiatives by reallocating existing resources as necessary.

This chapter organizes the initiatives for 2007 by the SEC's four goals, as established under the agency's 2005-2009 strategic plan. These goals may change as the Commission develops a new five-year strategic plan over the next year.

Goal 1: Enforce Compliance with Federal Securities Laws

In 2007, the SEC will continue to develop innovative approaches to the enforcement of the federal securities laws, through the use of new technologies and enhanced emphasis on those entities and activities that pose the greatest threat to investors. These efforts are described below for the SEC's enforcement and examination programs.

Enforcement Program: The Division of Enforcement will continue to pursue violators vigorously, through methods such as trading suspensions; asset freezes; temporary restraining orders; coordination with criminal authorities; and focused, expedited investigations.

Enforcement staff will work to develop increasingly sophisticated approaches for detecting violations of law by organizing and gathering data from a wide range of sources. The staff expects to receive and handle a combined total of 670,000 investor complaints, tips, and forwarded e-mail spams and to open about 1,430 new matters under inquiry (MUIs).

The Division plans to open and pursue investigations in all core areas of enforcement, including market manipulation, insider trading, and offering fraud. Conflicts in the financial services sector, as well as serious financial accounting frauds, likely will remain the most important program areas. The Commission also expects to detail staff to the Department of Justice to support criminal prosecution of securities fraud. The staff plans to open roughly 960 investigations.

The SEC will continue to work with foreign authorities to obtain information relating to cross-border matters and secure assets that may have been transferred outside of the U.S. The Commission will continue to develop international enforcement tools, including Memoranda of Understanding and information-sharing agreements to facilitate cross-border cooperation.

The Commission will continue to commit resources to protracted litigation, an essential element in maintaining a credible law enforcement program. Litigated financial fraud cases, in particular, require extensive resources as they proceed through lengthy discovery, motion filings, and trial. In addition, litigation staff will continue to seek emergency relief to freeze assets, halt ongoing market manipulations, and alert investors to false or misleading disclosures made by issuers. The Division plans to open about 300 administrative proceedings and to institute approximately 340 civil proceedings.

Examination Program: The Office of Compliance Inspections and Examinations (OCIE) will continue to implement the SEC's risk-based examination program designed to detect violations of the federal securities laws and foster strong compliance practices. Examiners will continue to conduct routine, cause and special purpose examinations, focusing the SEC's resources on those firms and practices that have greatest potential for violative conduct that can harm investors. Higher-risk activities include those that create significant conflicts of interest where compliance policies and procedures are insufficient to mitigate those conflicts. Staff also will continue to provide feedback to registered firms that will result in the correction of compliance problems. Results from examinations will continue to be used to identify trends and emerging issues that may need to be addressed through enforcement actions, Commission rulemaking, or other actions.

Higher-risk advisers will be examined at least every three years. In each of these inspections, the staff will evaluate a firm's compliance program, apply forensic tests designed to uncover schemes to defraud investors, and assign the firm a risk rating. In addition, OCIE will select a statistically random sample of advisers that have lower risk profiles, and the staff will conduct comprehensive, risk-based inspections of as many of these firms and their affiliated fund groups as resources will allow. In 2007, OCIE will deploy additional monitoring teams to very large advisory firms that have numerous advisory affiliates, as well as one or more investment company complexes. In addition, OCIE expects to continue working to develop an adviser surveillance program, if approved by the Commission.

Examiners will review the risk management, compliance, and internal controls of the largest broker-dealers and will continue to examine consolidated supervised entity (CSE) applicants and existing CSEs. In addition, examinations will continue to concentrate on compliance with sales practice and net capital rules. In particular, OCIE will focus on brokerage firms' retail sales practices to identify churning, unauthorized trading and unsuitable investments, and failure to disclose risks. Exams also will assess broker-dealer compliance with anti-money laundering rules, broker-dealer relationships with hedge funds, back-office operations, information security, and follow-up on past supervisory deficiencies. Staff will implement improvements to the oversight exam and inspection programs intended to better assess the quality of the SROs' examination programs and recommend necessary improvements. The staff will conduct risk-based and cycle inspections of SRO surveillance, disciplinary, examination, arbitration, and listing programs.

Goal 2: Promote Healthy Capital Markets Through an Effective and Flexible Regulatory Environment

The SEC will continue to consider regulatory proposals that will have widespread effects on the securities markets, in areas such as investment management regulation, securities firm supervision, disclosure, and accounting policy. Some of the major highlights are described below.

Investment Management Regulation: The top strategic priority of the Division of Investment Management for 2007 will be to revamp the mutual fund disclosure regime. The staff intends to make mutual fund disclosures more useful to investors and may recommend new rules designed to encourage more reader-friendly formats and the better use of new technologies, such as interactive data and the Internet.

Securities Firm and Market Supervision: The Division of Market Regulation expects to analyze the short sale pilot and consider whether Regulation SHO should be further amended. The Division also may recommend adoption of amendments to the transfer agent rules, anti-manipulation rules (Regulation M), rules regarding contingent and best efforts offerings (Rules 10b-9 and 15c2-4), and rules governing research analysts. If these proposals are recommended for adoption, the staff will dedicate substantial time to drafting and implementing the amendments.

In 2007, the staff will provide consolidated supervision to at least five internationally active securities firms. In addition, the staff will continue to review applications from between four and eight additional broker-dealers to compute regulatory capital using an alternative, risk-based, approach that aligns the regulatory capital calculation with internal risk management practices. The staff also will develop possible rule changes to facilitate portfolio margining for customers of broker-dealers and will work to clarify criteria for recognizing nationally recognized statistical rating organizations (NRSROs).

The Division expects to recommend adoption of rules to provide point-of-sale disclosure of costs and conflicts of interest in connection with sales of mutual funds and related securities. The Division also will consider whether confirmations are the best vehicle for providing information to investors, and whether other sources of information would be more effective, as well as less costly. In addition, the Division will continue work on rules relating to the operations of small business finders, solicitors for broker-dealers, and private placement broker-dealers.

The staff likely will face significant new challenges in overseeing major securities markets, including broker-dealer trading systems (ATSs) and the exchanges. Furthermore, the Division will monitor the impact of the SEC's actions to modernize the national market system and respond to changes in the options markets. Finally, the SEC will continue to engage in dialogue with foreign regulators on cross-border issues as necessary.

Disclosure: The Division of Corporation Finance intends to recommend the adoption of the following items, depending on the nature of the public comments received:

- Amendments to the proxy rules to permit companies and other soliciting parties to make proxy materials electronically available to their shareholders, provided that paper copies are provided to requesting shareholders.

- Amendments that would enhance disclosure regarding executive compensation, the independence of a registrant's board of directors, related party transactions between executive officers and directors, and related party transactions with a company.

- Revisions to the "best-price" requirements in the tender offer rules to address issues raised by recent court decisions regarding the type of consideration to which these rules apply.

- Revisions to the current rules to make it easier for foreign issuers to deregister securities under the 1934 Act.

- Amendments to the current regulatory system for smaller companies under the federal securities laws.

The Division anticipates devoting additional resources to initiatives to release publicly the staff's comment letters and company responses and reduce by more than 3,000 the backlog of Freedom of Information Act (FOIA) responses and confidential treatment requests.

Accounting Policy: The Office of the Chief Accountant (OCA) will continue overseeing the development of accounting standards, particularly initiatives by the Financial Accounting Standards Board (FASB) to simplify and codify accounting standards and accounting for financial instruments. The Office also will continue to monitor the FASB's efforts to move toward a more principles-based approach to setting accounting standards, as well as any new standards that result from the SEC staff study on off-balance sheet arrangements.

The SEC also intends to implement further the 'roadmap' published by SEC staff in 2005, which highlights the steps needed to eliminate the need for the requirement that foreign private issuers reconcile financial statements prepared under International Financial Reporting Standards (IFRS) to U.S. Generally Accepted Accounting Principles (GAAP). The SEC staff will analyze the implications of foreign private issuers' IFRS financial statements and reconciliations, which many foreign private issuers will begin to file with the SEC in mid-2006. The SEC staff also will begin working to identify any changes to its rules that would be necessary to allow the elimination of the IFRS reconciliation requirements.

The staff will continue to oversee the activities of the Public Company Accounting Oversight Board (PCAOB), including inspecting audit firms and promulgating and interpreting auditing standards and auditor independence requirements. The PCAOB is scheduled to conduct quality reviews of approximately 400 audit firms during the period, 33% more than in 2006.

Goal 3: Foster Informed Investment Decision Making

The Commission works to achieve this objective through two main efforts: reviewing the disclosure of securities market participants to make them more complete, accurate, and timely and educating and assisting investors who have questions or concerns related to the securities markets. In 2007, the SEC expects to perform the activities listed below.

Disclosure Reviews: The Division of Corporation Finance expects to review the disclosures of about 5,540 reporting issuers, equal to about 44% of all reporting companies. This large volume of disclosure reviews will serve to deter fraud in public securities transactions, help ensure that investors receive material information about emerging and novel issues, and satisfy the review requirement of the Sarbanes-Oxley Act. In addition, the Division expects to review the filings of 900 new issuers. Because of uncertain market and economic conditions, the Division does not project any growth in the level of transactional filings. Transactional filings above projected levels could result in a reduced number of reviews of reporting companies for the year.

The Division of Investment Management expects to review the disclosures of one-third of investment companies, to meet the requirements of the Sarbanes-Oxley Act. In addition, the staff will continue to review the disclosures of most new mutual funds and closed-end funds, all new insurance contracts, and most portfolios of new unit investment trusts (UITs). The staff also will examine proxy statements, as well as post-effective amendments that contain material changes in disclosure.

Investor Education: In 2007, the Office of Investor Education and Assistance (OIEA) expects to receive about 76,000 new investor complaints, questions, and other contacts, resulting in about 71,000 unique new matters. The staff likewise will close about 71,000 open matters and will increase the percentage of matters closed within seven days to 83%.

OIEA also carries out the SEC's investor education program, which includes producing and distributing educational materials, collaborating with state and federal agencies, fostering public-private partnerships, and participating in educational events. OIEA also provides policy guidance to the SEC's program offices and consults with other SEC staff on proposed rulemakings and their possible effects on individual investors. The staff anticipates that the SEC's investor education web pages will receive about 8.5 million hits.

Goal 4: Maximize the Use of SEC Resources

In 2007, the SEC will complete a revised and updated five-year strategic plan and will continue to concentrate on ensuring that taxpayer dollars are used to maximum effect to fulfill the agency's mission. Below are listed some examples of the efforts to be undertaken in 2007 to enhance the SEC's operational effectiveness.

Audited Financial Statements: The Office of Financial Management (OFM) will coordinate the agency's preparation of quarterly and annual audited financial statements, along with other external and internal financial reports. OFM also will continue implementing changes to management systems to ensure compliance with all applicable federal accounting standards and complete the compilation of accounting and financial management policies and procedures.

Strengthened Controls Over Budget Planning: The SEC will complete the implementation of the Budget and Program Performance Analysis System (BPPAS), a vital tool for enhancing offices' ability to manage their own budgets, strengthening internal controls, streamlining the budget process, and providing a detailed picture of Commission operations and their effectiveness. Separately, a fourth program area will undergo an evaluation by the Office of Management and Budget (OMB) using the Performance Assessment Rating Tool (PART).

Staff Recruitment, Retention, and Training: The Office of Human Resources (OHR) anticipates continuing to implement an integrated set of human capital systems, including systems for performance management, selection, leadership and knowledge management (SEC University), and succession planning. Separately, the SEC University will complete the implementation of its new strategic plan, which will chart a course for the management and dissemination of knowledge throughout the agency, in partnership with the SEC's divisions and offices.

Information Technology: The Office of Information Technology (OIT) supports the agency's use of technology to enhance agency-wide mission performance. One of OIT's priorities for 2007 will be to transition to a new performance-based contract for the SEC's Electronic Data Gathering, Analysis, and Retrieval (EDGAR) system. Also, the SEC will begin implementation of a multi-year project to consolidate and simplify EDGAR forms, to streamline the disclosure process for filers and investors.

OIT also will implement the initial phase of an upgrade to the Division of Enforcement's case tracking system, including the development of a new financial management module. The system will improve the SEC's ability to track and account for penalties and disgorgements, as well as to manage its large portfolio of investigations and cases. The SEC also will roll out a similar tool for managing examinations conducted by OCIE. In addition, OIT will initiate a project to consolidate the various applications and business processes associated with the tracking of complaints, tips, and referrals.

Finally, the SEC's information technology security program will focus on implementing the requirements of Homeland Security Presidential Directive 12 (HSPD-12) and managing emergent security issues. HSPD-12 implementation will include the distribution of new personal identity cards to staff, as well as the centralization of the process for managing access to information systems and sensitive data.

Description of Selected Fees
($ in millions)

Source of Fees	2005 Actual	2006 Estimate	2007 Estimate
Registration of securities under the Securities Act of 1933 (Section 6(b))	$571	$689	$214
Securities transactions under the Securities Exchange Act of 1934 (Section 31)	1,070	1,435	881
Actual/Target Offsetting Collections Amounts	$1,665	$2,124	$1,095

Explanation of Fee Collections

The SEC is authorized to levy and collect certain fees under Section 6(b) of the Securities Act of 1933 and Sections 13(e), 14(g) and 31 under the Securities Exchange Act of 1934. Within the Federal Budget, these fees are classified as offsetting collections.

SEC fee rates are established periodically as required by the "Investor and Capital Markets Fee Relief Act" (P.L. 107-123) ("Fee Relief Act"), in accordance with methodologies developed in conjunction with the Congressional Budget Office and the Office of Management and Budget. Specifically, Section 31 and Section 6(b) fee rates are adjusted periodically so that the total collections for each fee equal target amounts established in the "Fee Relief Act."[1] In the event that the Commission does not have a regular appropriation at the start of its fiscal year, each fee rate is required to remain at its prior year's rate until the regular appropriation is enacted. The Commission will publish the fee rates for fiscal 2007 in the Federal Register no later than April 30, 2006.

Fiscal 2005

In 2005, the SEC collected $571 million in Section 6(b) registration fees. This amount was approximately equal to the $570 million target collection amount established the "Fee Relief Act." From October 1 through December 12, 2004, the Section 6(b) fee rate was $126.70 per million, due to the Commission's operating under a continuing resolution. From

[1] The "Fee Relief Act" does not contain a target offsetting collections amount for fees collected pursuant to Sections 13(e) and 14(g) of the Securities Exchange Act of 1934. The rates for these fees are changed on an annual basis so as to keep them at the same uniform rate applicable to Section 6(b) registration fees. This harmonization of rates is designed to remove any ambiguity with respect to the fees applicable when a registration of new securities is made in connection with the repurchase of stock or as part of a merger. The SEC collected approximately $23.9 million in Section 31(e) and 14(g) fees in 2005.

December 13, 2004 through September 30, 2005, the end of the Commission's fiscal year, the fee rate was $117.70 per million.

The Commission also collected $1.07 billion in Section 31 transaction fees, approximately 12 percent below the transaction fee target collection amount of $1.22 billion. From October 1 through December 12, 2004 the Section 31 transaction fee was set at $23.40 per million, because the Commission was operating under a continuing resolution. From December 13 through March 31, 2005 the fee rate was $32.90 per million, the rate previously announced by the Commission for 2005. The "Fee Relief Act" annually requires the Commission to determine whether a mid-year adjustment of the Section 31 fee rate is required based on whether actual and projected collections for the year as of March 1, 2005 are estimated to be within ten percent of the target collections amount for the entire year. Based on the Commission's calculation, the SEC was required to perform an upward mid-year adjustment of the Section 31 fee rate from $32.90 per million to $41.80 per million, effective April 1, 2005. This fee rate remained in effect through the end of the fiscal year.

Fiscal 2006

The Commission began 2006 under a continuing resolution that funded agency operations from October 1 through November 27, 2005. During this period, the fees paid under Section 6(b) of the Securities Act of 1933 remained at the prior year's rate of $117.70 per million. In addition, transaction fees paid under Section 31 of the Securities Exchange Act of 1934 remained at the prior year's rate of $41.80 per million.

Five days after enactment of the Commission's regular appropriation, the fee rate under Section 6(b) of the Securities Act of 1933 was decreased from $117.70 per million to $107.00 per million. Thirty days after enactment of the Commission's regular appropriation, the Section 31 fee rate was decreased from $41.80 per million to $30.70 per million.

As required by the "Fee Relief Act," the Commission will make a determination of whether a mid-year adjustment of the Section 31 fee rate is necessary no later than March 1, 2006. This determination, which will be published in the Federal Register, is based on whether the Commission's actual and estimated collections for 2006 fall within ten percent of the target collections amount for 2006. If a mid-year Section 31 fee rate is required, it will become effective on April 1, 2006 and remain effective through the remainder of the fiscal year.

Fiscal 2007

The target collections amount for Section 6(b) registration fees in 2007 is $214 million, while the target amount for Section 31 transaction fees is $881 million. Taken together, we anticipate these two fees will generate $1,095 billion. The Commission will publish the fee rates for fiscal 2007 in the Federal Register by no later than April 30, 2006.

Division of Enforcement

Executive Summary

	2005 Actual	2006 Estimate	2007 Request
FTEs: Headquarters	446	433	419
Regions and Districts	786	783	768
Total	**1,232**	**1,216**	**1,187**
Cost: Salaries and Benefits ($000)	$195,435.5	$200,832.3	$206,834.4
Non-Personnel Expenses ($000)	$120,844.3	$121,216.1	$121,308.1
Total Direct Costs ($000)	**$316,279.8**	**$322,048.4**	**$328,142.5**

2007 Request: Applicability of SEC Strategic Goals			
Goal 1 Enforce Compliance With Federal Securities Laws	Goal 2 Promote Healthy Capital Markets	Goal 3 Foster Informed Investment Decision Making	Goal 4 Maximize the Use of SEC Resources
✓			

The Commission's Division of Enforcement prosecutes violations of the federal securities laws and works closely with the Department of Justice and U.S. Attorneys offices to coordinate and assist in criminal prosecutions.

Intelligence Analysis: The staff expects to receive and handle a combined total of 670,000 investor complaints, tips, and forwarded e-mail spams, and to open about 1,430 matters under inquiry (MUIs).

Investigations: The Division will continue to maintain a presence in all core areas of enforcement, including market manipulation, insider trading, and offering fraud. Conflicts in the financial services sector, as well as serious financial accounting frauds, likely will remain the most important program areas. The Division will continue to focus on important investigations and to effectively support all litigation. The Commission also expects to detail staff to the Department of Justice to support criminal prosecution of securities fraud. The Division plans to open 960 investigations.

Proceedings: The Commission will continue to commit resources to protracted litigation, an essential element in maintaining a credible law enforcement program, and to seek emergency relief to freeze assets, halt ongoing market manipulations, and alert investors to false or misleading disclosures made by issuers. The increasing complexity of the Commission's enforcement actions, the initiation of emergency and subpoena enforcement actions, and the Commission's efforts to obtain significant sanctions against defendants where appropriate all will consume Division resources. The Division plans to open about 300 administrative proceedings and to institute approximately 340 civil proceedings.

Office of Compliance Inspections and Examinations

Executive Summary

	2005 Actual	2006 Estimate	2007 Request
FTEs: IC/IA Program			
Headquarters	62	67	66
Regions and Districts	427	425	417
Subtotal	489	492	483
BD/SRO Program			
Headquarters	81	87	86
Regions and Districts	281	279	274
Subtotal	362	366	360
Total	**851**	**858**	**843**
Cost: Salaries and Benefits ($000)	$131,513.0	$138,069.2	$143,107.7
Non-Personnel Expenses ($000)	$78,906.2	$73,664.1	$72,270.8
Total Direct Costs ($000)	**$210,419.2**	**$211,733.3**	**$215,378.5**

2007 Request: Applicability of SEC Strategic Goals			
Goal 1 Enforce Compliance With Federal Securities Laws	Goal 2 Promote Healthy Capital Markets	Goal 3 Foster Informed Investment Decision Making	Goal 4 Maximize the Use of SEC Resources
✓			

The Office of Compliance Inspections and Examinations (OCIE) conducts an examination program to detect violations of federal securities laws and evaluate internal compliance controls. About 9,000 investment advisers, 1,000 fund complexes, over 6,900 broker-dealers, 11 self-regulatory organizations (SROs), 7 clearing agencies, and over 400 transfer agents are subject to SEC routine, cause, and special purpose exams. These inspections are conducted by staff in the agency's regional, district, and headquarters offices. OCIE's risk-based program is designed to focus the SEC's resources on those firms and practices that have greatest potential for securities law violations that can harm investors.

IC/IA Examinations: The staff will continue to inspect higher-risk firms once every three years and lower-risk firms on a random basis. In addition, OCIE anticipates deploying additional monitoring teams to very large advisory firms and continuing to implement an adviser surveillance program if approved by the Commission.

BD/SRO Examinations: Staff will continue to review the largest, most complex brokerage firms and other financial institutions through risk management, compliance, and internal controls inspections. In particular, OCIE will focus on brokerage firms' conflicts of interests; their compliance with anti-money laundering rules; broker-dealers' relationships with hedge funds; broker-dealers' follow-up on past supervisory deficiencies; and sales practice violations such as churning, unauthorized trading, unsuitable investments, and failure to disclose risks.

Division of Corporation Finance

Executive Summary

	2005 Actual	2006 Estimate	2007 Request
FTEs: Headquarters	**495**	**478**	**463**
Cost: Salaries and Benefits ($000)	$74,429.0	$72,985.7	$74,583.3
Non-Personnel Exp. ($000)	$46,471.1	$27,140.9	$26,735.7
Total Direct Costs ($000)	**$120,900.1**	**$100,126.6**	**$101,319.0**

2007 Request: Applicability of SEC Strategic Goals			
Goal 1 Ensure Compliance with Federal Securities Laws	Goal 2 Promote Healthy Capital Markets	Goal 3 Foster Informed Investment Decision Making	Goal 4 Maximize the Use of SEC Resources
✓	✓	✓	

The Division of Corporation Finance establishes disclosure requirements and monitors disclosure to provide investors with information necessary to make investment decisions and to help prevent fraud and misrepresentation in securities transactions. Continuing investor interest regarding the quality of financial reporting and corporate governance and significant changes in disclosure and other requirements applicable to reporting companies have contributed to a changing regulatory environment affecting the securities markets.

Review of Filings: The Division expects to complete 5,540 reviews of reporting issuers. This 44% reporting company review level will help deter fraud in public securities transactions, help ensure that investors receive material information about emerging and novel issues, and satisfy the review requirement of the Sarbanes-Oxley Act.

Rulemaking and Interpretive Advice: Depending on the nature of public comments on previously proposed projects, the Division intends to recommend that the Commission adopt rules to enhance disclosure regarding executive compensation, the independence of a registrant's board of directors, and related party transactions; allow electronic distribution of proxy materials to shareholders; make it easier for foreign issuers to deregister securities under the 1934 Act; amend the current regulatory system for smaller companies; and revise the "best-price" requirements in the tender offer rules.

Division of Market Regulation

Executive Summary

	2005 Actual	2006 Estimate	2007 Request
FTEs: Headquarters	**171**	**165**	**160**
Cost: Salaries and Benefits ($000)	$26,882.0	$29,097.1	$29,833.3
Non-Personnel Expenses ($000)	$22,160.7	$20,664.4	$19,932.8
Total Direct Costs ($000)	**$49,042.7**	**$49,761.5**	**$49,766.1**

2007 Request: Applicability of SEC Strategic Goals			
Goal 1 Enforce Compliance With Federal Securities Laws	Goal 2 Promote Healthy Capital Markets	Goal 3 Foster Informed Investment Decision Making	Goal 4 Maximize the Use of SEC Resources
✓	✓	✓	

The Division of Market Regulation's mission is to maintain fair, honest, and efficient securities markets. This is accomplished primarily by supervising and regulating the major market participants – 14 registered exchanges, 2 national securities associations, broker-dealers, clearing agencies, transfer agents, the Municipal Securities Rulemaking Board, and securities information processors. As envisioned by the Securities Exchange Act of 1934 (1934 Act), the Commission relies on the self-regulation of the securities industry as the primary method of ensuring fair dealing and investor protection, but directly regulates market participants where Commission rulemaking is more effective than self-regulation.

Securities Firm Supervision: The staff expects to recommend the adoption of rules requiring point-of-sale disclosure of mutual fund costs and conflicts of interest; consider whether to recommend additional amendments to the short sale rule; review self-regulatory organization (SRO) rules governing initial public offerings (IPOs), underwriter compensation, fairness opinions, and research analysts; and continue addressing issues relating to foreign and domestic transfer agents. In addition, the staff will provide consolidated supervision to at least five internationally active securities firms, review additional applications for consolidated supervision, and continue work to clarify the current nationally recognized statistical rating organization (NRSRO) recognition criteria.

Market Supervision: Staff will monitor the impact of action taken to respond to changes in the options markets, and will review an increasing number of proposed SRO rule changes. The staff also will likely face significant new challenges regarding the regulation and supervision of the major securities markets.

Division of Investment Management

Executive Summary

	2005 Actual	2006 Estimate	2007 Request
FTEs: Headquarters	**180**	**165**	**160**
Cost: Salaries and Benefits ($000)	$30,189.6	$31,703.3	$32,519.0
Non-Personnel Expenses ($000)	$21,302.6	$23,359.0	$21,017.4
Total Direct Costs ($000)	**$51,492.2**	**$55,062.3**	**$53,536.4**

2007 Request: Applicability of SEC Strategic Goals			
Goal 1 Enforce Compliance With Federal Securities Laws	Goal 2 Promote Healthy Capital Markets	Goal 3 Foster Informed Investment Decision Making	Goal 4 Maximize the Use of SEC Resources
✓	✓	✓	

The Division of Investment Management regulates investment companies and investment advisers under two companion statutes, the Investment Company Act of 1940 (Investment Company Act) and the Investment Advisers Act of 1940 (Investment Advisers Act). The program also will administer the Public Utility Holding Company Act of 1935 (PUHCA) until the Act is phased out in February 2006, pursuant to the Energy Policy Act of 2005. The Division seeks to protect investors from fraud, mismanagement, self-dealing, and inadequate disclosures by investment companies and investment advisers, without imposing unnecessary burdens on regulated entities.

The Division's top strategic priority for 2007 will be to revamp the mutual fund disclosure regime. The staff intends to make mutual funds' disclosures more useful to investors. The staff also will explore data tagging of mutual fund disclosures to make the data more interactive. The staff may recommend new rules designed to encourage more reader-friendly formats and the better use of new technologies, such as the Internet.

The Division will review the disclosures, including financial statements, of one-third of investment company portfolios as required by the Sarbanes-Oxley Act. The staff also will review most new portfolios of open-end and closed-end funds, all new insurance contracts, most portfolios of new unit investment trusts (UITs), proxy statements, and post-effective amendments that reflect material changes in disclosure or fund operations.

The Division will complete about 325 requests for exemptive relief submitted by industry participants, approximately the same level as in 2006.

Office of the General Counsel

Executive Summary

	2005 Actual	2006 Estimate	2007 Request
FTEs: Headquarters	119	121	120
Regions and Districts	12	12	12
Total	**131**	**133**	**132**
Cost: Salaries and Benefits ($000)	$22,086.7	$22,939.5	$24,037.5
Non-Personnel Expenses ($000)	$3,242.8	$3,427.6	$3,692.7
Total Direct Costs ($000)	**$25,329.5**	**$26,367.1**	**$27,730.2**

2007 Request: Applicability of SEC Strategic Goals			
Goal 1 Enforce Compliance With Federal Securities Laws	Goal 2 Promote Healthy Capital Markets	Goal 3 Foster Informed Investment Decision Making	Goal 4 Maximize the Use of SEC Resources
✓	✓		✓

The Office of the General Counsel (OGC):

- Serves as counsel to the Commission on all initiatives by the Chairman and the agency's divisions and offices;
- Defends the Commission in federal district courts;
- Represents the Commission in all appellate matters and amicus curiae filings;
- Advises the Commission and prepares opinions on adjudications;
- Counsels the Commission and its staff on ethics matters;
- Represents the Commission in administrative, real estate, labor law, and similar legal matters; and
- Oversees the Commission's Bankruptcy Program

In 2007, OGC expects to continue managing the agency's appellate litigation, including appeals related to complex enforcement and other legal matters. An estimated 365 litigation cases will be opened and 390 closed. OGC expects to receive and review appeals to the Commission from registered accounting firms as a result of Public Company Accounting Oversight Board (PCAOB) actions and assist in the prosecution of violations of attorney ethics rules under the Sarbanes-Oxley Act of 2002. An estimated 70 adjudicatory matters will be completed, about the same as in 2006, and many of these matters will resolve novel legal questions under the major statutes administered by the Commission. In addition, OGC anticipates reviewing about 175 and commenting on roughly 120 disclosure statements of publicly held debtors, and the Office expects to handle an estimated 3,400 ethics-related inquiries and 195 procurement matters.

Other Program Offices

	2005 Actual	2006 Estimate	2007 Request
FTEs: Headquarters			
Office of Chief Accountant	56	54	51
Office of Inv. Educ. and Assistance	36	37	37
Office of International Affairs	25	27	27
Office of Economic Analysis	24	25	23
Office of Risk Assessment	5	8	8
Office of Administrative Law Judges	11	12	12
Total	**157**	**163**	**158**
Cost: Salaries and Benefits ($000)	$25,920.9	$27,619.8	$28,227.1
Non-Personnel Exp. ($000)	$4,324.4	$7,780.1	$7,043.7
Total Direct Costs ($000)	**$30,245.3**	**$35,399.9**	**$35,270.8**

This section of the SEC's request includes chapters that describe the responsibilities, functions, and activities of the agency's smaller program offices. The offices covered by this section include:

Office of Chief Accountant: establishes and enforces accounting and auditing policy to enhance the transparency and relevancy of financial reporting, and for improving the professional performance of public company auditors in order to ensure that financial statements used for investment decisions are presented fairly and have credibility.

Office of Investor Education and Assistance: serves individual investors who complain to the SEC about investment fraud or the mishandling of their investments by securities professionals.

Office of International Affairs: promotes investor protection in the global capital markets by advancing international regulatory and enforcement cooperation, promoting the adoption of converged high regulatory standards worldwide, and facilitating technical assistance programs to strengthen the regulatory infrastructure in emerging market countries.

Office of Economic Analysis: serves as the chief advisor to the Commission and its staff on all economic issues associated with the SEC's regulatory activities.

Office of Risk Assessment: helps the SEC anticipate, identify, and manage risk.

Office of Administrative Law Judges: conducts hearings and rules on allegations of securities law violations.

Office of Chief Accountant

Executive Summary

	2005 Actual	2006 Estimate	2007 Request
FTEs: Headquarters	**56**	**54**	**51**

2007 Request: Applicability of SEC Strategic Goals			
Goal 1 Enforce Compliance with Federal Securities Laws	Goal 2 Promote Healthy Capital Markets	Goal 3 Foster Informed Investment Decision Making	Goal 4 Maximize the Use of SEC Resources
✓	✓	✓	✓

The Chief Accountant's Office (OCA) is responsible for establishing, interpreting, and enforcing accounting and auditing policy to enhance the transparency and relevancy of financial reporting, and for improving the professional performance of public company auditors in order to ensure that financial statements used for investment decisions are presented fairly and have credibility. Concerns about the adequacy of accounting standards and the quality of independent audits led to major SEC and congressional actions, including passage of the Sarbanes-Oxley Act. Such concerns also resulted in increased private sector activity in accounting standard setting by the Financial Accounting Standards Board (FASB) and auditor oversight and regulation by the Public Company Accounting Oversight Board (PCAOB), both conducted under SEC oversight.

In 2007, OCA will continue its oversight of accounting standard setting activities, including a major FASB project on simplification and codification of accounting standards. OCA also will monitor the FASB's implementation of recommendations directed at moving toward a more principles-based approach to setting accounting standards.

OCA, working with the Division of Corporation Finance, intends to continue its review of foreign registrant filings under the International Financial Reporting Standards (IFRS) to assist the Commission in determining whether the reconciliation to U.S. accounting standards that currently accompanies these financial statements remains necessary. OCA also will continue to assess the benefits of using tagged data under the eXtensible Business Reporting Language (XBRL) initiative and continue oversight of the PCAOB, which is expected to conduct quality reviews of approximately 400 firms, 33% more than in 2006.

Office of Investor Education and Assistance

Executive Summary

	2005 Actual	2006 Estimate	2007 Request
FTEs: Headquarters	**36**	**37**	**37**

2007 Request: Applicability of SEC Strategic Goals			
Goal 1 Enforce Compliance With Federal Securities Laws	Goal 2 Promote Healthy Capital Markets	Goal 3 Foster Informed Investment Decision Making	Goal 4 Maximize the Use of SEC Resources
		✓	

The Office of Investor Education and Assistance (OIEA) serves as the SEC's primary point of contact for investors who complain about the possible mishandling of their investments by securities professionals or ask about how the securities industry works and where to find information about products, issuers, and industry participants. OIEA also carries out the Commission's investor education program by, among other things, producing and distributing educational materials, participating in educational events, and consulting with other SEC divisions and offices on proposed rulemakings.

Investor Assistance: OIEA staff anticipates receiving approximately 76,000 new investor complaints, questions, and other contacts, resulting in about 71,000 new matters. (Each new matter can involve several investor contacts.) The staff likewise will close 71,000 matters and will increase the percentage of matters closed within seven days to 83%.

Investor Education: OIEA staff also will continue to carry out the agency's investor education programs and provide policy guidance to the SEC's program offices. The staff anticipates distributing approximately 350,000 investor brochures. In addition, the SEC's investor education web pages will receive approximately 8.5 million hits.

Office of International Affairs

Executive Summary

	2005 Actual	2006 Estimate	2007 Request
FTEs: Headquarters	**24**	**25**	**23**

2007 Request: Applicability of SEC Strategic Goals			
Goal 1 Enforce Compliance With Federal Securities Laws	Goal 2 Promote Healthy Capital Markets	Goal 3 Foster Informed Investment Decision Making	Goal 4 Maximize the Use of SEC Resources
✓	✓		

To protect U.S. investors, the SEC works with foreign regulators to improve cross-border enforcement cooperation, advance global transparency and disclosure, supervise globally-active U.S. firms, and promote high regulatory standards around the world. The Office of International Affairs (OIA) works to achieve these objectives by negotiating and implementing information-sharing arrangements for enforcement cooperation, formulating regulatory policy for cross-border securities activities, and providing technical assistance to emerging markets.

In 2007, OIA will:

- Assist the Division of Enforcement with international cases, and participate in initiatives related to the regulation of globally active financial market participants;
- Make approximately 480 requests to foreign authorities for enforcement assistance, and handle approximately 340 requests from foreign authorities for enforcement assistance;
- Participate in about 180 international policy directives to promote high regulatory standards and strengthen the global marketplace; and
- Respond to approximately 240 technical assistance requests from foreign authorities.

Globalization has resulted in an increase in SEC cases with international elements, and has heightened the complexity of SEC cases.

Office of Economic Analysis

Executive Summary

	2005 Actual	2006 Estimate	2007 Request
FTEs: Headquarters	**25**	**27**	**27**

2007 Request: Applicability of SEC Strategic Goals			
Goal 1 Enforce Compliance With Federal Securities Laws	Goal 2 Promote Healthy Capital Markets	Goal 3 Foster Informed Investment Decision Making	Goal 4 Maximize the Use of SEC Resources
✓	✓	✓	✓

The Office of Economic Analysis (OEA) is the chief adviser to the Commission and its staff on all economic and empirical issues associated with the SEC's regulatory activities. OEA produces high quality analyses that address the economic issues associated with the regulation of our financial markets and conveys that knowledge clearly and responsibly to those making policy decisions. In 2007, OEA will support the following top priorities.

Support of Rulemaking: OEA expects rulemaking initiatives to continue at the same pace as in 2006 and will review about 55 SEC and self-regulatory organization (SRO) rules and conduct 45 regulatory flexibility analyses. The staff also will produce 190 memoranda and reports and provide economic advice on 1,000 regulatory and enforcement issues.

Enforcement and Inspection: OEA will continue to provide analytical support to the Division of Enforcement (ENF) in several areas, including structuring distribution plans that have been set up as a result of certain settlement actions. The staff also will provide analytical support to the Office of Compliance Inspections and Examinations (OCIE) with their investment adviser sweeps, thereby supporting the maximization of the use of Commission resources.

Risk Management: OEA will support the agency's efforts in the area of risk management by providing empirical analyses and related expertise to the Office of Risk Assessment (ORA).

Data: OEA will continue to work with staff across the agency in identifying and implementing risk assessment measures, including data filed by investment advisers and the use of XBRL technology that will tag financial data as it is reported and allow for more effective validation of the information.

Office of Risk Assessment

Executive Summary

	2005 Actual	2006 Estimate	2007 Request
FTEs: Headquarters	**5**	**8**	**8**

2007 Request: Applicability of SEC Strategic Goals			
Goal 1 Enforce Compliance with Federal Securities Laws	Goal 2 Promote Healthy Capital Markets	Goal 3 Foster Informed Investment Decision Making	Goal 4 Maximize the Use of SEC Resources
✓	✓	✓	✓

The Office of Risk Assessment (ORA) is responsible for coordinating the Commission's risk management program. Created in 2004, ORA was formed to help the Commission anticipate, identify, and manage risks, focusing on early identification of new or resurgent forms of fraud and illegal or questionable activities. ORA focuses on risk issues across the corporate and financial sector, including issues relevant to corporate disclosure, market operation, sales practices, new product innovation, corporate governance and many other activities.ORA's responsibilities can be grouped into three general categories:

- Analyzing data on new industry trends and risks from a variety of sources, such as professional and academic journals, domestic and foreign agencies, and industry and financial experts.

- Developing and maintaining the overall process for risk assessment throughout the agency.

- Serving as a resource of technical expertise for each division and office in their risk assessment efforts.

In 2007, the Office intends to strengthen coordination with the various offices and divisions and promote the dissemination of articles and written materials throughout the agency for consideration by staff and commissioners. ORA expects to continue ongoing efforts to strengthen the agency's internal infrastructure in order to enable it to respond to risks and carry out its mission, including issues relating to the agency's emergency preparedness.

Office of the Administrative Law Judges

Executive Summary

	2005 Actual	2006 Estimate	2007 Request
FTEs: Headquarters	**11**	**12**	**12**

2007 Request: Applicability of SEC Strategic Goals			
Goal 1 Enforce Compliance With Federal Securities Laws	Goal 2 Promote Healthy Capital Markets	Goal 3 Foster Informed Investment Decision Making	Goal 4 Maximize the Use of SEC Resources
✓			

Pursuant to the Administrative Procedure Act and the federal securities laws, administrative law judges preside at evidentiary hearings where the Commission has determined that public hearings are appropriate, in the public interest, and compatible with the protection of investors. The hearings are conducted in a manner similar to non-jury trials in the federal district courts.

In 2007, the administrative law judges plan to dispose of about 85 proceedings, issuing 35 initial decisions. The number of proceedings pending will be around 19.

Amendments to the Rules of Practice, effective July 17, 2003, were aimed at improving the timeliness of administrative proceedings. All orders instituting proceedings (OIP) now specify that the initial decision shall be filed with the Commission's Secretary either 120, 210, or 300 days from the date the OIP is served on the respondent. To accomplish this objective, the rules require submission of a signed settlement offer to the Commission by the respondent within 15 business days from when a stay is granted based on the parties' representation that they have reached an agreement in principle to settle, and submission of the signed offer of settlement and accompanying recommendation by the Commission staff within the next 20 business days. The amended rules announced a Commission policy strongly disfavoring requests for extensions, postponements, and adjournments. On April 19, 2004, the Commission amended the Rules of Practice further to provide that the time limits are tolled where a stay is granted at the request of a government official because of a pending criminal action arising out of the same or similar facts.

Agency Direction and Administrative Support

	2005 Actual	2006 Estimate	2007 Request
FTEs: Headquarters			
Agency Direction			
Executive Staff	37	36	36
Office of Public Affairs	7	6	7
Office of the Secretary	25	24	23
Office of the Executive Director	8	7	7
Office of Financial Management	42	46	48
Office of Human Resources	71	71	71
Office of Administrative Services	81	84	83
Office of Filings and Info. Svcs.	107	100	98
Office of Information Technology	118	121	118
Office of Equal Emp. Opportunity	10	9	9
Office of the Inspector General	10	10	10
Total	**516**	**514**	**510**
Cost: Salaries and Benefits ($000)	$58,146.5	$63,809.0	$67,273.1
Non-Personnel Exp. ($000)	$25,371.7	$23,808.9	$26,429.4
Total Direct Costs ($000)	**$83,518.2**	**$87,617.9**	**$93,702.5**

This section of the 2007 request details the SEC's agency-wide executive activities, operations, and administrative functions and covers the following areas:

Agency Direction: includes the Chairman's and Commissioners' offices, Office of Legislative Affairs (OLA), Office of Public Affairs (OPA), and Office of the Secretary. The Chairman and Commissioners develop overall agency policy. OLA works with members of Congress and their staff to implement the SEC's legislative policy goals. OPA coordinates relations with the media, the general public, SEC staff, and foreign visitors. The Office of the Secretary schedules Commission meetings, prepares and maintains records of Commission actions, and reviews documents submitted to the Commission.

Office of the Executive Director: develops and executes agency management policies. The Office works closely with the Chairman's Office to formulate budget policy, oversee the allocation and utilization of agency resources, promote management controls and financial integrity, manage the administrative support offices, and oversee the agency's information technology capital planning process.

Office of Information Technology: manages the Commission's Information Technology program including application development, user support, IT program management, capital planning, security, and enterprise architecture.

Office of Equal Employment Opportunity: ensures that employees and applicants for employment have equal opportunity in employment.

Office of the Inspector General: conducts internal audits of Commission operations and internal investigations into allegations of misconduct by staff or contractors.

Agency Direction

Executive Summary

	2005 Actual	2006 Estimate	2007 Request
FTEs:			
Executive Staff	28	28	28
Office of the Secretary	25	24	23
Office of Legislative Affairs	6	6	6
Office of Public Affairs	7	6	7
Chairman's Correspondence Unit	3	2	2
Total	**69**	**66**	**66**

2007 Request: Applicability of SEC Strategic Goals			
Goal 1 Enforce Compliance With Federal Securities Laws	Goal 2 Promote Healthy Capital Markets	Goal 3 Foster Informed Investment Decision Making	Goal 4 Maximize the Use of SEC Resources
✓	✓	✓	✓

Agency Direction is comprised of the Chairman and Commissioners and their staff, as well as the Office of the Secretary, the Office of Legislative Affairs (OLA), and the Office of Public Affairs (OPA). The Chairman's and Commissioners' offices develop overall agency policy and address the wide array of legal, financial, managerial, legislative, and economic issues encountered in the administration of the federal securities laws. The Office of the Secretary schedules Commission meetings, prepares and maintains records of Commission actions, and reviews documents submitted to the Commission for action. OLA works with members of Congress and their staff to implement the SEC's legislative policy goals, while OPA coordinates relations with the media, the general public, SEC staff, and foreign visitors.

In 2007, the Commission anticipates holding about 65 meetings and considering about 700 calendar items and 550 seriatim actions, including enforcement actions, rule proposals, and other items related to the administration of the federal securities laws. These actions will implement the Commission's mission to protect investors, sustain an effective and flexible regulatory environment, and facilitate capital formation.

OLA and OPA expect that their workload will remain stable relative to 2006. OLA will coordinate the preparations for about 14 Congressional hearings and handle approximately 7,000 telephone and e-mail inquiries from Congressional staff. OPA expects to receive about 45,000 media inquiries and draft and distribute about 170 news releases.

Office of the Executive Director

Executive Summary

	2005 Actual	2006 Estimate	2007 Request
FTEs: Headquarters			
Office of the Executive Director	8	7	7
Office of Financial Management	42	46	48
Office of Administrative Services	81	84	83
Office of Human Resources	71	71	71
Office of Filings and Info. Services	107	100	98
Total	**309**	**308**	**307**

2007 Request: Applicability of SEC Strategic Goals			
Goal 1 Enforce Compliance With Federal Securities Laws	**Goal 2** Promote Healthy Capital Markets	**Goal 3** Foster Informed Investment Decision Making	**Goal 4** Maximize the Use of SEC Resources
✓			✓

The Office of the Executive Director (OED) oversees the Office of Financial Management (OFM), the Office of Administrative Services (OAS), the Office of Human Resources (OHR), and the Office of Filings and Information Services (OFIS).

Financial Management: OFM staff will prepare the SEC's quarterly and annual audited financial statements, and continue to enhance management systems and processes to comply with current federal accounting and financial reporting requirements. OFM also will fully implement a performance-based budgeting/activity-based costing solution designed to enhance budget formulation, better monitor operating costs and achieve cost efficiency.

Administrative Services: With several major lease and office construction projects completed, OAS will focus on initiatives such as expanding the use of performance-based contracts and strategic sourcing in agency acquisitions, enhancing the SEC's emergency preparedness plans, and planning the construction of a new child care center at Station Place.

Human Resources: OHR will complete implementation of integrated human capital systems, focusing on selection, performance management, employee development, and succession planning. These systems will bring the SEC into alignment with the principles of the Human Capital Assessment and Accountability Framework (HCAAF) developed by the Office of Management and Budget (OMB), Government Accountability Office (GAO), and the Office of Personnel Management (OPM).

Office of Information Technology

Executive Summary

	2005 Actual	2006 Estimate	2007 Request
FTEs: Headquarters	**118**	**121**	**118**

2007 Request: Applicability of SEC Strategic Goals			
Goal 1 Enforce Compliance With Federal Securities Laws	Goal 2 Promote Healthy Capital Markets	Goal 3 Foster Informed Investment Decision Making	Goal 4 Maximize the Use of SEC Resources
			✓

The Office of Information Technology (OIT) will undertake several significant projects in 2007. These projects, several of which are highlighted below, will modernize existing processes or implement new tools and technology to support SEC staff in their work.

Electronic Data Gathering, Analysis, and Retrieval (EDGAR) and Disclosure Review: The current EDGAR contract will expire in June 2006. OIT anticipates a significant effort to transition to a new performance based contract with incentive structures and performance goals built in, and potentially a new vendor, in late 2006 and early 2007. Also in 2007, the SEC will begin implementation of a multi-year project to consolidate and simplify EDGAR forms, to streamline the disclosure process for filers and investors.

Enforcement and Examination Management: OIT will implement the initial phase of an upgrade to the Enforcement case tracking system. The system will improve the SEC's ability to manage its large portfolio of investigations and cases, as well as improve the handling of fines and disgorgements. The SEC also will roll out a similar tool for managing compliance inspections and examinations.

Information Security and Disaster Recovery: The IT Security program will focus on implementing the requirements of Homeland Security Presidential Directive 12 (HSPD-12), as well as managing emergent security issues. HSPD-12 implementation includes rolling out additional personal identity cards, and continuing to centralize the way the agency manages access to information systems and sensitive data.

Office of Equal Employment Opportunity

Executive Summary

	2005 Actual	2006 Estimate	2007 Request
FTEs: Headquarters	**10**	**9**	**9**

2007 Request: Applicability of SEC Strategic Goals			
Goal 1 Enforce Compliance With Federal Securities Laws	Goal 2 Promote Healthy Capital Markets	Goal 3 Foster Informed Investment Decision Making	Goal 4 Maximize the Use of SEC Resources
			✓

The Office of Equal Employment Opportunity (EEO) oversees the agency's compliance with federal laws that prohibit employment discrimination based on age, color, disability status, gender, national origin, race, religion, or sexual orientation, and prohibit discriminatory retaliation against individuals for participating in the EEO process or opposing discrimination. The Office also ensures compliance with the requirements of the No FEAR Act of 2002. An essential responsibility of the Office is to immediately and appropriately respond to any alleged violations of EEO laws, such as harassing conduct or the creation of a hostile work environment.

Preventative programs will continue to remain a top priority in 2007. EEO training modules to be offered during 2007 will include: Preventing Harassment, EEO Training for National Treasury Employees Union (NTEU) Stewards, and Disability Employment Training for SEC Managers.

The Office intends to analyze the 2006 EEO program, identify any weaknesses by applying the EEOC standards, and develop practical solutions. Over the last several years, the SEC has worked to become the "Employer of Choice" with such offerings as pay parity, flexible schedules, and improved benefits. In support of this effort, the Office has tried to create and support a work environment in which employees are personally satisfied, have opportunities for advancement, and are motivated to remain with the agency.

Phase II of the Diversity Initiative is to continue in 2007 with the full implementation of the programs developed and initiated in 2006. The Office subsequently will evaluate the effectiveness of the individual programs and make modifications as necessary.

Office of the Inspector General

Executive Summary

	2005 Actual	2006 Estimate	2007 Request
FTEs: Headquarters	**10**	**10**	**10**

2007 Request: Applicability of SEC Strategic Goals			
Goal 1 Enforce Compliance With Federal Securities Laws	Goal 2 Promote Healthy Capital Markets	Goal 3 Foster Informed Investment Decision Making	Goal 4 Maximize the Use of SEC Resources
			✓

The work of the Office of Inspector General (OIG) is driven by the rapid pace of significant internal and external changes affecting the Commission. Budgetary growth, new hiring authority, new pay for performance system, unionization of staff, and move to new headquarters have all had a major impact on Commission operations over the last several years. Moreover, after a period of unprecedented growth, the securities industry is now undergoing significant changes involving accounting and corporate governance issues, globalization, information technology, and numerous other trends. It is within that context that the Office continues to assess and mitigate impediments to the achievement of Commission goals and objectives.