U.S. GOVERNMENT ACCOUNTABILITY OFFICE
441 G St. N.W.
Washington, DC 20548

November 15, 2024

The Honorable Gary Gensler
Chair
United States Securities and Exchange Commission

Financial Audit: Securities and Exchange Commission's FY 2024 and FY 2023 Financial Statements

Dear Mr. Gensler:

This report transmits the GAO auditor's report on the results of our audits of the fiscal years 2024 and 2023 financial statements of the United States Securities and Exchange Commission (SEC) and its Investor Protection Fund (IPF),[1] which is incorporated in the enclosed *U.S. Securities and Exchange Commission's Fiscal Year 2024 Agency Financial Report*.

As discussed more fully in the auditor's report that begins on page 64 of the enclosed agency financial report, we found

- the SEC and IPF financial statements as of and for the fiscal years ended September 30, 2024, and 2023, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- SEC maintained, in all material respects, effective internal control over financial reporting for SEC and for IPF as of September 30, 2024; and
- no reportable noncompliance for fiscal year 2024 with provisions of applicable laws, regulations, contracts, and grant agreements we tested.

SEC is required by law to annually prepare and submit audited financial statements covering all accounts and associated activities of the commission to Congress and the Office of Management and Budget.[2] Further, the Securities Exchange Act of 1934, as amended in 2010 by section 922 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), requires SEC to annually prepare and submit a complete set of audited financial statements for IPF to Congress.[3] In accordance with our authority to audit statements and

[1]IPF was established in 2010 by section 922 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). IPF funds the activities of SEC's whistleblower award program and the SEC Office of Inspector General Employee Suggestion Program established under sections 922 and 966 of the Dodd-Frank Act, respectively. Pub. L. No. 111-203, §§ 922(a), 966, 124 Stat. 1376, 1844, 1912-13 (classified at 15 U.S.C. §§ 78d4(e), 78u-6(b), (g)). IPF is a separate SEC fund and its financial statements present SEC's financial activity associated with these programs. Accordingly, IPF's financial transactions are also included in SEC's overall financial statements.

[2]31 U.S.C. § 3515.

[3]Dodd-Frank Act, § 922(a), 124 Stat. 1844, adding § 21F(g)(5) of the Securities Exchange Act of 1934 (classified at 15 U.S.C. § 78u-6(g)(5)).

schedules prepared by executive agencies and their components,[4] we have audited the SEC and IPF financial statements.

Section 963 of the Dodd-Frank Act further requires that (1) SEC annually submit a report to Congress describing management's responsibility for internal control over financial reporting and assessing the effectiveness of such internal control during the fiscal year; (2) the SEC Chair and Chief Financial Officer attest to SEC's report; and (3) GAO assess the effectiveness of SEC's internal control over financial reporting and evaluate, attest to, and report on SEC's assessment.[5] Accordingly, this report also includes our reporting in response to the requirement under section 963 of the Dodd-Frank Act.

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We are sending copies of this report to the appropriate congressional committees. We are also sending copies to the Secretary of the Treasury, the Director of the Office of Management and Budget, and other interested parties. In addition, the report is available at no charge on the GAO website at https://www.gao.gov.

If you or your staff have questions concerning this report, please contact me at (202) 512-5683 or padillah@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed on the third to last page of this report.

Sincerely,

M. Hannah Padilla
Director
Financial Management and Assurance

Enclosure

[4]31 U.S.C. § 3521(g), (i).

[5]Dodd-Frank Act, § 963(a), (b), 124 Stat. 1910 (classified at 15 U.S.C. § 78d-8(a), (b)).

U.S. Securities and Exchange Commission

FISCAL YEAR 2024

AGENCY FINANCIAL REPORT

Protecting Investors for 90 Years

ON THE COVER: Joseph P. Kennedy, inaugural Chairman of the SEC. *Photo courtesy of the SEC Historical Society with permission from the John F. Kennedy Library Foundation*

Certificate of Excellence in Accountability Reporting

The U.S. Securities and Exchange Commission's (SEC) fiscal year (FY) 2023 Agency Financial Report (AFR) received the Certificate of Excellence in Accountability Reporting from the AGA for the 18th consecutive year. This award is presented to federal government agencies whose annual reports achieve the highest standards in demonstrating accountability and communicating results. The SEC's FY 2023 AFR was also awarded a Best-in-Class award for Clear, Concise Financial and Performance Highlights Sections.

MESSAGE FROM THE CHAIR

OUR MISSION

To protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation.

It is a privilege to work with the remarkable staff of the U.S. Securities and Exchange Commission (SEC) executing on our three-part mission to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation.

For 90 years, the federal securities laws and our work to oversee them have played a crucial role for the public both in good times and in times of stress. The core principles of U.S. securities markets regulation have contributed to America's economic success and geopolitical standing.

At the SEC, we serve investors building for a better future and issuers raising money to fund innovation. We do so while overseeing the $120 trillion capital markets where they meet. We work to deter and prevent fraud and manipulation, ensure that investment advisers carry out their duties to their clients, and help companies and entrepreneurs access the capital they need to succeed.

America is blessed with the deepest, most liquid capital markets in the world. We cannot take this for granted. Even a gold medalist must keep training. The SEC is the cop on the beat watching out for the public, with six divisions and 25 offices across 10 regional locations and our Washington, DC, headquarters.

The agency's dedicated staff continues to do extraordinary work with limited resources. With more registrants, more investors participating in the markets, and more complexity within the markets, with our funding remaining flat for FY 2024, the SEC paused nearly all job postings at the start of the fiscal year.

Despite these challenges, the agency continues to modernize our rulesets for today's markets and technologies. We're updating our rules to promote the efficiency, integrity, and resiliency of the markets. We do so in a manner consistent with our Congressional authority, and with an eye toward investors and issuers alike to ensure the markets work for them, and not the other way around. Further, we do so to help ensure the capital markets are worthy of the public's trust.

In the FY 2024 Agency Financial Report (AFR), you will learn more about these efforts—and the remarkable SEC staff who carry them out.

Our annual AFR also includes the results of an independent audit of our FY 2024 financial statements. The financial and performance data in this report are complete and accurate under the Office of Management and Budget guidance.

I think readers will continue to find that the SEC does a lot with limited resources. Our responsibility is vast. We oversee approximately 40,000 entities—including approximately 13,000 registered funds, approximately 15,400 investment advisers, about 3,400 broker-dealers, 25 national securities exchanges, 109 alternative trading systems, 10 credit rating agencies, and six active registered clearing agencies, among other external entities.

The SEC also oversees credit rating agencies, the Public Company Accounting Oversight Board, the Financial Industry Regulatory Authority, the Municipal Securities Rulemaking Board, the Securities Investor Protection Corporation, and the Financial Accounting Standards Board.

I am grateful to work alongside more than 4,800 dedicated public servants at the SEC to promote the efficiency, integrity, and resiliency of the markets. On behalf of the Commission, I am honored to present this report.

GARY GENSLER
Chair
November 12, 2024

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At the SEC, we work together to make a positive impact on the U.S. economy, our capital markets, and people's lives.

Since our founding in 1934 at the height of the Great Depression, we have stayed true to our mission of protecting investors, maintaining fair, orderly, and efficient markets, and facilitating capital formation.

— SEC.GOV/ABOUT/MISSION

INTRODUCTION

The SEC's FY 2024 AFR provides detailed financial and performance information that enables the President, Congress, and the public to assess the agency's accomplishments and understand its financial and operational picture. In lieu of a combined Performance and Accountability Report, the SEC will also publish an Annual Performance Report (APR) to provide a more in-depth review of strategic goals and performance results. The APR will be included in the FY 2026 Congressional Budget Justification Report available in 2025.

The FY 2024 AFR satisfies the requirements contained in the Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*, and contains three main sections and supplemental appendices.

Management's Discussion and Analysis

Provides a high-level overview of the SEC—its history, mission, and organizational structure—and the agency's FY 2024 overall performance as related to its strategic goals and initiatives. This section also includes management's assurances on internal controls, an analysis of the SEC's financial position and operations, and the agency's FY 2025 outlook.

Financial Section

Contains audited financial statements and accompanying notes for the SEC and the SEC's Investor Protection Fund, required supplementary information, independent auditor's report on these statements, and management's response to that report.

Electronic copies of this AFR and prior year budget reports are available at SEC.gov/reports.

Other Information

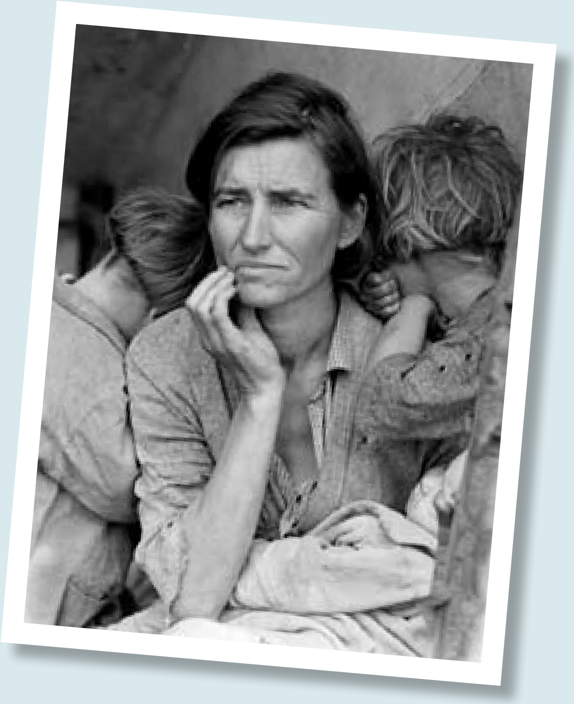
Details the agency's compliance with, and commitment to, specific regulations. Included in this section are performance and management challenges identified by the Office of Inspector General, and the SEC's response to that information in accordance with the Reports Consolidation Act of 2000; a detailed explanation of any significant erroneous payments and overpayments recaptured as required by the Payment Integrity Information Act of 2019; and recent inflationary adjustments made to civil monetary penalties in accordance with the Federal Civil Penalties Inflation Adjustment Act of 1990, as amended.

Appendices

Offers additional resources related to the agency and this report: a glossary of selected terms, frequently used acronyms and abbreviations, biographies, and contact information.

Acts in Action . . .

1930s



The era of the Great Depression
Photo courtesy of the SEC Historical Society

SECURITIES ACT OF 1933

This Act has two basic objectives: (1) Require that investors receive financial and other significant information concerning securities being offered for public sale; and (2) Prohibit deceit, misrepresentations, and other fraud in the sale of securities.

Former President Franklin D. Roosevelt during a speech to Congress two days after signing the Securities Exchange Act of 1934
Photo courtesy of the SEC Historical Society

SECURITIES EXCHANGE ACT OF 1934

With this Act, Congress created the U.S. Securities and Exchange Commission to oversee all aspects of the securities industry. (*See page 20 for more details.*)

TRUST INDENTURE ACT OF 1939

The Trust Indenture Act supplemented the Securities Act of 1933 with respect to debt securities such as bonds, debentures, and notes. It mandated that although such securities may be registered, they may not be offered for sale to the public unless a formal agreement between the issuer of bonds and the bondholder (known as the trust indenture) conforms to the standards of this Act.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section provides a high-level overview of the agency, its FY 2024 program and financial performance, and its FY 2025 outlook.

Mission, Vision, Values, and Goals

Explains the SEC's mission, vision, values, and three strategic goals, as set forth in the agency's Strategic Plan.

History and Purpose

Provides background on the SEC and its responsibility to oversee the nation's securities markets and certain primary participants.

Organizational Structure and Resources

Lists the SEC's office locations, organizational structure, and employment statistics, and summarizes the 10 major programs by responsible divisions and offices.

Our Year in Review and the Year Ahead

Summarizes efforts made by the SEC in pursuit of its strategic goals in FY 2024, and details specific areas that the SEC will continue to focus on as part of its regulatory and oversight responsibilities.

Financial Highlights

Provides an overview of the SEC's financial information, including an analysis of the financial data presented in the audited financial statements, the limitations of the financial statements, and the sources and uses of the SEC's funds.

Performance Highlights

Discusses the SEC's strategic and performance planning framework, the process used to verify and validate the performance results, the FY 2024 performance results by strategic goal, and key performance accomplishments.

Analysis of Systems, Control, and Legal Compliance

Provides management's assessment and assurances on the SEC's internal controls under the Federal Managers' Financial Integrity Act of 1982, and on the compliance of the SEC's financial systems with federal requirements under the Federal Financial Management Improvement Act of 1996. It also addresses the SEC's compliance with the Federal Information Security Modernization Act of 2014 and other laws and regulations.

ABOUT US

Our Mission

To protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation.

Our Vision

To promote capital markets that inspire public confidence and provide a diverse array of financial opportunities to retail and institutional investors, entrepreneurs, public companies and other market participants.

Our Values

Integrity

We inspire public confidence and trust by adhering to the highest ethical standards.

Excellence

We are committed to excellence in pursuit of our mission on behalf of the American public.

Accountability

We embrace our responsibilities and hold ourselves accountable to the American public.

Teamwork

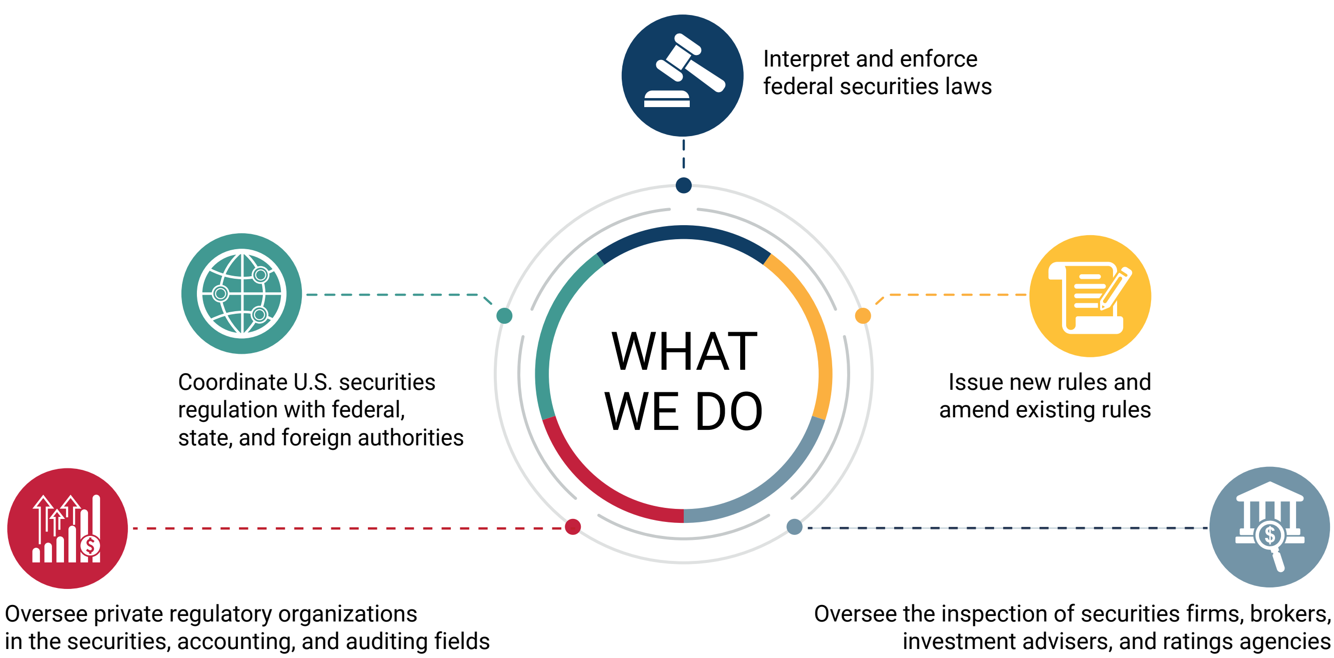
We recognize that success depends on a skilled, diverse, coordinated team committed to the highest standards of trust, hard work, cooperation, and communication.

Fairness

We treat investors, market participants, and others fairly and in accordance with the law.

Effectiveness

We strive for innovative, flexible, and pragmatic regulatory approaches that achieve our goals and recognize the ever-changing nature of our capital markets.



Strategic Goals and Strategic Initiatives

Strategic Goal 1

Protect the investing public against fraud, manipulation, and misconduct

Strategic Initiative 1.1: Pursue enforcement and examination initiatives focused on identifying and addressing risks and misconduct that affects individual investors.

Strategic Initiative 1.2: Enhance the use of market and industry data, particularly to prevent, detect, and enforce against improper behavior.

Strategic Initiative 1.3: Modernize design, delivery, and content of disclosures so investors, including in particular retail investors, can access consistent, comparable, and material information to make informed investment decisions.

Strategic Goal 2

Develop and implement a robust regulatory framework that keeps pace with evolving markets, business models, and technologies

Strategic Initiative 2.1: Update existing SEC rules and approaches to reflect evolving technologies, business models, and capital markets.

Strategic Initiative 2.2: Examine strategies to address systemic and infrastructure risks faced by our capital markets and our market participants.

Strategic Initiative 2.3: Recognize significant developments and trends in our evolving capital markets and adjust our activities accordingly.

Strategic Goal 3

Support a skilled workforce that is diverse, equitable, and inclusive and is fully equipped to advance agency objectives

Strategic Initiative 3.1: Focus on the workforce to increase capabilities, leverage shared commitment to investors, and promote diversity, equity, inclusion, accessibility, and equality of opportunity.

Strategic Initiative 3.2: Promote collaboration within and across SEC offices, including through rotation and detail programs, and maximize telework opportunities.

Strategic Initiative 3.3: Enhance the agency's internal control and risk management capabilities, including by the development of a robust and resilient program for dealing with threats to the security, integrity, and availability of the SEC's systems and sensitive data.

Strategic Initiative 3.4: Modernize the SEC's technology to enable the mission in a cost-effective, secure, and resilient manner.

History and Purpose

Prior to the Great Crash of 1929, there was little support for federal regulation of the securities markets. This was particularly obvious during the post-World War I surge of securities activity. Proposals that the federal government require financial disclosure and prevent the fraudulent sale of stock were never seriously pursued.

Tempted by promises of "rags to riches" transformations and easy credit, most investors gave little thought to the systemic risk that arose from widespread abuse of margin financing and unreliable information about the securities in which they were investing. During the 1920s, approximately 20 million shareholders took advantage of post-war prosperity and set out to make their fortunes in the stock market. It is estimated that one-half of the $50 billion in new securities offered during this period became worthless.

When the stock market crashed in October 1929, public confidence in the markets plummeted. Investors and banks lost great sums of money in the ensuing Great Depression, and restoring faith in the capital markets was essential to economic recovery. Congress held hearings to identify problems and search for solutions.

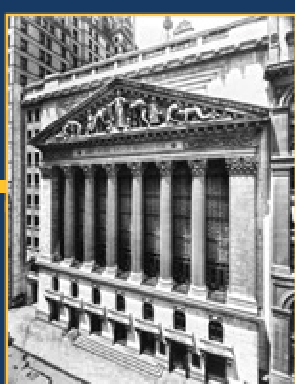
Based on those hearings, Congress passed the Securities Act of 1933[1] (Securities Act)—the first federal law to regulate the issuance of securities—followed by the Securities Exchange Act of 1934[2] (Exchange Act).

The SEC was established to regulate and enforce this legislation.

1 More information about the Securities Act of 1933 can be found at SEC.gov/about/about-securities-laws#secact1933.
2 More information about the Securities Exchange Act of 1934 can be found at SEC.gov/about/about-securities-laws#secexact1934.

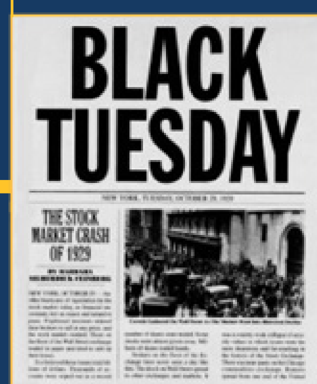
THE ORIGIN OF THE SEC

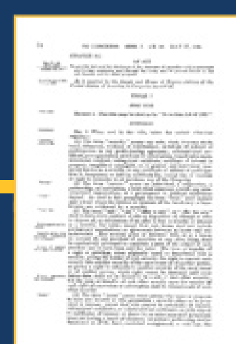
MAY 17, 1792
A group of stockbrokers and merchants sign the Buttonwood Agreement, which creates the New York Stock Exchange.



APRIL 22, 1903
The New York Stock Exchange floor opens at 18 Broad Street.

OCTOBER 29, 1929
The stock market crashes, launching the Great Depression.





MAY 27, 1933
Congress approves the Securities Act of 1933, the first federal law to regulate the issuance of securities.

These laws aim to provide investors and the markets with reliable information, clear rules for honest dealing, and specifically ensure the following:

- A company that publicly offers securities for investment dollars is forthcoming and transparent about its business, the securities it is selling, and the risks involved with investing; and
- A person who sells and trades securities does so in a fair and honest manner.

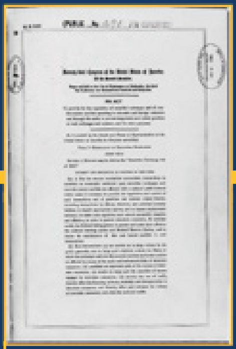
The SEC is responsible for overseeing the nation's securities markets and certain primary participants, including broker-dealers, investment companies, investment advisers, clearing agencies, transfer agents, credit rating agencies, and securities exchanges, as well as organizations such as the Financial Industry Regulatory Authority, Municipal Securities Rulemaking Board, and the Public Company Accounting Oversight Board. In addition, the SEC is responsible for reviewing the disclosures and financial statements of all public companies in the United States. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010[3] (Dodd-Frank Act), the agency's jurisdiction was expanded to include certain participants in the derivatives markets, private fund advisers, and municipal advisors.

Each year, the SEC brings hundreds of civil enforcement actions against individuals and companies for violation of securities laws. Examples of infractions are insider trading, accounting fraud, market manipulation, and providing false or misleading information about securities and/or the issuing companies.

3 More information about the Dodd-Frank Act can be found at SEC.gov/about/about-securities-laws#df2010.

JUNE 16, 1933
Congress approves the Banking Act of 1933 (or Glass-Steagall Act), which limits affiliations between banks and securities firms and establishes the FDIC.

Sen. Cater Glass (D-Va.) and Rep. Henry B. Steagall (D-Ala.), the co-sponsors of the Glass-Steagall Act



JUNE 6, 1934
Congress approves the Securities Exchange Act of 1934. The SEC is established to enforce and regulate this legislation.

JUNE 30, 1934
President Roosevelt appoints the inaugural Commission of the SEC, naming Joseph P. Kennedy as the agency's first Chairman.

(clockwise from top left) George C. Mathews, Robert E. Healy, James M. Landis, Joseph P. Kennedy, and Ferdinand Pecora

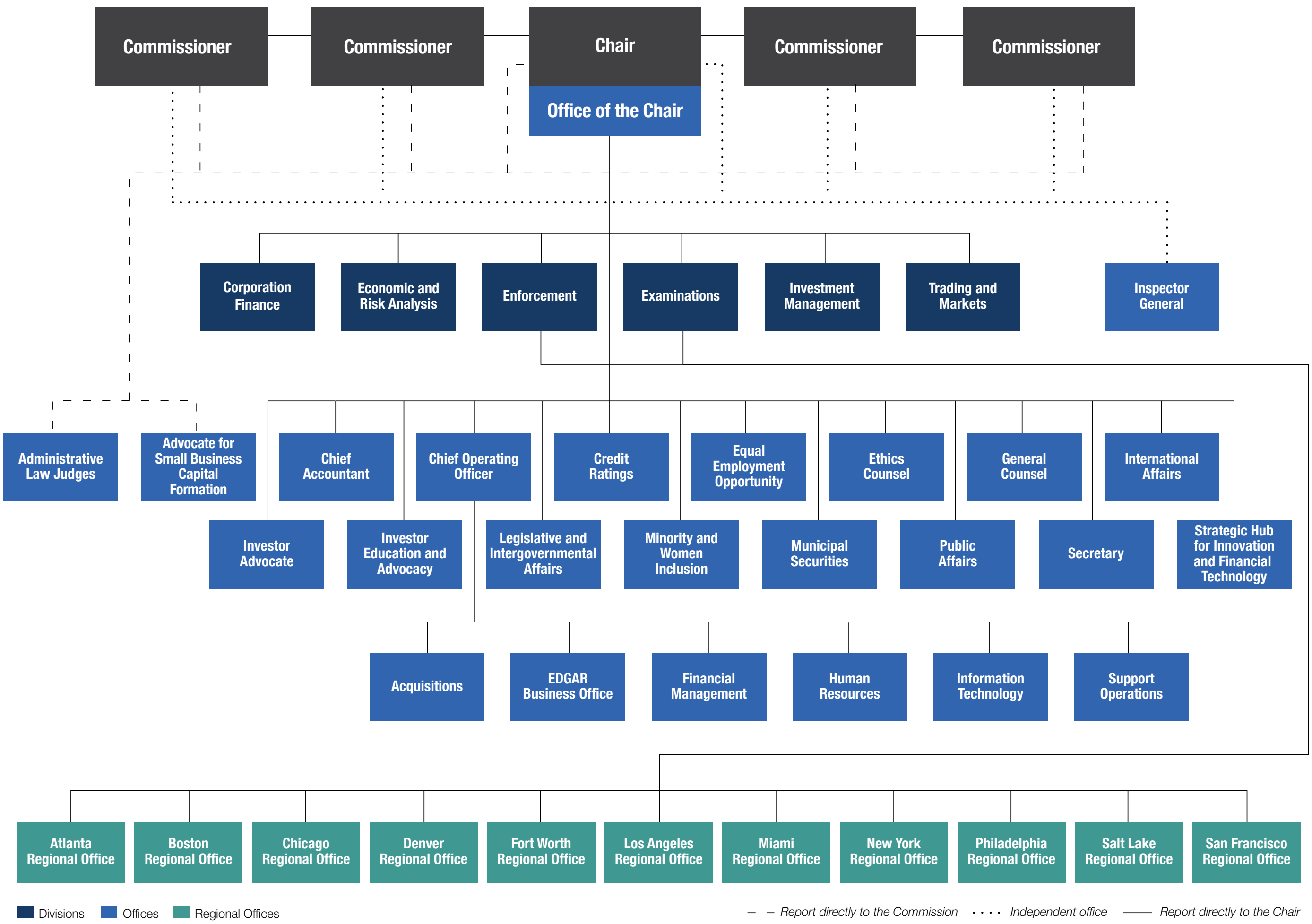
Photos courtesy of the SEC Historical Society

Organizational Structure and Resources

In FY 2024, the agency's functional responsibilities were organized into six divisions, 25 offices, and 11 regional offices. The Salt Lake Regional Office closed in October 2024, reducing the SEC's footprint to 10 regional offices. In FY 2024, the SEC employed 4,920 permanent full-time equivalents.

The following chart is accurate as of September 30, 2024.

Chart 1.1 | Organization Chart



The SEC is an independent federal agency led by a bipartisan, five-member Commission—one of whom is designated as the Chair—with staggered five-year terms.

Each member of the Commission is appointed by the President and confirmed by the Senate (see *Appendix A: Chair and Commissioner Biographies*).

The Chair serves as the chief executive and, by law, no more than three of the Commissioners may belong to the same political party.

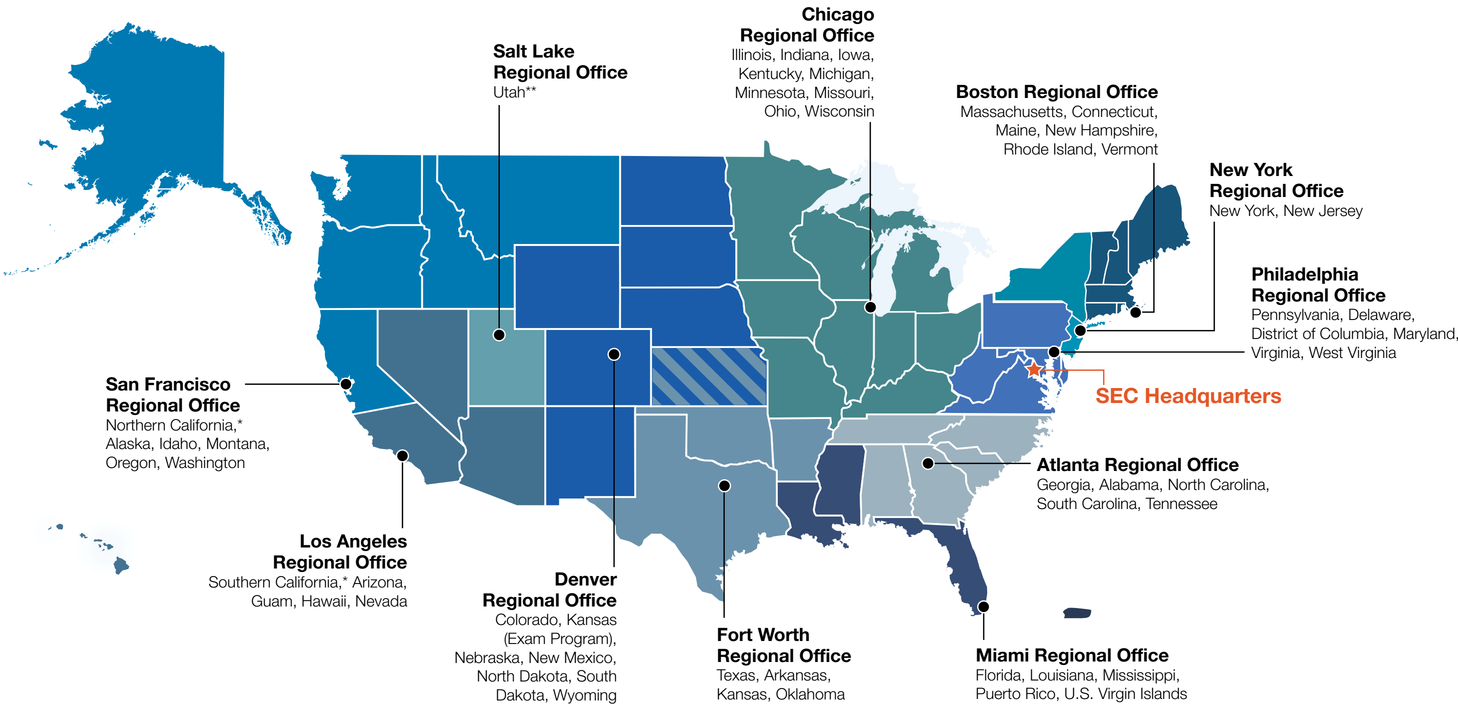
The Commission convenes on a regular basis, and meeti-ngs are open to the public and the news media unless the discussion pertains to a confidential subject, such as a recommendation regarding an enforcement investigation.

Office Locations

The SEC's headquarters are in Washington, DC. The agency's regional offices, which are responsible for investigating and litigating potential violations of the securities laws, are located throughout the country and have examination staff to inspect regulated entities such as investment advisers, investment companies, and broker-dealers. The following chart illustrates the location of each regional office and their areas of jurisdiction.

The following chart is accurate as of September 30, 2024.

Chart 1.2 | Headquarters and Regional Office Locations



* Northern California includes ZIP codes 93600 and above, and 93200–93299; Southern California includes ZIP codes 93599 and below, except 93200–93299

** Salt Lake Regional Office closed in October 2024

Programs

The SEC organizes its divisions and offices within the 10 major programs outlined below, which aligns with how the SEC presents its costs of operations by programs in the Statements of Net Cost on page 73. This is also consistent with the presentation used by the agency in submitting its budget requests.

Table 1.1 | SEC Programs and Program Descriptions

ENFORCEMENT	
Division of Enforcement	Investigates and brings civil charges in federal district court or in administrative proceedings based on violations of the federal securities laws. An integral part of this program's function is seeking penalties and the disgorgement of ill-gotten gains in order to return funds to harmed investors. Also within this program is the Office of the Whistleblower, which rewards individuals who provide the agency with tips that lead to successful enforcement actions.
EXAMINATIONS	
Division of Examinations	Conducts examinations of registrants such as investment advisers, investment companies, broker-dealers, self-regulatory organizations (SRO), transfer agents, and clearing agencies.
CORPORATION FINANCE	
Division of Corporation Finance	Helps investors gain access to materially complete and accurate information about companies and the securities they offer and sell, to facilitate capital formation and to deter fraud and misrepresentation in the public offering, trading, voting, and tendering of securities.
TRADING AND MARKETS	
Division of Trading and Markets	Supervises major market participants and conducts activities to maintain fair, orderly, and efficient standards that foster investor protection and confidence in the markets.
INVESTMENT MANAGEMENT	
Division of Investment Management	Administers the Investment Company Act of 1940[1] and Investment Advisers Act of 1940,[2] which includes developing regulatory policy for investment companies and for investment advisers, monitoring for risks and trends, reviewing regulatory and financial disclosures for compliance with regulatory requirements, and providing guidance to relevant market participants.
ECONOMIC AND RISK ANALYSIS	
Division of Economic and Risk Analysis	Provides economic analyses as part of the Commission's rulemaking process and assists its rule review, examination, and enforcement programs with data-driven, risk-based analytical methods.
GENERAL COUNSEL	
Office of the General Counsel	Serves as the chief legal officer of the Commission and provides independent legal analysis and advice to the Chair, Commissioners, and operating divisions on all aspects of Commission activities. This office also defends the Commission in federal district courts.

1 More information about the Investment Company Act of 1940 can be found at SEC.gov/about/about-securities-laws#invcoact1940.
2 More information about the Investment Advisers Act of 1940 can be found at SEC.gov/about/about-securities-laws#invadvact1940.

Table 1.1 | *Continued from previous page*

OTHER PROGRAM OFFICES	
Office of Administrative Law Judges	Conducts public hearings throughout the United States in a manner similar to non-jury trials in the federal district courts. As independent adjudicators, administrative law judges issue initial decisions on allegations set out in Commission Orders Instituting Proceedings, issue subpoenas, hold prehearing conferences, and rule on motions and the admissibility of evidence.
Office of the Advocate for Small Business Capital Formation	Works with small businesses and their investors to understand their capital formation issues through education and outreach, analyzes the potential impact of proposed SEC and SRO rules and regulations likely to significantly affect small businesses and their investors, and helps small businesses and their investors resolve issues with the SEC and SROs by recommending policy changes to Congress and the Commission.
Office of the Chief Accountant	Establishes accounting and auditing policies, and works to improve the professional performance of public company auditors to ensure that financial statements used for investment decisions are presented fairly and have credibility.
Office of Credit Ratings	Administers the rules of the Commission with respect to the practices of nationally recognized statistical rating organizations (NRSRO) in determining ratings, protects the users of credit ratings, promotes accuracy in credit ratings issued by NRSROs, and ensures that such ratings are not unduly influenced by conflicts of interest.
Office of International Affairs	Advances international regulatory, supervisory, and enforcement cooperation; promotes converged high regulatory standards worldwide; and facilitates technical assistance programs in foreign countries.
Office of the Investor Advocate	Helps investors resolve significant problems with the SEC or with SROs, and identifies areas in which investors would benefit from changes to federal laws or to SEC regulations or SRO rules.
Office of Investor Education and Advocacy	Serves investors who complain to the SEC about investment fraud or the mishandling of their investments by securities professionals, ensures the views of retail investors inform the Commission's regulatory policies and disclosure programs, and works to improve investors' financial literacy.
Office of Municipal Securities	Oversees the municipal securities market and administers the agency's rules pertaining to municipal securities brokers and dealers, advisors, investors, and issuers. This office also coordinates with the Municipal Securities Rulemaking Board on rulemaking and enforcement actions.
Strategic Hub for Innovation and Financial Technology	Identifies and analyzes emerging financial technologies that impact the future of the securities industry and its regulation, engages market participants in discussions around technological developments, and cultivates relationships with industry innovators.
AGENCY DIRECTION AND ADMINISTRATIVE SUPPORT	
EDGAR Business Office	Provides direct executive-level oversight for the ongoing transformation of specific functions and programs to include business ownership of the Electronic Data Gathering, Analysis, and Retrieval (EDGAR) system and the EDGAR modernization program initiative.
Office of Acquisitions	Provides advice on acquisition planning, development, and sourcing; awarding contracts and interagency agreements; and ensures contract terms and conditions are met through timely contract closeouts and de-obligation of funds.
Office of the Chair	Oversees all aspects of agency operations. The Chair and Commissioners are responsible for reviewing and approving enforcement cases as well as overseeing the development, consideration, and execution of policies and rules.
Office of the Chief Operating Officer	Provides strategic leadership and operational oversight of the SEC's core mission support activities and compliance with administrative requirements from Congress and the Executive Branch.
Office of Equal Employment Opportunity	Strives to enhance access to employment opportunities for the best and brightest talent, and to foster a fair and equitable work environment in compliance with federal laws and SEC standards.

Table 1.1 | *Continued from previous page*

AGENCY DIRECTION AND ADMINISTRATIVE SUPPORT *(CONTINUED)*	
Office of the Ethics Counsel	Administers the Commission's Ethics Program, and interprets the SEC's Supplemental Ethics Rules as well as government-wide ethics laws, rules, and regulations.
Office of Financial Management	Oversees the agency's financial systems and internal controls over financial reporting, prepares financial statements and reports, manages the formulation and execution of the SEC's annual budget, and coordinates the agency's performance and cost reporting.
Office of Human Resources	Assists with recruitment, staffing, organizational development, leadership and employee development, compensation and benefits administration, position classification, workforce planning, and labor relations.
Office of Information Technology	Maintains responsibility for the Commission's infrastructure operations and engineering, user support, program management, capital planning, cybersecurity, and enterprise architecture.
Office of Legislative and Intergovernmental Affairs	Serves as the liaison between the SEC and Congress, and is responsible for responding to requests from Congress for information related to agency programs and legislation affecting the SEC or its mission.
Office of Minority and Women Inclusion	Develops standards for all agency matters relating to diversity in management, employment, and business activities.
Office of Public Affairs	Assists the Commission in making the work of the SEC is accessible to the public, understandable to investors, and accountable to taxpayers.
Office of the Secretary	Reviews all documents issued by the Commission, schedules and coordinates Commission meetings, prepares and maintains records of Commission actions, and receives and tracks filings in administrative proceedings.
Office of Support Operations	Processes requests under the Freedom of Information Act and the Privacy Act; maintains all agency records in accordance with the Federal Records Act; oversees the security and safety of SEC facilities; and manages property, equipment, and overall building operations.
INSPECTOR GENERAL	
Office of Inspector General	Conducts audits of the SEC's programs and operations, and investigates allegations of misconduct by staff or contractors. This is an independent office whose mission is to detect fraud, waste, and abuse, and promote integrity, economy, efficiency, and effectiveness throughout the agency's programs and overall operations.

OUR YEAR IN REVIEW AND THE YEAR AHEAD

During FY 2024, the SEC advanced its three-part mission to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation. The following summarizes the agency's enforcement and examinations results for the year, discusses policy initiatives, describes ongoing investor education and other outreach activities, and provides an overview of data and operations at the agency.

Division of Investment Management

The Division of Investment Management (IM) oversees the funds and advisers that steward nest eggs for millions of Americans. It oversees more than 31,000 entities, including more than 16,000 registered funds and 15,000 registered investment advisers. The registered investment companies, private funds, and separately managed accounts under IM's oversight manage combined assets totaling more than $120 trillion.[1]

Investor Protection

IM protects investors by administering the Commission's regulation of registered investment companies and registered investment advisers. IM's filing review process analyzes fund filings for compliance with the federal securities laws, ensuring that funds provide accurate, clear, and concise disclosures to investors. In FY 2024, IM staff reviewed more than 2,100 filings related to more than 5,100 funds and insurance products, many of which are novel or complex. In addition, the staff reviewed the annual reports, including financial statements, of more than 4,450 funds.

In addition, the division monitored for compliance and engaged with the industry regarding the implementation of rules that had compliance dates in FY 2024, including rules related to money market funds, Form PF, Form N-PX, registered fund shareholder reports, and investment adviser recordkeeping requirements after the Commission shortened the standard settlement cycle from T+2 to T+1.

IM staff also monitored and analyzed data collected by the Commission related to the asset management industry. First, in April 2024, the Commission began publishing the new Registered Fund Statistics report, which aggregates data about the registered fund industry. Second, in May 2024, the Commission began publishing the new Investment Adviser Statistics report based on aggregated data filed by investment advisers on Form ADV, providing statistics on the investment advisory industry and showing trends over time. Third, in July 2024, the Commission updated and enhanced public reporting of aggregated data regarding private funds from Form PF, the confidential reporting form for certain SEC-registered investment advisers to private funds (such as hedge funds, private equity funds, and liquidity funds). This data contains comprehensive regulatory information on hedge funds, private equity funds, and other private funds. The Commission staff provides the public with this enhanced quarterly report containing aggregated private fund industry statistics derived from Form PF data, which includes information about the leverage, borrowing, and other activities of this rapidly growing sector.

1 The number of registered funds is calculated from totals provided in the SEC's Registered Fund Statistics report and the Investment Company Institute's 2024 Factbook and are drawn from more than 2,500 SEC registrants. The number of registered investment advisers and their corresponding assets is provided in the SEC's Investment Adviser Statistics report.

Rulemaking and Policy Initiatives

In FY 2024, IM advanced several rulemaking and policy initiatives, including those discussed below.

In March 2024, Commission adopted amendments to the rule permitting certain internet investment advisers to register with the Commission (the "internet adviser exemption"). The amendments will require an investment adviser relying on the internet adviser exemption to have at all times an operational interactive website through which the adviser provides ongoing digital investment advisory services to more than one client. The amendments will also eliminate the current rule's *de minimis* exception by requiring an internet investment adviser to provide advice to all of its clients exclusively through an operational interactive website and to make certain corresponding changes to Form ADV.

In May 2024, the Commission finalized amendments to Regulation S-P that will require covered firms to notify their customers of data breaches that might put their personal information at risk. Such covered firms include broker-dealers (including funding portals), investment companies, registered investment advisers, and transfer agents. Larger entities must comply in December 2025 and smaller entities in June 2026. In the same month, the Commission and U.S. Department of the Treasury's Financial Crimes Enforcement Network jointly proposed rules requiring customer identification programs (CIPs) for Commission-registered investment advisers and exempt reporting advisers (CIP Rule). The proposal is designed to prevent illicit finance activity involving the customers of investment advisers by strengthening the industry's framework for anti-money laundering and countering the financing of terrorism.

IM recommended, and the Commission adopted, a joint rule with the Commodity Futures Trading Commission (CFTC) to improve the quality of information the agencies receive from all filers on Form PF. The amendments will enhance the Financial Stability Oversight Council's ability to monitor systemic risk, bolster the SEC's regulatory oversight of private fund advisers, and protect investors.

In July 2024, the Commission implemented a Congressional mandate to provide a tailored form to register the offerings of registered index-linked annuities. Filers must comply with most of the final amendments by May 1, 2026, and insurance companies began using the tailored form in September 2024.

In August 2024, the Commission adopted a rule updating the dollar threshold for "qualifying venture capital funds" under the Investment Company Act of 1940 (Investment Company Act). In the same month, the Commission adopted amendments to reporting requirements on Form N-PORT to provide the Commission and investors with more timely information about certain registered investment companies. The Commission also adopted amendments to Form N-CEN requiring open-end funds to report certain information about service providers used to fulfill liquidity risk management program requirements so that the Commission can track certain liquidity risk management practices.

Rule Implementation

The staff worked with industry stakeholders to implement rules that began taking effect in FY 2024. In May 2024, rule amendments to shorten the standard settlement cycle for most broker-dealer transactions from T+2 to T+1 reached their compliance date.

The final rules related to money market funds that were adopted in FY 2023 reached many of their anticipated compliance dates in FY 2024. The amendments to Rule 2a-7 regarding liquidity and maturity requirements, as well as the discretionary liquidity fees for money market funds, took effect in April 2024. Compliance with amendments to Forms N-MFP, N-CR, and PF, as well as amendments to Rule 2a-7 regarding how funds categorize their portfolio investments for purposes of

Office Hours with Gary Gensler

In "**Office Hours with Gary Gensler,**" Chair Gensler breaks down for everyday viewers how the SEC works on behalf of investors, issuers, and the markets connecting them. Topics include artificial intelligence, corporate governance, climate-related disclosures, and more. Check out these short, informative videos by visiting the SEC's YouTube channel at **YouTube.com/c/SECViews**.

website disclosures, began in June 2024. Mandatory liquidity fee amendments will reach their compliance date in FY 2025.

The staff will continue to monitor implementation and will provide guidance to facilitate compliance with new rules.

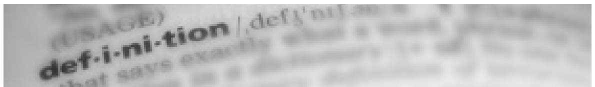
In FY 2025, the division will continue evaluating comments responding to recent proposals and consider potential recommendations for adoption of final rules. These include the CIP Rule proposed jointly with the U.S. Department of the Treasury. The division will also consider recommendations related to remaining proposals included on the Commission's Regulatory Flex Agenda, including a proposal related to fund fee disclosure and reform.

As additional final rules are implemented, the division will monitor for compliance and engage with the industry to answer questions and provide guidance. For example, in FY 2025, final rules related to money market funds, Form PF, and the internet adviser exemption will all reach their anticipated compliance dates.

Finally, IM will continue to carry out its core functions, including the processing of exemptive applications, routine market monitoring and analysis, regular filing reviews, and engaging with the public on interpretive questions relating to the Investment Advisers Act of 1940 (Advisers Act) and the Investment Company Act. The division will maintain its focus on certain areas such as crypto assets and cybersecurity and will remain vigilant in monitoring market developments in the asset management industry.

Division of Trading and Markets

The Division of Trading and Markets (TM) oversees the securities markets that connect issuers to investors. TM serves the investing public through market monitoring and supervision, namely by overseeing exchanges, intermediaries, and certain gatekeepers.



SHORT SALE

Any sale of a security that the seller does not own, or any sale that is consummated by the delivery of a security borrowed by, or for the account of, the seller.

The markets and market participants that TM oversees represent a significant and growing number of both market transactions and trading volume. As of September 30, 2024, the division oversaw 25 registered national securities exchanges, more than 3,300 broker-dealers, 88 funding portals, 109 alternative trading systems (ATS), six active registered clearing agencies, 317 transfer agents, 53 security-based swap dealers, two security-based swap data repositories, the Financial Industry Regulatory Authority (FINRA), security futures product exchanges, and securities information processors.

On February 15, 2023, the Commission adopted rule changes to shorten the standard settlement cycle for most broker-dealer transactions in securities from two business days after the trade date (T+2) to one (T+1). Market participants successfully completed the conversion to T+1 on May 28, 2024.

On October 13, 2023, the Commission adopted new Rule 13f-2 to provide greater transparency to investors and other market participants by increasing the public availability of short sale-related data. The Commission adopted new Rule 10c-1a to increase the transparency and efficiency of the securities lending market.

On November 2, 2023, the Commission adopted new Regulation SE to create a regime for the registration and regulation of security-based swap execution facilities.

On November 16, 2023, the Commission adopted new rules to improve the governance of all registered clearing agencies by reducing the likelihood that conflicts of interest may influence the board of directors.

On December 13, 2023, the Commission adopted rule changes to enhance risk management practices for central counterparties in the U.S. Treasury market and facilitate additional clearing of U.S. Treasury securities transactions.

On February 6, 2024, the Commission adopted two rules that require market participants who engage in certain dealer roles to register with the SEC, become members of a self-regulatory organization (SRO), and comply with federal securities laws and regulatory obligations.

On March 6, 2024, the Commission adopted rule amendments to update the disclosure required under Rule 605 for order executions in National Market System (NMS) stocks and expand the scope of entities required to make these disclosures.

On May 16, 2024, the Commission adopted rule amendments that require brokers and dealers, investment companies, registered investment advisers, funding portals, and transfer agents to adopt written policies and procedures for incidences of unauthorized access to, or use of, customer information.

On September 18, 2024, the Commission adopted amendments regarding an additional minimum pricing increment, or “tick size,” for the quoting of certain NMS stocks.

On October 25, 2024, the Commission adopted rule changes to improve the resilience and recovery and wind-down planning of covered clearing agencies. The rule was proposed in May 2023.

Ongoing Work

In FY 2025, TM will continue work on several Commission-proposed rules and rule amendments, including the examples listed below.

In March 2023, the Commission proposed amendments designed to modernize its information collection and analysis methods via the Electronic Data Gathering, Analysis, and Retrieval (EDGAR) system.

In March 2023, the Commission proposed requirements for certain market entities to address their cybersecurity risks. The Commission also proposed amendments to expand and update Regulation Systems Compliance and Integrity (SCI), the set of rules adopted in 2014 to help address technological vulnerabilities in the U.S. securities markets and improve Commission oversight of the core technology of key U.S. securities markets entities.

In July 2023, the Commission proposed amendments to Rule 15c3-3 (the Customer Protection Rule) to require certain broker-dealers to increase the frequency with which they perform computations of the net cash they owe to customers and other broker-dealers from weekly to daily.

In July 2023, the Commission proposed new rules that would require broker-dealers and investment advisers to take certain steps to address conflicts of interest associated with their use of predictive data analytics.

In September 2023, the Commission issued an order directing the equity exchanges and FINRA to file a new NMS plan to replace the three existing NMS plans that govern the public dissemination of real-time, consolidated equity market data for NMS stocks. In FY 2024, the participants submitted a proposed new NMS plan, and TM staff continued to analyze the filing and related public comments, and to develop recommendations regarding the proposal.

In October 2023, the Commission proposed a rule that would prohibit national securities exchanges from offering volume-based transaction pricing in connection with the execution of agency or riskless principal orders in NMS stocks.

Division of Corporation Finance

The Division of Corporation Finance (CF) seeks to ensure that investors have access to the information they need to make informed investment and voting decisions—both when companies offer securities to the public and on an ongoing basis when public companies provide information to the marketplace. Further, CF provides assistance to companies—large and small, public and private—as they navigate the requirements of the federal securities laws.

In FY 2024, CF made rulemaking recommendations to the Commission, and the Commission subsequently adopted final rules, to: prohibit conflicts of interest in certain securitization transactions, as required by Congress in the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act); enhance disclosures and provide additional investor protections in initial public offerings by special purpose acquisition companies (SPACs) and in subsequent business combination transactions between SPACs and target companies; and enhance and standardize climate-related disclosures for investors.

cel·e·brat·ing

90 YEARS 1934–2024

On June 6, 2024, the SEC commemorated the 90th anniversary of the creation of the Securities Exchange Act of 1934 and the agency itself. This historical event began with remarks from SEC Chair Gary Gensler and current Commissioners, followed by two, once-in-a-lifetime panel discussions featuring former SEC chairs, award-winning historians, and securities law scholars. Topics included the history of the SEC and the evolution of the agency.

[Left to Right] Mary Jo White, Mary Schapiro, Richard C. Breeden, and Gary Gensler

[Left to Right] Joel Seligman, Kathleen Kennedy Townsend, Michael Beschloss, and Gary Gensler

Panel 1

A LOOKBACK FROM THE CHAIR'S SEAT

- The Honorable Richard C. Breeden (1989–1993)
- The Honorable Mary Schapiro (2009–2012)
- The Honorable Mary Jo White (2013–2017)

Panel 2

THE LEGACY OF THE SEC

- Michael Beschloss, historian and bestselling author
- Joel Seligman, legal scholar, author, and leading expert of securities law
- Kathleen Kennedy Townsend, adviser for Pensions and Retirement, Department of Labor, and former lieutenant governor of Maryland

The original copy of the Securities Exchange Act of 1934 was on display for attendees to view and photograph.

> We serve investors building for a better future and issuers raising money to fund innovation, while overseeing the capital markets where they meet.
>
> —CHAIR GENSLER

Access the 90th anniversary recording to learn more about the memorable eras of the SEC and what the SEC means to the panelists and speakers.

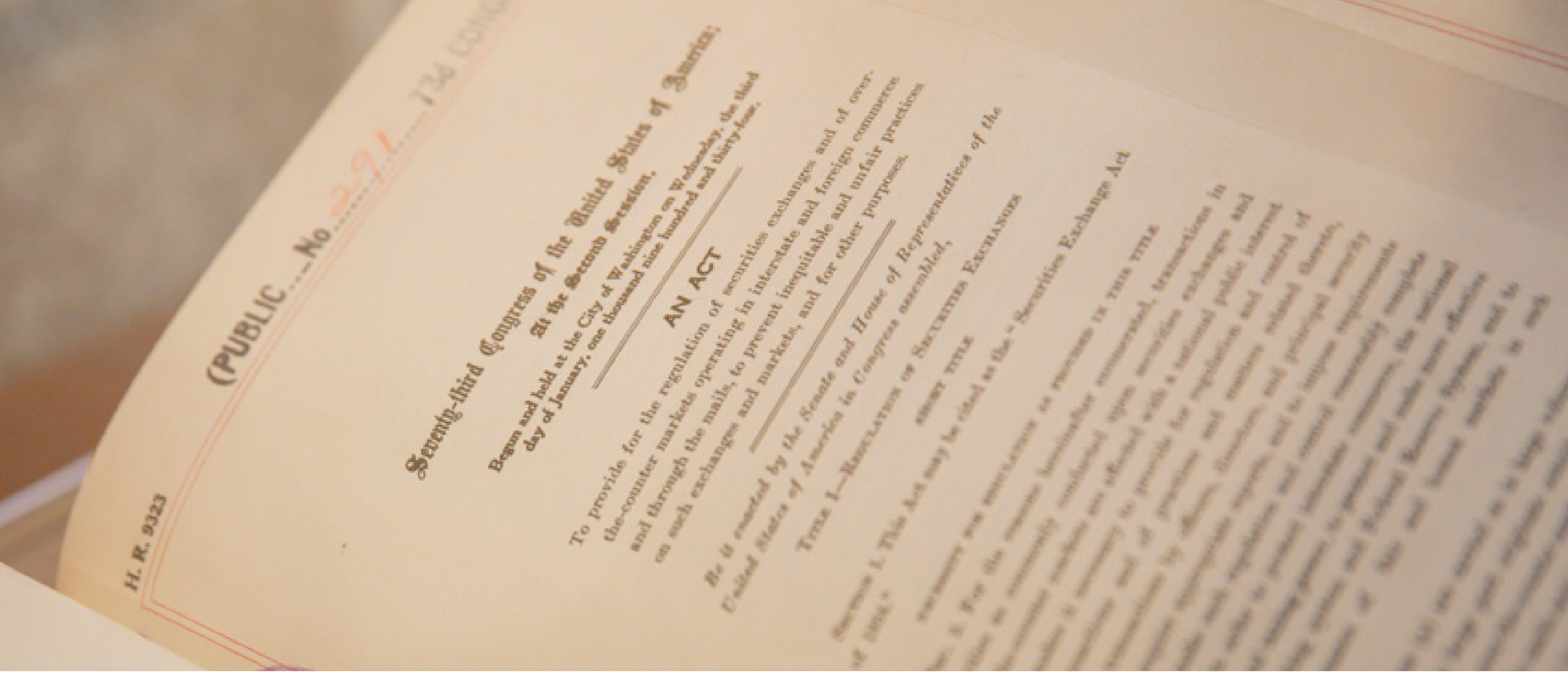
Securities Exchange Act of 1934

When the stock market crashed in October 1929, public confidence in the markets plummeted. Investors large and small, as well as the banks who had loaned to them, lost unprecedented sums of money in the ensuing Great Depression. There was a consensus that for the economy to recover, the public's faith in the capital markets needed to be restored.

> The country now enjoys the safety of bank savings under the new banking laws, the careful checking of new securities under the Securities Act and the curtailment of rank stock speculation through the Securities Exchange Act.
>
> —PRESIDENT FRANKLIN DELANO ROOSEVELT

Congress passed the Securities Act of 1933, which required corporations to make public certain financial information, including stock sales and distribution. Prior to this legislation, the sales of securities were primarily governed by state laws.

Photo courtesy of the SEC Historical Society



Shortly after, President Franklin D. Roosevelt enacted the Securities Exchange Act of 1934 (Exchange Act), which established the SEC to enforce these acts as the regulatory arm of the securities industry. Specifically, the Exchange Act:

- Empowers the SEC with broad authority over all aspects of the securities industry, including the power to register, regulate, and oversee brokerage firms, transfer agents, and clearing agencies, as well as the nation's securities self-regulatory organizations, which includes securities exchanges such as the New York Stock Exchange, the NASDAQ Stock Market, and the Chicago Board of Options.
- Provides the agency with disciplinary powers over regulated entities and persons associated with them based on specific types of conduct identified and prohibited by the Act.
- Enables the SEC to require periodic reporting by companies with publicly traded securities.

Click here to listen to an excerpt from President Roosevelt's 1934 Fireside Chat regarding the Exchange Act.

Early 1920s Floor Traders
Photo courtesy of the SEC Historical Society with permission from the Library of Congress

Additionally, the Commission, along with eight other financial regulatory agencies, jointly issued for public comment a proposed rule to establish data standards to promote interoperability of financial regulatory data across these agencies.

CLAWBACK

The recovery of compensation. In the case of a clawback under Exchange Act Rule 10D-1 and the related exchange listing standards, compensation is recoverable if it was erroneously awarded due to being originally calculated based on a financial reporting measure that was subject to a subsequent restatement.

Throughout the fiscal year, CF selectively reviewed offering documents and periodic reports from among the 7,400 public companies, as well as registration statements from companies seeking to become public. In addition, CF sought to facilitate compliance by sharing the staff's views on rules that became effective in FY 2023 regarding pay versus performance, clawbacks, and cybersecurity, as well as the new rule prohibiting conflicts of interest in certain securitization transactions, which became effective in FY 2024. CF also conducted regular public outreach to address a wide range of issues affecting registrants and investors, including key disclosure topics implicated by emerging issues, such as artificial intelligence (AI) and commercial real estate exposure and risks.

In FY 2024, CF continued to play an integral role in the agency's investor protection efforts with respect to the unique risks posed by investments in China-based issuers. CF continued to seek enhanced disclosure about key China-related matters, such as variable interest entity structures, material risks related to the role of the government of the People's Republic of China in the operations of China-based companies, and material impacts of certain applicable statutes such as the Uyghur Forced Labor Prevention Act. In addition, CF continued efforts to ensure that public companies affected by the Holding Foreign Companies Accountable Act were compliant with submission and disclosure requirements of the Act and Commission rules.

Division of Enforcement

The Division of Enforcement (ENF) protects the investing public and ensures confidence in the integrity of U.S. markets by vigorously enforcing the federal securities laws. In FY 2024, the Commission filed hundreds of actions to punish misconduct, deter wrongdoing, remove bad actors from U.S. markets, and compensate harmed investors where possible.

The Commission won all five jury trials it conducted in FY 2024. Among other victories, the SEC obtained a unanimous jury verdict finding Terraform and Do Kwon liable for defrauding investors in crypto assets offered and sold as securities. The defendants agreed to pay more than $4.5 billion.

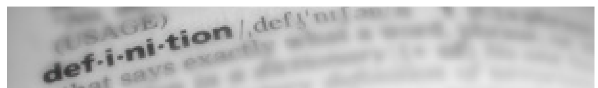
The division continued to investigate, recommend, and litigate enforcement actions to combat fraud involving crypto asset investments. In two first-of-their-kind actions involving alleged relationship investment scams, the Commission charged individuals and entities who allegedly lured investors to fake crypto asset trading platforms via social media apps and stole their money. The SEC brought charges against 17 individuals for their role in an alleged crypto Ponzi scheme that raised $300 million from more than 40,000 investors, primarily from the Latino community. The Commission also charged NovaTech and its founders with allegedly fraudulently raising more than $650 million from more than 200,000 investors worldwide and, in another action, charged the founder and top promoter of an alleged $1.7 billion fraudulent crypto asset pyramid scheme.

The SEC continued to bring enforcement actions against crypto asset intermediaries and others to enforce compliance with registration requirements, including a settled first-of-its-kind action against a purportedly decentralized autonomous organization, Barnbridge DAO, for failure to register its pooled crypto asset vehicles as investment companies, a litigated action against Consensys for operating as an unregistered broker-dealer, and a litigated action against Kraken for operating as an unregistered securities exchange, broker-dealer, and clearing agency. Genesis agreed to pay $21 million to settle charges that it failed to register its crypto asset lending product.

As part of its ongoing initiative to protect investors from misleading advertising claims by investment advisers, the SEC brought settled actions against five firms for violating the Marketing Rule with hypothetical performance advertisements; nine firms that disseminated advertisements on public websites that included untrue or unsubstantiated statements of material fact and/or testimonials, endorsements, or third-party ratings that lacked required disclosures; and another firm for advertisements that violated various provisions of the Marketing Rule.

The Commission also brought dozens of settled actions against registrants who engaged in off-channel communications and failed to preserve these required records, hindering the SEC's investor protection functions. More than 50 broker-dealers, investment advisers, and dually-registered firms admitted their violations and agreed to pay more than $568 million in combined penalties. The SEC also charged 12 municipal advisors and six credit rating agencies for admitted recordkeeping violations.

The Commission held individuals and entities accountable for misusing or failing to protect material non-public information (MNPI). Morgan Stanley agreed to pay more than $249 million to settle fraud charges and for failing to enforce information barriers. The SEC settled charges against registered investment advisers Sound Point Capital Management and Marathon Asset Management for failing to have and enforce policies and procedures to prevent the misuse of MNPI. The Commission also charged individuals who allegedly traded unlawfully on MNPI, including the founder of a Silicon Valley-based technology company, who agreed to pay a civil penalty of nearly $1 million, and a former board member of Tallgrass Energy LP. The SEC secured a unanimous jury verdict against an executive who used his employer's confidential information ahead of a merger announcement to purchase a large stake in call options of another comparable public company.



MARKETING RULE

Prohibits advisers from engaging in certain advertising practices including, for example, making untrue statements of material fact or omitting a material fact necessary to make a statement not misleading.

In FY 2024, the SEC promoted high-quality financial reporting and disclosure by bringing impactful actions against issuers, preparers, and gatekeepers for violations of their core obligations. The Commission charged Silvergate Capital Corporation and its former CFO with misleading investors about the company's losses following FTX's collapse. The Commission held public companies and individual members of management accountable through penalties, disgorgement of ill-gotten gains, suspensions of individuals who posed a threat to investors, and prophylactic relief that decreases the likelihood of future violations.

The SEC's efforts toward holding gatekeepers accountable included multiple actions against independent accountants for failures to uphold their critical role in the financial reporting process. The Commission obtained a settlement resulting in the permanent suspension of, and a combined $14 million penalty against, Benjamin Borgers and his firm related to false audit reports the firm provided to hundreds of issuers. Prager Metis agreed to settle charges for negligent audits of FTX and for violating auditor independence requirements. The SEC also charged Olayinka Oyebola and his firm with allegedly aiding and abetting a massive securities fraud.

The SEC brought several first-of-their-kind cases in FY 2024. The Commission charged two investment advisers, Delphia (USA) Inc. and Global Predictions Inc., with making false and misleading statements about their purported use of AI. FY 2024 also saw the first case against an investment adviser for violations related to liability disclaimers in private fund agreements.

PRIVATE EQUITY FUND

An investment vehicle in which the adviser pools together the money invested in the fund by all the investors and uses that money to make investments on behalf of the fund.

The SEC's Whistleblower Program, created under the Dodd-Frank Act to incentivize individuals to report accurate and timely information about possible violations of federal securities laws, had another successful year. Since the program's inception in 2011, the SEC has awarded more than $2.2 billion to whistleblowers. In FY 2024, the Commission awarded whistleblowers approximately $255 million.

To hold wrongdoers accountable for taking actions to impede individuals' ability to report complaints or evidence of wrongdoing, the Commission charged registrants, public companies, and one individual for alleged violations of whistleblower protection rules. In the largest-ever standalone penalty of its kind, J.P. Morgan agreed to pay $18 million for impeding advisory clients and brokerage customers from reporting potential securities law violations to the SEC.

In FY 2025, ENF will focus on risk areas including disclosures regarding AI and cybersecurity incidents; information asymmetries and actual and potential abuse of MNPI; noncompliance by industry participants with core regulatory requirements, including the Marketing Rule; and whistleblower impeding actions. The division will continue to investigate and, where appropriate, recommend enforcement actions regarding the unregistered offer and sale of crypto assets as securities and unregistered exchanges and other intermediaries. It will also investigate failures to provide required disclosures and reports to regulators.

Division of Examinations

The Division of Examinations (EXAMS) serves on the front lines to help ensure that market participants comply with the federal securities laws and related rules. Through examinations and outreach, the division provides the Commission with valuable information to inform rulemaking, identify and monitor risks, improve industry practices, and pursue misconduct.

During FY 2024, EXAMS reviewed practices, products, and services that present potentially heightened risks to investors and market integrity, with a particular focus on risks to retail investors.

Among other priorities, EXAMS assessed firms' compliance with obligations under Regulation Best Interest and the fiduciary standard under the

Advisers Act. The division also focused on whether advisers (including advisers to private funds) met their obligations under the Compliance Rule of the Advisers Act. Additional priority areas in the fiscal year included information security and operational resiliency, crypto assets and emerging financial technology, Regulation SCI, and anti-money laundering.

In FY 2024, EXAMS published four Risk Alerts as part of its continued efforts to raise awareness of critical compliance and industry risks, and to promote stronger industry compliance.

The division also remained flexible and agile in its risk-based approach in responding to market events and challenges during the year.

Going forward, the division will continue to adjust examination priorities as appropriate to help carry out the SEC's mission.

Division of Economic and Risk Analysis

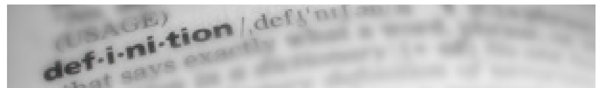
The Division of Economic and Risk Analysis (DERA) provides critical economic analysis to inform the Commission's rulemaking, examinations, and enforcement functions.

In FY 2024, DERA economists analyzed the economic effects of Commission, Public Company Accounting Oversight Board, and SRO rules; provided support for investigations and settlement negotiations; assisted in determining the amounts and feasibility of distributions to harmed investors; provided testimony in litigated cases; and analyzed market risks.

Collaborating with economists and staff across the Commission, DERA data scientists engaged in several projects to enhance evidence-based decisions within the Commission and identify potential securities law violations by market participants.

Office of the Advocate for Small Business Capital Formation

The Office of the Advocate for Small Business Capital Formation (OASB) helps small businesses—from startups to smaller public companies—and their investors raise and deploy capital. A key part of OASB's mission is to identify and address unique capital-raising challenges faced by women-owned, diverse, rural, and natural disaster-area small businesses and their investors.



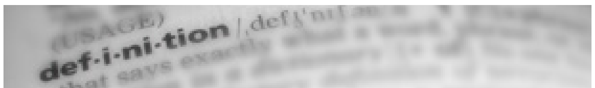
COMPLIANCE RULE OF THE ADVISERS ACT

Requires all registered advisers to document in writing their annual review of compliance policies and procedures.

OASB engaged with small businesses, investors, entrepreneurial support organizations, and thought leaders through over 50 outreach events and onsite visits in FY 2024. The discussions provided insights on unique obstacles facing women and diverse entrepreneurs, the roles of entrepreneurial support organizations, the importance of building and gaining access to networks and mentors, and how to increase diversity among capital allocators.

In April 2024, OASB hosted the SEC's 43rd annual Small Business Forum. More than 260 attendees came together with eight speakers and all five Commissioners. In September 2024, the SEC delivered a report to Congress summarizing the Forum, the attendees' 15 capital-raising policy recommendations, and the Commission's responses to those recommendations.

OASB created and maintains the SEC's centralized portal of online educational resources for small businesses and their investors. The resources include the "Building Blocks" suite of one-page overviews on common questions and topics, and a glossary of terms to help familiarize small businesses and their investors with the language of raising capital. During the fiscal year, viewership across these resources reached more than 740,000 pageviews. OASB's recently published content includes resources on entrepreneurial support organizations and financial statements, as well as videos on Commission rulemaking.



REGULATION CROWDFUNDING

Crowdfunding is a financing method in which money is raised through soliciting relatively small individual investments or contributions from a large number of people. Regulation Crowdfunding provides an exemption from the registration requirements for securities-based crowdfunding, allowing companies to offer and sell up to $5 million of their securities in a 12-month period without having to register the offering with the SEC. All transactions must take place online through an SEC-registered intermediary, either a broker-dealer or a funding portal.

Further, OASB provided administrative support to the SEC's Small Business Capital Formation Advisory Committee, which provides advice and recommendations to the Commission on rules, regulations, and policy matters relating to small businesses. The Committee met four times in FY 2024 and put forward recommendations relating to Regulation Crowdfunding and the accredited investor definition.

In FY 2025, OASB will continue to engage with small businesses and their investors to solicit views on relevant capital-raising issues. OASB will also continue to provide meaningful and accessible educational resources regarding the SEC's capital-raising rules.

Office of Investor Education and Advocacy

From participating in outreach campaigns to publishing Investor Alerts, Bulletins, and other new content on Investor.gov, the Office of Investor Education and Advocacy (OIEA) provides retail investors with knowledge and tools to help them build a secure financial future.

In FY 2024, OIEA and the SEC's regional offices participated in more than 550 investor education events. These outreach efforts targeted different segments of the population, from students and teachers to older investors, military service members and veterans, and traditionally underserved communities.

In October 2023, SEC staff hosted outreach events during World Investor Week (WIW), a global initiative promoted by the International Organization of Securities Commissions. SEC staff participated in outreach events highlighting the importance of avoiding fraud and making more informed investment decisions.

SEC staff led the U.S. national WIW campaign with participation from the North American Securities Administrators Association (NASAA), National Futures Association, Securities Investor Protection Corporation, CFTC, and FINRA. Together with these organizations, OIEA issued a joint Investor Bulletin on three themes of WIW: investor resilience, crypto assets, and sustainable finance.

Throughout FY 2024, OIEA also issued public announcements warning investors of possible fraudulent schemes and promoting education around investing topics. For example, OIEA provided tips to service

modernizing sec.gov

In FY 2024, the SEC worked tirelessly to improve user experience for investors and all market participants on its public-facing website, **SEC.gov**.

With a focus on functionality and compliance, these enhancements:

- Simplify public access to pertinent information
- Reduce search time for all materials, including educational resources, filings, and regulatory updates
- Improve accessibility for all users, including those with disabilities

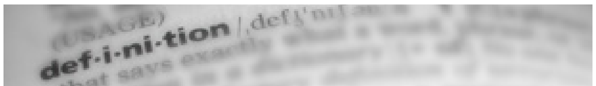
members and their dependents on how to make the most of military benefits and lump sum payments. OIEA also raised investor awareness of frauds involving the purported use of AI and other emerging technologies, as well as red flags related to scams involving crypto assets.

Outreach Events and Focus

SEC leadership and staff continued the Military Service Members Initiative by engaging with service members on active duty, transitioning service members, and veterans through dozens of in-person and virtual briefings. In January 2024, Commissioner Crenshaw participated in an Army social media event that reached more than 14,000 service members. In addition, OIEA staff led a "train the trainer" workshop for personal financial managers at Marine Corps Air Station Miramar. OIEA and regional staff in Boston, Denver, Los Angeles, New York, and Philadelphia participated in Yellow Ribbon Reintegration Program events.

As part of Financial Capability Month in April, OIEA staff presented to high school math classes in collaboration with the District of Columbia Public Schools. The presentations highlighted the importance of taking early advantage of compounding investments and included a fraud literacy component through OIEA's HoweyTrade videos. OIEA staff also presented at Morgan State University, a Historically Black College and University (HBCU) in Baltimore, Maryland, and the Cash Campaign of Maryland Financial Education Summit.

During FY 2024, OIEA participated in events and initiatives focused on older Americans, highlighting Investor.gov resources for older investors and key messages from the “Never Stop Learning” public service campaign. OIEA staff joined Facebook Live with AARP’s Fraud Watch Network; the Senior Zone radio program, a weekly program in the Washington, DC, metro area focused on audiences over 50 years old; and meetings of the Diverse Elders Coalition.



FINFLUENCER

Short for “financial influencer,” online content creators who leverage social media platforms to share investment-related content, ranging from general financial education to specific stock recommendations. Finfluencers often present themselves as experts, sharing personal experiences, market analysis, and investment tips in an engaging and accessible manner, and may include celebrity/social media influencers who do not regularly provide or share financial and investment advice but may, from time to time, promote investment products or schemes.

OIEA, often in partnership with SEC leadership, regional and other SEC offices, and outside organizations, conducted outreach targeting current and future retail investors, particularly those who traditionally are underserved. Commissioner Uyeda, the Office of Women and Minority Inclusion, Philadelphia Regional Office, and OIEA participated in the Choo Smith Youth Empowerment Summer Camp, a basketball skills camp founded by a retired NBA player and Harlem Globetrotter that also focuses on financial literacy and civic engagement. OIEA led a series of financial education presentations focused on using credit wisely, saving and the power of investing, and avoiding fraud.

In addition, OIEA provided financial education information to individuals with justice system involvement in coordination with the District of Columbia Mayor’s Office on Returning Citizen Affairs; the District’s Department of Insurance, Securities, and Banking; and an occupational skills training program.

OIEA also continued its outreach to Native Americans through student presentations. OIEA staff gave a guest lecture at Haskell Indian Nations University, an intertribal institution with students representing 130 federally recognized sovereign nations. Topics ranged from building wealth through saving and investing to the importance of paying down debt and how to spot investment scams. OIEA staff also reached Native American high school students through presentations at Skyline Gila River School in Chandler, Arizona.

Public Service Campaign: “Never Stop Learning”

In FY 2024, OIEA unveiled a public service campaign that takes a multi-generational approach to educating investors, highlighting new resources pages in both English and Spanish. These pages promote free tools and resources to identify and prevent fraud for investors of all experience levels.

The campaign features two TV spots in both English and Spanish, both of which end with the message: “No matter your age, we can all learn something about investing. Explore our resources at Investor.gov/NeverStopLearning.” The campaign garnered nearly 4.4 million views on the SEC’s YouTube channel and more than 157 million impressions overall.

In FY 2025, OIEA will continue to engage and interact with the investing public on a daily basis through educational outreach and its investor assistance program.

OIEA’s educational efforts will consist of in-person outreach, digital and social media, and updates to Investor.gov, including new Investor Alerts and Bulletins to inform individual investors about different permutations of fraud, new investment products, and other topical issues such as AI and finfluencing (financial influencing).

Importantly, OIEA's outreach will target new and inexperienced retail investors, particularly those who traditionally are underserved. OIEA will urge these audiences to be cautious if considering an investment involving crypto assets offered and sold as securities, in addition to raising awareness about other strategies for prudent investor behavior.

OIEA expects to assist approximately 30,000 investors with investment-related complaints and answer questions from individual investors needing assistance in FY 2025. The most common complaint types addressed by OIEA's investor assistance staff in FY 2024 were crypto-related. OIEA will also continue to gather information regarding the behavior of individual investors, the types of information they need and use when making investment decisions, and the usefulness of the SEC's investor education efforts and related programs. In FY 2025, OIEA plans to expand the number of surveys focused on improving investors' experience and satisfaction with the agency's online resources and tools.

Office of the Investor Advocate

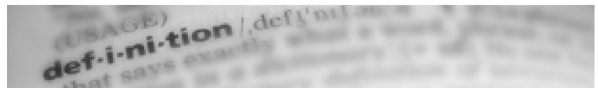
The Office of the Investor Advocate (OIAD) has four core functions: provide a voice for investors, assist retail investors, study investor behavior, and support the SEC's Investor Advisory Committee (IAC).

Office of the Ombuds

Congress directed OIAD to appoint an Ombuds to respond to investor complaints. In FY 2024, the Office of the Ombuds responded to nearly 2,800 individuals with questions or concerns about the Commission or SROs and submitted numerous allegations of securities law violations to ENF for review and potential action.

The Ombuds also reviewed SEC and SRO policies and procedures and made recommendations to encourage the public to present questions to the Investor Advocate about compliance with the securities laws. Most notably in FY 2024, the Ombuds responded to numerous anecdotal complaints by studying investors' difficulties arbitrating claims against their brokers.

In March 2024, the Ombuds held its fifth annual Investor Advocacy Clinic Summit. Law students and professors from across the country engaged with SEC staff about issues impacting their retail investor clients. Nearly 1,000 viewers attended the livestreamed event, and over 170 guests—including academic faculty, representatives of SROs, and state and federal regulators—attended the event in person.



MUTUAL FUND

A company that pools money from many investors and invests the money in securities such as stocks, bonds, and short-term debt. Investors buy shares in mutual funds. Each share represents an investor's part ownership in the fund and the income it generates.

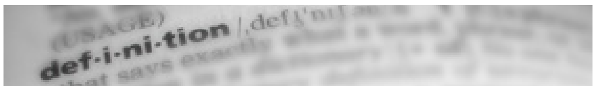
Research Initiatives

OIAD's Office of Investor Research (OIR) conducts research and testing to support investor advocacy. In FY 2024, OIR launched a national survey panel, known as the Thoughtful Households Relating InVesting Experiences (THRIVE) Panel, to regularly engage the public on investment-related issues. Through THRIVE and other investor testing projects, OIR compiled over 50,000 investor contacts in FY 2024. OIR also conducted extensive investor testing to inform the design of a mutual fund "fee meter," a graphical display depicting the range of fees charged on a set of mutual funds. This research demonstrates how prospective investors understand the relative cost of a given fund to make informed investment decisions. OIR published a working paper and is continuing research projects on financial disclosure, financial advice, and household decision making. OIR publications are available at: SEC.gov/about/divisions-offices/office-investor-advocate/office-investor-research.

Investor Engagement

The goals for investor engagement are twofold:

- Understand investors' experiences and perspectives regarding products, practices, regulations, rulemakings, and the markets and communicate them to Commission leaders and staff in a decision-useful context; and
- Advocate for investors' interests in the regulatory and rulemaking environment in a manner consistent with the office's statutory mission.



SELF-REGULATORY ORGANIZATION (SRO)

An organization that exercises some degree of regulatory authority over an industry or profession. The regulatory authority could be applied in addition to some form of government regulation, or it could fill the vacuum of an absence of government oversight and regulation. The ability of an SRO to exercise regulatory authority does not necessarily derive from a grant of authority from the government.

OIAD hosted over 110 engagements in FY 2024. In March, OIAD jointly hosted a large public roundtable with NASAA and the Georgia Secretary of State in Dahlonega, Georgia, and Dalton, Georgia. Investors, advocates, investigators, and regulators shared their experiences with investments, policy and regulation, and securities fraud, and engaged with the Chair and Commissioners, division and office directors, and senior staff on topics related to identifying fraud and avoiding suspicious investments.

Office of the Chief Counsel

In FY 2024, OIAD's Office of the Chief Counsel (OCC) evaluated approximately 30 Commission rulemakings and 193 SRO rule proposals. In addition, as described in OIAD's most recent report to Congress, OCC will continue to focus on issues concerning broker-dealer and investment adviser conduct, private markets, and disclosure to retail investors. Within those focus areas, OCC will seek to improve the quality and transparency of the advice relationship between retail investors and their brokers and advisers; help calibrate a balance between investor protection and investor access to private markets; and evaluate the Commission's approach to disclosure in the context of newer, highly complex financial products and services. OCC continues to work with stakeholders to identify how investors would benefit from regulatory changes.

Investor Advisory Committee

The IAC advises and consults with the Commission on regulatory priorities including protecting investors, promoting investor confidence, and maintaining the integrity of the securities marketplace. In FY 2024, the IAC held four quarterly public meetings and approved three recommendations to the Commission.

In FY 2025, OIAD will continue directly engaging with retail investors through investor-focused meetings, events, activities, and roundtables, and will continue to partner with federal and state financial regulatory agencies on retail investing issues.

Additionally, Ombuds staff will continue assisting retail investors with issues relating to the Commission or SROs. OIR staff will continue to field longitudinal research surveys, such as THRIVE, to promote data-informed decision making.

OIAD will also continue to monitor market events and rulemakings that affect retail investors and, where necessary, raise awareness of those effects within the Commission.

Office of Minority and Women Inclusion

The Office of Minority and Women Inclusion (OMWI) provides leadership and guidance for the SEC's efforts to leverage diversity and inclusion throughout the agency.

Understanding that diversity, equity, inclusion, and accessibility (DEIA) are integral to the agency's success, the SEC has remained committed to accomplishing the goals, strategies, and actions set forth in its DEIA Strategic Plan for Fiscal Years 2023–2026.

One of OMWI's continued focus areas is attracting, hiring, developing, and retaining high-quality, diverse talent across all levels of the workforce. In FY 2024, the SEC hosted and participated in more than 80 diversity-related outreach and recruitment events. OMWI also continued to develop and maintain strategic partnerships with HBCUs, Hispanic-serving institutions, women's colleges, and colleges that typically serve majority minority populations.

OMWI also provides leadership and management oversight to the SEC's Employee Affinity Groups (EAGs). In FY 2024, EAGs conducted close to 40 SEC-sponsored programs and activities to commemorate and celebrate special observance heritage or awareness months. In addition, EAGs served as ambassadors for the Commission with recruitment efforts through attendance at numerous outreach events, including at career fairs.

OMWI directly contributes to the agency's mission by engaging underrepresented groups surrounding SEC policy discussions. For example, OMWI contributed to the nomination of members for the Commission's IAC. OMWI also leveraged its relationships with professional and trade organizations serving diverse groups to increase awareness of the SEC's regulatory priorities and commitments to DEIA. In January 2024, OMWI hosted its Biannual Diversity Partners Meeting featuring

Chart 1.3 | Employee Affinity Groups

Chair Gensler and Cristina Martin Frivada, the SEC's Investor Advocate. In August 2024, Chair Gensler met with OMWI's Diversity Partners to share his regulatory priorities and continued commitment to fostering opportunities for diverse perspectives in the SEC's work.

In FY 2024, the SEC formed a working group tasked with identifying and promoting inclusion for all candidates and applicants throughout the SEC's recruiting, hiring, and onboarding processes, which began evaluating technologies for accessibility gaps and opportunities for further inclusion.

Recognizing the importance of equity and inclusion as a strategic business priority, OMWI continued its outreach efforts and technical assistance to minority-owned, women-owned, and veteran-owned businesses to provide opportunities to participate in SEC business opportunities. In FY 2024, OMWI participated in five external business conferences and outreach events and met with 28 vendors, over 70 percent of which were minority- and women-owned.

In FY 2025, OMWI will continue monitoring and assessing the DEIA Strategic Plan's implementation and effectiveness. The office will continue to develop outreach and recruitment strategies, action plans promoting increased diversity and inclusionary practices in the workforce, and opportunities for diverse perspectives in implementing core mission work. OMWI will also focus on promoting DEIA in the financial services industry by analyzing self-assessments from regulated entities gathered during OMWI's prior collection period.

Reshaping SEC Operations

In FY 2024, the SEC continued its efforts to right-size the agency's leasing footprint. From FY 2014 through the end of FY 2023, the SEC reduced its real property footprint by approximately 305,000 usable square feet, including the closure of one of its headquarters office buildings in Washington, DC. In FY 2024, the SEC reduced the footprints of its New York, Atlanta, Fort Worth, and San Francisco operations by a combined 22 percent, releasing a total of approximately 67,300 usable square feet.

The SEC also announced the closure of its Salt Lake operations. As a result, the SEC will return approximately 9,100 usable square feet when the space is fully decommissioned in early FY 2025.

In FY 2024, the SEC continued to migrate functions to the cloud for greater capability, scalability, and security. The SEC made progress on its multi-year initiative to migrate content and systems into the SEC's cloud environments. For example, the agency completed moving enterprise data assets into a cloud-based Enterprise Data Warehouse.

Strengthening cybersecurity protections for SEC systems and data remained a top priority in FY 2024. The SEC continued implementing zero trust cybersecurity principles in accordance with government-wide requirements in areas such as enhanced data protection and advanced identity and access management. The agency also launched an immutable infrastructure initiative and improved its security monitoring and logging capabilities.

The SEC continued to invest in modernizing key systems. A primary example is the EDGAR Next initiative, which strengthens the EDGAR system by making the log-in process more secure and giving filers greater ability to manage who can file on their behalf. The SEC also furthered efforts to modernize the key enforcement system for managing tips, complaints, and referrals.

In addition to supporting the joint rule proposal to establish data standards (see *Division of Corporation Finance*), the Office of the Chief Data Officer (OCDO) worked to increase transparency for the public by launching data visualizations on SEC.gov, beginning with statistics for money market funds, registered funds, and investment advisers. OCDO also led initiatives to expand data analysis tools for SEC staff and deployed enhanced data protections for Consolidated Audit Trail data as part of the government-wide zero trust initiative.

FINANCIAL HIGHLIGHTS

This section provides an analysis of the financial position, results of operations, and the underlying causes for significant changes in balances presented in the SEC's FY 2024 financial statements.

As described further below, the SEC's finances have several main components:

- An annual appropriation from Congress;
- Securities transaction fees, charged in accordance with Section 31 of the Securities Exchange Act, which offset the agency's annual appropriation;
- Securities registration, tender offer, and merger fees (also called filing fees), of which $50 million is deposited into the Securities and Exchange Commission Reserve Fund (Reserve Fund) each year. The Reserve Fund may provide resources up to $100 million each fiscal year to pay for SEC expenses, and are not subject to annual appropriation or apportionment;
- Disgorgement and penalties ordered and collected from violators of the securities laws, some of which are then returned to harmed investors and the balances are transferred to the U.S. Treasury General Fund; and
- The SEC Investor Protection Fund (IPF), which is funded through disgorgement and penalties not distributed to harmed investors, and which is used to make payments to whistleblowers who give tips to aid the SEC's enforcement efforts in certain circumstances, as well as to cover the expenses of the SEC Office of Inspector General's (OIG) Employee Suggestion Program.

Sequestration Order for FY 2024

On March 1, 2013, the President issued the Sequestration Order. As determined by the Office of Management and Budget (OMB), for FY 2024, the Sequestration Order was applicable to mandatory appropriations, which included the Reserve Fund and the IPF, as follows:

Reserve Fund

The budget authority of $50 million was reduced by 5.7 percent, or $3 million.

Investor Protection Fund

The budget authority of $501 million was reduced by 5.7 percent, or $29 million.

Overview of Financial Position

Assets. At September 30, 2024, the SEC's total assets were $14.2 billion, an increase of $584 million, or 4 percent, from FY 2023.

Investments, Net increased by $537 million. This is primarily due to increases in disgorgement and penalties collections invested, net of disbursements to fund administrators for planned distributions. In addition, IPF investments increased during FY 2024 due to the SEC holding a larger amount of IPF funds in Fund Balance with Treasury at the end of FY 2023.

Accounts Receivable, Net increased by $319 million primarily due to a $274 million increase in Section 31 fee receivables from a higher fee rate in effect for September of FY 2024 compared to the previous year.

Property and Equipment, Net increased by $264 million primarily due to the new Federal Accounting Standards Advisory Board lease standard, Statement of Federal Financial Accounting Standards (SFFAS) 54, *Leases*, which relates to the recognition of right-to-use lease assets. The increase is a result of the initial establishment of SEC right-to-use lease assets subject to SFFAS 54 during FY 2024.

Fund Balance with Treasury decreased by $538 million. This is primarily due to an increase in whistleblower payments and funds invested from the IPF during FY 2024.

Chart 1.4 | FY 2024 Assets by Type

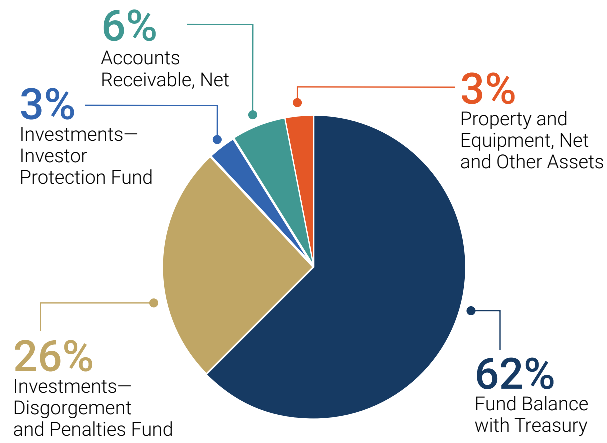


Table 1.2 | Assets as of September 30, 2024 and 2023

(DOLLARS IN MILLIONS)	2024	2023
Fund Balance with Treasury	$ 8,792	$ 9,330
Investments—Disgorgement and Penalties Fund	3,635	3,212
Investments—Investor Protection Fund	472	358
Accounts Receivable, Net	878	559
Property and Equipment, Net	371	107
Other Assets	13	11
Total Assets	**$ 14,161**	**$ 13,577**

Liabilities. At September 30, 2024, the SEC's total liabilities were $5.9 billion, an increase of $811 million, or 16 percent, from FY 2023.

For the assets received resulting from enforcement judgments, the SEC recognizes a corresponding liability, which is either custodial if the collections are transferred to the U.S. Treasury General Fund or the IPF, or governmental if the collections are held pending distribution to harmed investors.

Liability for Disgorgement and Penalties increased by $605 million, mostly due to orders established on behalf of harmed investors during FY 2024.

Contingent Liabilities increased by $417 million. For FY 2024, the SEC recognized estimated awards in the amount of $529 million that were probable as of September 30, 2024, while recognizing $112 million as of September 30, 2023.

Accounts Payable decreased by $316 million, primarily due to a $314 million decrease in whistleblower awards payable as of September 30, 2024, compared to the prior year.

Ending Net Position. The SEC's net position, composed of both unexpended appropriations and the cumulative results of operations, decreased by $227 million during FY 2024.

Chart 1.5 | FY 2024 Liabilities by Type

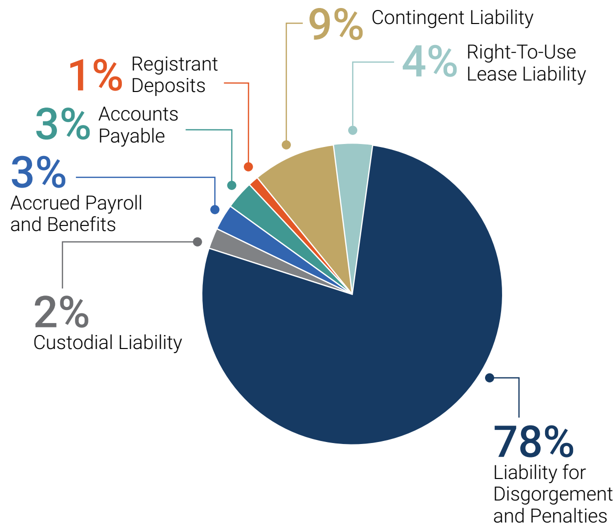


Table 1.3 | Liabilities as of September 30, 2024 and 2023

(DOLLARS IN MILLIONS)	2024	2023
Liability for Disgorgement and Penalties	$ 4,612	$ 4,007
Custodial Liability	99	244
Accrued Payroll and Benefits	189	167
Accounts Payable	194	510
Registrant Deposits	61	59
Contingent Liability	529	112
Liability for Non-Entity Assets	1	—
Right-To-Use Lease Liability	230	—
Other Liabilities	8	13
Total Liabilities	**$ 5,923**	**$ 5,112**

Results of Operations

Earned Revenues. Total Earned Revenues for the year ended September 30, 2024, increased by $813 million, or 32 percent, from FY 2023.

Filing fee revenue increased by $323 million, due to an increase in filing volume, and the filing fee rate increased from $110.70 per million transacted in FY 2023 to $147.60 per million transacted in FY 2024.

Section 31 fee revenue increased by $490 million. This was a result of the Section 31 fee rate change in FY 2024 that increased the rate to $27.80 per million transacted on May 22, 2024, from the $8.00 per million transacted that was previously in effect.

Reserve Fund. Section 991(e) of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act) authorized the creation of a Reserve Fund. Funded from filing fee collections, the SEC can deposit up to $50 million per fiscal year, and the fund cannot hold more than $100 million in total each fiscal year. Excess filing fees are deposited to the U.S. Treasury General Fund.

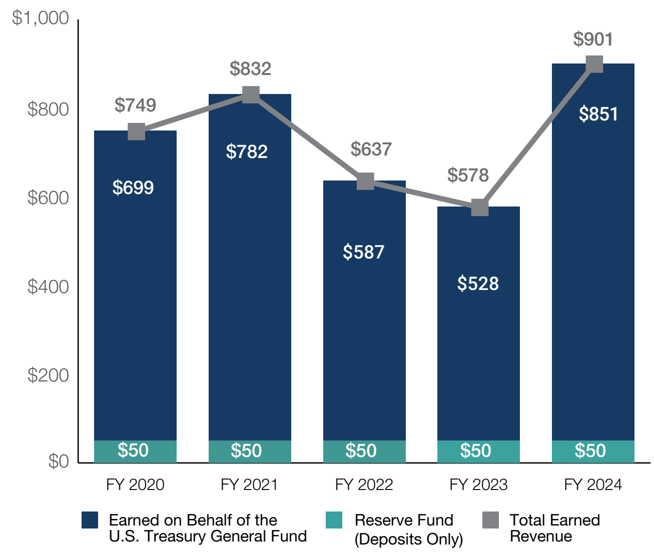
Table 1.4 | Earned Revenues

For the years ended September 30, 2024 and 2023

(DOLLARS IN MILLIONS)	2024	2023
Section 31 Securities Transaction Fees	$ 2,464	$ 1,974
Securities Registration, Tender Offer, and Merger Fees (Filing Fees)	901	578
Total Earned Revenues	**$ 3,365**	**$ 2,552**

Chart 1.6 | Reserve Fund Earned Revenue

(DOLLARS IN MILLIONS)



For the year ended September 30, 2024, filing fee revenues totaled $901 million. In FY 2024, $50 million of filing fee revenues was deposited into the Reserve Fund, of which $3 million was sequestered. The excess of $851 million was earned on behalf of the U.S. Treasury General Fund.

Filing fees deposited to the Reserve Fund can be used to fund the SEC's operations, create budgetary authority, and are reported as a component of Appropriations (Discretionary and Mandatory) on the SEC's Statement of Budgetary Resources. Filing fees deposited to the U.S. Treasury General Fund do not create budget authority and cannot be used to fund the SEC's operations.

After FY 2024 deposits of $50 million, prior year sequestration totaling $3 million was returned, new FY 2024 sequestration totaling $3 million was recorded, and Reserve Fund resources totaling $53 million were obligated for the year ended September 30, 2024, leaving a remaining unobligated balance of $2.5 million of available resources at the end of FY 2024.

Program Costs. Total Program Costs were $3.1 billion for the year ended September 30, 2024, an increase of $715 million, or 30 percent, compared to FY 2023. The increase was primarily due to personnel compensation and benefits, other program costs including IT contracts and licensing, and net whistleblower costs incurred during FY 2024.

Chart 1.7 | FY 2024 Filing Fee Revenue

(DOLLARS IN MILLIONS)

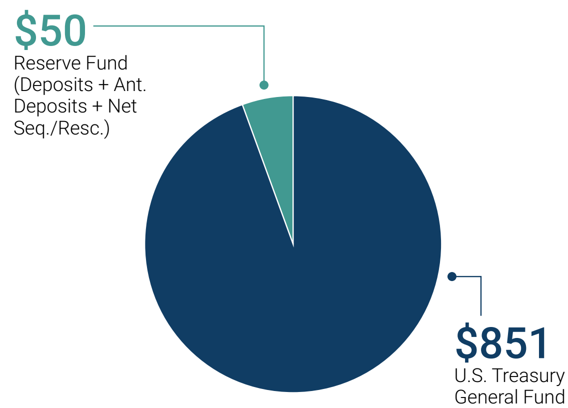
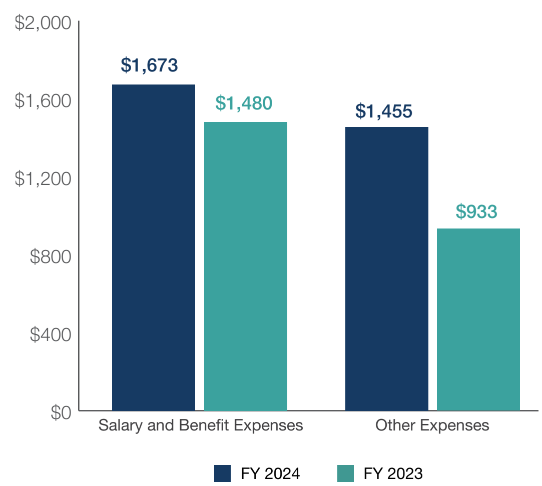


Chart 1.8 | Program Costs

(DOLLARS IN MILLIONS)



Budgetary Resources

For the year ended September 30, 2024, the SEC's total budgetary resources equaled $3.0 billion, a 9 percent decrease from FY 2023.

Unobligated Balance from Prior Year Budget Authority. The increase in unobligated balance brought forward is a result of a $31 million increase in the IPF balance brought forward, a $31 million increase in the special lease appropriation balance carried forward, and a $34 million increase in recoveries during FY 2024.

Appropriations The decrease in appropriations is due to a $384 million decrease in IPF appropriated replenishment receipts in FY 2024 compared to the prior year. In addition, the SEC experienced a decrease in appropriations due to fully funding its appropriations with offsetting collections in FY 2024.

Chart 1.9 | FY 2024 Sources of Funds

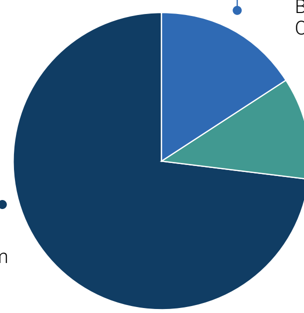


Table 1.5 | Total Budgetary Resources
For the years ended September 30, 2024 and 2023

(DOLLARS IN MILLIONS)		2024		2023
Unobligated Balance from Prior Year Budget Authority, Net (Discretionary and Mandatory)				
Salaries and Expenses Fund	$	152	$	87
Reserve Fund		6		9
Investor Protection Fund		337		306
Total Unobligated Balance, Brought Forward, October 1		495		402
Appropriations (Discretionary and Mandatory)				
Salaries and Expenses Fund		—		50
Reserve Fund		50		50
Investor Protection Fund		285		645
Spending Authority from Offsetting Collections		2,189		2,160
Total Budgetary Resources	**$**	**3,019**	**$**	**3,307**

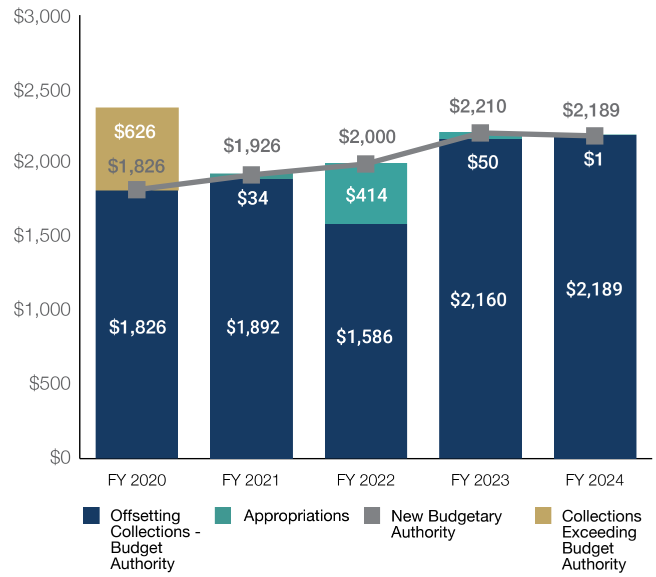
Spending Authority from Offsetting Collections and Appropriations

During the fiscal year, the SEC receives an appropriation to fund its operations. This appropriation establishes the SEC's new budget authority in its Salaries and Expenses Fund for the fiscal year. The SEC received new budget authority of $2.189 billion for FY 2024.

The SEC's Section 31 fee collections are used to offset the appropriation, and as the collections are received, the appropriated authority is returned to the U.S. Treasury General Fund. The SEC collected $2.190 billion in Section 31 transaction fees for the year ended September 30, 2024, exceeding the SEC's appropriation authority by $1 million. The $1 million in excess offsetting collections are precluded from obligation.

Chart 1.10 | Offsetting Collections vs. New Budgetary Authority Section 31 Exchange and Transaction Fees

(DOLLARS IN MILLIONS)



Investor Protection Fund

The SEC prepares standalone financial statements for the IPF as required by the Dodd-Frank Act. The IPF was established in FY 2010 to provide funding for a Whistleblower Award Program and to finance the operations of the SEC OIG's Employee Suggestion Program.

For the year ended September 30, 2024, the balance of the IPF increased by $25 million when compared to the prior fiscal year.

During FY 2024, the SEC deposited $276 million: $257 million from IPF replenishments and $19 million from investment interest in Treasury securities. The SEC paid $575 million to whistleblowers, while $117 million in awards were accrued as payable, a $315 million decrease from the prior year.

Also, $38 million in prior fiscal year sequestration was returned to the IPF and $29 million in FY 2024 funding was sequestered, resulting in a net sequestration totaling $9 million.

Limitations of the Financial Statements

The financial statements are prepared to report the financial position, financial condition, and results of operations, consistent with the requirements of 31 U.S.C. § 3515(b). The statements are prepared from records of Federal entities in accordance with Federal generally accepted accounting principles (GAAP) and the formats prescribed by OMB. Reports used to monitor and control budgetary resources are prepared from the same records. Users of the statements are advised that the statements are for a component of the U.S. Government.

Table 1.6 | Investor Protection Fund Activity
For the years ended September 30, 2024 and 2023

(DOLLARS IN MILLIONS)	2024	2023
Balance of Fund at Beginning of Fiscal Year, October 1	$ 337	$ 306
Amount Deposited Into or Credited to the Fund During the Fiscal Year	276	660
Amount Awarded but Unpaid During the Fiscal Year	315	(293)
Amount Paid from the Fund During the Fiscal Year to Whistleblowers	(575)	(322)
Net Sequestration	9	(14)
Balance of the Fund at the End of the Reporting Period*	**$ 362**	**$ 337**

*Note: Balance of the Fund does not include Anticipated Resources

PERFORMANCE HIGHLIGHTS

The SEC's performance data provides a foundation for both programmatic and organizational decision making, and is critical for gauging the agency's success in meeting its strategic goals. The SEC is committed to using performance management best practices to promote greater accountability. This section provides a summary table of all agency performance metrics by strategic goal and highlights a few key performance metrics for FY 2024. Overall, it outlines the SEC's strategic and performance planning framework and highlights the agency's progress toward reaching its performance targets.

The SEC's FY 2024 Annual Performance Report (APR) will be issued with the agency's FY 2026 Congressional Budget Justification Report and will provide a complete discussion of the agency's strategic goals, including a description of performance goals and objectives, data sources, performance results and trends, strategic goal costs, and information about internal reviews and evaluations. The below summary of the SEC's verification and validation of all performance data will also be included in the APR. The SEC's APR is expected to be available in 2025 at SEC.gov/reports.

Strategic and Performance Planning Framework

The SEC's FY 2024 strategic and performance planning framework is based on the Commission's FY 2022–FY 2026 Strategic Plan. The Strategic Plan outlines the agency's mission, vision, values, strategic goals, and strategic initiatives. The SEC's work is structured around 3 strategic goals that also serve as its strategic objectives, as well as 10 strategic initiatives the agency plans to achieve in support of those goals and objectives.

Verification and Validation of Performance Data

The SEC's programs require accurate data to properly assess program performance and make sound management decisions. To ensure data is correct, a system of data verification and validation is used. Data verification is a systematic process for evaluating a set of data against a set of standards to ascertain its completeness, correctness, and consistency using the methods and criteria defined in the project documentation. Data validation follows the data verification process in an effort to ensure that performance data are free of systematic error or bias, and that what is intended to be measured is actually measured. Together, these processes are used to evaluate whether the information has been generated according to specifications, satisfies acceptance criteria, and is appropriate and consistent with its intended use.

Below is a list of steps taken to ensure the performance data presented in this report is complete, reliable, and accurate.

1. The agency develops performance goals through its strategic planning process.
2. The SEC's divisions and offices provide:
   - The procedures used to obtain assurance as to the accuracy and reliability of the data;
   - The data definitions for reference;
   - Documentation and explanation of the performance goal calculations; and
   - The sources of the underlying data elements.
3. The performance data is approved by the division directors and office heads. This process ensures that the data used in the calculation of performance goals is accurate and reliable, and that internal control is maintained throughout the approval process.

PERFORMANCE AT A GLANCE

The following table summarizes the status of the SEC's performance—as measured by each individual performance goal (PG)—in support of the agency's 3 strategic goals and 10 strategic initiatives.

STRATEGIC GOAL 1

Protect the investing public against fraud, manipulation, and misconduct

Performance Goal	Measurement	FY 2024
PG 1. Percentage of enforcement actions in which the Commission obtained relief on one or more claims	Percentage	✗
PG 2. Percentage of Fair Fund and disgorgement fund plans that have distributed 80 percent of the available funds for distribution within 24 months of the approval of the distribution plan	Percentage	✓
PG 3. Percentage of investment advisers and broker-dealers examined during the year	Investment advisers	✓
	Broker-dealers	✓
PG 4. Number of regulatory initiatives to improve investor disclosure	Division of Corporation Finance	✗
	Division of Investment Management	✗
	Division of Trading and Markets	✓
PG 5. Percentage of disclosure-based regulatory initiatives that consider whether it would be appropriate to include a provision to structure disclosures (to the extent that the benefits justify the economic costs) to enhance comparability	Division of Corporation Finance	✓
	Division of Investment Management	✗
	Division of Trading and Markets	✓
PG 6. Investor Engagement Activities	Activities	✓

STRATEGIC GOAL 2

Develop and implement a robust regulatory framework that keeps pace with evolving markets, business models, and technologies

Performance Goal	Measurement	FY 2024
PG 7. Number of regulatory initiatives that enhance transparency in private markets or update the disclosure framework to reflect evolving technologies, business models, and capital markets	Division of Corporation Finance	✓
	Division of Investment Management	✗
	Division of Trading and Markets	✓
PG 8. Number of supervisory cooperation requests from foreign authorities for SEC assistance and SEC requests for assistance on supervisory cooperation from foreign authorities	Requests from foreign authorities	✗
	SEC requests for assistance	✓
PG 9. Percentage of supervisory engagements with broker-dealers and clearing agencies to address systemic and infrastructure risks	Percentage	✓
PG 10. Number of examinations that request information related to an entity's information security	Examinations	✓
PG 11. Percentage of Systemically Important Financial Market Utilities examined by the examinations program	Percentage	✓
PG 12. Number of new investor education materials on emerging and popular investment topics	New investor education materials issued	✓
	Users indicating a positive change	✓

STRATEGIC GOAL 3

Support a skilled workforce that is diverse, equitable, and inclusive and is fully equipped to advance agency objectives

Performance Goal	Measurement	FY 2024
PG 13. Results of Federal Employee Viewpoint Survey	*Best Places to Work* ranking[1]	N/A
PG 14. Index Results from SEC Federal Employee Viewpoint Survey: Diversity, Opportunity, and Employee Inclusion	Diversity and opportunity	✓
	Employee inclusion	✓
PG 15. Diversity Outreach	Events	✓
PG 16. Equal Employment Opportunity Compliance – Sentiment and Assessment	Positive rating on FEVS Q8[2]	✓
	Percentage of "yes" (or N/A) responses to EEOC questions[3]	N/A
PG 17. Employee Views on Intra-Agency Collaboration	Cooperation (Q14)[4]	✓
	Knowledge share (Q17)[5]	✓
PG 18. Percentage of Plan of Action and Milestones (POA&Ms) closed within six months from identification	Percentage	✓
PG 19. Percentage of SEC information systems encrypting data-at-rest and encrypting data-in-transit, as reported per FISMA[6]	Data-at-rest	✓
	Data-in-transit	✓
PG 20. Timely completion of corrective actions responsive to audit findings	Submitted within 12 months	✓
	Not yet submitted within 12 months	✓
PG 21. Number of innovative or analytical models, tools, capabilities, platforms, and other solutions deployed or made available to SEC staff	Number	✗
PG 22. Percentage of FISMA[6]-reportable systems that are current (not legacy systems)	Percentage	✓

Note: For more detailed information, please refer to the SEC's FY 2024 APR, which will be available in 2025 at SEC.gov/reports.

✓ *Target met* ✗ *Target not met*

1 The Partnership for Public Service is expected to publish the FY 2024 *Best Places to Work* rankings in calendar year 2025.
2 Federal Employee Viewpoint Survey Q8: "I can disclose a suspected violation of any law, rule or regulation without fear of reprisal."
3 As prescribed by the Equal Employment Opportunity Commission,156 questions for evaluating whether agencies have in place policies and procedures necessary to support a Model EEO Program. Data will be published in 2025.
4 Federal Employee Viewpoint Survey Q14: "The people I work with cooperate to get the job done."
5 Federal Employee Viewpoint Survey Q17: "Employees in my work unit share job knowledge."
6 Federal Information Security Modernization Act

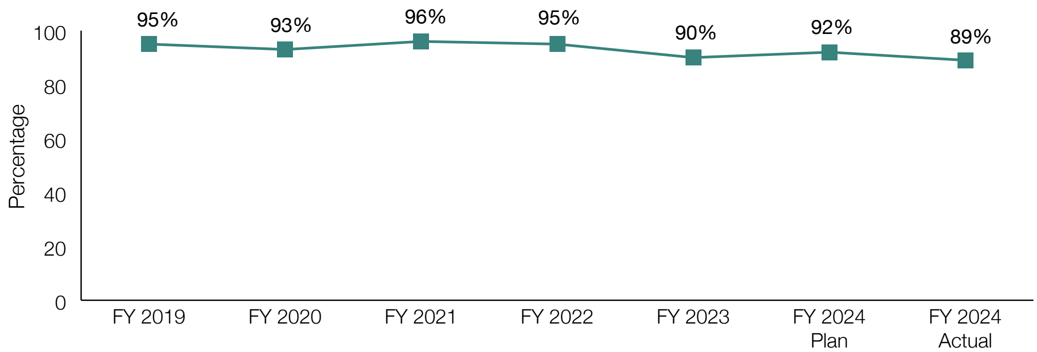
SELECT METRICS

Below are key performance metrics that highlight major achievements and efforts in alignment with the agency's strategic goals and initiatives.

Strategic Goal 1: Protect the investing public against fraud, manipulation, and misconduct

Chart 1.11

Percentage of enforcement actions in which the Commission obtained relief on one or more claims



Description: This metric identifies, as to all parties to enforcement actions that were resolved in the fiscal year, the percentage against whom the Commission obtained a judgment or order entered on consent, a default judgment, a judgment of liability on one or more charges, and/or the imposition of monetary or other relief.

Target: Not Met

Responsible Division/Office: Division of Enforcement

Data Source: Case Tracking System for the Division of Enforcement

Enforcement actions play an essential role in the SEC's efforts to carry out its mission to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation. The remedies sought by the Division of Enforcement in both litigated and settled actions are intended to ensure that the agency obtains appropriate relief in accordance with this mission, commensurate with the nature and extent of the misconduct and all relevant facts and circumstances at issue.

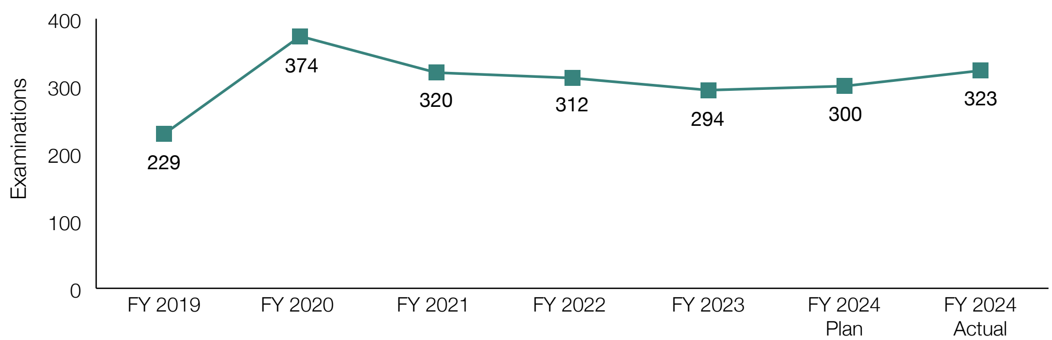
This metric identifies the percentage of all enforcement action outcomes in which the Commission obtained a judgment or order finding liability and/or imposing relief on one or more claims, whether in federal court or through the Commission's administrative procedures. In FY 2024, the result was 89 percent, which is below the goal of 92 percent. The shortfall is largely attributable to instances in which the Commission voluntarily dismissed certain parties, including one case in which 29 parties were voluntarily dismissed.[1] Other reasons for voluntary dismissals include dismissals of defendants who were defunct and/or had no assets; dismissals of defendants whose identities staff was unable to determine; and dismissals of relief defendants who were not charged with any wrongdoing and where other defendants already disgorged or were ordered to disgorge their ill-gotten gains.

1 *See SEC v. Digital Licensing Inc. (d/b/a "DEBT Box"), et al.,* Case No. 23-cv-00482-RJS-DBP (D. Utah)

Strategic Goal 2: Develop and implement a robust regulatory regime that keeps pace with evolving markets, business models, and technologies

Chart 1.12

Number of examinations that request information related to an entity's information security



Description: Managing cyber and information risks is critical to the operation of the financial markets. As a result, the SEC's risk-based examination program ensures that a portion of its exams each year assess whether regulated entities are monitoring, managing, and appropriately addressing these types of risks. The results of these important reviews inform the SEC regarding industry developments and future work in this area. Overall, this metric reflects the continued focus of the SEC's examination program in this area by measuring the number of examinations reviewing critical cyber and information risks.

Target: Exceeded

Responsible Division/Office: Division of Examinations

Data Source: Tracking and Reporting Examination National Documentation System (TRENDS)

The financial industry and capital markets continue to evolve and grow increasingly complex with innovation and technological advancements changing the way markets operate. This innovation has introduced a variety of new and sophisticated products, services, and business models into the marketplace and is expected to continue as market participants search for new technologies and products to improve the efficiency of market operations. At the same time, this dynamic often introduces new and/or heightened regulatory concerns and places additional demands on SEC resources. As the capital markets change, the SEC will remain focused on monitoring these developments and deploying its resources in ways that center on the interests of the investing public.

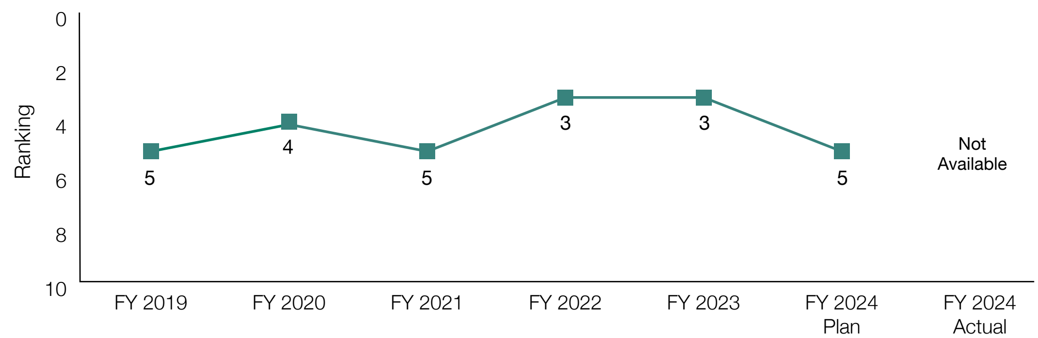
For example, given the increasing reliance on technology in nearly all aspects of the financial marketplace, the SEC has remained focused on monitoring and evaluating related risk areas, including those associated with information security. Managing cyber and information risks is critical to the operation of the financial markets, and the impact of a breach in information security, including a successful cybersecurity attack, may have consequences that extend beyond the compromised firm to other market participants and investors. As the scope and potential consequences of cyber threats continue to expand, it is imperative that market participants monitor and assess their cybersecurity risk profiles.

The SEC protects and monitors developments in this area through examinations of market participants conducted by the Division of Examinations. During FY 2024, information security and operational resiliency continued to be a priority for the program, and more than 320 examinations specifically requested information related to an entity's information security. The results of these examinations helped to evaluate whether market participants are actively engaged in monitoring and addressing critical and emerging cybersecurity risks. These examinations also helped the SEC monitor industry developments to ensure future oversight efforts can be appropriately planned and executed. The examination program intends to continue its significant cyber and information security examination work in future years.

Strategic Goal 3: Support a skilled workforce that is diverse, equitable, and inclusive and is fully equipped to advance agency objectives

Chart 1.13

Results of Federal Employee Viewpoint Survey



Note: The Partnership for Public Service is expected to publish the FY 2024 *Best Places to Work* rankings in calendar year 2025.

Description: The data gathered via the Federal Employee Viewpoint Survey (FEVS) will be used to determine the SEC's overall success in improving employee morale. Specifically, this performance goal will be measured via the Partnership for Public Service's *Best Places to Work* ranking for mid-size federal agencies.

Target: N/A

Responsible Division/Office: Office of Human Resources

Data Source: Annual Partnership for Public Service Calculated Ranking based on Annual Employee Viewpoint Survey administered by the Office of Personnel Management

Employees are the SEC's most important asset, and the agency continues to foster a work environment that attracts, engages, and retains a technically proficient and diverse workforce. As illustrated in Chart 1.13, the results of the 2023 Federal Employee Viewpoint Survey (FEVS) indicated that the SEC ranked third among mid-size agencies for the second year in a row in the Partnership for Public Service's *Best Places to Work* rankings. This is the seventh year in a row that the SEC has ranked among the top five in the mid-size agency category. These results demonstrate the agency's commitment to maintaining a high level of staff engagement, performance, and morale.

The SEC accomplished these results through transparency in distributing the FEVS results across the entire agency, providing ongoing FEVS briefings to organizations, and offering organizational development support to managers. Furthermore, the SEC established local groups throughout the agency composed of managers and labor representatives whose focus is to leverage the FEVS data to identify strengths and areas requiring improvement within their organization. The SEC conducts these activities throughout the year to ensure continuous improvement.

Table 1.7

Timely completion of corrective actions responsive to audit findings							
Fiscal Year	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024 Plan**	**FY 2024 Actual**
Submitted Within 12 Months	Prior-year data not available				68%	65%	82%
Not Yet Submitted Within 12 Months	Prior-year data not available				83%	60%	96%

Description: This metric consists of two data points measuring the SEC's ability to timely develop, complete, and submit for closure corrective actions responsive to Government Accountability Office (GAO) or Office of Inspector General (OIG) recommendations: (1) the percent of GAO and OIG audit recommendations submitted for closure within 12 months of the date of the recommendations' issuance; and (2) the percent of GAO and OIG audit recommendations not yet submitted for closure that are within 12 months of the recommendations' issuance.

Target: Submitted Within 12 Months – Exceeded; Not Yet Submitted Within 12 Months – Exceeded

Responsible Division/Office: Office of the Chief Risk Officer

Data Source: Audit Management System (Archer)

In accordance with Office of Management and Budget Circular A-50, *Audit Follow-Up*, the SEC ensures that prompt and proper corrective action is taken on auditors' recommendations to improve the effectiveness and efficiency of agency operations. Once corrective action has been completed in response to a recommendation from the Government Accountability Office (GAO) or the SEC Office of Inspector General (OIG), the SEC submits documentation to GAO or the OIG to verify that agreed upon corrective actions have been implemented to close the recommendation.

In FY 2024, the SEC submitted 82 percent of audit recommendations for closure within 12 months of receipt, thus exceeding the target goal of 65 percent.

Moreover, at the end of FY 2024, 96 percent of recommendations to the SEC that had not yet been submitted to GAO or the OIG for closure were less than one year old, exceeding the 60 percent target goal.

Achieving success for this performance goal is attributed to effective cross-organizational cooperation and mature governance efforts. Oversight of these efforts is monitored using near-real-time tracking systems and reported during routine status meetings that provide key stakeholders and agency leadership with ongoing awareness of progress toward closing corrective actions. Timely monitoring and reporting also provides leadership with the opportunity to adjust priorities and resources, as necessary, in response to audit findings.

In every generation since the SEC's founding 90 years ago, our Commission has updated rules to meet the markets and technologies of the times. We work to promote the efficiency, integrity, and resiliency of the markets. We do so to ensure the markets work for investors and issuers alike, not the other way around.

—CHAIR GENSLER

ANALYSIS OF SYSTEMS, CONTROL, AND LEGAL COMPLIANCE

In FY 2024, the SEC demonstrated its continued commitment to maintaining strong internal controls. Internal control is an integral component of effective agency management, providing reasonable assurance that the following objectives are being achieved: effectiveness and efficiency of operations, reliability of reporting, and compliance with laws and regulations. The Federal Managers' Financial Integrity Act of 1982 (FMFIA) establishes management's responsibility to assess and report on internal accounting and administrative controls. Such controls include program, operational, and administrative areas, as well as accounting and financial management. The FMFIA requires federal agencies to establish controls that reasonably ensure obligations and costs are in compliance with applicable laws; funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and revenues and expenditures are properly recorded and accounted for to permit the preparation of reliable reports and to maintain accountability over the assets. The FMFIA also requires agencies to annually assess whether financial management systems conform to related requirements (FMFIA § 4). Guidance for implementing the FMFIA is provided through Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, and the Appendix A, *Management of Reporting and Data Integrity Risk*.

Section 963 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act) describes the responsibility of SEC management to establish and maintain adequate internal controls and procedures for financial reporting. This section requires an annual financial controls audit, a Government Accountability Office (GAO) audit of the SEC's assessment of the effectiveness of financial controls, and attestation by the Chair and the Chief Financial Officer (CFO). Section 922 of the Dodd-Frank Act requires the SEC to submit audited financial statements of the Investor Protection Fund to the Senate Committee on Banking, Housing, and Urban Affairs, and the House of Representatives Committee on Financial Services. The following Annual Assurance Statement is issued in accordance with the FMFIA, OMB Circular A-123, and Sections 963 and 922 of the Dodd-Frank Act.

Annual Assurance Statement

SEC management is responsible for establishing and maintaining an effective system of internal control that meets the objectives of the Federal Managers' Financial Integrity Act of 1982 (FMFIA). In accordance with OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, the SEC conducted its annual assessment of its system of internal control. Based on the results of this assessment, the SEC can provide reasonable assurance that its system of internal control over operations, reporting, and compliance was operating effectively as of September 30, 2024.

SEC management is also responsible for establishing and maintaining an adequate internal control structure and procedures for financial reporting. Based on the results of its annual assessment of internal controls, the SEC can provide reasonable assurance that internal controls and procedures over financial reporting were operating effectively during the year ended September 30, 2024.

The SEC also conducted reviews of its financial management systems in accordance with OMB Circular A-123 Appendix D, *Management of Financial Management Systems—Risk and Compliance*. Based on the results of these reviews, the SEC can provide reasonable assurance that its financial management systems substantially comply with the requirements of the Federal Financial Management Improvement Act of 1996 as of September 30, 2024.

GARY GENSLER
Chair
November 8, 2024

CARYN E. KAUFFMAN
Chief Financial Officer
November 8, 2024

Management's Assessment of Internal Control

The Chair and CFO's FY 2024 Annual Assurance Statement for FMFIA provides reasonable assurance that the SEC's system of internal control over operations, financial and non-financial reporting, financial management systems, and compliance was operating effectively as of September 30, 2024.

Management's assurance assessment of the SEC's internal control system was composed of multiple components. A central component was the sub-assurance statement each division or office director provided about their internal control system. These sub-assurance statements were made based on each director's knowledge of their division or office's daily operations and internal reviews, supported by control activity testing and recommendations for improvement from audits, investigations, and reviews conducted by the SEC Office of Inspector General (OIG) or GAO.

Another critical component to management's assessment was the results of the agency's testing of its internal control over financial reporting. For these internal controls the SEC performed a comprehensive risk assessment and documented its key and secondary controls to mitigate risks. The agency then assessed the design and operating effectiveness of these controls through detailed test procedures. The agency also tested the operating effectiveness of control activities that were found to be deficient in prior years. SEC management analyzed the magnitude of internal control deficiencies, both individually and in the aggregate, to determine whether a material weakness existed in the financial reporting processes.

Management also considers the input from the agency's Financial Management Oversight Committee (FMOC). The FMOC considers the statements from directors and office heads, the supplemental sources of information as described below, and the results of the assessment of internal control over operations, reporting, and compliance and advises the Chair as to whether the SEC had any internal control deficiencies, either individually or in aggregate, determined to be significant.

Additional sources of information utilized to assess and inform management's assurance about SEC's internal control system included, but were not limited to, the following, as available and applicable:

- An entity-level evaluation of the internal control system's adherence to the *Standards for Internal Control in the Federal Government;*
- Reviews of the SEC's financial management systems under OMB Circular A-123 Appendix D, *Management of Financial Management Systems–Risk and Compliance*;
- Reports pursuant to the Federal Information Security Modernization Act (FISMA) and OMB Circular A-130, *Managing Information as a Strategic Resource*;
- Reviews on improper payments;
- Reviews that support compliance with the Digital Accountability and Transparency Act of 2014 (DATA Act);
- Reports and other information from Congress or agencies such as OMB, the Office of Personnel Management, the Office of Government Ethics, and/or the General Services Administration (GSA) reflecting the adequacy of internal controls; and
- Other internal reviews and self-assessments relating to a division or office's operations.

OVERVIEW OF SEC'S

Climate Risk Efforts

The SEC continues to address climate risk—the risk of potential climate impacts on the SEC's infrastructure, operations, and financial position—through a framework of governance, risk management, and strategic planning.

Governance

Resilience and sustainability are core values with respect to the facilities and operations of the SEC. As such, the SEC has in place a governance structure to identify and manage operational risks within the organization.

The SEC's Climate and Sustainability Oversight Committee (CSOC) advises and provides recommendations on climate-related risks affecting SEC's operations, including:

- Advising on the agency's climate-related risks and potential mitigation techniques and the potential impacts on the SEC's strategic goals and annual budget;
- Elevating, as necessary, climate-related risks and mitigation opportunities to the Risk Management Oversight Committee (RMOC); and
- Providing guidance on, and monitoring the SEC's responses to, climate-related risks and opportunities.

The CSOC is composed of senior officials from SEC divisions and offices who have operational, risk, or reporting responsibilities and expertise relevant to the mitigation of, or reporting on, climate-related risks that could impact the agency.

The SEC has an internal program to assess and report climate risks, led by a degreed engineer who receives support from agency professional staff. This program lead is responsible for greenhouse gas (GHG) emissions data collection and reporting for the SEC, as well as providing recommendations to the CSOC.

Risk Management and Strategic Planning

Climate-related risks can occur in various forms. The most immediate climate-related risks facing the SEC are potential damage to infrastructure and disruptions in operations due to climate-driven events. The most significant near-term climate-related threats are floods, fires, rising heat index, severe droughts, and high winds (including hurricanes, tornadoes, and derechos). Such events can lead to potential harm to or loss of personnel, data, property, energy, and water availability. Any of these losses can have an adverse impact on agency operations.

To mitigate the climate-related risks identified above, the SEC employs strategies to reduce the likelihood and impact of damage or disruptions to SEC assets or operations. These strategies include:

- Geographically dispersing regional offices;
- Utilizing GSA space which provides access to best practices and standards for design, construction, and building operations;
- Implementing SEC's design standards requiring regional offices to locate above the first floor;
- Locating computer and filing rooms in building core areas;
- Designating alternate worksites for mission-essential functions;
- Maintaining data center redundancies and fail-over capabilities; and
- Further building out the agency's multi-cloud presence.

Further, the SEC maintains a comprehensive and robust Continuity of Operations Program consistent with applicable government-wide directives and requirements. This program helps to ensure that essential functions continue during a wide range of emergencies, including localized acts of nature, accidents, and technological or other emergencies.

The SEC maintains a collaborative relationship with other financial regulatory agencies to share climate-related risk management best practices.

Sustainability Actions Taken and Underway

As part of its climate risk management and sustainability efforts, the SEC strives to inventory its GHG emissions. The agency also continues to undertake several efforts that will help promote sustainability, reduce emissions, or mitigate climate risks.

In FY 2024, the SEC completed several major office space consolidation projects to reduce the footprint at the following regional offices: Atlanta, Fort Worth, New York, and San Francisco. As a result of this consolidation effort, the agency realized, in aggregate, a 22 percent reduction in rentable square feet at these regional locations. The SEC also announced in FY 2024 the closure of its Salt Lake Regional Office, and that space was fully decommissioned in October 2024. The decreased footprint will yield rent savings as well as lowered GHG emissions from SEC facilities.

The SEC made significant strides in transitioning to digital records by reducing the reliance on paper records. During FY 2024, the SEC continued initiatives to scan paper records, thereby making digital information accessible regardless of staff physical location, reducing storage space needs, and building resilience by shifting from paper storage to more robust digital preservation in a cloud environment.

The Commission continues to take action to reduce the use of paper by promoting electronic filings. In February 2024, the Commission proposed rules requiring the electronic submission of certain forms, reports, notices, filings, and submissions under the Securities Act of 1933 and the Securities Exchange Act of 1934. Upon adoption, these amendments would help to further reduce paper submissions to the Commission.

To help minimize the carbon footprint, the agency's IT operations continue to use data centers at vendor facilities that are powered using renewable energy. The agency's continued transition to cloud computing has led to a reduction in datacenter space and lower power consumption costs at the SEC over time.

Enterprise Risk Management

The SEC's Office of the Chief Risk Officer (OCRO) leads the agency's enterprise risk management (ERM) efforts, as required under OMB Circular A-123 and champions risk management throughout the agency. ERM assists the agency in achieving its strategic and operational objectives by providing an enterprise-wide approach for managing the most significant risks and challenges. The SEC employs a structured approach to identify enterprise risks that may arise from a variety of internal and external environments. Identified risks are categorized and prioritized by the SEC's RMOC. Priority risks are documented in the SEC risk profile.

The RMOC assists risk advisers in assessing priority risks and collaborating on mitigation and management strategies and efforts. OCRO supports the Committee's efforts with administrative support and provides leadership and guidance to the Committee and risk advisers on risk management best practices.

The continued integration of internal control and risk management is critical to the full implementation and success of an enterprise risk framework. In FY 2024, the SEC made significant progress in understanding its operational risks and its management of those risks through documentation and collaboration between OCRO and the SEC's divisions and offices. In addition, OCRO developed and piloted agency guidance to promote standardized risk management practices and reintroduced the use of an agency-wide survey to assist in the identification of risks.

Other Reviews

The Payment Integrity Information Act of 2019

The Payment Integrity Information Act of 2019 (PIIA) updated government-wide improper payment reporting requirements by repealing and replacing all previous improper payment legislation. PIIA requires agencies to review all programs and activities they administer to identify those that may be susceptible to significant erroneous payments. For all programs and activities in which the risk of erroneous payments is significant, agencies are to estimate the annual amount of erroneous payments made in those programs. The SEC's risk assessments have consistently indicated that none of the agency's programs are susceptible to significant improper payments; therefore, per OMB guidelines, the SEC is required to conduct risk assessments every three years, or sooner if a program has a significant change in legislation, a significant increase in funding, or a determination of possible significant improper payments in the following year. The agency's latest risk assessment was conducted in FY 2022. The results of this assessment continued to support the determination that all the SEC-evaluated programs are low risk. Based on these results, and consistent with OMB guidelines, the SEC did not conduct a risk assessment for FY 2024 and is not required to conduct another risk assessment until FY 2025.

For additional information regarding the SEC's compliance with improper payments, please refer to *Payment Integrity Reporting Details* in the *Other Information* section of this report.

Digital Accountability and Transparency Act of 2014/Data Quality Plan

The DATA Act (Pub. L. 113-101) was enacted to establish government-wide financial data standards to increase the availability, accuracy, and usefulness of federal spending information. The DATA Act requires that federal agencies report financial spending data in accordance with data standards established by the U.S. Department of the Treasury (Treasury) and OMB. The DATA Act requires federal agencies to disclose direct federal agency expenditures and link federal contract spending information to programs of federal agencies to enable taxpayers to track federal spending more effectively using USASpending.gov. In accordance with the DATA Act, the SEC formalized financial system and manual controls over the completeness and accuracy of federal spending data reported both internally and externally. The SEC submitted the mandatory monthly transmissions required in FY 2024.

The current OMB Circular A-123 Appendix A called for the creation of a Data Quality Plan (DQP). The SEC has a DQP in place, which is reviewed and updated on an annual basis. The SEC DQP contains the processes in place to address the completeness and accuracy of award and financial data reported to Treasury. It utilizes the principles of OMB Circular A-123 Appendix A to highlight the internal controls over the related information systems that contain spending information.

Financial Management System Conformance

The Federal Financial Management Improvement Act of 1996 (FFMIA) requires that each agency implement and maintain financial management systems that comply substantially with federal financial management systems requirements, applicable federal accounting standards, and the U.S. Standard General Ledger at the transaction level. The purpose of the FFMIA is to advance federal financial management by verifying that financial management systems provide accurate, reliable, and timely financial management information in order to manage daily operations, produce reliable financial statements, maintain effective internal control, and comply with legal and regulatory requirements. Although the SEC, as an independent agency, is exempt from the requirement to determine substantial compliance with the FFMIA, the agency assesses its financial management system annually for conformance with the requirements of OMB Circular A-123 Appendix D and other federal financial system requirements.

Summary of Current Financial System and Future Strategies

The FY 2024 assessment of the current financial system demonstrated that a low-risk rating would be appropriate, and that the agency substantially complied with the requirements of Section 803(a) of the FFMIA. The SEC's financial system, Delphi, is supported by an approved Federal Shared Service Provider (FSSP) and meets all the requirements of the FFMIA. In FY 2024, the SEC continued to work with its FSSP, the Department of Transportation's Enterprise Services Center, to enhance its existing system. The SEC believes that continuing to invest in technology-based solutions will further improve the sustainability of the agency's controls.

Federal Information Security Modernization Act

FISMA requires federal agencies to "develop, document, and implement an agency-wide information security program to provide information security for the information and information systems that support the operations and assets of the agency, including those provided or managed by another agency, contractor, or other source." In addition, FISMA requires federal agencies to conduct annual assessments of their information security and privacy programs, develop and implement remediation efforts for identified weaknesses and vulnerabilities, and report compliance to OMB.

The SEC's Inspector General, Chief Information Officer (CIO), and Senior Agency Official for Privacy (SAOP) perform a multi-part review of the Commission's compliance with FISMA requirements each year. The OIG report is due one month following the close of the third quarter, and the CIO and SAOP reports are due one month following the close of the fiscal year.

Oversight[1] and Compliance

During FY 2024, the SEC's Office of Information Technology (OIT)—in partnership with OIT project teams, information system owners, and division/office business owners—completed security assessment and authorization activities for 117 FISMA-reportable systems. OIT completed 317 privacy reviews in accordance with the Privacy Act of 1974, the Paperwork Reduction Act, the E-Government Act of 2002, and assessments required by OMB Circular A-130. As a result, OIT published nine privacy impact assessments and 10 privacy assessment reports.

OIT facilitated the remediation of 971 deficiencies via Plans of Action and Milestones (POA&Ms) associated with the SEC's assessments of its network infrastructure and major applications.

The SEC OIG performed the annual independent evaluation of the SEC's information security program, as required by the E-Government Act of 2002. During FY 2024, the OIG closed seven prior-year IT-related audit recommendations. GAO performed the annual financial statement audit, which includes within its scope an audit of security controls for SEC financial management systems. OIT completed corrective actions for eight prior year IT-related GAO audit recommendation.

Governance and Technology

OIT continues to update cybersecurity governance procedures and processes consistent with OMB policy and National Institute of Standards and Technology guidance. OIT utilizes a centralized information security governance, risk, and compliance (GRC) management system to maintain and display near-real-time dashboards that enable leadership to monitor and make informed decisions about POA&Ms, risk acceptances, and incident tracking. The GRC system is also used for compliance tracking and reporting in association with security directives issued by OMB and the Department of Homeland Security (DHS). During FY 2024, OIT enhanced several IT security capabilities and processes including those related to network asset management, user recertification, data exfiltration exercises, and the vulnerability disclosure reporting. Across all facets of OIT, efforts were made to consolidate duplicative platforms and utilize standardized analytics tools to

1 SEC policies set forth the roles and responsibilities for management of the SEC's agency-wide information security program, including oversight by the SEC Chair, Chief Information Officer, and Chief Information Security Officer, as well as the operational responsibilities of the information system owners and business units.

increase program accountability and enhance visibility for leadership. Through ongoing collaboration with the DHS Cybersecurity and Infrastructure Security Agency (CISA), OIT continued to make progress with implementation of the DHS-led Continuous Diagnostics and Mitigation Program during FY 2024. OIT also coordinated and supported several CISA-led security evaluations of SEC information systems and networks.

The SEC continued implementing zero trust cybersecurity principles in accordance with OMB M-22-09, *Moving the U.S. Government Toward Zero Trust Cybersecurity Principles*. OIT made major strides toward centralizing identity and access management in platforms and applications solution that helps ensure information is accessed only by the right users, at the right time, and for the right purpose. Enhanced Domain Naming System (DNS) security capabilities were also implemented, which utilize encryption to prevent unauthorized alteration and intercept of DNS requests. OIT also initiated a phased approach toward an immutable infrastructure posture that will provide improved consistency of security controls, increased system reliability, and operational efficiencies. OIT, in collaboration with the Office of the Chief Data Officer, spearheaded an agency-wide data protection initiative that is intended to bolster policies, procedures, and technologies used to protect non-public information from unauthorized access, use, and dissemination.

The SEC continued to improve security through several key initiatives in FY 2024. OIT made improvements to security monitoring and logging in support of ongoing efforts to comply with OMB M-21-31, *Improving the Federal Government's Investigative and Remediation Capabilities Related to Cybersecurity Incidents*.

Following the FY 2023 deployment of Secure Access Service Edge (SASE) technology, in FY 2024, OIT seamlessly transitioned endpoints and mobile devices across the agency to this single, modernized, cloud-based platform. Geographically dispersed access points resulted in significantly improved network performance for employees while increasing visibility and reducing physical data center bandwidth utilization, enabling SEC employees to more readily access the data and systems needed to accomplish agency goals while simultaneously improving security and availability. Additionally, SASE provided the capability to centralize both deployment and management of consistent security policies regardless of whether they were remote, on-premise, endpoints, or mobile devices.

Training and Communications

OIT delivered Privacy and Information Security Awareness (PISA) training to all SEC personnel during FY 2024, featuring refreshed content to keep the learners engaged and reflect changes in the SEC's technology. OIT continued utilizing robust processes to manage PISA compliance on a continuous basis using automation capabilities of the SEC enterprise learning management system and impose ramifications for not completing the training on time. Supplementing the PISA training, OIT conducted phishing exercises for all SEC employees and contractors, and advanced the complexity of the phishing exercises to further challenge staff and improve their ability to discern real messages from phishing attempts. Educational infographics and corrective phishing training supplemented the phishing exercises to provide additional guidance to those who needed more support.

Throughout FY 2024, OIT continued to promote information security and privacy awareness throughout the year through sharing educational material to the SEC intranet and agency's internal newsletter. Topics included boosting awareness of phishing and cyber impersonation. OIT Security delivered two focused campaigns for security and privacy training during the year. In October 2023, OIT Security conducted a four-part outreach series for Cybersecurity Awareness Month that educated SEC users on key cybersecurity topics using interactive online learning activities and communications. In January 2024, OIT Security launched Data Privacy Week, presenting an opportunity for all staff to engage in refresher training on the best practices for managing data privacy and safeguarding personally identifiable information (PII) maintained in SEC's information systems and records. Daily articles and interactive content highlighted topics covering PII, breach identification and response, encryption, and proper methods of protecting digital privacy.

In addition, OIT organized and hosted the agency's eighth annual Breach Response Team tabletop exercise to strengthen the agency's capabilities for strategically responding to a high impact breach. The office also initiated virtual instructor-led training with the Office of Equal Employment Opportunity on the topic of "PII Protection Best Practices." This interactive course was designed to remind employees about their roles and responsibilities in safeguarding sensitive data, protecting SEC resources, and reporting privacy breaches.

OIT released enhanced training for information system owners and business owners on the "Authorization to Operate" process. This course uses an interactive scenario-based project to better educate key stakeholders about the importance of security assessments and authorization and their role in the process. OIT continues to partner with SEC University to offer industry-leading online platforms for all staff and customized learning paths for roles such as cloud product owners and agile developers.

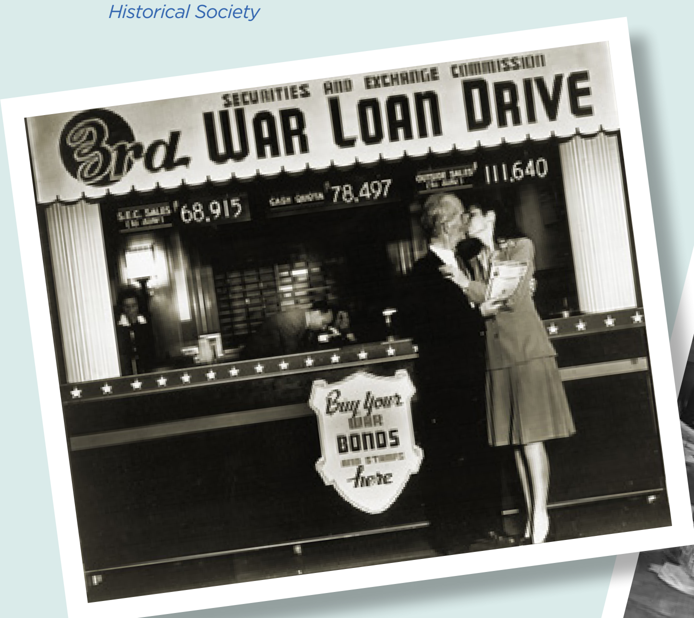
Acts in Action . . .

1940s

INVESTMENT COMPANY ACT AND INVESTMENT ADVISERS ACT

The Investment Company Act of 1940 required organizations engaged primarily in investing and trading stocks to give full disclosure about investment objectives and minimize conflicts of interest. The Investment Advisers Act of 1940 required investment advisers to register with the SEC before providing services.

SEC War Loan Drive
Photo courtesy of the SEC Historical Society



The accounting room in the ticket selling department at Union Station, Chicago, Illinois
Photo courtesy of the SEC Historical Society

FINANCIAL SECTION

This section contains the SEC's financial statements, the financial statements of the SEC's Investor Protection Fund (IPF), and additional information for FYs 2024 and 2023. Information presented here satisfies the financial reporting requirements of the Accountability of Tax Dollars Act of 2002 and the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act). The SEC prepares these statements and accompanying notes in compliance with U.S. generally accepted accounting principles for the federal government and OMB Circular A-136, *Financial Reporting Requirements*.

SEC Financial Statements

Balance Sheets

Presents, as of a specific time, the amount of resources that embody economic benefits or services owned or managed by the SEC (assets); amounts owed by the SEC (liabilities); and amounts that comprise the difference (net position).

Statements of Net Cost

Presents the gross cost incurred by the SEC, less exchange revenue earned from its activities. The SEC presents cost of operations by program to provide cost information at the program level, and recognizes collections as exchange revenue on the Statement of Net Cost, even when the collections are transferred to other entities.

Statements of Changes in Net Position

Reports the change in net position during the reporting period, including changes to Cumulative Results of Operations and Unexpended Appropriations.

Statements of Budgetary Resources[1]

Provides information about how budgetary resources were made available, and reports their status at year end.

Statements of Custodial Activity

Reports the collection of revenue for the U.S. Treasury General Fund. The SEC accounts for sources and disposition of the collections as custodial activities on this statement. Custodial collections of non-exchange revenue, such as amounts collected from violators of securities laws as a result of enforcement proceedings, are reported only on the Statement of Custodial Activity.

Accompanying Notes to the Financial Statements

Provides a description of significant accounting policies and detailed information on select statement line items.

Required Supplementary Information (Unaudited)[2]

Reports the Combining Statements of Budgetary Resources by fund account.

IPF Financial Statements

IPF Financial Statements

Provides stand-alone, comparative financial statements (Balance Sheets, Statements of Net Cost, Statements of Changes in Net Position, and Statements of Budgetary Resources), as required by the Dodd-Frank Act.

Accompanying Notes to the IPF Financial Statements

Provides a description of significant accounting policies and detailed information on select statement line items, as required by the Dodd-Frank Act.

1 Budgetary information aggregated for purposes of the Statement of Budgetary Resources is disaggregated for each of the SEC's major budget accounts and is presented as *Required Supplementary Information*.
2 The SEC does not have stewardship over resources or responsibilities for which supplementary stewardship reporting would be required.

The SEC is dedicated to delivering accurate, transparent, and timely financial information to our stakeholders: Congress and the American public.

— CARYN E. KAUFFMAN, CFO

MESSAGE FROM THE CHIEF FINANCIAL OFFICER

I am pleased to join Chair Gensler in presenting the SEC's Agency Financial Report (AFR) for FY 2024 and hope you will find this report a useful summary of our performance results and financial statements.

Our independent auditor, the U.S. Government Accountability Office, issued an unmodified opinion on the SEC's financial statements and internal controls, and identified no significant issues. The audit results reflect the agency's continued commitment to strong internal controls and effective financial management. The financial statements, financial analysis, and performance results in this AFR demonstrate how the SEC uses its financial resources to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation.

These financial statements reflect the implementation of Statement of Federal Financial Accounting Standards (SFFAS) 54, *Leases*, effective October 1, 2023. SFFAS 54 requires that federal lessees recognize a lease liability and a lease asset, and that federal lessors recognize a lease receivable and unearned revenues at the commencement of the lease term, unless the lease meets the definitional criteria of a short-term lease, contract, or agreement that transfers ownership or an intra-governmental lease. This was the primary change to our financial statements in FY 2024.

Among our accomplishments during the past year was the successful implementation of the Filing Fee Disclosure and Payment Methods Modernization Rule for large accelerated filers, effective July 2024 with incremental phase in for all filers through 2025. This rule serves to improve the accuracy and efficiency of filing fee payments and institutes additional validation measures to promote greater accuracy of fee calculations. We were pleased to partner with filers to give them the option to submit test filings in preparation for the mandatory implementation of this requirement. This effort should result in greater efficiencies and accuracy of information in one of our major lines of business.

The SEC is dedicated to delivering accurate, transparent, and timely financial information to our stakeholders: Congress and the American public. I want to extend my thanks to those in the Office of Financial Management and the staff throughout the SEC community who made these achievements possible.

Sincerely,

Caryn Kauffman

CARYN E. KAUFFMAN
Chief Financial Officer
November 12, 2024

REPORT OF INDEPENDENT AUDITORS

U.S. GOVERNMENT ACCOUNTABILITY OFFICE

441 G St. N.W.
Washington, DC 20548

Independent Auditor's Report

To the Chair of the United States Securities and Exchange Commission

In our audits of the fiscal years 2024 and 2023 financial statements of the United States Securities and Exchange Commission (SEC)[1] and its Investor Protection Fund (IPF),[2] we found

- the SEC and IPF financial statements as of and for the fiscal years ended September 30, 2024, and 2023, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;

- SEC maintained, in all material respects, effective internal control over financial reporting for SEC and for IPF as of September 30, 2024; and

- no reportable noncompliance for fiscal year 2024 with provisions of applicable laws, regulations, contracts, and grant agreements we tested.

The following sections discuss in more detail (1) our report on SEC and IPF's financial statements and on internal control over financial reporting, which includes an emphasis-of-matter paragraph related to SEC's adoption of a new standard related to leases, a section on required supplementary information (RSI),[3] and a section on other information included with the financial statements;[4] (2) our report on compliance with laws, regulations, contracts, and grant agreements; and (3) agency comments.

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[1]Section 963 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), requires that (1) SEC annually submit a report to Congress describing management's responsibility for, and assessing the effectiveness of, internal control over financial reporting during the fiscal year; (2) the SEC Chair and Chief Financial Officer attest to SEC's report; and (3) GAO assess the effectiveness of SEC's internal control over financial reporting and evaluate, attest to, and report on SEC's assessment. Pub. L. No. 111-203, § 963(a), (b), 124 Stat. 1376, 1910 (classified at 15 U.S.C. § 78d-8(a), (b)). SEC evaluated its internal control over financial reporting in accordance with the Office of Management and Budget's Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, based on criteria established under 31 U.S.C. § 3512(c), (d), commonly known as the Federal Managers' Financial Integrity Act of 1982.

[2]IPF was established by section 922 of the Dodd-Frank Act. It funds the activities of SEC's whistleblower award program under that section and the SEC Office of Inspector General Employee Suggestion Program established under section 966 of the same law. Pub. L. No. 111-203, §§ 922(a), 966, 124 Stat. 1376, 1844, 1912-13 (classified at 15 U.S.C. §§ 78d-4(e), 78u-6(b), (g)). IPF is a separate SEC fund, and its financial statements present SEC's financial activity associated with these programs. Accordingly, IPF's financial transactions are also included in SEC's overall financial statements.

[3]The RSI consists of the Management's Discussion and Analysis and the Combined Statement of Budgetary Resources, by Fund, which are included with the financial statements.

[4]Other information consists of information included with the financial statements, other than the RSI and the auditor's report.

Report on the Financial Statements and on Internal Control over Financial Reporting

Opinion on the Financial Statements

SEC is required by law to annually prepare and submit audited financial statements covering all of its accounts and associated activities to Congress and the Office of Management and Budget.[5] Further, the Securities Exchange Act of 1934, as amended in 2010 by section 922 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), requires SEC to annually submit a complete set of audited financial statements for IPF to Congress.[6] IPF's financial transactions are also included in SEC's overall financial statements. In accordance with our authority to audit statements and schedules prepared by executive agencies and their components,[7] we have audited the SEC and IPF financial statements.

SEC's financial statements comprise the balance sheets as of September 30, 2024, and 2023; the related statements of net cost, changes in net position, budgetary resources, and custodial activity for the fiscal years then ended; and the related notes to the financial statements. IPF's financial statements comprise the balance sheets as of September 30, 2024, and 2023; the related statements of net cost, changes in net position, and budgetary resources for the fiscal years then ended; and the related notes to the financial statements.

In our opinion, SEC's financial statements present fairly, in all material respects, SEC's financial position as of September 30, 2024, and 2023, and its net cost of operations, changes in net position, budgetary resources, and custodial activity for the fiscal years then ended in accordance with U.S. generally accepted accounting principles. In our opinion, IPF's financial statements present fairly, in all material respects, IPF's financial position as of September 30, 2024, and 2023, and its net cost of operations, changes in net position, and budgetary resources for the fiscal years then ended in accordance with U.S. generally accepted accounting principles.

Opinion on Internal Control over Financial Reporting

In accordance with the Dodd-Frank Act, we have assessed the effectiveness of SEC's internal control over financial reporting, have evaluated SEC's assessment of such effectiveness, and are attesting to and reporting on SEC's assessment of its internal control over financial reporting.

We also have audited SEC's internal control over financial reporting as of September 30, 2024, based on criteria established under 31 U.S.C. § 3512(c), (d), commonly known as the Federal Managers' Financial Integrity Act of 1982 (FMFIA). In our opinion, SEC maintained, in all material respects, effective internal control over financial reporting as of September 30, 2024, for SEC and for IPF, based on criteria established under FMFIA.

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[5] 31 U.S.C. § 3515.

[6] Dodd-Frank Act, § 922(a), 124 Stat. 1844, adding § 21F(g)(5) of the Securities Exchange Act of 1934 (classified at 15 U.S.C. § 78u-6(g)(5)).

[7] 31 U.S.C. § 3521(g), (i).

Basis for Opinions

We conducted our audits in accordance with U.S. generally accepted government auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the Financial Statements and Internal Control over Financial Reporting section of our report. We are required to be independent of SEC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis-of-Matter: Adoption of a New Standard Related to Leases

As discussed in Notes 1B and 9 of the financial statements, SEC adopted Statement of Federal Financial Accounting Standard (SFFAS) 54, *Leases*, as amended, as of October 1, 2023. SEC recognized a right-to-use lease asset and a related lease liability for long-term non-intragovernmental leases. As of September 30, 2024, SEC's right-to-use lease asset, net of accumulated amortization, amounted to $226.2 million, and the related lease liability amounted to $229.7 million. SFFAS 54 is applied prospectively. Consequently, for fiscal year 2023, leases were presented as previously reported. Our opinion on SEC's financial statements is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements and Internal Control over Financial Reporting

Management is responsible for

- the preparation and fair presentation of SEC's and IPF's financial statements in accordance with U.S. generally accepted accounting principles;
- preparing, measuring, and presenting the RSI in accordance with U.S. generally accepted accounting principles;
- preparing and presenting other information included in SEC's agency financial report, and ensuring the consistency of that information with the audited financial statements and the RSI;
- designing, implementing, and maintaining effective internal control over financial reporting relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error;
- assessing the effectiveness of internal control over financial reporting based on the criteria established under FMFIA; and
- its assessment about the effectiveness of internal control over financial reporting as of September 30, 2024, included in the accompanying Management's Report on Internal Control over Financial Reporting.

Auditor's Responsibilities for the Audits of the Financial Statements and Internal Control over Financial Reporting

Our objectives are to (1) obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether effective internal control over financial reporting was maintained in all material respects, and (2) issue an auditor's report that includes our opinions.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of the financial statements or an audit of internal control over financial reporting conducted in accordance with U.S. generally accepted government auditing standards will always detect a material misstatement or a material weakness when it exists.[8]

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit of financial statements and an audit of internal control over financial reporting in accordance with U.S. generally accepted government auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to our audit of the financial statements in order to design audit procedures that are appropriate in the circumstances.

- Obtain an understanding of internal control relevant to our audit of internal control over financial reporting, assess the risks that a material weakness exists, and test and evaluate the design and operating effectiveness of internal control over financial reporting based on the assessed risk. Our audit of internal control also considered SEC's process for evaluating and reporting on internal control over financial reporting based on criteria established under FMFIA. We did not evaluate all internal controls relevant to operating objectives as broadly established under FMFIA, such as those controls relevant to preparing performance information and ensuring efficient operations. We limited our internal control testing to testing controls over financial reporting. Our internal control testing was for the purpose of expressing an opinion on whether effective internal control over financial reporting was maintained, in all material respects. Consequently, our audit may not identify all deficiencies in internal control over financial reporting that are less severe than a material weakness.

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[8]A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Perform other procedures we consider necessary in the circumstances.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the financial statement audit.

<u>Definition and Inherent Limitations of Internal Control over Financial Reporting</u>

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel. The objectives of internal control over financial reporting are to provide reasonable assurance that

- transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and

- transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error. We also caution that projecting any evaluation of effectiveness to future periods is subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

<u>Required Supplementary Information</u>

U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) require that the RSI be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by FASAB, which considers it to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context.

We have applied certain limited procedures to the RSI in accordance with U.S. generally accepted government auditing standards. These procedures consisted of (1) inquiring of management about the methods used to prepare the RSI and (2) comparing the RSI for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during the audit of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

Other Information

SEC's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. Management is responsible for the other information included in SEC's agency financial report. The other information comprises the following sections: Inspector General's Statement on Management and Performance Challenges, Summary of Financial Statement and Audit and Management Assurances, Payment Integrity Reporting Details, and Civil Monetary Penalty Adjustment for Inflation. Other information does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

In connection with our audits of SEC's and IPF's financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditor's responsibilities discussed below.

Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for fiscal year 2024 that would be reportable under U.S. generally accepted government auditing standards. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to SEC and IPF. Accordingly, we do not express such an opinion.

Basis for Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards.

Responsibilities of Management for Compliance with Laws, Regulations, Contracts, and Grant Agreements

SEC management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to SEC and IPF.

Auditor's Responsibilities for Tests of Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our responsibility is to test compliance with selected provisions of laws, regulations, contracts, and grant agreements applicable to SEC and IPF that have a direct effect on the determination of material amounts and disclosures in SEC's and IPF's financial statements and perform certain other limited procedures. Accordingly, we did not test compliance with all provisions of laws, regulations, contracts, and grant agreements applicable to SEC and IPF. We caution that noncompliance may occur and not be detected by these tests.

Intended Purpose of Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering compliance. Accordingly, this report on compliance with laws, regulations, contracts, and grant agreements is not suitable for any other purpose.

Agency Comments

In commenting on a draft of this report, SEC stated that it is pleased that GAO found that its financial statements and notes were presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. The complete text of SEC's response is reprinted in enclosure I.

M. Hannah Padilla
Director
Financial Management and Assurance

November 12, 2024

ENCLOSURE I: MANAGEMENT'S RESPONSE TO AUDIT OPINION

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

OFFICE OF THE CHAIR

November 8, 2024

Ms. M. Hannah Padilla
Director
Financial Management and Assurance
United States Government Accountability Office
441 G Street, N.W.
Washington, DC 20548

Dear Ms. Padilla:

Thank you for the opportunity to review and comment on the draft audit report of the Government Accountability Office (GAO). I am pleased that the GAO's FY 2024 audit found that the Securities and Exchange Commission's (SEC) financial statements and notes were presented fairly, in all material respects, and in conformity with U.S. generally accepted accounting principles. GAO also reported that the SEC had effective internal control over financial reporting, and that there was no reportable noncompliance with applicable laws and regulations.

The SEC recognizes the essential role a strong internal control program plays in an agency achieving its mission. Our commitment to sound financial management has been and will remain a top priority. I appreciate the important role that the GAO's audit plays in evaluating financial reporting and internal controls practices.

I want to thank the GAO staff for their professionalism and dedication during the audit and look forward to another positive and productive relationship in the coming year. If you have any questions or concerns, please do not hesitate to contact me.

Sincerely,

Gary Gensler
Chair

SEC FINANCIAL STATEMENTS

U.S. SECURITIES AND EXCHANGE COMMISSION

Balance Sheets

As of September 30, 2024 and 2023

(DOLLARS IN THOUSANDS)	2024	2023
ASSETS (NOTE 2):		
Intragovernmental:		
Fund Balance with Treasury (Note 3)	$ 8,791,584	$ 9,329,772
Investments, Net (Note 5)	4,106,510	3,569,579
Accounts Receivable (Note 6)	—	4
Advances and Prepayments	12,491	10,907
Total Intragovernmental	12,910,585	12,910,262
With the Public:		
Cash and Other Monetary Assets (Note 4)	144	41
Accounts Receivable, Net (Note 6)	878,245	559,026
Property and Equipment, Net (Note 7)	371,147	107,719
Total With the Public	1,249,536	666,786
Total Assets	$ 14,160,121	$ 13,577,048
LIABILITIES (NOTE 8):		
Intragovernmental:		
Accounts Payable	$ 5,517	$ 5,659
Other Liabilities		
Payroll Taxes Payable	948	792
Custodial Liability	98,387	243,893
Liability for Non-Entity Assets	929	439
Benefit Program Contributions Payable	7,125	5,591
Other Liabilities	—	3,595
Total Intragovernmental	112,906	259,969
With the Public:		
Accounts Payable	188,340	504,783
Federal Employee Salary, Leave, and Benefits Payable	184,686	161,392
Post-Employment Benefits Payable	4,319	5,113
Registrant Deposits	61,069	58,357
Other Liabilities		
Lease Liability (Note 9)	229,685	—
Liability for Disgorgement and Penalties (Note 16)	4,612,281	4,007,133
Contingent Liabilities (Note 10)	528,959	111,988
Other Accrued Liabilities (Note 8)	243	3,386
Total With the Public	5,809,582	4,852,152
Total Liabilities	5,922,488	5,112,121
Commitments and Contingencies (Note 10)		
NET POSITION:		
Unexpended Appropriations – Funds from Dedicated Collections (Note 11)	252,813	265,026
Cumulative Results of Operations – Funds from Dedicated Collections (Note 11)	7,984,820	8,199,901
Total Net Position	$ 8,237,633	$ 8,464,927
Total Liabilities and Net Position	$ 14,160,121	$ 13,577,048

The accompanying notes are an integral part of these financial statements.

Statements of Net Cost

For the years ended September 30, 2024 and 2023

(DOLLARS IN THOUSANDS)	2024	2023
PROGRAM COSTS:		
Enforcement	$ 1,440,298	$ 887,207
Examinations	557,224	506,205
Corporation Finance	204,848	188,383
Trading and Markets	137,982	123,742
Investment Management	104,764	97,332
Economic and Risk Analysis	99,038	84,376
General Counsel	79,152	70,377
Other Program Offices	125,616	111,865
Agency Direction and Administrative Support	351,722	318,641
Inspector General	26,901	24,690
Total Program Costs	3,127,545	2,412,818
Less: Earned Revenue Not Attributed to Programs	3,365,374	2,551,661
Net (Income)/Cost of Operations (Note 15)	$ (237,829)	$ (138,843)

The accompanying notes are an integral part of these financial statements.

Statements of Changes in Net Position

For the years ended September 30, 2024 and 2023

(DOLLARS IN THOUSANDS)	2024		
	Funds from Dedicated Collections	All Other Funds	Consolidated Total
UNEXPENDED APPROPRIATIONS:			
Beginning Balances	$ 265,026	$ —	$ 265,026
Appropriations Received	—	—	—
Appropriations Used	(12,213)	—	(12,213)
Net Change in Unexpended Appropriations	(12,213)	—	(12,213)
Total Unexpended Appropriations: Ending	252,813	—	252,813
CUMULATIVE RESULTS OF OPERATIONS:			
Beginning Balances	8,199,901	—	8,199,901
Adjustments:			
Changes in Accounting Principles	5,922	—	5,922
Beginning Balances, as Adjusted	8,205,823	—	8,205,823
Appropriations Used	12,213	—	12,213
Non-Exchange Revenue (Note 12)	276,088	—	276,088
Imputed Financing	104,431	—	104,431
Other (Note 12)	—	(851,564)	(851,564)
Net (Income)/Cost of Operations	613,735	(851,564)	(237,829)
Net Change in Cumulative Results of Operations	(221,003)	—	(221,003)
Cumulative Results of Operations: Ending (Note 11)	7,984,820	—	7,984,820
Net Position	$ 8,237,633	$ —	$ 8,237,633

The accompanying notes are an integral part of these financial statements.

Statements of Changes in Net Position *(continued)*

For the years ended September 30, 2024 and 2023

(DOLLARS IN THOUSANDS)		2023	
	Funds from Dedicated Collections	All Other Funds	Consolidated Total
UNEXPENDED APPROPRIATIONS:			
Beginning Balances	$ 217,841	$ —	$ 217,841
Appropriations Received	49,752	—	49,752
Appropriations Used	(2,567)	—	(2,567)
Net Change in Unexpended Appropriations	47,185	—	47,185
Total Unexpended Appropriations: Ending	265,026	—	265,026
CUMULATIVE RESULTS OF OPERATIONS:			
Beginning Balances	7,852,533	—	7,852,533
Adjustments:			
Changes in Accounting Principles	—	—	—
Beginning Balances, as Adjusted	7,852,533	—	7,852,533
Appropriations Used	2,567	—	2,567
Non-Exchange Revenue (Note 12)	659,663	—	659,663
Imputed Financing	74,073	—	74,073
Other (Note 12)	—	(527,778)	(527,778)
Net (Income)/Cost of Operations	388,935	(527,778)	(138,843)
Net Change in Cumulative Results of Operations	347,368	—	347,368
Cumulative Results of Operations: Ending (Note 11)	8,199,901	—	8,199,901
Net Position	$ 8,464,927	$ —	$ 8,464,927

The accompanying notes are an integral part of these financial statements.

Statements of Budgetary Resources

For the years ended September 30, 2024 and 2023

(DOLLARS IN THOUSANDS)	2024	2023
BUDGETARY RESOURCES:		
Unobligated Balance from Prior Year Budget Authority, Net (Discretionary and Mandatory) (Note 14)	$ 495,392	$ 402,111
Appropriations (Discretionary and Mandatory)	335,185	745,162
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	2,188,931	2,160,254
Total Budgetary Resources	$ 3,019,508	$ 3,307,527
STATUS OF BUDGETARY RESOURCES:		
New Obligations and Upward Adjustments (Total)	$ 2,513,275	$ 2,882,793
Unobligated Balance, End of Year:		
Apportioned, Unexpired Accounts	480,959	391,696
Exempt from Apportionment, Unexpired Accounts	2,472	3,905
Unapportioned, Unexpired Accounts	22,802	29,133
Unobligated Balance, End of Year (Total)	506,233	424,734
Total Budgetary Resources	$ 3,019,508	$ 3,307,527
OUTLAYS, NET:		
Outlays, Net (Total) (Discretionary and Mandatory)	$ 743,860	$ 315,804
Distributed Offsetting Receipts	(18,531)	(17,382)
Agency Outlays, Net (Discretionary and Mandatory) (Note 15)	$ 725,329	$ 298,422

The accompanying notes are an integral part of these financial statements.

Statements of Custodial Activity

For the years ended September 30, 2024 and 2023

(DOLLARS IN THOUSANDS)	2024	2023
REVENUE ACTIVITY:		
Sources of Cash Collections:		
Disgorgement and Penalties	$ 858,993	$ 1,345,965
Other	5,133	4,205
Total Cash Collections	864,126	1,350,170
Accrual Adjustments (Note 13)	(145,506)	(910,483)
Total Custodial Revenue	718,620	439,687
DISPOSITION OF COLLECTIONS:		
Amounts Transferred to:		
Department of the Treasury	864,126	1,350,170
Change in Amounts Yet to be Transferred	(145,506)	(910,483)
Total Disposition of Collections	718,620	439,687
NET CUSTODIAL ACTIVITY	$ —	$ —

The accompanying notes are an integral part of these financial statements.

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NOTES TO THE FINANCIAL STATEMENTS

As of September 30, 2024 and 2023

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The U.S. Securities and Exchange Commission (SEC) is an independent agency of the U.S. Government established pursuant to the Securities Exchange Act of 1934 (Exchange Act), charged with regulating this country's capital markets. The SEC's mission is to protect investors; maintain fair, orderly, and efficient markets; and facilitate capital formation. The SEC works with Congress, other executive branch agencies, self-regulatory organizations (SROs) (e.g., stock exchanges and the Financial Industry Regulatory Authority), accounting and auditing standards setters, state securities regulators, law enforcement officials, and many other organizations in support of the agency's mission.

The SEC consists of five presidentially appointed Commissioners with staggered five-year terms. The SEC is organized into six divisions and multiple offices. The six divisions are the Division of Enforcement, the Division of Examinations, the Division of Corporation Finance, the Division of Trading and Markets, the Division of Investment Management, and the Division of Economic and Risk Analysis. The offices include the Office of the General Counsel, the Office of Administrative Law Judges, the Office of the Advocate for Small Business Capital Formation, the Office of the Chief Accountant, the Office of Credit Ratings, the Office of International Affairs, the Office of the Investor Advocate, the Office of Investor Education and Advocacy, the Office of Municipal Securities, the Strategic Hub for Innovation and Financial Technology, the Office of Inspector General, 11 regional offices, and various supporting services.

The reporting entity is a component of the U.S. Government. For this reason, some of the assets and liabilities reported by the entity are eliminated for government-wide reporting because they are offset by assets and liabilities of another U.S. Government entity. These financial statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

The SEC reporting entity includes the Investor Protection Fund. In addition to being included in the SEC's financial statements, the Investor Protection Fund's financial activities and balances are also presented separately as stand-alone financial statements, as required by Exchange Act Section 21F(g)5.

As discussed in *Note 1.R, Disgorgement and Penalties,* disgorgement funds collected and held by the SEC on behalf of harmed investors are part of the SEC reporting entity. However, disgorgement funds held by the U.S. Courts and by non-federal receivers on behalf of harmed investors are not part of the SEC reporting entity.

As discussed in *Note 10.A, Commitments: Securities Investor Protection Act,* the SEC reporting entity does not include the Securities Investor Protection Corporation.

The SEC reporting entity also does not include the Public Company Accounting Oversight Board (PCAOB), a private-sector, nonprofit corporation created to oversee the audits of public companies, brokers, and dealers registered with the SEC. When the Sarbanes-Oxley Act of 2002 created the PCAOB, it gave the SEC the authority to oversee the PCAOB's operations, to appoint or remove Board members, to approve the PCAOB's budget and rules, and to entertain appeals of PCAOB inspection reports and disciplinary actions.

The PCAOB is not part of the federal government. It is funded by an accounting support fee collected from public companies, brokers, and dealers. The primary duties of the PCAOB include registering public accounting firms that prepare audit reports for public companies, brokers, and dealers; establishing or adopting auditing and related attestation, quality control, ethics, and independence standards; and inspecting and disciplining registered accounting firms and their associated persons.

The SEC's financial statements also do not include the Financial Accounting Standards Board (FASB) or its parent organization, the Financial Accounting Foundation (FAF). The FAF is a Delaware nonprofit non-stock corporation, incorporated in 1972, which was created for the purpose of providing a corporate structure for the FASB, the body whose financial accounting and reporting standards for non-governmental entities have been recognized as authoritative by the American Institute of CPAs and the SEC. The structure of the FAF and the FASB reflects the view that a standard-setter should be independent from preparers of financial statements and from accounting and auditing firms. This independence is necessary to assure that the interests of the users of financial statements remain paramount, and has been critical to the integrity of our financial and capital markets. Although pursuant to Section 109 of the Sarbanes-Oxley Act of 2002, the SEC is required to determine annually that the FASB accounting support fee is within the parameters prescribed by Congress, the SEC does not have authority, and is not required, to approve the FASB budget.

B. Basis of Presentation and Accounting

These notes are an integral part of the SEC's financial statements, which present the financial position, net cost of operations, changes in net position, budgetary resources, and custodial activities of the SEC as required by the Accountability of Tax Dollars Act of 2002. The statements may differ from other financial reports submitted pursuant to Office of Management and Budget (OMB) directives for the purpose of monitoring and controlling the use of the SEC's budgetary resources, due to differences in accounting and reporting principles discussed in the following paragraphs. The SEC's books and records serve as the source of the information presented in the accompanying financial statements.

The agency classifies assets and liabilities in these financial statements according to the type of entity associated with the transactions. Intragovernmental assets and liabilities are those due from or to other federal entities.

The SEC's financial statements are prepared in conformity with generally accepted accounting principles (GAAP) for federal reporting entities and presented in conformity with OMB Circular A-136, *Financial Reporting Requirements*. In accordance with OMB Circular A-136, the Statement of Budgetary Resources is presented on a combined basis, and the Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, and Statement of Custodial Activity are presented on a consolidated basis.

The Balance Sheet, Statement of Net Cost, and Statement of Changes in Net Position are prepared using the accrual basis of accounting. Accordingly, revenues are recognized when services are provided, and expenses are recognized when incurred without regard to the receipt or payment of cash. These principles differ from budgetary accounting and reporting principles on which the Statement of Budgetary Resources is prepared.

The differences relate primarily to the capitalization and depreciation of property and equipment, as well as the recognition of other assets and liabilities. See *Note 15, Reconciliation of Net Cost of Operations to Net Outlays,* for more information. The Statement of Custodial Activity is presented on the modified cash basis of accounting. See *Note 13, Custodial Activity*.

The SEC presents cost of operations by program. The presentation by program is consistent with the presentation used by the agency in submitting its budget requests.

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

Certain prior year amounts presented on the Balance Sheet have been reclassified to conform to the current year presentation required by OMB Circular A-136.

Starting in FY 2024, the SEC implemented Statement of Federal Financial Accounting Standards (SFFAS) 54, *Leases*, as amended. The SEC is required to recognize a lease liability and a corresponding right-to-use lease asset (see *Note 9, Leases*) for long-term, non-intragovernmental leases when the entity has the right to obtain and control access to economic benefits or services from an underlying property, plant, or equipment asset for a period of time in exchange for consideration under the terms of the contract or agreement. The lease liability represents the present value of future lease payments. The SEC records amortization of the right-to-use lease asset using the straight-line method and the lease liability is amortized using the effective interest method.

SFFAS 54 is applied prospectively. Consequently, for FY 2023, leases were presented as previously reported. Implementation of SFFAS 54 resulted in an adjustment to beginning cumulative results of operations for FY 2024 to eliminate the $5.9 million lease liability recorded as of September 30, 2023, under prior lease standards. See *Note 8, Other Liabilities Recognition of Lease Liability*.

For intragovernmental leases, the SEC recognizes lease payments, including lease-related operating costs, as expenses based on the payment provisions of the contract or agreement and standards regarding recognition of accounts payable and other related amounts. See *Note 9, Leases*, for lease related disclosures.

C. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and costs. These estimates are based on management's best knowledge of current events, historical experience, actions that the SEC may undertake in the future, and various other assumptions believed to be reasonable under the circumstances. The estimates include, but are not limited to, the allowance for uncollectible accounts and the allocation of costs to the SEC programs presented in the Statement of Net Cost. Estimates also include (a) the recognition and disclosure of any contingent liabilities and the disclosure of other potential future payments as of the date of the financial statements, and (b) the reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates.

D. Intra- and Inter-Agency Relationships

The SEC is a single federal agency composed of various Treasury Appropriation Fund Symbols (Funds), and it has only limited intra-entity transactions. The Investor Protection Fund finances the operations of the Office of Inspector General Employee Suggestion Program on a reimbursable basis. This has given rise to a small amount of intra-entity eliminations of the related revenue and expense transactions between the Investor Protection Fund and the SEC's general Salaries and Expenses Fund. See *Note 1.E, Fund Accounting Structure*, for more information about the SEC's Funds.

E. Fund Accounting Structure

The SEC, in common with other federal agencies, utilizes various Funds to recognize and track appropriation authority provided by Congress, collections from the public, and other financial activity. These Funds are described below:

1. Funds from Dedicated Collections: Statement of Federal Financial Accounting Standards 27, *Identifying and Reporting Funds from Dedicated Collections*, as amended, states that, "funds from dedicated collections are financed by specifically identified revenues, provided to the government by non-federal sources, often supplemented by other financing sources, which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits, or purposes, and must be accounted for separately from the government's general revenues." The SEC's funds from dedicated collections are deposited into Fund X0100, *Salaries and Expenses*; Fund X5567, *Investor Protection Fund*; and Fund X5566, *Reserve Fund*.

- Salaries and Expenses: Earned revenues from securities transaction fees from SROs are deposited into Fund X0100, *Salaries and Expenses, Securities and Exchange Commission*. These collections are used to offset the SEC's annual appropriation and are remitted to the U.S. Treasury General Fund at the end of the year. The Salaries and Expenses Fund is dedicated to carrying out the SEC's mission, functions, and day-to-day operations. Collections in excess of congressional spending limits are unavailable by law and reported as Non-Budgetary Fund Balance with Treasury. See *Note 3, Fund Balance with Treasury*.

- Investor Protection Fund: The Investor Protection Fund provides funding for the payment of whistleblower awards as required by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act). The Investor Protection Fund is financed by a portion of monetary sanctions collected by the SEC in judicial or administrative actions brought by the SEC. Persons may receive award payments from the Investor Protection Fund if they voluntarily provide original information to the SEC that results in a successful enforcement action and other conditions are met. In addition, the Investor Protection Fund is used to finance the operations of the Office of Inspector General Employee Suggestion Program for the receipt of suggestions for improvements in work efficiency and effectiveness, and allegations of misconduct or mismanagement within the SEC. This activity is recognized in Fund X5567, *Monetary Sanctions and Interest, Investor Protection Fund, Securities and Exchange Commission (Investor Protection Fund)*.

- Reserve Fund: A portion of SEC registration fee collections up to $50 million in any one fiscal year may be deposited in the Reserve Fund, the balance of which cannot exceed $100 million. The Reserve Fund may be used by the SEC to obligate up to $100 million in one fiscal year as the SEC determines necessary to carry out its functions. Although amounts deposited in the Reserve Fund are not subject to apportionment, the SEC must notify Congress when funds are obligated. Resources available in the Reserve Fund may be rescinded or sequestered through congressional action. This activity is recognized in Fund X5566, *Securities and Exchange Commission Reserve Fund*.

2. Miscellaneous Receipt and Other Accounts: Miscellaneous Receipt Accounts hold non-entity receipts and accounts receivable from custodial activities that the SEC cannot deposit into funds under its control. These accounts include registration fee collections in excess of amounts deposited into the Reserve Fund, receipts pursuant to certain SEC enforcement actions, and other small collections that will be sent to the U.S. Treasury General Fund upon collection. These activities are recognized in Fund 0850.150, *Registration, Filing, and Transaction Fees*, *Securities and Exchange Commission*; Fund 1060, *Forfeitures of Unclaimed Money and Property*; Fund 1091, *Post Judgement Interest*; Fund 1099, *Fines, Penalties*, *and Forfeitures*, *Not Otherwise Classified*; Fund 1435, *General Fund Proprietary Interest*, *Not Otherwise Classified*; and Fund 3220, *General Fund Proprietary Receipts*, *Not Otherwise Classified*. Miscellaneous Receipt Accounts are reported as "All Other Funds" on the Statement of Changes in Net Position. The SEC has custodial responsibilities, as disclosed in *Note 1.L, Liabilities*. Fund X3875, *Budget Clearing Account*, is a suspense account that temporarily holds immaterial cash balances.

3. Deposit Funds: Deposit Funds hold disgorgement, penalties, and interest collected and held on behalf of harmed investors, registrant monies held temporarily until earned by the SEC, and collections awaiting disposition or reclassification. These activities are recognized in Fund X6561, *Unearned Fees, Securities and Exchange Commission*, and Fund X6563, *Disgorgement and Penalty Amounts Held for Investors, Securities and Exchange Commission*. Deposit Funds do not impact the SEC's Net Position and are not reported on the Statement of Changes in Net Position.

F. Entity and Non-Entity Assets

Entity assets are assets that the SEC may use in its operations.

Non-entity assets are assets that the SEC holds on behalf of another federal agency or a third party and are not available for the SEC to use in its operations. See *Note 2, Entity and Non-Entity Assets*.

G. Fund Balance with Treasury

Fund Balance with Treasury reflects amounts the SEC holds in the U.S. Treasury that have not been invested in federal securities. Additional information regarding the SEC's Fund Balance with Treasury is provided in *Note 3, Fund Balance with Treasury*.

The SEC conducts all of its banking activity in accordance with directives issued by the U.S. Department of the Treasury's Bureau of the Fiscal Service.

H. Investments

The SEC has the authority to invest disgorgement funds in Treasury securities, including civil penalties collected under the "Fair Fund" provision of the Sarbanes-Oxley Act of 2002. As the funds are collected, the SEC holds them in a deposit fund account and may invest them in overnight and short-term market-based Treasury securities through the U.S. Department of the Treasury's Bureau of the Fiscal Service.

The SEC also has authority to invest amounts in the Investor Protection Fund in overnight and short-term market-based Treasury securities through the U.S. Department of the Treasury's Bureau of the Fiscal Service. The interest earned on the investments is a component of the balance of the Fund and available to be used for expenses of the Investor Protection Fund.

Additional information regarding the SEC's investments is provided in *Note 5, Investments*.

I. Accounts Receivable and Allowance for Uncollectible Accounts

The SEC's entity and non-entity accounts receivable consist primarily of amounts due from the public. Entity accounts receivable are amounts that the SEC may retain upon collection. Non-entity accounts receivable are amounts that the SEC will forward to another federal agency or to the public after the funds are collected.

ENTITY ACCOUNTS RECEIVABLE

The bulk of the SEC's entity accounts receivable arise from securities transaction fees. Securities transaction fees are payable to the SEC twice a year: in March for the period September through December, and in September for the period January through August. Accordingly, the year-end accounts receivable accrual generally represents fees payable to the SEC for one month of securities transaction fee activity (September). In addition, the SEC has small amounts of activity arising from the sale of services provided by the SEC to other federal agencies and employee-related debt.

NON-ENTITY ACCOUNTS RECEIVABLE

Non-entity accounts receivable arise mainly from amounts assessed against violators of securities laws, including disgorgement of illegal gains, civil penalties, and related assessed interest. The SEC is responsible for collection, and recognizes a receivable, when an order of the Commission or a federal court directs payment to the SEC or the U.S. Treasury General Fund.

Interest recognized by the SEC on non-entity accounts receivable includes prejudgment interest specified by the court or administrative order as well as post-judgment interest on collectible accounts. The SEC does not recognize interest revenue on accounts considered to be uncollectible.

The SEC's enforcement investigation and litigation activities often result in court orders directing violators of federal securities laws to pay amounts assessed to a federal court or to a non-federal receiver acting on behalf of harmed investors. These orders are not recognized as accounts receivable by the SEC because the debts are payable to, and collected by, another party.

Securities registration, tender offer, merger, and other fees from registrants (filing fee) collections in excess of those deposited into the SEC's Reserve Fund are not available for the SEC's operations and are transferred to the U.S. Treasury General Fund. Accounts receivable amounts arising from filing fees in excess of those deposited into the Reserve Fund are non-entity and are held on behalf of the U.S. Treasury General Fund.

ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

The SEC uses a three-tiered methodology for calculating the allowance for loss on its disgorgement and penalties accounts receivable. The first tier involves making an individual collection assessment of cases that represent at least 65 percent of the portfolio. The second and third tiers are composed of the remaining cases that are equal to or less than 30 days old and over 30 days old, respectively. For the second and third tiers, the SEC applies an allowance rate based on historical collection data analysis.

The SEC calculates the allowance for uncollectible accounts and the related provision for estimated losses for filing fees and other accounts receivable using an analysis of historical collection data. No allowance for uncollectible accounts or related provision for estimated losses has been established for securities transaction fees payable by SROs, as these amounts are fully collectible based on historical experience.

The SEC writes off receivables that are delinquent for two or more years by removing the debt amounts from the gross accounts receivable and any related allowance for uncollectible accounts.

Additional information about the SEC's accounts receivable and allowance for doubtful accounts is provided in *Note 6, Accounts Receivable, Net*.

J. Advances and Prepayments

Payments made in advance of the receipt of goods and services are recorded as advances or prepayments and recognized as expenses when the related goods and services are received. Advances and prepayments are made to other federal agencies such as the U.S. Department of Defense, the U.S. Government Publishing Office, and the U.S. Department of Transportation for expenses that may include investigation services, accounting processing fees, official publications in the Federal Register, and the Federal Transit Benefit Program.

K. Property and Equipment, Net

The SEC's property and equipment consists of software, right-to-use lease assets, general-purpose equipment used by the agency, capital improvements made to buildings leased by the SEC for office space, and, when applicable, internal-use software development costs for projects in development. The SEC reports property and equipment purchases and additions at historical cost. The agency expenses property and equipment acquisitions that do not meet the capitalization criteria as well as normal repairs and maintenance.

The SEC depreciates property and equipment over the estimated useful lives using the straight-line method of depreciation. For right-to-use lease assets, the SEC amortizes the balance using the straight-line method over the term of the lease. The agency removes property and equipment from its asset accounts in the period of disposal, retirement, or removal from service. The SEC recognizes the difference between the book value and any proceeds as a gain or loss in the period that the asset is removed.

L. Liabilities

The SEC recognizes liabilities for probable future outflows or other sacrifices of resources as a result of events that have occurred as of the Balance Sheet date. The SEC's liabilities consist of routine operating accounts payable, accrued payroll and benefits, lease liabilities, legal liabilities, liabilities to offset non-entity assets such as registrant monies held temporarily until earned by the SEC, disgorgement and penalties collected and receivable, and amounts collected or receivable on behalf of the U.S. Treasury General Fund. See *Note 1.F, Entity and Non-Entity Assets*, and *Note 9, Leases,* for additional information.

ENFORCEMENT-RELATED LIABILITIES

A liability for disgorgement and penalties arises when an order is issued for the SEC to collect disgorgement, penalties, and interest from securities law violators. When the Commission or court issues such an order, the SEC establishes an accounts receivable due to the SEC and a corresponding liability. The presentation of this liability on the Balance Sheet is dependent upon several factors. If the court or Commission order indicates that collections are to be retained by the federal government by transfer to the U.S. Treasury General Fund, the liabilities are classified as custodial (that is, collected on behalf of the government) and intragovernmental. If the order indicates that the funds are eligible for distribution to harmed investors, the SEC will recognize a liability (that is, a liability of the SEC to make a payment to the public). This liability is not presented as a custodial liability. The SEC does not record liabilities on its financial statements for disgorgement and penalty amounts that another government entity, such as a court, or a non-governmental entity, such as a receiver, has collected or will collect.

In accordance with the provisions of the Dodd-Frank Act, collections not distributed to harmed investors may be transferred to either the Investor Protection Fund or the U.S. Treasury General Fund. See *Note 16, Disgorgement and Penalties,* for additional information.

LIABILITY CLASSIFICATION

The SEC recognizes liabilities that are covered by budgetary resources, liabilities that are not covered by budgetary resources, and liabilities that do not require the use of budgetary resources. See *Note 8, Liabilities Covered and Not Covered by Budgetary Resources*, for more information.

M. Employee Retirement Systems and Benefits

The SEC's employees may participate in either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS), depending on when they started working for the federal government. FERS and Social Security automatically cover most employees hired after December 31, 1983.

All employees are eligible to contribute to a Thrift Savings Plan (TSP). For those employees participating in FERS, the TSP is automatically established, and the SEC makes a mandatory one percent contribution to this plan. In addition, the SEC matches contributions ranging from one to four percent for FERS-eligible employees who contribute to their TSP. Employees participating in CSRS do not receive matching contributions to their TSP. The SEC also provides a supplemental retirement contribution program that matches an employee's TSP contribution up to an additional three percent of their salary. The supplemental retirement contribution was paused from June 2, 2024 to October 6, 2024 due to budgetary constraints.

The SEC does not report CSRS, FERS, Federal Employees Health Benefits Program, Federal Employees Group Life Insurance Program assets, or accumulated plan benefits payable; the U.S. Office of Personnel Management (OPM) reports this information. In accordance with federal accounting standards, the SEC recognizes costs incurred by the SEC but financed by OPM on behalf of the SEC as an expense. The funding for this expense is reflected as imputed financing on the Statement of Changes in Net Position.

N. Injury and Post-Employment Compensation

The Federal Employees' Compensation Act (FECA), administered by the U.S. Department of Labor, provides income and medical cost protection to covered federal civilian employees harmed on the job or who have contracted an occupational disease, and dependents of employees whose death is attributable to a job-related injury or occupational disease. See *Note 8, Liabilities Covered and Not Covered by Budgetary Resources*.

O. Annual, Sick, and Other Leave

The SEC accrues annual leave and compensatory time as earned and reduces the accrual when leave is taken. The balances in the accrued leave accounts reflect current leave balances and pay rates. See *Note 8, Liabilities Covered and Not Covered by Budgetary Resources*. The SEC expenses sick leave and other types of non-vested leave as used.

P. Exchange and Non-Exchange Revenue

The SEC's revenues include exchange revenues, which are generated from transactions in which both parties give and receive value, and non-exchange revenues, which arise from the federal government's ability to demand payment.

The SEC does not recognize amounts collected and held by another government entity, such as a court registry, or a non-government entity, such as a receiver.

The following table summarizes the SEC's sources of exchange and non-exchange revenues.

The SEC's Revenues and Financing Sources	Exchange and Non-Exchange Revenue	Revenue Availability	Financial Statement Presentation
Securities transaction fees[1]	Exchange Revenue	Collection of securities transaction fees are used to offset the SEC's annual appropriation, up to the annual limit set by legislation. Collections of transaction fees beyond the amount needed to offset the SEC's annual appropriation cannot be used to fund the SEC's operations, nor transferred to the U.S. Treasury General Fund.	Reported on the Statement of Net Cost[4]
Securities registration, tender offer, merger, and other fees from registrants (filing fees)[1,2]	Exchange Revenue	Collections of filing fees up to $50 million per fiscal year may be transferred to the SEC's Reserve Fund, as directed by legislation. Collections of filing fees that are not transferred to the SEC's Reserve Fund are transferred to the U.S. Treasury General Fund.	Reported on the Statement of Net Cost[4]
Collections of monetary sanctions and related interest[3]	Non-Exchange Revenue	Certain collections of monetary sanctions are deposited into the SEC's Investor Protection Fund in accordance with legislation.	Reported on the Statement of Changes in Net Position
		All other monetary sanctions are not a revenue source for the SEC, and are either: (a) Distributed to harmed investors, or (b) Transferred to the U.S. Treasury General Fund.	Reported as follows: (a) Disclosed in *Note 16, Disgorgement and Penalties* (b) Reported on the Statement of Custodial Activity

1 Transaction fee and filing fee rates are calculated and established by the SEC in accordance with federal law and are applied to volumes of activity reported by SROs or to filings submitted by registrants. Fees are recognized as exchange revenue on the effective date of the transaction or the date of the acceptance of the filing submission. See *Note 1.E, Fund Accounting Structure*. The SEC recognizes amounts remitted by registrants in advance of the transaction or filing date as a liability until earned by the SEC or returned to the registrant.

2 Federal regulations require the return of registrant advance deposits when an account is dormant for three years, except in certain cases where refunds are not permitted. The Securities Act of 1933 and the Exchange Act do not permit refunds to registrants for securities that remain unsold after the completion, termination, or withdrawal of an offering. However, Code of Federal Regulations (CFR) Title 17 Chapter II, Part 230, Section 457(p) permits filers to offset a fee paid (filing fee offset) for a subsequent registration statement (offering) filed within five years of the initial filing date of the earlier registration statement. The total aggregate dollar amount of the filing fee associated with the unsold securities may be offset against the total filing fee due on the subsequent offering. Unused filing fee offsets are not an accounts payable to the SEC because registrants cannot obtain refunds of fees or additional services in relation to securities that remain unsold.

3 The SEC's non-exchange revenues consist of disgorgement of illegal gains, civil penalties, and related interest.

4 The SEC's exchange revenues are a means to recover all or most of the total cost of all SEC programs and to deposit excess collections from registrants to the U.S. Treasury General Fund. As a result, they offset the total costs of the organization in the Statement of Net Cost, rather than individual SEC programs. This presentation is consistent with the financial accounting concepts described in Statement of Federal Financial Accounting Concepts 2, *Entity and Display*.

Q. Budgets and Budgetary Accounting

SALARIES AND EXPENSES

The SEC may use funds from the SEC's Salaries and Expenses account only as authorized by Congress and made available by OMB apportionment, upon issuance of a Treasury warrant. Revenue collected in excess of appropriated amounts is restricted from use by the SEC. Collections in excess of congressional spending limits are unavailable by law and reported as Non-Budgetary Fund Balance with Treasury. See *Note 3, Fund Balance with Treasury*. Each fiscal year, OMB provides the SEC's Salaries and Expenses account with quarterly apportionments. These apportionments include both new budget authority appropriated by Congress and unused no-year funds (unobligated balances) from prior years. The Salaries and Expenses account also receives a small amount of funds related to reimbursable activity, which are exempt from quarterly apportionment. See *Note 1.E, Fund Accounting Structure,* and *Note 14, Statement of Budgetary Resources and Other Budgetary Disclosures*.

INVESTOR PROTECTION FUND

The Dodd-Frank Act provides that the Investor Protection Fund has permanent authority that is available without further appropriation or fiscal year limitation for the purpose of funding awards to whistleblowers and for the operations of the Office of Inspector General Employee Suggestion Program. However, the SEC is required to request and obtain apportionments from OMB to use these funds. The Investor Protection Fund is financed by transferring a portion of monetary sanctions collected by the SEC under Section 308 of the Sarbanes-Oxley Act of 2002 (15 U.S.C. 7246). As provided by Section 21F of the Exchange Act, sanctions collected by the Commission payable either to the SEC or the U.S. Treasury General Fund will be transferred to the Investor Protection Fund if the balance in that fund is less than $300 million on the day of collection. See *Note 1.E, Fund Accounting Structure*.

RESERVE FUND

The Reserve Fund is a special fund that has the authority to retain certain revenues not used in the current period for future use. The Dodd-Frank Act provides that the Fund is available to the SEC without further appropriation or fiscal year limitation "to carry out the functions of the Commission." Amounts in the Reserve Fund are exempt from apportionment. Collections arising from securities registration, tender offer, and merger fees from registrants, other than those that are deposited in the Reserve Fund, are not available to be used in the operations of the SEC. See *Note 1.E, Fund Accounting Structure*.

BORROWING AUTHORITY

The SEC's borrowing authority is limited to authority to borrow funds from the U.S. Treasury in order to loan funds to the Securities Investor Protection Corporation, as discussed in *Note 10.A, Commitments: Securities Investor Protection Act*.

R. Disgorgement and Penalties

The SEC maintains non-entity assets related to disgorgement and penalties ordered pursuant to civil injunctive and administrative proceedings. The SEC also recognizes a corresponding liability for these assets, as discussed in *Note 1.I, Accounts Receivable and Allowance for Uncollectible Accounts,* and *Note 1.L, Liabilities*. Additional details regarding disgorgement and penalties are presented in *Note 11, Funds from Dedicated Collections,* and *Note 16, Disgorgement and Penalties*.

NOTE 2. ENTITY AND NON-ENTITY ASSETS

Entity assets are assets that the SEC may use in its operations.

Non-entity assets are assets that the SEC holds on behalf of another federal agency or a third party and are not available for the SEC's use. The SEC's non-entity assets include the following: (a) disgorgement, penalties, and interest collected and held or invested by the SEC; (b) disgorgement, penalties, and interest receivable that will be collected by the SEC; (c) securities registration, tender offer, merger, and other fees collected and receivable from registrants, in excess of amounts deposited in the SEC's Reserve Fund; and (d) other miscellaneous receivables and collections such as registrant monies held temporarily until earned by the SEC. Additional details are provided in *Note 16, Disgorgement and Penalties*.

At September 30, 2024, SEC entity and non-entity assets consisted of the following:

(DOLLARS IN THOUSANDS)	Entity	Non-Entity	Total
Intragovernmental:			
Fund Balance with Treasury:			
SEC Funds	$ 8,167,596	$ —	$ 8,167,596
Registrant Deposits	—	61,069	61,069
Disgorgement and Penalties (Note 16)	—	562,893	562,893
Custodial and Other Non-Entity Assets	—	26	26
Investments, Net:			
Disgorgement and Penalties (Note 16)	—	3,634,132	3,634,132
Investor Protection Fund	472,378	—	472,378
Accounts Receivable	—	—	—
Advances and Prepayments	12,491	—	12,491
Total Intragovernmental Assets	8,652,465	4,258,120	12,910,585
Cash and Other Monetary Assets:			
SEC Funds	35	—	35
Disgorgement and Penalties (Note 16)	—	109	109
Accounts Receivable, Net:			
SEC Funds	363,673	—	363,673
Disgorgement and Penalties (Note 16)	—	506,481	506,481
Custodial and Other Non-Entity Assets	—	8,091	8,091
Property and Equipment, Net (Note 7)	371,147	—	371,147
Total Assets	$ 9,387,320	$ 4,772,801	$ 14,160,121

At September 30, 2023, SEC entity and non-entity assets consisted of the following:

(DOLLARS IN THOUSANDS)	Entity	Non-Entity	Total
Intragovernmental:			
Fund Balance with Treasury:			
SEC Funds	$ 8,700,565	$ —	$ 8,700,565
Registrant Deposits	—	58,357	58,357
Disgorgement and Penalties (Note 16)	—	570,822	570,822
Custodial and Other Non-Entity Assets	—	28	28
Investments, Net:			
Disgorgement and Penalties (Note 16)	—	3,211,439	3,211,439
Investor Protection Fund	358,140	—	358,140
Accounts Receivable	4	—	4
Advances and Prepayments	10,907	—	10,907
Total Intragovernmental Assets	9,069,616	3,840,646	12,910,262
Cash and Other Monetary Assets:			
SEC Funds	—	—	—
Disgorgement and Penalties (Note 16)	—	41	41
Accounts Receivable, Net:			
SEC Funds	89,864	—	89,864
Disgorgement and Penalties (Note 16)	—	466,038	466,038
Custodial and Other Non-Entity Assets	—	3,124	3,124
Property and Equipment, Net (Note 7)	107,719	—	107,719
Total Assets	$ 9,267,199	$ 4,309,849	$ 13,577,048

NOTE 3. FUND BALANCE WITH TREASURY

The status of Fund Balance with Treasury as of September 30, 2024 and 2023 consisted of the following:

(DOLLARS IN THOUSANDS)	2024	2023
Status of Fund Balance with Treasury:		
Unobligated Balance:		
Available	$ 10,964	$ 65,539
Unavailable	117,875	105,220
Obligated Balance not Yet Disbursed	925,808	1,416,964
Non-Budgetary Fund Balance with Treasury	7,736,937	7,742,049
Total Fund Balance with Treasury	$ 8,791,584	$ 9,329,772

Obligated and unobligated balances reported for the status of Fund Balance with Treasury differ from the amounts reported in the Statement of Budgetary Resources because budgetary balances are supported by amounts other than Fund Balance with Treasury. These amounts include funds to be reimbursed from other federal agencies as well as Investor Protection Fund investments, which are reversed from the unobligated available amount to account for Fund Balance with Treasury only, resulting in the negative balance for that line.

Non-Budgetary Fund Balance with Treasury consists of amounts in deposit funds and offsetting collections temporarily precluded from obligation in the SEC's general Salaries and Expenses Fund (X0100). Amounts temporarily precluded from obligation represent offsetting collections in excess of appropriated amounts related to securities transactions fees, as well as securities registration, tender offer, merger, and other fees collected from registrants (filing fees).

There were no significant differences between the Fund Balance with Treasury reflected in the SEC's financial statements and the corresponding balance in the U.S. Treasury Department accounts.

Fund Balance with Treasury is an intragovernmental asset, and accordingly it is eliminated as part of the consolidation process for the Financial Report of the U.S. Government. For additional information on the nature of intragovernmental assets, see *Note 5, Investments*.

NOTE 4. CASH AND OTHER MONETARY ASSETS

The SEC had a cash balance of $144 thousand as of September 30, 2024. The SEC receives collections throughout the year. Any collections received after the U.S. Treasury Department cut-off for deposit of checks are treated as deposits in transit and recognized as Cash on the Balance Sheet. The SEC had a cash balance of $41 thousand as of September 30, 2023.

NOTE 5. INVESTMENTS

The SEC invests funds in overnight and short-term non-marketable market-based Treasury securities. The SEC records the value of its investments in Treasury securities at cost. Premiums and discounts are amortized on a straight-line (S/L) basis for market-based Treasury bills and on the effective interest basis for market-based Treasury notes. Amortization is calculated through the maturity date of these securities. Non-marketable market-based Treasury securities are issued by the U.S. Department of the Treasury's Bureau of the Fiscal Service to federal agencies. They are not traded on any securities exchange but mirror the prices of similar Treasury securities trading in the government securities market. The market value of Treasury securities is a composite market bid price, using market data provided by the Federal Reserve Bank of New York that reflects the average price that brokers were offering to pay on the reporting date.

At September 30, 2024, investments consisted of the following:

(DOLLARS IN THOUSANDS)	Cost	Amortization Method	Amortized (Premium) Discount	Interest Receivable	Investment, Net	Market Value Disclosure
Non-Marketable Market-Based Securities						
Disgorgement and Penalties	$ 3,602,441		$ 29,140	$ 2,551	$ 3,634,132	$ 3,634,190
Market-Based Notes	737,639	Effective	17,593	2,551	757,783	755,917
Market-Based Bills	1,028,463	S/L	11,547	—	1,040,010	1,041,934
One-Day Certificates	1,836,339	N/A	—	—	1,836,339	1,836,339
Investor Protection Fund – Entity	472,378		—	—	472,378	472,378
One-Day Certificates	472,378	N/A	—	—	472,378	472,378
Total	$ 4,074,819		$ 29,140	$ 2,551	$ 4,106,510	$ 4,106,568

At September 30, 2023, investments consisted of the following:

(DOLLARS IN THOUSANDS)	Cost	Amortization Method	Amortized (Premium) Discount	Interest Receivable	Investment, Net	Market Value Disclosure
Non-Marketable Market-Based Securities						
Disgorgement and Penalties	$ 3,186,341		$ 24,624	$ 474	$ 3,211,439	$ 3,210,913
Market-Based Notes	197,528	Effective	8,086	196	205,810	205,453
Market-Based Bills	1,133,296	S/L	16,538	—	1,149,834	1,149,943
One-Day Certificates	1,855,517	N/A	—	278	1,855,795	1,855,517
Investor Protection Fund – Entity	358,086		—	54	358,140	358,086
One-Day Certificates	358,086	N/A	—	54	358,140	358,086
Total	$ 3,544,427		$ 24,624	$ 528	$ 3,569,579	$ 3,568,999

Intragovernmental Investments in Treasury Securities

The federal government does not set aside assets to pay future benefits or other expenditures associated with the investment by federal agencies in non-marketable federal securities. The funds used to purchase these investments are deposited in the U.S. Treasury, which uses the cash for general government purposes. Treasury securities are issued to the SEC as evidence of these balances. Treasury securities are an asset of the SEC and a liability of the U.S. Treasury General Fund. Because the SEC and the U.S. Treasury are both components of the government, these assets and liabilities offset each other from the standpoint of the government as a whole. For this reason, the investments presented by the SEC do not represent an asset or a liability in the U.S. Government-wide financial statements.

Treasury securities provide the SEC with authority to draw upon the U.S. Treasury to make future payments from these accounts. When the SEC requires redemption of these securities to make expenditures, the government finances those expenditures out of accumulated cash balances, by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures. This is the same manner in which the government finances all expenditures.

NOTE 6. ACCOUNTS RECEIVABLE, NET

At September 30, 2024, accounts receivable consisted of the following:

(DOLLARS IN THOUSANDS)	Gross Receivables	Allowance	Net Receivables
Intragovernmental Entity Accounts Receivable:			
Reimbursable Activity	$ —	$ —	$ —
Entity Accounts Receivable:			
Securities Transaction Fees	363,448	—	363,448
Other	225	—	225
Non-Entity Accounts Receivable:			
Disgorgement and Penalties[1]	2,091,338	1,584,857	506,481
Filing Fees	1,105	178	927
Other	74,224	67,060	7,164
Subtotal Non-Intragovernmental Accounts Receivable	2,530,340	1,652,095	878,245
Total Accounts Receivable	$ 2,530,340	$ 1,652,095	$ 878,245

1

Disgorgement and Penalties Accounts Receivable by Tiers (Note 1.I)			
(DOLLARS IN THOUSANDS)	Gross Receivable	Allowance	Net Receivable
Tier 1	$ 1,357,729	$ 951,389	$ 406,340
Tier 2	81,263	42,804	38,459
Tier 3	652,346	590,664	61,682
Total Non-Entity Accounts Receivable: Disgorgement and Penalties	$ 2,091,338	$ 1,584,857	$ 506,481

At September 30, 2023, accounts receivable consisted of the following:

(DOLLARS IN THOUSANDS)	Gross Receivables	Allowance	Net Receivables
Intragovernmental Entity Accounts Receivable:			
Reimbursable Activity	$ 4	$ —	$ 4
Entity Accounts Receivable:			
Securities Transaction Fees	89,647	—	89,647
Other	217	—	217
Non-Entity Accounts Receivable:			
Disgorgement and Penalties[2]	2,368,781	1,902,743	466,038
Filing Fees	489	52	437
Other	45,753	43,066	2,687
Subtotal Non-Intragovernmental Accounts Receivable	2,504,887	1,945,861	559,026
Total Accounts Receivable	$ 2,504,891	$ 1,945,861	$ 559,030

2

Disgorgement and Penalties Accounts Receivable by Tiers (Note 1.I)			
(DOLLARS IN THOUSANDS)	Gross Receivable	Allowance	Net Receivable
Tier 1	$ 1,568,688	$ 1,247,936	$ 320,752
Tier 2	137,018	54,345	82,673
Tier 3	663,075	600,462	62,613
Total Non-Entity Accounts Receivable: Disgorgement and Penalties	$ 2,368,781	$ 1,902,743	$ 466,038

Refer to *Note 1.I, Accounts Receivable and Allowance for Uncollectible Accounts,* for methods used to estimate allowances. The SEC does not recognize interest revenue on accounts considered to be uncollectible. The SEC estimates that accumulated interest on accounts receivable considered to be uncollectible is $67.8 million and $44.1 million as of September 30, 2024 and 2023, respectively. This estimate does not include interest accumulated on debts written off or officially waived.

Disgorgement and penalties net accounts receivable of $506.5 million and $466.0 million at September 30, 2024 and 2023, respectively, includes amounts designated as payable to the U.S. Treasury General Fund per court order, as well as amounts held for distribution to harmed investors. As discussed in *Note 1.L, Liabilities,* the receivables designated as payable to the U.S. Treasury General Fund, their corresponding liabilities, and the associated revenues, are classified as custodial. As of September 30, 2024 and 2023, the custodial disgorgement and penalties accounts receivable balance designated as payable to the U.S. Treasury General Fund, net of allowance, was $91.2 million and $241.2 million, respectively.

As discussed in *Note 1.I, Accounts Receivable and Allowance for Uncollectible Accounts,* pursuant to Section 991(e) of the Dodd-Frank Act, accounts receivable for securities registration, tender offer, merger, and other fees from registrants in excess of the amounts deposited into the Reserve Fund are held on behalf of the U.S. Treasury and are transferred to the U.S. Treasury General Fund upon collection.

NOTE 7. PROPERTY AND EQUIPMENT, NET

At September 30, 2024, property and equipment consisted of the following:

Class of Property *(DOLLARS IN THOUSANDS)*	Depreciation/ Amortization Method	Capitalization Threshold for Individual Purchases	Capitalization Threshold for Bulk Purchases	Service Life (Years)	Acquisition Cost	Accumulated Depreciation/ Amortization	Net Book Value
Furniture and Equipment	S/L	$ 50	$ 300	3–5	$ 73,705	$ 57,148	$ 16,557
Software	S/L	300	300	3–5	430,020	318,905	111,115
Leasehold Improvements	S/L	300	N/A	10	97,254	79,997	17,257
Right-to-Use Lease Assets	S/L	N/A	N/A	Lease Term	278,943	52,725	226,218
Total					$ 879,922	$ 508,775	$ 371,147

During FY 2024, activity impacting Net Book Value consisted of the following:

(DOLLARS IN THOUSANDS)	Net Book Value
Balance Beginning of Year	$ 107,718
Right-to-Use Lease Assets due to Change in Accounting Principle	239,235
Capitalized Acquisitions	85,260
Right-to-Use Lease Assets, Current Year Activity	39,708
Dispositions	(2,830)
Depreciation Expense	(45,219)
Amortization, Right-to-Use Lease Assets	(52,725)
Balance End of Year	$ 371,147

At September 30, 2023, property and equipment consisted of the following:

Class of Property *(DOLLARS IN THOUSANDS)*	Depreciation/ Amortization Method	Capitalization Threshold for Individual Purchases	Capitalization Threshold for Bulk Purchases	Service Life (Years)	Acquisition Cost	Accumulated Depreciation/ Amortization	Net Book Value
Furniture and Equipment	S/L	$ 50	$ 300	3–5	$ 73,192	$ 59,388	$ 13,804
Software	S/L	300	300	3–5	367,669	285,184	82,485
Leasehold Improvements	S/L	300	N/A	10	89,070	77,640	11,430
Total					$ 529,931	$ 422,212	$ 107,719

During FY 2023, activity impacting Net Book Value consisted of the following:

(DOLLARS IN THOUSANDS)	Net Book Value
Balance Beginning of Year	$ 91,436
Capitalized Acquisitions	58,018
Dispositions	(903)
Depreciation Expense	(40,832)
Balance End of Year	$ 107,719

Bulk purchases are acquisitions of a quantity of similar items that individually cost less than the threshold for individual purchases but collectively exceed the designated bulk purchase threshold of $300,000.

The SEC recorded two impairments during FY 2023. In December 2022, a partially amortized application was retired early, resulting in a loss of $263 thousand. Additionally, in May 2023, a system that was in development was canceled due to technical and staffing delay issues. The Office of Information Technology is currently modernizing this application in another development effort, and most of the earlier work is not needed in this new modernization. The canceled system write-off resulted in a loss of $640 thousand. During FY 2024, the SEC recorded a $2.8 million loss on the disposition of construction in process due to the termination of the new headquarters lease. See *Note 9, Leases*.

Starting in FY 2024, federal reporting entities are required to comply with SFFAS 54 to report a right-to-use lease asset and a lease liability for non-intragovernmental, non-short-term contracts or agreements, when the entity has the right to obtain and control access to economic benefits or services from an underlying property, plant, or equipment asset for a period of time in exchange for consideration under the terms of the contract or agreement. See *Note 9, Leases*.

NOTE 8. LIABILITIES COVERED AND NOT COVERED BY BUDGETARY RESOURCES

The SEC recognizes liabilities that are covered by budgetary resources, liabilities that are not covered by budgetary resources, and liabilities that do not require the use of budgetary resources.

Liabilities that are covered by budgetary resources are liabilities incurred for which budgetary resources are available to the SEC during the reporting period without further congressional action.

The SEC also recognizes liabilities not covered by budgetary resources. Budgetary and financial statement reporting requirements sometimes differ on the timing for the required recognition of an expense. For example, in the financial statements, annual leave expense must be accrued in the reporting period when the annual leave is earned. However, in the budget, annual leave is required to be recognized and funded in the fiscal year when the annual leave is either used or paid out to a separating employee, not when it is earned. As a result of this timing difference, accrued annual leave liability is classified as a liability “not covered by budgetary resources” as of the financial statement date.

Liabilities not covered by budgetary resources require future congressional action whereas liabilities covered by budgetary resources reflect prior congressional action. Regardless of when the congressional action occurs, when the liabilities are liquidated, Treasury will finance the liquidation in the same way that it finances all other disbursements, which is to borrow from the public if the government has a budget deficit (and to use current receipts if the government has a budget surplus).

Liabilities that do not require the use of budgetary resources are covered by assets that do not represent budgetary resources to the SEC. Liabilities that do not require the use of budgetary resources include registrant monies held temporarily until earned by the SEC and offsetting liabilities that correspond to non-entity assets that the SEC holds, such as collections and receivables from disgorgement and penalties, as discussed in *Note 1.L, Liabilities*.

At September 30, 2024, liabilities consisted of the following:

(DOLLARS IN THOUSANDS)	Liabilities Covered by Budgetary Resources	Liabilities Not Covered by Budgetary Resources	Liabilities Not Requiring Budgetary Resources	Total
Intragovernmental:				
Accounts Payable	$ 5,517	$ —	$ —	$ 5,517
Other Liabilities				
Payroll Taxes Payable	948	—	—	948
Custodial Liability	—	—	98,387	98,387
Liability for Non-Entity Assets	—	—	929	929
Benefit Program Contributions Payable	6,232	893	—	7,125
Recognition of Lease Liability	—	—	—	—
Total Other Liabilities	7,180	893	99,316	107,389
Total Intragovernmental	12,697	893	99,316	112,906
With the Public:				
Accounts Payable	188,340	—	—	188,340
Federal Employee Salary, Leave, and Benefits Payable	27,790	156,896	—	184,686
Post-Employment Benefits Payable	—	4,319	—	4,319
Registrant Deposits	—	—	61,069	61,069
Other Liabilities				
Lease Liability (Note 9)	17,630	212,055	—	229,685
Liability for Disgorgement and Penalties (Note 16)	—	—	4,612,281	4,612,281
Contingent Liabilities (Note 10)	—	528,959	—	528,959
Other Accrued Liabilities				
Recognition of Lease Liability	—	—	—	—
Other	35	—	208	243
Total Other Liabilities	17,665	741,014	4,612,489	5,371,168
Total With the Public	233,795	902,229	4,673,558	5,809,582
Total Liabilities	$ 246,492	$ 903,122	$ 4,772,874	$ 5,922,488

Other Liabilities (intragovernmental and with the public) totaled $5.5 billion as of September 30, 2024, of which all but $710.6 million is current. Current liabilities are liabilities that are expected to be paid within the fiscal year following the reporting date. The non-current portion of Other Liabilities includes the appropriate portions of Unfunded FECA and Unemployment Liability, Contingent Liabilities, and Lease Liability. Current liabilities not covered by budgetary resources totaled $31.3 million as of September 30, 2024. As of September 30, 2024, the SEC's unfunded leave balance was $156.9 million.

At September 30, 2023, liabilities consisted of the following:

(DOLLARS IN THOUSANDS)	Liabilities Covered by Budgetary Resources	Liabilities Not Covered by Budgetary Resources	Liabilities Not Requiring Budgetary Resources	Total
Intragovernmental:				
Accounts Payable	$ 5,659	$ —	$ —	$ 5,659
Other Liabilities				
Payroll Taxes Payable	792	—	—	792
Custodial Liability	—	—	243,893	243,893
Liability for Non-Entity Assets	—	—	439	439
Benefit Program Contributions Payable	4,728	863	—	5,591
Recognition of Lease Liability	—	3,595	—	3,595
Total Other Liabilities	5,520	4,458	244,332	254,310
Total Intragovernmental	11,179	4,458	244,332	259,969
With the Public:				
Accounts Payable	504,783	—	—	504,783
Federal Employee Salary, Leave, and Benefits Payable	21,976	139,416	—	161,392
Post-Employment Benefits Payable	—	5,113	—	5,113
Registrant Deposits	—	—	58,357	58,357
Other Liabilities				
Liability for Disgorgement and Penalties (Note 16)	—	—	4,007,133	4,007,133
Contingent Liabilities (Note 10)	—	111,988	—	111,988
Other Accrued Liabilities				
Recognition of Lease Liability	—	2,327	—	2,327
Other	—	—	1,059	1,059
Total Other Liabilities	—	114,315	4,008,192	4,122,507
Total With the Public	526,759	258,844	4,066,549	4,852,152
Total Liabilities	$ 537,938	$ 263,302	$ 4,310,881	$ 5,112,121

Other Liabilities (intragovernmental and with the public) totaled $4.4 billion as of September 30, 2023, of which all but $117.3 million was current. The non-current portion of Other Liabilities includes the appropriate portions of the Unfunded FECA and Unemployment Liability, Contingent Liabilities, and Lease Liability. Current liabilities not covered by budgetary resources totaled $1.5 million as of September 30, 2023. As of September 30, 2023, the SEC's unfunded leave balance was $139.4 million.

Other Liabilities—Recognition of Lease Liability

In the execution of lease agreements, lessors may offer incentives for the occupation of office space. These include months of free rent or reduced rent at the occupied space or a temporary space while the new office is being prepared for occupancy. Prior to the new reporting requirements for FY 2024, when a rent holiday or broker commission credit was taken, a rent expense was accrued, even though no payment was due or a reduced amount was due. The accrual and amortization of rent holiday and broker commission credit discounts allowed the rent expense to be allocated equally to each period of the lease term. The accrued lease liability for rent holidays was $2.3 million as of September 30, 2023. The accrued lease liability for broker commission credits taken was $3.6 million as of September 30, 2023. The SEC reduced liabilities for lease incentives and broker commission credits to zero at the beginning of FY 2024 to comply with new SFFAS 54 reporting requirements. See *Note 1.B, Basis of Presentation and Accounting.*

NOTE 9. LEASES

As of September 30, 2024, the SEC has real property leases, both non-intragovernmental and intragovernmental, at 13 locations supporting its headquarters and regional offices.

Beginning in FY 2024, federal reporting entities are required to comply with SFFAS 54 to report a right-to-use lease asset and a lease liability for non-intragovernmental, non-short-term contracts or agreements when the entity has the right to obtain and control access to economic benefits or services from an underlying property, plant, or equipment asset for a period of time in exchange for consideration under the terms of the contract or agreement.

The SEC identified three non-intragovernmental real property leases, including the SEC's headquarters (Station Place 1 and Station Place 2) and the Atlanta Regional Office. Additionally, the SEC identified three non-intragovernmental personal property leases for the following contracts: a data center co-location, postage meter equipment, and printer and copier equipment. As of September 30, 2024, the SEC recorded right-to-use assets for non-intragovernmental leases totaling $278.9 million, and accumulated amortization totaling $52.7 million (see *Note 7, Property and Equipment, Net*). The SEC also recorded associated right-to-use liabilities totaling $229.7 million using a range of discount rates between 3.8 and 4 percent in accordance with OMB Circular A-94, *Guidelines and Discount Rates for Benefit-Cost Analysis of Federal Programs*, which was in effect at the time of the calculation (see *Note 8, Liabilities Covered and Not Covered by Budgetary Resources*). The SEC is not separately charged interest under the terms of its leases; however, the principal and interest components stated were estimated by the SEC.

The following table details future payments for non-intragovernmental real and personal property leases.

As of September 30, 2024, non-intragovernmental future lease payments are as follows:

FISCAL YEAR *(DOLLARS IN THOUSANDS)*	Principal	Interest	Total
2025	$ 48,508	$ 8,252	$ 56,760
2026	50,529	6,281	56,810
2027	51,993	4,238	56,231
2028	54,089	2,130	56,219
2029	5,724	855	6,579
2030–2034	18,842	1,550	20,392
Total	$ 229,685	$ 23,306	$ 252,991

Additionally, the SEC has intragovernmental leases with the U.S. General Services Administration (GSA) at the following regional offices: New York, San Francisco, Fort Worth, Miami, Philadelphia, Los Angeles, Denver, Salt Lake (closed October 2024), Boston, and Chicago. These leases are budgeted and obligated annually, and the terms range from 10 to 20 years, with the most recent—the San Francisco lease—extending through 2044. The SEC has an additional intragovernmental lease with the GSA motor pool for vehicles. For the year ended September 30, 2024, the SEC paid $30.3 million for GSA-owned rental space and $14 thousand for the GSA motor pool.

During FY 2021, the SEC entered into a cancelable 15-year occupancy agreement for the new SEC headquarters facility with GSA. On October 1, 2024 (FY 2025), GSA announced the termination of the lease contract for the new SEC headquarters facility.

The SEC reduced Construction in Process by $2.8 million and recognized a corresponding Loss on Disposal of an Asset to reflect the write off of leasehold costs that had been accumulated on the terminated GSA project. The SEC will work with GSA on next steps for the long-term needs at the headquarters location. The SEC's leases of Station Place 1 and Station Place 2 currently run through September 30, 2028.

For the FY 2023 disclosure, which follows prior year reporting requirements, please refer to *Note 9, Leases*, in the FY 2023 AFR. The FY 2023 information is not comparable due to new reporting requirements for FY 2024.

NOTE 10. COMMITMENTS AND CONTINGENCIES

A. Commitments: Securities Investor Protection Act

The Securities Investor Protection Act of 1970 (SIPA), as amended, created the Securities Investor Protection Corporation (SIPC) to restore funds and securities to investors and to protect the securities markets from disruption following the failure of broker-dealers. Generally, if a brokerage firm is not able to meet its obligations to customers, then customers' cash and securities held by the brokerage firm are returned to customers on a *pro rata* basis. If sufficient funds are not available at the firm to satisfy customer claims, the reserve funds of SIPC are used to supplement the distribution, up to a ceiling of $500,000 per customer, including a maximum of $250,000 for cash claims.

SIPA authorizes SIPC to create a fund to maintain all monies received and disbursed by SIPC. SIPA gives SIPC the authority to borrow up to $2.5 billion from the SEC in the event that the SIPC Fund is or may appear insufficient for purposes of SIPA. To borrow the funds, SIPC must file with the SEC a statement of the uses of such a loan and a repayment plan, and then the SEC must certify to the secretary of the Treasury that the loan is necessary to protect broker-dealer customers and maintain confidence in the securities markets and that the repayment plan provides as reasonable assurance of prompt repayment as may be feasible under the circumstances. The U.S. Treasury would make these funds available to the SEC through the purchase of notes or other obligating instruments issued by the SEC. Such notes or other obligating instruments would bear interest at a rate determined by the secretary of the Treasury. As of September 30, 2024, the SEC had not loaned any funds to SIPC, and there are no outstanding notes or other obligating instruments issued by the SEC.

Based on the estimated costs to complete ongoing customer protection proceedings, the current size of the SIPC Fund supplemented by SIPC's ongoing assessments on brokers is expected to provide sufficient funds to cover acknowledged customer claims. There are several broker-dealers that are being liquidated under SIPA or that have been referred to SIPC for liquidation that may result in additional customer claims. In the event that the SIPC Fund is or may reasonably appear to be insufficient for the purposes of SIPA, SIPC may seek a loan from the SEC.

B. Commitments and Contingencies: Investor Protection Fund

As discussed in *Note 1.E, Fund Accounting Structure,* the Investor Protection Fund is used to pay awards to whistleblowers if they voluntarily provide original information to the SEC and meet other conditions. Approved awards are between 10 and 30 percent of the monetary sanctions collected in the covered action (and when applicable, in a related action), with the actual percentage being determined at the discretion of the SEC, using criteria provided in the legislation and the related rules to implement the legislation adopted by the SEC.

A Preliminary Determination is an assessment, made by the Claims Review staff appointed by the director of the Division of Enforcement, as to whether the claim should be allowed or denied and, if allowed, the proposed award percentage.

Contingent liabilities are reported as follows:

- A contingent liability is recognized when (a) a positive Preliminary Determination has been made by the Claims Review staff, (b) collection has been made, and (c) the percentage to be paid can be reasonably estimated. A contingent liability is also disclosed as a range for the minimum and maximum totals of whistleblower awards, using 10 percent and 30 percent of collections, respectively.
- A potential liability is disclosed but not recognized when a positive Preliminary Determination is expected and collection has been received, using 10 percent and 30 percent of collections as the minimum and maximum award amounts, respectively.

At September 30, 2024, commitments and contingencies consisted of the following:

		Estimated Range of Loss	
(DOLLARS IN THOUSANDS)	Accrued Liabilities	Lower End	Upper End
2024 Whistleblower Awards:			
Probable	$ 528,959	$ 303,781	$ 911,342
Reasonably Possible	—	8,501	25,503

At September 30, 2023, commitments and contingencies consisted of the following:

		Estimated Range of Loss	
(DOLLARS IN THOUSANDS)	Accrued Liabilities	Lower End	Upper End
2023 Whistleblower Awards:			
Probable	$ 111,988	$ 44,002	$ 132,007
Reasonably Possible	—	312,361	937,083

A liability (accounts payable) is recognized when a Final Determination has been approved by the Commission and collection has been received. In all cases, the whistleblower award is not paid until amounts have been collected, a final order is issued by the Commission, and the appeal rights of all claimants on the matter have been exhausted.

In the event that whistleblower awards reduce the Investor Protection Fund unobligated balance below $300 million, the Investor Protection Fund will be replenished, as described in *Note 1.Q, Budgets and Budgetary Accounting,* "Investor Protection Fund." The unobligated balances of the Investor Protection Fund at September 30, 2024 and 2023 were $362 million and $337 million, respectively. Since the contingent liabilities balance exceeds the unobligated balance at September 30, 2024, additional replenishments will be needed before these liabilities are paid.

C. Other Commitments

In addition to future lease commitments discussed in *Note 9, Leases,* the SEC is obligated for the purchase of goods and services that have been ordered but not received. As of September 30, 2024, net obligations for all SEC activities were $925.7 million, of which $228.8 million was delivered and unpaid. As of September 30, 2023, net obligations for all SEC activities were $1.4 billion, of which $537.9 million was delivered and unpaid.

NOTE 11. FUNDS FROM DEDICATED COLLECTIONS

The SEC's funds from dedicated collections consist of transactions and balances recorded in its Salaries and Expenses Fund, Investor Protection Fund, and Reserve Fund. Treasury securities reflect a government commitment to the program and allow the program to continue to provide benefits required by law. See *Note 1.E.1, Funds from Dedicated Collections*, and *Note 5, Investments*, for additional information about intragovernmental investments in Treasury securities.

For FY 2024, the assets, liabilities, net position, and net income from operations relating to funds from dedicated collections consisted of the following:

(DOLLARS IN THOUSANDS)	Salaries & Expenses	Investor Protection Fund	Reserve Fund	Total Combined Funds from Dedicated Collections	Eliminations	Total Consolidated Funds from Dedicated Collections
Balance Sheet as of September 30, 2024						
ASSETS						
Intragovernmental:						
Fund Balance with Treasury	$ 8,088,948	$ 35,225	$ 43,350	$ 8,167,523	$ —	$ 8,167,523
Investments, Net	—	472,378	—	472,378	—	472,378
Accounts Receivable	—	—	—	—	—	—
Advances and Prepayments	12,491	—	—	12,491	—	12,491
Total Intragovernmental	8,101,439	507,603	43,350	8,652,392	—	8,652,392
With the Public:						
Cash and Other Monetary Assets	35	—	—	35	—	35
Accounts Receivable, Net	363,673	—	—	363,673	—	363,673
Property and Equipment, Net (Note 7)	286,127	—	85,020	371,147	—	371,147
Total With the Public	649,835	—	85,020	734,855	—	734,855
Total Assets	$ 8,751,274	$ 507,603	$ 128,370	$ 9,387,247	$ —	$ 9,387,247
LIABILITIES						
Intragovernmental:						
Accounts Payable	$ 4,707	$ —	$ 810	$ 5,517	$ —	$ 5,517
Other Liabilities						
Payroll Taxes Payable	948	—	—	948	—	948
Benefit Program Contributions Payable	7,125	—	—	7,125	—	7,125
Other Liabilities	—	—	—	—	—	—
Total Intragovernmental Liabilities	12,780	—	810	13,590	—	13,590
With the Public:						
Accounts Payable	59,965	117,235	11,140	188,340	—	188,340
Federal Employee Salary, Leave, and Benefits Payable	184,686	—	—	184,686	—	184,686
Post-Employment Benefits Payable	4,319	—	—	4,319	—	4,319
Other Liabilities						
Lease Liability	229,685	—	—	229,685	—	229,685
Contingent Liabilities	—	528,959	—	528,959	—	528,959

NOTE 11. FUNDS FROM DEDICATED COLLECTIONS *(CONTINUED)*

(DOLLARS IN THOUSANDS)	Salaries & Expenses	Investor Protection Fund	Reserve Fund	Total Combined Funds from Dedicated Collections	Eliminations	Total Consolidated Funds from Dedicated Collections
Other Accrued Liabilities	35	—	—	35	—	35
Total With the Public	478,690	646,194	11,140	1,136,024	—	1,136,024
Total Liabilities	491,470	646,194	11,950	1,149,614	—	1,149,614
NET POSITION						
Unexpended Appropriations	252,813	—	—	252,813	—	252,813
Cumulative Results of Operations	8,006,991	(138,591)	116,420	7,984,820	—	7,984,820
Total Net Position	$ 8,259,804	$ (138,591)	$ 116,420	$ 8,237,633	$ —	$ 8,237,633
Total Liabilities and Net Position	$ 8,751,274	$ 507,603	$ 128,370	$ 9,387,247	$ —	$ 9,387,247
Statement of Net Cost for the year ended September 30, 2024						
Gross Program Costs	$ 2,414,649	$ 678,050	$ 34,744	$ 3,127,443	$ (24)	$ 3,127,419
Less Earned Revenues Not Attributable to Program Costs	2,463,708	—	50,000	2,513,708	(24)	2,513,684
Net (Income)/Cost of Operations	$ (49,059)	$ 678,050	$ (15,256)	$ 613,735	$ —	$ 613,735
Statement of Changes in Net Position for the year ended September 30, 2024						
Unexpended Appropriations:						
Beginning Balances	$ 265,026	$ —	$ —	$ 265,026	$ —	$ 265,026
Appropriations Received	—	—	—	—	—	—
Appropriations Used	(12,213)	—	—	(12,213)	—	(12,213)
Net Change in Unexpended Appropriations	(12,213)	—	—	(12,213)	—	(12,213)
Total Unexpended Appropriations: Ending	252,813	—	—	252,813	—	252,813
Cumulative Results of Operations:						
Beginning Balances	7,835,366	263,371	101,164	8,199,901	—	8,199,901
Adjustments:						
Changes in Accounting Principles	5,922	—	—	5,922	—	5,922
Beginning Balances, as Adjusted	7,841,288	263,371	101,164	8,205,823	—	8,205,823
Appropriations Used	12,213	—	—	12,213	—	12,213
Non-Exchange Revenue	—	276,088	—	276,088	—	276,088
Imputed Financing	104,431	—	—	104,431	—	104,431
Net (Income)/Cost of Operations	(49,059)	678,050	(15,256)	613,735	—	613,735
Net Change in Cumulative Results of Operations	165,703	(401,962)	15,256	(221,003)	—	(221,003)
Cumulative Results of Operations: Ending	8,006,991	(138,591)	116,420	7,984,820	—	7,984,820
Net Position	$ 8,259,804	$ (138,591)	$ 116,420	$ 8,237,633	$ —	$ 8,237,633

NOTE 11. FUNDS FROM DEDICATED COLLECTIONS *(CONTINUED)*

For FY 2023, the assets, liabilities, net position, and net income from operations relating to funds from dedicated collections consisted of the following:

(DOLLARS IN THOUSANDS)	Salaries & Expenses	Investor Protection Fund	Reserve Fund	Total Combined Funds from Dedicated Collections	Eliminations	Total Consolidated Funds from Dedicated Collections
Balance Sheet as of September 30, 2023						
ASSETS						
Intragovernmental:						
Fund Balance with Treasury	$ 8,202,803	$ 448,625	$ 48,105	$ 8,699,533	$ —	$ 8,699,533
Investments, Net	—	358,140	—	358,140	—	358,140
Accounts Receivable	4	—	—	4	—	4
Advances and Prepayments	10,907	—	—	10,907	—	10,907
Total Intragovernmental	8,213,714	806,765	48,105	9,068,584	—	9,068,584
With the Public:						
Cash and Other Monetary Assets	—	—	—	—	—	—
Accounts Receivable, Net	89,864	—	—	89,864	—	89,864
Property and Equipment, Net (Note 7)	47,051	—	60,668	107,719	—	107,719
Total With the Public	136,915	—	60,668	197,583	—	197,583
Total Assets	$ 8,350,629	$ 806,765	$ 108,773	$ 9,266,167	$ —	$ 9,266,167
LIABILITIES						
Intragovernmental:						
Accounts Payable	$ 5,659	$ —	$ —	$ 5,659	$ —	$ 5,659
Other Liabilities						
Payroll Taxes Payable	792	—	—	792	—	792
Benefit Program Contributions Payable	5,591	—	—	5,591	—	5,591
Other Liabilities	3,595	—	—	3,595	—	3,595
Total Intragovernmental Liabilities	15,637	—	—	15,637	—	15,637
With the Public:						
Accounts Payable	65,768	431,406	7,609	504,783	—	504,783
Federal Employee Salary, Leave, and Benefits Payable	161,392	—	—	161,392	—	161,392
Post-Employment Benefits Payable	5,113	—	—	5,113	—	5,113
Other Liabilities						
Contingent Liabilities	—	111,988	—	111,988	—	111,988
Other Accrued Liabilities	2,327	—	—	2,327	—	2,327
Total With the Public	234,600	543,394	7,609	785,603	—	785,603
Total Liabilities	250,237	543,394	7,609	801,240	—	801,240

NOTE 11. FUNDS FROM DEDICATED COLLECTIONS *(CONTINUED)*

(DOLLARS IN THOUSANDS)	Salaries & Expenses	Investor Protection Fund	Reserve Fund	Total Combined Funds from Dedicated Collections	Eliminations	Total Consolidated Funds from Dedicated Collections
NET POSITION						
Unexpended Appropriations	265,026	—	—	265,026	—	265,026
Cumulative Results of Operations	7,835,366	263,371	101,164	8,199,901	—	8,199,901
Total Net Position	$ 8,100,392	$ 263,371	$ 101,164	$ 8,464,927	$ —	$ 8,464,927
Total Liabilities and Net Position	$ 8,350,629	$ 806,765	$ 108,773	$ 9,266,167	$ —	$ 9,266,167
Statement of Net Cost for the year ended September 30, 2023						
Gross Program Costs	$ 2,181,015	$ 195,364	$ 36,456	$ 2,412,835	$ (28)	$ 2,412,807
Less Earned Revenues Not Attributable to Program Costs	1,973,900	—	50,000	2,023,900	(28)	2,023,872
Net (Income)/Cost of Operations	$ 207,115	$ 195,364	$ (13,544)	$ 388,935	$ —	$ 388,935
Statement of Changes in Net Position for the year ended September 30, 2023						
Unexpended Appropriations:						
Beginning Balances	$ 217,841	$ —	$ —	$ 217,841	$ —	$ 217,841
Appropriations Received	49,752	—	—	49,752	—	49,752
Appropriations Used	(2,567)	—	—	(2,567)	—	(2,567)
Net Change in Unexpended Appropriations	47,185	—	—	47,185	—	47,185
Total Unexpended Appropriations: Ending	265,026	—	—	265,026	—	265,026
Cumulative Results of Operations:						
Beginning Balances	7,965,841	(200,928)	87,620	7,852,533	—	7,852,533
Adjustments:						
Changes in Accounting Principles	—	—	—	—	—	—
Beginning Balances, as Adjusted	7,965,841	(200,928)	87,620	7,852,533	—	7,852,533
Appropriations Used	2,567	—	—	2,567	—	2,567
Non-Exchange Revenue	—	659,663	—	659,663	—	659,663
Imputed Financing	74,073	—	—	74,073	—	74,073
Net (Income)/Cost of Operations	207,115	195,364	(13,544)	388,935	—	388,935
Net Change in Cumulative Results of Operations	(130,475)	464,299	13,544	347,368	—	347,368
Cumulative Results of Operations: Ending	7,835,366	263,371	101,164	8,199,901	—	8,199,901
Net Position	$ 8,100,392	$ 263,371	$ 101,164	$ 8,464,927	$ —	$ 8,464,927

NOTE 12. STATEMENT OF CHANGES IN NET POSITION

A. Other

In FY 2024, the negative $851.6 million in "Other" reported in the Statement of Changes in Net Position consists of securities registration, tender offer, merger, and other fees from registrants (filing fees) as well as other non-entity exchange revenue deposited into the U.S. Treasury General Fund. Filing fees and other non-entity exchange revenue are recognized as exchange revenue on the SEC's Statement of Net Cost, and the transfer-out to the U.S. Treasury General Fund is recognized as a negative other financing source on the SEC's consolidated Statement of Changes in Net Position. See *Note 1.P, Exchange and Non-Exchange Revenue*.

In FY 2023, the negative $527.8 million in "Other" consisted of the transfer-out of filing fees and other non-entity exchange revenue to the U.S. Treasury General Fund.

B. Non-Custodial Non-Exchange Revenues

The SEC deposits non-exchange revenue to the Investor Protection Fund when the replenishment criteria is met. These collections and related interest from the investment of funds are derived from monetary sanctions that would otherwise be deposited to the U.S. Treasury General Fund. See *Note 1.P, Exchange and Non-Exchange Revenue*, for more information about non-exchange revenue.

For the period ended September 30, 2024 and 2023, Non-Custodial Non-Exchange Revenues consisted of the following:

Non-Exchange Revenue *(DOLLARS IN THOUSANDS)*		FY 2024		FY 2023
Deposits of Monetary Sanctions to the Investor Protection Fund	$	256,850	$	643,276
Investment Interest Revenue in the Investor Protection Fund		19,238		16,387
Total Amount of Federal Revenues Collected	$	276,088	$	659,663

NOTE 13. CUSTODIAL ACTIVITY

The Statement of Custodial Activity reports custodial collections and accounts receivable on a modified cash basis of accounting. Cash collections and amounts transferred to U.S. Treasury General Fund are reported on a cash basis. The change in receivables and related payables are reported on an accrual basis. The SEC's Miscellaneous Receipt Accounts are used to account for custodial receipts pursuant to SEC enforcement actions and other small collections that will be sent to the U.S. Treasury General Fund. For more information about the SEC's Miscellaneous Receipt Accounts, see *Note 1.E, Fund Accounting Structure*. For information about the estimated collectability of accounts receivable, see *Note 1.I, Accounts Receivable and Allowance for Uncollectible Accounts*.

NOTE 14. STATEMENT OF BUDGETARY RESOURCES AND OTHER BUDGETARY DISCLOSURES

A. Explanation of Differences between the Statement of Budgetary Resources (SBR) and the Budget of the U.S. Government

A comparison between the FY 2024 SBR and the actual FY 2024 data in the Budget of the U.S. Government (Budget) cannot be presented, as the FY 2026 Budget, which will contain FY 2024 actual data, is not yet available. The FY 2026 Budget with actual amounts for FY 2024 will be available at a later date at whitehouse.gov/omb/budget/. The comparison will be presented in next year's financial statements.

There are no differences between the FY 2023 Statement of Budgetary Resources and the FY 2023 data in the Budget.

B. Other Budgetary Disclosures

GENERAL PROVISIONS OF APPROPRIATION

The SEC's annual Appropriations Act provides $2,149,000,000 in new budget authority for FY 2024. The Act contains general provisions that limit the amount that can be obligated for international conferences, International Organization of Securities Commission dues, and representation expenses. The Act requires the SEC to fund its Office of Inspector General with a minimum of $20,050,000 in new budget authority. The Act also provides for costs associated for move, replication, and related costs associated with a replacement leases for the Commission's office facilities, not to exceed $39,658,000, to remain available until expended.

UNOBLIGATED BALANCE FROM PRIOR YEAR BUDGET AUTHORITY, NET (DISCRETIONARY AND MANDATORY)

For FY 2024, the Unobligated Balance from Prior Year Budget Authority, Net consisted of available unobligated balance brought forward from the prior year in the amount of $424.7 million as well as FY 2024 recoveries of prior-year obligations totaling $70.7 million. For FY 2023, the Unobligated Balance from Prior Year Budget Authority, Net consisted of available unobligated balance brought forward from the prior year in the amount of $365.0 million as well as FY 2023 recoveries of prior-year obligations totaling $37.1 million.

UNDELIVERED ORDERS AT THE END OF THE PERIOD

Undelivered orders consist of orders of goods and services that the SEC has not received. The SEC's total undelivered orders were $709.5 million and $889.9 million for the years ended September 30, 2024 and 2023, respectively. Of the $709.5 million total undelivered orders at September 30, 2024, $308.6 million were with federal trading partners and $400.9 million were with non-federal trading partners. The total undelivered orders contained unpaid and paid undelivered orders, with unpaid orders making up the majority of the total. The SEC's total unpaid undelivered orders were $697.0 million and $879.0 million for the years ended September 30, 2024 and 2023, respectively. Of the $697.0 million unpaid undelivered orders at September 30, 2024, $296.1 million were with federal trading partners and $400.9 million were with non-federal trading partners.

LEGAL RESTRICTIONS ON UNOBLIGATED BUDGETARY RESOURCES

Unobligated budgetary resources are restricted for the following:

a) $244.5 million appropriated in FY 2018, $18.7 million appropriated in FY 2021, and $57.4 million appropriated in FY 2023 for costs associated with relocation under a replacement lease for the Commission's headquarters facilities, of which $257.2 million has been obligated and $2.9 million expended as of September 30, 2024.

b) $37.2 million appropriated in FY 2019 and $10.5 million appropriated in FY 2020 for costs associated with the relocation under a replacement lease for the Commission's New York Regional Office facilities, of which $40.6 million has been obligated and $16.9 million expended as of September 30, 2024. During FY 2024, the SEC recovered $23 million in obligations recorded in prior years for the New York Regional Office lease.

c) $12.7 million appropriated in FY 2021, $4.4 million appropriated in FY 2022, and $3.4 million appropriated in FY 2023 for costs associated with the relocation under a replacement lease for the Commission's San Francisco Regional Office facilities, of which $16.1 million has been obligated and $9.6 million expended as of September 30, 2024.

d) $6.7 million appropriated in FY 2022 for costs associated with the relocation under a replacement lease for the Commission's Fort Worth Regional Office facilities, of which $4.3 million has been obligated and $3.2 million expended as of September 30, 2024.

e) $39.7 million appropriated in FY 2024 for costs associated with the relocation under replacement leases for the Commission's office facilities. Of the $39.7 million in appropriated budget authority, approximately $25.3 million in funding was allocated to the Commission's headquarters facilities, and $14.4 million was allocated to the Atlanta Regional Office facilities. There were no obligations or expenditures as of September 30, 2024.

f) $303 thousand allocated from New York Regional Office FY 2024 recovered obligations for the Chicago Regional Office lease. Of this amount, $72 thousand has been obligated and $4 thousand expended as of September 30, 2024.

Any unobligated balances from funds made available in prior Acts for replacement leases for the Commission's headquarters and other regional office facilities may be used for such purposes at any Commission office facility.

BORROWING AUTHORITY

See *Note 10.A, Commitments: Securities Investor Protection Act*, for information on the SEC's borrowing authority.

NOTE 15. RECONCILIATION OF NET COST OF OPERATIONS TO NET OUTLAYS

Budgetary and financial accounting information differ. Budgetary accounting is used for planning and control purposes and relates to both the receipt and use of cash, as well as reporting the federal deficit. Financial accounting is intended to provide a picture of the government's financial operations and financial position, so it presents information on an accrual basis. The accrual basis includes information about costs arising from the consumption of assets and the incurrence of liabilities. The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information. The reconciliation serves not only to identify costs paid for in the past and those that will be paid in the future, but also to assure integrity between budgetary and financial accounting. The following analysis illustrates this reconciliation by listing the key differences between net cost and net outlays.

Components of net cost of operations that are not part of net outlays represent required timing differences in the Statement of Net Cost and the SBR. One example is depreciation expense. In budgetary reporting, the entire cost of a depreciable asset is recognized in the period when the asset is purchased. However, in financial statement reporting, accrual accounting requires the cost of such assets to be allocated among the reporting periods that represent the estimated useful life of the asset. In the reconciliation, depreciation is recognized as a "component of net cost that is not part of net outlays." Another example is securities registration, tender offer, and other fees from registrants (filing fees). Filing fees are recognized as exchange revenue on the Statement of Net Cost, but collections of filing fees are transferred to either the U.S. Treasury General Fund or to the SEC's Reserve Fund and have no impact on the SEC's net outlays. See *Note 1.P, Exchange and Non-Exchange Revenue*.

Other components of net cost that are not part of net outlays are:

- revaluations of property, plant, and equipment;
- increases and decreases in assets such as advances and prepayments and accounts receivable;
- increases and decreases in liabilities such as accounts payable and contingent liabilities; and
- imputed financing for expenses that are paid by OPM, as discussed in *Note 1.M, Employee Retirement Systems and Benefits*.

The primary component of net outlays that is not part of net cost is the acquisition of capital assets. In budgetary reporting, the entire cost of a depreciable asset is recognized in the period when the asset is purchased.

Another component of net outlays that is not part of net cost is the collection of non-exchange interest. Non-exchange interest deposited to the U.S. Treasury General Fund is reported on the SBR as distributed offsetting receipts. Distributed offsetting receipts are collections that typically offset the outlays of the agency that conducts the activity generating the receipts. See *Note 1.P, Exchange and Non-Exchange Revenue*, for more information about non-exchange revenue.

For the year ended September 30, 2024:

(DOLLARS IN THOUSANDS)	Intragovernmental	With the Public	Total
Net Cost of Operations	$ 502,555	$ (740,384)	$ (237,829)
Components of Net Cost That Are Not Part of Net Outlays:			
Property and Equipment Depreciation	$ —	$ (45,219)	$ (45,219)
Property and Equipment Disposal Reevaluation	—	(2,830)	(2,830)
Right-to-Use Lease Asset Amortization	—	(52,725)	(52,725)
Securities Registration, Tender Offer, Merger, and Other Fees from Registrants (Note 1.P)	—	901,366	901,366
Treasury Investment Fees	(100)	100	—
Increase/(Decrease) in Assets:			
Accounts Receivable	(4)	273,809	273,805
Advances and Prepayments	1,584	—	1,584
(Increase)/Decrease in Liabilities:			
Accounts Payable	142	316,443	316,585
Federal Employee Salary, Leave, and Benefits Payable	—	(23,294)	(23,294)
Post-Employment Benefits Payable	—	794	794
Other Liabilities			
Benefit Program Contributions Payable	(1,534)	—	(1,534)
Payroll Taxes Payable	(156)	—	(156)
Contingent Liabilities	—	(416,971)	(416,971)
Other Accrued Liabilities	—	—	—
Financing Sources:			
Imputed Costs	(104,431)	—	(104,431)
Total Components of Net Cost That Are Not Part of Net Outlays	(104,499)	951,473	846,974
Components of Net Outlays That Are Not Part of Net Cost:			
Acquisition of Capital Assets	—	85,260	85,260
Non-Exchange Interest Receipts Reported as Distributed Offsetting Receipts	(19,292)	959	(18,333)
Reduction of Lease Liability	—	49,257	49,257
Total Components of Net Outlays That Are Not Part of Net Cost	(19,292)	135,476	116,184
Net Outlays	$ 378,764	$ 346,565	$ 725,329

For the year ended September 30, 2023:

(DOLLARS IN THOUSANDS)	Intragovernmental	With the Public	Total
Net Cost of Operations	$ 430,688	$ (569,531)	$ (138,843)
Components of Net Cost That Are Not Part of Net Outlays:			
Property and Equipment Depreciation	$ —	$ (40,832)	$ (40,832)
Property and Equipment Disposal Reevaluation	—	(903)	(903)
Securities Registration, Tender Offer, Merger, and Other Fees from Registrants (Note 1.P)	—	577,752	577,752
Treasury Investment Fees	(72)	72	—
Increase/(Decrease) in Assets:			
Accounts Receivable	4	(186,396)	(186,392)
Advances and Prepayments	2,271	—	2,271
(Increase)/Decrease in Liabilities:			
Accounts Payable	(3,536)	(296,934)	(300,470)
Federal Employee Salary, Leave, and Benefits Payable	—	(89)	(89)
Post-Employment Benefits Payable	—	(2)	(2)
Other Liabilities			
Benefit Program Contributions Payable	(265)	—	(265)
Payroll Taxes Payable	(194)	—	(194)
Contingent Liabilities	—	418,707	418,707
Other Accrued Liabilities	197	897	1,094
Financing Sources:			
Imputed Costs	(74,073)	—	(74,073)
Total Components of Net Cost That Are Not Part of Net Outlays	(75,668)	472,272	396,604
Components of Net Outlays That Are Not Part of Net Cost:			
Acquisition of Capital Assets	—	58,018	58,018
Non-Exchange Interest Receipts Reported as Distributed Offsetting Receipts	(16,334)	(1,023)	(17,357)
Total Components of Net Outlays That Are Not Part of Net Cost	(16,334)	56,995	40,661
Net Outlays	$ 338,686	$ (40,264)	$ 298,422

NOTE 16. DISGORGEMENT AND PENALTIES

The SEC's non-entity assets include disgorgement, penalties, and interest assessed against securities law violators by the Commission or a federal court. The SEC also recognizes a corresponding liability for these non-entity assets, as discussed in *Note 1.L, Liabilities*.

When the Commission or court issues a final order for the SEC to collect disgorgement, penalties, and interest from securities law violators, the SEC establishes an account receivable due to the SEC. Upon collection, the SEC may (a) hold receipts in the Disgorgement and Penalty Deposit Fund as Fund Balance with Treasury or Treasury investments pending distribution to harmed investors, (b) deposit receipts in the U.S. Treasury General Fund, or (c) transfer amounts to the Investor Protection Fund. The situations where funds would not be held for distribution to harmed investors arise when the SEC either determines it is not practical to return funds to investors or when court orders expressly state that funds are to be remitted to the U.S. Treasury General Fund. The determination as to whether funds not held for distribution to harmed investors will be deposited in the U.S. Treasury General Fund or transferred to the Investor Protection Fund is made in accordance with the provisions of the Dodd-Frank Act and is dependent on the balance in the Investor Protection Fund on the day the amounts are collected.

Disbursements related to disgorgement and penalties include distributions to harmed investors, payments to tax authorities, and fees paid to plan administrators and the U.S. Department of the Treasury's Bureau of the Fiscal Service. The SEC does not record activity in its financial statements related to enforcement actions that result in amounts ordered to another government entity such as a court, or a non-governmental entity such as a receiver. See *Note 1.R, Disgorgement and Penalties,* and *Note 2, Entity and Non-Entity Assets*.

In FY 2024, total Disgorgement and Penalties assets of $4.7 billion included $4.6 billion held for distribution to harmed investors and $91.3 million to be transferred to the U.S. Treasury General Fund. In FY 2023, total Disgorgement and Penalties assets of $4.2 billion included $4.0 billion held for distribution to harmed investors and $241.2 million to be transferred to the U.S. Treasury General Fund.

At September 30, 2024 and 2023, the net inflows and outflows for Fund Balance with Treasury, Investments, and Accounts Receivable related to disgorgement and penalties consisted of the following:

(DOLLARS IN THOUSANDS)	2024	2023
Fund Balance with Treasury:		
Beginning Balance	$ 570,822	$ 578,124
Collections	1,696,453	2,848,950
Purchases and Redemptions of Treasury Securities	(242,059)	(224,015)
Disbursements	(346,480)	(642,996)
Transfers and Deposits to the Investor Protection Fund	(256,850)	(643,276)
Transfers and Deposits to the U.S. Treasury General Fund	(858,993)	(1,345,965)
Total Fund Balance with Treasury (Note 2)	562,893	570,822
Cash and Other Monetary Assets:		
Beginning Balance	41	1
Net Activity	68	40
Total Cash and Other Monetary Assets (Notes 2 and 4)	109	41
Investments, Net:		
Beginning Balance	3,211,439	2,826,250
Net Activity	422,693	385,189
Total Investments, Net (Notes 2 and 5)	3,634,132	3,211,439
Accounts Receivable, Net:		
Beginning Balance	466,038	1,646,914
Net Activity	40,443	(1,180,876)
Total Accounts Receivable, Net (Notes 2 and 6)	506,481	466,038
Total Disgorgement and Penalties Assets	$ 4,703,615	$ 4,248,340

NOTE 17. RECLASSIFICATION OF BALANCE SHEET, STATEMENT OF NET COST, AND STATEMENT OF CHANGES IN NET POSITION FOR COMPILATION PROCESS OF THE FINANCIAL REPORT OF THE U.S. GOVERNMENT

To prepare the Financial Report of the U.S. Government (FR), the U.S. Department of the Treasury's Bureau of the Fiscal Service requires agencies to submit an adjusted trial balance, which is a listing of amounts by U.S. Standard General Ledger account that appear in the financial statements. Treasury uses the trial balance information reported in the Government-wide Treasury Account Symbol Adjusted Trial Balance System (GTAS) to develop a Reclassified Balance Sheet, Reclassified Statement of Net Cost, and a Reclassified Statement of Changes in Net Position for each agency, which are accessed using GTAS. Treasury eliminates all intragovernmental balances from the reclassified statements and aggregates lines with the same title to develop the FR statements. This note shows the SEC's financial statements and the SEC's reclassified statements prior to elimination of intragovernmental balances and prior to aggregation of repeated FR line items. A copy of the 2023 FR can be found at: fiscal.treasury.gov/reports-statements/financial-report/current-report.html.

FY 2024 Balance Sheet

As of September 30, 2024

		Line Items Used to Prepare FY 2024 Government-wide Balance Sheet				
Financial Statement Line *(DOLLARS IN THOUSANDS)*	**FY 2024 SEC Balance Sheet**	**Dedicated Collections Combined**	**Dedicated Collections Eliminations**	**All Other Amounts (with Eliminations)**	**Total**	**Reclassified Financial Statement Line** *(DOLLARS IN THOUSANDS)*
ASSETS:						**ASSETS:**
Intragovernmental:						Intragovernmental:
Fund Balance with Treasury	$ 8,791,584	$ 8,167,523	$ —	$ 624,061	$ 8,791,584	Fund Balance with Treasury
Investments, Net	4,106,510	472,378	—	3,634,132	4,106,510	Investments, Net
Advances and Prepayments	12,491	12,491	—	—	12,491	Advances and Prepayments
Total Intragovernmental	12,910,585	8,652,392	—	4,258,193	12,910,585	Total Intragovernmental
With the Public:						With the Public:
Cash and Other Monetary Assets (Note 4)	144	35	—	109	144	Cash and Other Monetary Assets
Accounts Receivable, Net (Note 6)	878,245	363,673	—	514,572	878,245	Accounts Receivable, Net
Property and Equipment, Net (Note 7)	371,147	371,147	—	—	371,147	Property, Plant, and Equipment, Net
Total With the Public	1,249,536	734,855	—	514,681	1,249,536	Total With the Public
Total Assets	$ 14,160,121	$ 9,387,247	$ —	$ 4,772,874	$ 14,160,121	**Total Assets**
LIABILITIES:						**LIABILITIES:**
Intragovernmental:						Intragovernmental:
Accounts Payable	$ 5,517	$ 5,517	$ —	$ —	$ 5,517	Accounts Payable
Other Liabilities						
Payroll Taxes Payable	948	948	—	—	948	Other Liabilities (Without Reciprocals)
Custodial Liability	98,387	—	—	98,387	98,387	Liability to the General Fund of the U.S. Government for Custodial and Other Non-Entity Assets
Liability for Non-Entity Assets	929	—	—	929	929	Liability to the General Fund of the U.S. Government for Custodial and Other Non-Entity Assets
Benefit Program Contributions Payable	7,125	7,125	—	—	7,125	Benefit Program Contributions Payable
Total Other Liabilities	107,389	8,073	—	99,316	107,389	*Total Other Liabilities*
Total Intragovernmental	112,906	13,590	—	99,316	112,906	Total Intragovernmental
With the Public:						

FY 2024 Balance Sheet *(continued)*

As of September 30, 2024

		Line Items Used to Prepare FY 2024 Government-wide Balance Sheet				
Financial Statement Line *(DOLLARS IN THOUSANDS)*	**FY 2024 SEC Balance Sheet**	**Dedicated Collections Combined**	**Dedicated Collections Eliminations**	**All Other Amounts (with Eliminations)**	**Total**	**Reclassified Financial Statement Line** *(DOLLARS IN THOUSANDS)*
Accounts Payable	188,340	188,340	—	—	188,340	Accounts Payable
Federal Employee Salary, Leave, and Benefits Payable	184,686	184,686	—	—	184,686	Federal Employee Salary, Leave, and Benefits Payable
Post-Employment Benefits Payable	4,319	4,319	—	—	4,319	Pensions, Other Post-employment, and Veterans Benefits Payable
Registrant Deposits	61,069	—	—	61,069	61,069	Advances from Others and Deferred Revenue
Other Liabilities						
Lease Liability (Note 9)	229,685	229,685	—	—	229,685	Other Liabilities
Liability for Disgorgement and Penalties (Note 16)	4,612,281	—	—	4,612,281	4,612,281	Other Liabilities
Contingent Liabilities (Note 10)	528,959	528,959	—	—	528,959	Other Liabilities
Other Accrued Liabilities (Note 8)	243	35	—	208	243	Other Liabilities
Total Other Liabilities	5,371,168	758,679	—	4,612,489	5,371,168	*Total Other Liabilities*
Total with the Public	5,809,582	1,136,024	—	4,673,558	5,809,582	Total with the Public
Total Liabilities	5,922,488	1,149,614	—	4,772,874	5,922,488	**Total Liabilities**
Commitments and Contingencies						
NET POSITION:						**NET POSITION:**
Unexpended Appropriations – Funds from Dedicated Collections	252,813	252,813	—	—	252,813	Unexpended Appropriations – Funds from Dedicated Collections
Cumulative Results of Operations – Funds from Dedicated Collections	7,984,820	7,984,820	—	—	7,984,820	Cumulative Results of Operations – Funds from Dedicated Collections
Total Net Position	$ 8,237,633	$ 8,237,633	$ —	$ —	$ 8,237,633	**Total Net Position**
Total Liabilities and Net Position	$ 14,160,121	$ 9,358,247	$ —	$ 4,772,874	$ 14,160,121	**Total Liabilities and Net Position**

FY 2024 Statement of Net Cost

For the year ended September 30, 2024

		Line Items Used to Prepare FY 2024 Government-wide Statement of Net Cost					
Financial Statement Line *(DOLLARS IN THOUSANDS)*	**FY 2024 SEC Statement of Net Cost**	**Dedicated Collections Combined**	**Dedicated Collections Eliminations**	**All Other Amounts (with Eliminations)**	**Eliminations Between Dedicated and All Other**	**Total**	**Reclassified Financial Statement** *(DOLLARS IN THOUSANDS)*
Program Costs:							**Non-Federal Costs**
Total Program Costs	$ 3,127,545	$ 2,624,805	$ —	$ 25	$ —	$ 2,624,830	Non-Federal Gross Cost
							Intragovernmental Costs
		265,835	—	—	—	265,835	Benefit Program Costs
		104,431	—	—	—	104,431	Imputed Costs
		65,575	(24)	101	—	65,652	Buy/Sell Costs
		66,797	—	—	—	66,797	Other Expenses
		502,638	(24)	101	—	502,715	**Total Intragovernmental Costs**
Total Program Costs	3,127,545	3,127,443	(24)	126	—	3,127,545	***Total Reclassified Gross Costs***
Less: Earned Revenues not Attributed to Programs	3,365,374						**Non-Federal Earned Revenue**
		2,513,524	—	851,690	—	3,365,214	Non-Federal Earned Revenue
							Intragovernmental Revenue
		184	(24)	—	—	160	Buy/Sell Revenue
Total Earned Revenues	$ 3,365,374	$ 2,513,708	$ (24)	$ 851,690	$ —	$ 3,365,374	***Total Reclassified Earned Revenue***
Net (Income)/Cost of Operations	$ (237,829)	$ 613,735	$ —	$ (851,564)	$ —	$ (237,829)	**Net Cost of Operations**

FY 2024 Statement of Changes in Net Position

For the year ended September 30, 2024

		Line Items Used to Prepare FY 2024 Government-wide Statement of Changes in Net Position				
Financial Statement Line *(DOLLARS IN THOUSANDS)*	**FY 2024 SEC Statement of Changes in Net Position**	**Dedicated Collections Combined**	**Dedicated Collections Eliminations**	**All Other Amounts (with Eliminations)**	**Total**	**Reclassified Financial Statement**
UNEXPENDED APPROPRIATIONS:						
Beginning Balances	$ 265,026	$ 265,026	$ —	$ —	$ 265,026	Net Position, Beginning of Period
Appropriations Received	—	—	—	—	—	Appropriations Received as Adjusted
Appropriations Used	(12,213)	(12,213)	—	—	(12,213)	Appropriations Used
Net Change in Unexpended Appropriations	(12,213)	(12,213)	—	—	(12,213)	
Total Unexpended Appropriations	252,813	252,813	—	—	252,813	
CUMULATIVE RESULTS OF OPERATIONS:						
Beginning Balances	8,199,901	8,199,901	—	—	8,199,901	Net Position, Beginning of Period
Adjustments:						
Changes in Accounting Principles	5,922	5,922	—	—	5,922	Changes in Accounting Principles
Beginning Balances, as Adjusted	8,205,823	8,205,823	—	—	8,205,823	Cumulative Results, Beginning Balance, as Adjusted
Appropriations Used	12,213	12,213	—	—	12,213	Appropriations Expended
Non-Exchange Revenue	276,088	256,850	—	(180,635)	76,215	Other Taxes and Receipts
	—	19,238	—	180,635	199,873	Federal Securities Interest Revenue, including Associated Gains/Losses (Non-Exchange)
Total Non-Exchange Revenues	276,088	276,088	—	—	276,088	*Total Reclassified Non-Exchange Revenues*
Imputed Financing	104,431	104,431	—	—	104,431	Imputed Financing Sources (Federal)
Other	(851,564)	—	—	(851,074)	(851,074)	Non-Entity Collections Transferred to the General Fund of the U.S. Government
		—	—	(490)	(490)	Accrual for Non-Entity Amounts to be Collected and Transferred to the General Fund of the U.S. Government
Total Other	(851,564)	—	—	(851,564)	(851,564)	*Total Reclassified Other*

FY 2024 Statement of Changes in Net Position *(continued)*

For the year ended September 30, 2024

Financial Statement Line *(DOLLARS IN THOUSANDS)*	FY 2024 SEC Statement of Changes in Net Position	Line Items Used to Prepare FY 2024 Government-wide Statement of Changes in Net Position: Dedicated Collections Combined	Dedicated Collections Eliminations	All Other Amounts (with Eliminations)	Total	Reclassified Financial Statement
Net (Income)/Cost of Operations	(237,829)	613,735	—	(851,564)	(237,829)	Net Cost of Operations (+/-)
Net Change in Cumulative Results of Operations	(221,003)	(221,003)	—	—	(221,003)	
Cumulative Results of Operations: Ending	7,984,820	7,984,820	—	—	7,984,820	
Net Position	$ 8,237,633	$ 8,237,633	$ —	$ —	$ 8,237,633	Net Position, End of Period
NON-EXCHANGE STATEMENT OF CUSTODIAL ACTIVITY						
Non-Exchange Custodial Revenue from the Statement of Custodial Activity						
Total Cash Collections	$ 864,126	$ —	$ —	$ 864,126	$ 864,126	Other Taxes and Receipts
Accrual Adjustments	(145,506)	—	—	(145,506)	(145,506)	Other Taxes and Receipts
Total Custodial Revenue	718,620	—	—	718,620	718,620	*Total Reclassified Custodial Revenue*
Disposition of Non-Exchange Custodial Collections from the Statement of Custodial Activity						
Amounts Transferred to Department of the Treasury	864,126	—	—	864,126	864,126	Non-Entity Collections Transferred to the General Fund of the U.S. Government
Change in Amounts Yet to be Transferred	(145,506)	—	—	(145,506)	(145,506)	Accrual for Non-Entity Amounts to be Collected and Transferred to the General Fund of the U.S. Government
Total Disposition of Collections	$ 718,620	$ —	$ —	$ 718,620	$ 718,620	*Total Reclassified Disposition of Custodial Collections*

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

This section provides the Required Supplementary Information as prescribed by OMB Circular A-136, *Financial Reporting Requirements*.

U.S. SECURITIES AND EXCHANGE COMMISSION

Combining Statements of Budgetary Resources by Fund

For the year ended September 30, 2024

(DOLLARS IN THOUSANDS)	Salaries and Expenses and Other Funds	Investor Protection Fund	Reserve Fund	Total
	X0100, 1435, 1492, 3220, 3875	5567	5566	
BUDGETARY RESOURCES:				
Unobligated Balance from Prior Year Budget Authority, Net (Discretionary and Mandatory) (Note 14)	$ 151,972	$ 337,708	$ 5,712	$ 495,392
Appropriations (Discretionary and Mandatory)	—	285,185	50,000	335,185
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	2,188,931	—	—	2,188,931
Total Budgetary Resources	$ 2,340,903	$ 622,893	$ 55,712	$ 3,019,508
STATUS OF BUDGETARY RESOURCES:				
New Obligations and Upward Adjustments (Total)	$ 2,198,956	$ 261,079	$ 53,240	$ 2,513,275
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	119,145	361,814	—	480,959
Exempt from Apportionment, Unexpired Accounts	—	—	2,472	2,472
Unapportioned, Unexpired Accounts	22,802	—	—	22,802
Unobligated Balance, End of Year (Total)	141,947	361,814	2,472	506,233
Total Budgetary Resources	$ 2,340,903	$ 622,893	$ 55,712	$ 3,019,508
OUTLAYS, NET:				
Outlays, Net (Discretionary and Mandatory)	$ 113,855	$ 575,250	$ 54,755	$ 743,860
Distributed Offsetting Receipts	761	(19,292)	—	(18,531)
Agency Outlays, Net (Discretionary and Mandatory) (Note 15)	$ 114,616	$ 555,958	$ 54,755	$ 725,329

The accompanying notes are an integral part of these financial statements.

Combining Statements of Budgetary Resources by Fund *(continued)*

For the year ended September 30, 2023

(DOLLARS IN THOUSANDS)	Salaries and Expenses and Other Funds	Investor Protection Fund	Reserve Fund	Total
	X0100, 1435, 1492, 3220, 3875	5567	5566	
BUDGETARY RESOURCES:				
Unobligated Balance from Prior Year Budget Authority, Net (Discretionary and Mandatory) (Note 14)	$ 87,251	$ 306,469	$ 8,391	$ 402,111
Appropriations (Discretionary and Mandatory)	49,752	645,410	50,000	745,162
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	2,160,254	—	—	2,160,254
Total Budgetary Resources	$ 2,297,257	$ 951,879	$ 58,391	$ 3,307,527
STATUS OF BUDGETARY RESOURCES:				
New Obligations and Upward Adjustments (Total)	$ 2,214,136	$ 614,171	$ 54,486	$ 2,882,793
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	82,017	309,679	—	391,696
Exempt from Apportionment, Unexpired Accounts	—	—	3,905	3,905
Unapportioned, Unexpired Accounts	1,104	28,029	—	29,133
Unobligated Balance, End of Year (Total)	83,121	337,708	3,905	424,734
Total Budgetary Resources	$ 2,297,257	$ 951,879	$ 58,391	$ 3,307,527
OUTLAYS, NET:				
Outlays, Net (Discretionary and Mandatory)	$ (51,160)	$ 321,561	$ 45,403	$ 315,804
Distributed Offsetting Receipts	(1,049)	(16,333)	—	(17,382)
Agency Outlays, Net (Discretionary and Mandatory) (Note 15)	$ (52,209)	$ 305,228	$ 45,403	$ 298,422

The accompanying notes are an integral part of these financial statements.

INVESTOR PROTECTION FUND FINANCIAL STATEMENTS

U.S. SECURITIES AND EXCHANGE COMMISSION
INVESTOR PROTECTION FUND

Balance Sheets

As of September 30, 2024 and 2023

(DOLLARS IN THOUSANDS)	2024	2023
ASSETS:		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	$ 35,225	$ 448,625
Investments, Net (Note 3)	472,378	358,140
Total Intragovernmental	507,603	806,765
Total Assets	$ 507,603	$ 806,765
LIABILITIES (NOTE 4):		
With the Public:		
Accounts Payable	117,235	431,406
Contingent Liabilities (Note 5)	528,959	111,988
Total with the Public	646,194	543,394
Total Liabilities	646,194	543,394
Commitments and Contingencies (Note 5)		
NET POSITION:		
Cumulative Results of Operations – Funds from Dedicated Collections	(138,591)	263,371
Total Cumulative Results of Operations	(138,591)	263,371
Total Net Position	$ (138,591)	$ 263,371
Total Liabilities and Net Position	$ 507,603	$ 806,765

The accompanying notes are an integral part of these financial statements.

U.S. SECURITIES AND EXCHANGE COMMISSION
INVESTOR PROTECTION FUND

Statements of Net Cost

For the years ended September 30, 2024 and 2023

(DOLLARS IN THOUSANDS)	2024	2023
PROGRAM COSTS:		
Awards to Whistleblowers	$ 678,026	$ 195,336
Employee Suggestion Program	24	28
Total Program Costs	678,050	195,364
Net (Income)/Cost of Operations (Note 7)	$ 678,050	$ 195,364

The accompanying notes are an integral part of these financial statements.

U.S. SECURITIES AND EXCHANGE COMMISSION
INVESTOR PROTECTION FUND

Statements of Changes in Net Position

For the years ended September 30, 2024 and 2023

(DOLLARS IN THOUSANDS)	2024	2023
CUMULATIVE RESULTS OF OPERATIONS:		
Beginning Balances	$ 263,371	$ (200,928)
Non-Exchange Revenue	276,088	659,663
Net (Income)/Cost of Operations	678,050	195,364
Net Change in Cumulative Results of Operations	(401,962)	464,299
Cumulative Results of Operations: Ending	(138,591)	263,371
Net Position	$ (138,591)	$ 263,371

The accompanying notes are an integral part of these financial statements.

U.S. SECURITIES AND EXCHANGE COMMISSION
INVESTOR PROTECTION FUND

Statements of Budgetary Resources

For the years ended September 30, 2024 and 2023

(DOLLARS IN THOUSANDS)	2024	2023
BUDGETARY RESOURCES:		
Unobligated Balance from Prior Year Budget Authority, Net (Mandatory)	$ 337,708	$ 306,469
Appropriations (Mandatory)	285,185	645,410
Total Budgetary Resources	$ 622,893	$ 951,879
STATUS OF BUDGETARY RESOURCES (NOTE 6):		
New Obligations and Upward Adjustments (Total)	$ 261,079	$ 614,171
Unobligated Balance, End of Year:		
Apportioned, Unexpired Accounts	361,814	309,679
Unapportioned, Unexpired Accounts	—	28,029
Unobligated Balance, End of Year (Total)	361,814	337,708
Total Budgetary Resources	$ 622,893	$ 951,879
OUTLAYS, NET:		
Outlays, Net (Total) (Mandatory)	575,250	321,561
Distributed Offsetting Receipts	(19,292)	(16,333)
Agency Outlays, Net (Mandatory) (Note 7)	$ 555,958	$ 305,228

The accompanying notes are an integral part of these financial statements.

NOTES TO THE INVESTOR PROTECTION FUND FINANCIAL STATEMENTS

U.S. SECURITIES AND EXCHANGE COMMISSION

As of September 30, 2024 and 2023

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Structure

The U.S. Securities and Exchange Commission (SEC) is an independent agency of the U.S. Government established pursuant to the Securities Exchange Act of 1934 (Exchange Act), charged with regulating this country's capital markets. The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act) established the Securities and Exchange Commission Investor Protection Fund. The Investor Protection Fund provides funding for the Dodd-Frank Whistleblower Program and finances the operations of the Office of Inspector General Employee Suggestion Program. The Investor Protection Fund is a fund within the SEC, and these financial statements present a segment of the SEC's financial activity.

B. Basis of Presentation and Accounting

These notes are an integral part of the Investor Protection Fund's financial statements, which present the financial position, net cost of operations, changes in net position, and budgetary resources of the Investor Protection Fund as required by Exchange Act Section 21F(g)(5). The Act requires a complete set of financial statements that includes a balance sheet, income statement, and cash flow analysis. The legislative requirements to prepare an income statement and cash flow analysis are addressed by the Statement of Net Cost and *Note 2, Fund Balance with Treasury*, respectively.

The SEC's books and records serve as the source of the information presented in the accompanying financial statements. The SEC is a federal reporting entity, in accordance with the provisions of the Accountability of Tax Dollars Act of 2002. The SEC's financial statements are prepared in conformity with generally accepted accounting principles (GAAP) for the federal government, and are presented in conformity with the Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*.

Audited financial statements are a special-purpose report required by legislation. As a stand-alone entity, the Investor Protection Fund does not meet the criteria provided in the CFO Act and the Accountability of Tax Dollars Act to constitute a "federal reporting entity." In addition, federal GAAP and OMB Circular A-136 do not provide for either an income statement or a cash flow analysis. However, the Investor Protection Fund financial statements are consistent with the SEC financial statements, except for additional elements, such as cash flow analysis, that are required by legislation.

The agency classifies assets, liabilities, revenues, and costs in these financial statements according to the type of entity associated with the transactions. Intragovernmental assets and liabilities are those due from or to other federal entities, including other funds within the SEC. Intragovernmental revenues and costs result from transactions with other federal entities, including other funds within the SEC.

The Balance Sheet, Statement of Net Cost, and Statement of Changes in Net Position are prepared using the accrual basis of accounting. Accordingly, revenues are recognized when services are provided, and expenses are recognized when incurred without regard to the receipt or payment of cash. These principles differ from the budgetary accounting and reporting principles on which the Statement of Budgetary Resources is prepared. A reconciliation of differences, if any, between the accrual-based Statement of Net Cost and the budgetary-based Statement of Budgetary Resources is presented in *Note 7, Reconciliation of Net Cost of Operations to Net Outlays*.

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

C. Use of Estimates

The preparation of financial statements on the accrual basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and costs. These estimates are based on management's best knowledge of current events, historical experience, actions that the SEC may undertake in the future, and various other assumptions. The estimates include, but are not limited to, the recognition and disclosure of potential future whistleblower award payments as of the date of the financial statements. Actual results may differ from these estimates.

D. Intra- and Inter-Agency Relationships

TRANSACTIONS WITH OTHER SEC FUNDS

The Investor Protection Fund is comprised of a single Treasury Appropriation Fund Symbol. The Investor Protection Fund is the recipient of non-exchange revenues collected by the SEC. Amounts transferred to the Investor Protection Fund are classified as "retained by the SEC" because the Investor Protection Fund is a fund within the SEC. These intra-agency transfers are required because the Investor Protection Fund finances the operations of the Office of Inspector General Employee Suggestion Program.

TRANSACTIONS WITH OTHER FEDERAL AGENCIES

Whistleblower payments may be made from the Investor Protection Fund as a result of monetary sanctions paid to other federal agencies in related actions, but only if there has been a Commission enforcement action resulting in sanctions of over one million dollars and the Commission has determined that the whistleblower is eligible for an award and recommended the percentage. In those instances, the SEC remains liable for paying the whistleblower. The SEC also may pay whistleblower awards for certain actions brought by other entities, including designated federal agencies, in cases where those awards might otherwise be paid under the other entity's Whistleblower Program, where the other action has a more direct or relevant connection to the SEC's Whistleblower Program. The SEC will pay on the other action, even if the action does not have a more direct or relevant connection to the SEC's Whistleblower Program, when the other entity's program is not comparable to the Commission's own program or if the maximum award that the Commission could pay on the related action would not exceed $5 million.

E. Funds from Dedicated Collections

A fund from dedicated collections is financed by specifically identified revenues, provided to the government by non-federal sources, often supplemented by other financing sources, which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits, or purposes, and must be accounted for separately from the government's general revenues. Investor Protection Fund resources are funds from dedicated collections and may only be used for the purposes specified by the Dodd-Frank Act.

F. Entity Assets

Assets that an agency is authorized to use in its operations are entity assets. The SEC is authorized to use all funds in the Investor Protection Fund for the purposes specified by the Dodd-Frank Act. Accordingly, all assets are recognized as entity assets.

G. Fund Balance with Treasury

Fund Balance with Treasury reflects amounts the Investor Protection Fund holds in the U.S. Treasury that have not been invested in federal securities. The SEC conducts all of its banking activity in accordance with directives issued by the U.S. Department of the Treasury's Bureau of the Fiscal Service.

H. Investments

The SEC has authority to invest amounts in the Investor Protection Fund in overnight and short-term market-based Treasury securities. The interest earned on the investments is a component of the Investor Protection Fund and is available to be used for expenses of the Fund. Additional details regarding Investor Protection Fund investments are provided in *Note 3, Investments*.

I. Liabilities

The SEC records liabilities for probable future outflows or other sacrifices of resources as a result of events that have occurred as of the Balance Sheet date. The Investor Protection Fund's liabilities consist of amounts payable to whistleblowers and amounts recognized as contingent liabilities for whistleblower awards.

The SEC recognizes liabilities that are covered by budgetary resources and liabilities that are not covered by budgetary resources. Budgetary and financial statement reporting requirements sometimes differ on the timing for the required recognition of an expense. Liabilities that are covered by budgetary resources are liabilities incurred for which budgetary resources are available to the SEC without further congressional action. Refer to *Note 4, Liabilities Covered and Not Covered by Budgetary Resources,* for detailed information regarding liabilities covered and not covered by budgetary resources.

The Dodd-Frank Act and the SEC implementing regulations establish the eligibility criteria for whistleblower awards. Refer to *Note 5, Commitments and Contingencies,* for additional information regarding the disclosure and recognition of actual and contingent liabilities for whistleblower awards.

J. Program Costs

The Investor Protection Fund finances payments to whistleblowers under Section 21F of the Exchange Act. The Investor Protection Fund also reimburses the SEC's Salaries and Expenses account (X0100) for expenses incurred by the Office of Inspector General to administer the Employee Suggestion Program.

K. Non-Exchange Revenue

DISGORGEMENT AND PENALTY TRANSFERS

Non-exchange revenue arises from the government's ability to demand payment. The Investor Protection Fund is financed through the receipt of monetary sanctions collected by the SEC in judicial or administrative actions brought by the SEC under the securities laws that are not either: (1) added to the disgorgement fund or other fund under Section 308 of the Sarbanes-Oxley Act of 2002 (15 U.S.C. 7246), or (2) otherwise distributed to victims of a violation of the securities laws. Section 21F of the Exchange Act provides that monetary sanctions collected by the SEC are deposited into the Investor Protection Fund if the balance in the Fund is below $300 million on the day of collection. The Investor Protection Fund recognizes non-exchange revenue for monetary sanctions that are transferred into the Fund. Additional details regarding Investor Protection Fund funding are provided in *Note 5, Commitments and Contingencies*.

INTEREST EARNINGS ON INVESTMENTS WITH TREASURY

Interest earned from investments in U.S. Treasury securities is classified in the same way as the predominant source of revenue to the fund. The Investor Protection Fund is financed through the receipt of non-exchange revenues and thus interest earnings are also recognized as non-exchange revenues.

L. Budgets and Budgetary Accounting

The Investor Protection Fund (X5567) is a special fund established with permanent authority to retain revenues and other financing sources not used in the current period for future use. The Dodd-Frank Act provides that the Fund is available to the SEC without further appropriation or fiscal year limitation for the purpose of paying awards to whistleblowers and funding the activities of the Office of Inspector General Employee Suggestion Program. However, the SEC is required to request and obtain apportionments from OMB to use these funds.

The resources of the Investor Protection Fund are apportioned under Category B authority, which means that the funds represent budgetary resources distributed by a specified project and are not subject to quarterly apportionment. Thus, all obligations incurred as presented on the Statement of Budgetary Resources are derived from Category B funds.

NOTE 2. FUND BALANCE WITH TREASURY

The status of Fund Balance with Treasury as of September 30, 2024 and 2023 consisted of the following:

(DOLLARS IN THOUSANDS)	2024	2023
Status of Fund Balance with Treasury:		
Unobligated Balance		
Available	$ (110,564)	$ (20,378)
Unavailable	28,555	37,598
Obligated Balance not Yet Disbursed	117,234	431,405
Total Status of Fund Balance with Treasury	$ 35,225	$ 448,625

Unobligated balances reported for the status of Fund Balance with Treasury do not agree with the amounts reported in the Statement of Budgetary Resources due to the fact that funds for unobligated balances are held in investments as well as in Fund Balance with Treasury. Investor Protection Fund investments are reversed from the unobligated available amount in order to account for Fund Balance with Treasury only, resulting in the negative balance for that line.

There were no differences between the Fund Balance with Treasury reflected in the Investor Protection Fund financial statements and the balance in the Treasury accounts.

Cash Flow

The Investor Protection Fund cash flows during FY 2024 consisted of:

- Net cash outflows for purchases of investments of $114.3 million;
- Net cash inflows from investment interest of $19.3 million (which include $19.3 million of interest collections);
- Net cash inflows from fund replenishment required under the Dodd-Frank Act of $256.8 million; and
- Net cash outflows for payment of whistleblower awards totaling $424.0 million for amounts that were awarded prior to FY 2024, $151.2 million for amounts that were awarded during FY 2024, and payment of expenses of operating the Office of Inspector General Employee Suggestion Program of $23.6 thousand.

Cash flows during FY 2023 consisted of:

- Net cash inflows from investment redemptions of $58.7 million;
- Net cash inflows from investment interest of $16.3 million (which include $16.3 million of interest collections);
- Net cash inflows from fund replenishment required under the Dodd-Frank Act of $643.3 million; and
- Net cash outflows for payment of whistleblower awards totaling $135.0 million for amounts that were awarded prior to FY 2023, $186.5 million for amounts that were awarded during FY 2023, and payment of expenses of operating the Office of Inspector General Employee Suggestion Program of $28.0 thousand.

NOTE 3. INVESTMENTS

The SEC invests funds in overnight and short-term non-marketable market-based Treasury bills. The SEC records the value of its investments in Treasury securities at cost. Premiums and discounts are amortized on a straight-line (S/L) basis for market-based Treasury bills and on the effective interest basis for market-based Treasury notes. Amortization is calculated through the maturity date of these securities. Non-marketable market-based Treasury securities are issued by the U.S. Department of the Treasury's Bureau of the Fiscal Service to federal agencies. They are not traded on any securities exchange but mirror the prices of similar Treasury securities trading in the government securities market.

At September 30, 2024, investments consisted of the following:

(DOLLARS IN THOUSANDS)	Cost	Amortization Method	Amortized (Premium) Discount	Interest Receivable	Investment, Net	Market Value Disclosure
Non-Marketable Market-Based Securities						
Investor Protection Fund – Entity						
One-Day Certificates	$ 472,378	N/A	$ —	$ —	$ 472,378	$ 472,378
Total	$ 472,378		$ —	$ —	$ 472,378	$ 472,378

At September 30, 2023, investments consisted of the following:

(DOLLARS IN THOUSANDS)	Cost	Amortization Method	Amortized (Premium) Discount	Interest Receivable	Investment, Net	Market Value Disclosure
Non-Marketable Market-Based Securities						
Investor Protection Fund – Entity						
One-Day Certificates	$ 358,086	N/A	$ —	$ 54	$ 358,140	$ 358,086
Total	$ 358,086		$ —	$ 54	$ 358,140	$ 358,086

Intragovernmental Investments in Treasury Securities

Market-based Treasury securities are debt securities that the U.S. Treasury issues to federal entities without statutorily determined interest rates. Although the securities are not marketable, the terms (prices and interest rates) mirror the terms of marketable Treasury securities.

The federal government does not set aside assets to pay future benefits or other expenditures associated with the investment by federal agencies in non-marketable federal securities. The balances underlying these investments are deposited in the U.S. Treasury, which uses the cash for general government purposes. Treasury securities are issued to the SEC as evidence of these balances. Treasury securities are an asset of the SEC and a liability of the U.S. Treasury. Because the SEC and the U.S. Treasury are both components of the government, these assets and liabilities offset each other from the standpoint of the government as a whole. For this reason, the investments presented by the SEC do not represent an asset or a liability in the U.S. Government-wide financial statements.

Treasury securities provide the SEC with authority to draw upon the U.S. Treasury to make future payments from these accounts. When the SEC requires redemption of these securities to make expenditures, the government finances those expenditures out of accumulated cash balances, by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures. This is the same manner in which the government finances all expenditures.

NOTE 4. LIABILITIES COVERED AND NOT COVERED BY BUDGETARY RESOURCES

The SEC recognizes liabilities that are covered by budgetary resources and liabilities that are not covered by budgetary resources. Budgetary and financial statement reporting requirements sometimes differ on the timing for the required recognition of an expense.

At September 30, 2024, liabilities consisted of the following:

(DOLLARS IN THOUSANDS)	Liabilities Covered by Budgetary Resources	Liabilities Not Covered by Budgetary Resources	Total
Accounts Payable	$ 117,235	$ —	$ 117,235
Contingent Liabilities	—	528,959	528,959
Total Liabilities	$ 117,235	$ 528,959	$ 646,194

At September 30, 2023, liabilities consisted of the following:

(DOLLARS IN THOUSANDS)	Liabilities Covered by Budgetary Resources	Liabilities Not Covered by Budgetary Resources	Total
Accounts Payable	$ 431,406	$ —	$ 431,406
Contingent Liabilities	—	111,988	111,988
Total Liabilities	$ 431,406	$ 111,988	$ 543,394

NOTE 5. COMMITMENTS AND CONTINGENCIES

Commitments: Dodd-Frank Whistleblower Program

As discussed in *Note 1.I, Liabilities*, the Investor Protection Fund is used to pay awards to whistleblowers if they voluntarily provide original information to the SEC and meet other conditions. Approved awards are between 10 and 30 percent of the monetary sanctions collected in the covered action (and when applicable, in a related action), with the actual percentage being determined at the discretion of the SEC using criteria provided in the legislation and the related rules to implement the legislation adopted by the SEC.

A Preliminary Determination is a first assessment, made by the Claims Review staff appointed by the director of the Division of Enforcement, as to whether the claim should be allowed or denied, and if allowed, the proposed award percentage.

Contingent liabilities are reported as follows:

- A contingent liability is recognized when (a) a positive Preliminary Determination has been made by the Claims Review staff, (b) collection has been made, and (c) the percentage to be paid can be reasonably estimated. A contingent liability is also disclosed as a range for the minimum and maximum totals of whistleblower awards, using 10 percent and 30 percent of collections, respectively.
- A potential liability is disclosed but not recognized when a positive Preliminary Determination is expected and collection has been received, using 10 percent and 30 percent of collections as the minimum and maximum award amounts, respectively.

At September 30, 2024, commitments and contingencies consisted of the following:

		Estimated Range of Loss	
(DOLLARS IN THOUSANDS)	Accrued Liabilities	Lower End	Upper End
2024 Whistleblower Awards:			
Probable	$ 528,959	$ 303,781	$ 911,342
Reasonably Possible	—	8,501	25,503

At September 30, 2023, commitments and contingencies consisted of the following:

		Estimated Range of Loss	
(DOLLARS IN THOUSANDS)	Accrued Liabilities	Lower End	Upper End
2023 Whistleblower Awards:			
Probable	$ 111,988	$ 44,002	$ 132,007
Reasonably Possible	—	312,361	937,083

A liability (accounts payable) is recognized when a Final Determination has been approved by the Commission and collection has been received. In all cases, the whistleblower award is not paid until amounts have been collected, a final order is issued by the Commission, and the appeal rights of all claimants on the matter have been exhausted.

In the event that whistleblower awards reduce the Investor Protection Fund unobligated balance below $300 million, the Investor Protection Fund will be replenished as described in the “Disgorgement and Penalty Transfers” section of *Note 1.K, Non-Exchange Revenue*. The unobligated balances of the Investor Protection Fund at September 30, 2024 and 2023 were $362.0 million and $337.0 million, respectively. Since the contingent liabilities balance exceeds the unobligated balance at September 30, 2024, additional replenishments will be needed before these liabilities are paid.

NOTE 6. STATEMENT OF BUDGETARY RESOURCES AND OTHER BUDGETARY DISCLOSURES

A. Explanation of Differences between the Statement of Budgetary Resources and the Budget of the U.S. Government

A comparison between the FY 2024 Statement of Budgetary Resources and the actual FY 2024 data in the Budget of the U.S. Government (Budget) cannot be presented, as the FY 2026 Budget, which will contain FY 2024 actual data, is not yet available. The comparison will be presented in next year’s financial statements. The FY 2026 Budget, with actual amounts for FY 2024, will be available at a later date at whitehouse.gov/omb/budget/.

There are no differences between the FY 2023 Statement of Budgetary Resources and the FY 2023 data in the Budget.

B. Other Budgetary Disclosures

There were no budgetary resources obligated for undelivered orders as of September 30, 2024 and 2023.

There are no legal arrangements affecting the use of unobligated balances of budget authority, such as time limits, purpose, and obligation limitations.

NOTE 7. RECONCILIATION OF NET COST OF OPERATIONS TO NET OUTLAYS

Budgetary and financial accounting information differ. Budgetary accounting is used for planning and control purposes and relates to both the receipt and use of cash, as well as reporting the federal deficit. Financial accounting is intended to provide a picture of the government's financial operations and financial position, so it presents information on an accrual basis. The accrual basis includes information about costs arising from the consumption of assets and the incurrence of liabilities. The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information. The reconciliation serves not only to identify costs paid for in the past and those that will be paid in the future, but also to assure integrity between budgetary and financial accounting. The following analysis illustrates this reconciliation by listing the key differences between net cost and net outlays.

Components of net cost that are not part of net outlays consist of increases and decreases in liabilities, such as accounts payable and contingent liabilities. For the year ended September 30, 2024, the SEC paid $575.2 million to whistleblowers, including $151.2 million awarded during FY 2024. Refer to *Note 4, Liabilities Covered and Not Covered by Budgetary Resources,* and *Note 5, Commitments and Contingencies,* for more information about accounts payable and contingent liabilities.

The primary component of net outlays that is not part of net cost is the collection of non-exchange interest. Non-exchange interest deposited to the U.S. Treasury General Fund is reported on the Statement of Budgetary Resources as distributed offsetting receipts. Distributed offsetting receipts are collections that typically offset the outlays of the agency that conducts the activity generating the receipts. Refer to *Note 1.K, Non-Exchange Revenue,* for more information about non-exchange interest.

For the year ended September 30, 2024:

(DOLLARS IN THOUSANDS)	Intragovernmental	With the Public	Total
Net Cost of Operations	$ 24	$ 678,026	$ 678,050
Components of Net Cost That Are Not Part of Net Outlays:			
(Increase)/Decrease in Liabilities:			
Accounts Payable	—	314,171	314,171
Other Liabilities (Contingent Liabilities)	—	(416,971)	(416,971)
Total Components of Net Cost That Are Not Part of Net Outlays	—	(102,800)	(102,800)
Components of Net Outlays That Are Not Part of Net Cost:			
Non-Exchange Interest Receipts Reported as Distributed Offsetting Receipts	(19,292)	—	(19,292)
Total Components of Net Outlays That Are Not Part of Net Cost	(19,292)	—	(19,292)
Net Outlays	$ (19,268)	$ 575,226	$ 555,958

For the year ended September 30, 2023:

(DOLLARS IN THOUSANDS)	Intragovernmental	With the Public	Total
Net Cost of Operations	$ 28	$ 195,336	$ 195,364
Components of Net Cost That Are Not Part of Net Outlays:			
(Increase)/Decrease in Liabilities:			
Accounts Payable	—	(292,509)	(292,509)
Other Liabilities (Contingent Liabilities)	—	418,706	418,706
Total Components of Net Cost That Are Not Part of Net Outlays	—	126,197	126,197
Components of Net Outlays That Are Not Part of Net Cost:			
Non-Exchange Interest Receipts Reported as Distributed Offsetting Receipts	(16,333)	—	(16,333)
Total Components of Net Outlays That Are Not Part of Net Cost	(16,333)	—	(16,333)
Net Outlays	$ (16,305)	$ 321,533	$ 305,228

Acts in Action . . .

2000s

SARBANES-OXLEY ACT

On July 30, 2002, President Bush signed into law the Sarbanes-Oxley Act of 2002 (SOX), which mandated reforms to enhance corporate responsibility, enhance financial disclosures, and combat corporate and accounting fraud. Among other things, SOX required each public firm to have an audit committee composed of independent directors and prohibited company loans to certain executives and directors. It also required attorneys for public corporations to report material violations of law to the corporation's chief legal adviser and/or the chief executive officer. SOX also created the Public Company Accounting Oversight Board to oversee the activities of the auditing profession.

[Bottom Left]
President G.W. Bush and Congressman Michael Oxley at the Sarbanes-Oxley Act signing ceremony, 2002
Photo courtesy of the SEC Historical Society

[Bottom Right from left to right]
Michael Oxley, Professor Mark Beasley, and Paul Sarbanes
Photo courtesy of the SEC Historical Society

OTHER INFORMATION

This section provides additional information related to the SEC's financial and performance management.

Inspector General's (IG) Statement on Management and Performance Challenges

Summarizes what the Inspector General considers to be the most serious management and performance challenges facing the SEC and assesses the agency's progress in addressing those challenges, in accordance with the Reports Consolidation Act of 2000. Also included is the SEC management response outlining the agency's progress toward addressing these challenges.

Summary of Financial Statement Audit and Management Assurances

Reveals each material weakness and non-conformance found and/or resolved during the U.S. Government Accountability Office's audit, as well as those found by management during the evaluation of internal control and financial systems, as required by the Federal Managers' Financial Integrity Act of 1982.

Payment Integrity Reporting Details

Provides information about the SEC's commitment to, and progress with, reducing improper payments, and outlines the efforts taken to recapture improperly-made payments.

Civil Monetary Penalty Adjustment for Inflation

Provides inflationary adjustments to civil monetary penalties, as required by the Federal Civil Penalties Inflation Adjustment Act of 1990, as amended.

IG'S STATEMENT ON MANAGEMENT AND PERFORMANCE CHALLENGES

Introduction

Every year, the U.S. Securities and Exchange Commission's (SEC or Agency) Office of Inspector General (OIG) provides an independent perspective on the Agency's top management and performance challenges. This report is based on our recent oversight activities, the SEC's progress in implementing our recommendations, and our outreach during the year to leadership and senior officials throughout the SEC. By examining the risks and challenges facing the SEC, our report supports fulfillment of the Agency's critical role in the American economy: protecting investors, maintaining fair, orderly, and efficient markets, and promoting capital formation.

The current budget environment constrains the SEC's ability to address each of the challenges described in this report. Flat funding for Fiscal Year (FY) 2024 required an Agency-wide freeze on hiring, as well as the elimination of certain performance bonuses and other employee benefits. Increasing personnel costs limit the resources available to update and improve legacy information systems, including information security. The changing regulatory environment will likely increase operational demands on the Agency and its staff. Lack of resources may hinder the Agency's ability to meet these challenges, mitigate its risks, and pursue its vital mission.

Finally, a word about the format of this year's report. The OIG has adopted a cycle of preparing a detailed narrative examination of the top management and performance challenges in some years, as we did in 2023, to be followed by shorter, summary reports, like this one, in the off-years.

We look forward to working constructively with the SEC to address these opportunities for improvement in the current environment. The management and performance challenges outlined in the report will guide the planning and performance of our oversight in FY 2025 and future years.

The OIG's website offers additional information about oversight of the SEC, including all reports mentioned here.

CHALLENGE 1

Meeting Regulatory and Oversight Responsibilities

2024 UPDATES

- Navigating a Changing Regulatory Landscape
- Overseeing Market Participants
- Protecting Investors from Crypto-Asset Related Fraud
- Jury Trial for Civil Penalties in Securities Fraud Cases

The SEC plays an integral role in the nation's economy, regulating and overseeing the more than $100 trillion U.S. capital markets, four times the assets of the U.S. banking system. More than half of American households own stocks or mutual funds, making robust markets and investor protection critical to the financial security of most Americans. It is therefore critical that the SEC performs well and operates with efficiency and integrity to meet its mission.

Navigating a Changing Regulatory Landscape

Under its current leadership, the SEC has maintained a substantial rulemaking agenda, tackling consequential issues. Since 2021, the Agency has proposed 55 rules and finalized 43 rules.

Challenges to SEC rules have become more frequent. For example:

- The Climate Disclosure Rule[1] was challenged in the Fifth, Second, Sixth, Eighth, Eleventh, and District of Columbia (DC) Circuits, in actions ultimately consolidated before the Eighth Circuit.[2] The SEC voluntarily stayed implementation of the rule, pending judicial review.
- The Private Fund Adviser Rule[3] was vacated by the Fifth Circuit on the grounds that the SEC exceeded its statutory authority in adopting the rule.[4]
- The Share Repurchase Rule[5] was also vacated by the Fifth Circuit, finding the SEC's adoption of the rule arbitrary and capricious due to an absence of reasoned decision making and failure to conduct a proper cost-benefit analysis.[6]
- A DC district court found that the SEC exceeded its authority in promulgating 2020 amendments[7] to proxy rules.[8]

The SEC should anticipate increased litigation by parties challenging current and future rulemakings and ensure that new regulations will withstand judicial scrutiny.

SEC rulemaking will continue to face searching judicial scrutiny following the Supreme Court's 2023 term. The Supreme Court's decision in *Loper Bright Enterprises v. Raimondo*, 144 S. Ct. 2244 (2024) overturned forty years of precedent that required courts to defer to an administrative agency's reasonable interpretation of its authorizing statute, whenever the statute is ambiguous or silent on a particular issue. Following *Loper Bright*, a court must exercise independent judgment in deciding whether an agency has acted within its statutory authority and may not defer to the agency's interpretation of ambiguous provisions of its governing statutes.

The current regulatory environment may lead to increased forum shopping by petitioners and extended periods of uncertainty about the permissible scope of agency action.

With heightened judicial scrutiny, agencies, including the SEC, must continue to develop a thorough administrative record, including meaningful opportunity for public participation and reasoned responses to public submissions. The SEC already invests considerable resources toward these ends, but should be prepared for additional litigation, as industry and public interest groups may take opportunities to challenge regulations.

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Given the SEC's active rulemaking agenda, the OIG is conducting an audit of the SEC's rulemaking processes and internal controls, focusing on:

- The opportunity for interested persons to participate in rulemaking;
- Assessing and documenting the impact of proposed rules on competition, efficiency and capital formation; and
- Ensuring that staff with appropriate skills and experience are involved in formulating and reviewing proposed rules.

We anticipate completing the report in FY 2025.

PRIOR OIG WORK

- *Use of the Current Guidance on Economic Analysis in SEC Rulemakings, Report No. 518 (June 6, 2013)*
- *Implementation of the Current Guidance on Economic Analysis in SEC Rulemakings, Report No. 516 (June 6, 2013)*
- *Follow-Up Review of Cost-Benefit Analyses in Selected SEC Dodd-Frank Act Rulemakings, Report No. 499 (January 27, 2012)*
- *Report of Review of Economic Analyses Performed by the Securities and Exchange Commission in Connection with Dodd-Frank Act Rulemakings (June 13, 2011)*

Overseeing Market Participants

The SEC oversees U.S. capital markets totaling more than $100 trillion and approximately 40,000 entities—13,000 registered funds, 15,400 investment advisers, 3,400 broker-dealers, 25 national securities exchanges, 108 alternative trading systems, 10 credit rating agencies, and six registered clearing agencies. Limited resources make it imperative that the Agency conduct effective risk-based oversight and leverage technology and analytics.

The Division of Examinations' (EXAMS) risk-based program is intended to focus on firms, market participants, and practices that pose the greatest potential risk of securities law violations that can harm investors and the markets. In 2016 and 2022, we reported on the role of risk in EXAMS oversight of registered investment advisers and investment companies.

In September, we issued a report on the use of risk-based strategies in the selection and scoping of broker-dealer examinations. We found that the program metrics and planning for those examinations are too focused on numerical targets. Multiple managers and staff expressed the view that the effort to meet numerical targets negatively impacted the quality and/or scope of broker-dealer examinations. As a result, EXAMS may be unintentionally promoting practices that do not align with its stated risk-based approach. Similarly, our auditors found that staff did not always consider available risk information and priority areas when selecting examination candidates and deciding on the scope of examinations. Management concurred with our six recommendations to strengthen EXAMS' broker-dealer examination program.

> Effective risk-based monitoring strategies are essential to overseeing 40,000 entities in increasingly complex markets.

In FY 2025, we will:

- Complete an audit of the Division of Corporation Finance's Disclosure Review Program to determine whether the program concentrated its resources on critical disclosures by implementing a risk-based process for selecting and reviewing filers' periodic reports and transactional filings.
- Initiate a review of the Division of Investment Management's investment company filing review processes and efforts to ensure appropriate investor protections, particularly by considering risk and when reviewing new investment products.

PRIOR OIG WORK

- *Enhanced Planning, Performance Enhanced Planning, Performance Measurement and Evaluation, and Information Can Improve Oversight of Broker-Dealer Examinations, Report No. 583 (September 23, 2024)*
- *Registered Investment Adviser Examinations: EXAMS Has Made Progress To Assess Risk and Optimize Limited Resources, But Could Further Improve Controls Over Some Processes, Report No. 571 (January 25, 2022)*
- *Although Highly Valued by End Users, DERA Could Improve Its Analytics Support by Formally Measuring Impact, Where Possible, Report No. 553 (April 29, 2019)*
- *TCP Established Method To Effectively Oversee Entity Compliance With Regulation SCI But Could Improve Aspects of Program Management, Report No. 551 (September 24, 2018)*
- *Audit of the Office of Compliance Inspections and Examinations' Investment Adviser Examination Completion Process, Report No. 541 (July 21, 2017)*
- *Office of Compliance Inspections and Examinations' Management of Investment Adviser Examination Coverage Goals, Report No. 533 (March 10, 2016)*

5

Protecting Investors from Crypto-Asset Related Fraud

The Federal Bureau of Investigation (FBI) recently reported that, in 2023, Americans suffered losses of $3.96 billion from "cryptocurrency-related investment fraud schemes."[9] Individuals over the age of 60 reported the highest losses. Many of the victims are retail investors unfamiliar with the technology and its risks. According to the FBI, criminals exploit cryptocurrencies in investment fraud because cryptocurrency:

- May be distributed, decentralized and transferred without the participation of financial intermediaries with established anti-fraud and anti-money laundering controls;
- Move instantaneously in irrevocable transactions; and
- Are easily exchanged and moved overseas, making them difficult to track and recover.[10]

State regulators have likewise reported a significant increase in enforcement actions relating to digital assets, including crypto-assets and products.

The SEC has experienced the same upward trend. In FY 2024, the SEC's Office of Investor Education and Advocacy (OIEA) received 5,876 crypto-related complaints, more than double that of any other type of complaint received. In comparison, OIEA received 1,075 crypto-related complaints in FY 2020.

Additionally, 18 percent of the SEC's tips, complaints, and referrals in FY 2024 were crypto-related.

> Protecting Americans from crypto-asset investment fraud remains a challenge for the SEC.

The SEC continues to bring enforcement actions related to crypto-assets, and many of them are being vigorously contested. Given the substantial uptick in investor complaints of crypto asset-related fraud, the need for robust enforcement is likely to increase, increasing the demands on SEC resources.

On the regulatory front, the SEC in January approved 11 spot bitcoin exchange-traded products (ETPs).[11] Several months later, the SEC approved eight spot ether ETPs.[12] EXAMS designated crypto-assets as a priority risk area in FY 2025 for monitoring and examinations.

Jury Trial for Civil Penalties in Securities Fraud Cases

In *SEC v. Jarkesy*, 114 S.Ct. 2117 (2024), the Supreme Court held that the Seventh Amendment guarantees the right to a federal jury trial to a defendant from whom the SEC seeks civil monetary penalties for securities fraud. Accordingly, the SEC can no longer use administrative (in-house) proceedings in contested securities fraud actions for civil penalties.

The decision may have broader implications for the SEC's enforcement program, as open questions remain, such as the constitutionality of seeking civil penalties in other types of administrative proceedings. It is difficult to predict whether the availability of a federal jury trial will make defendants more likely or less likely to resolve claims in advance of litigation. The uncertainty surrounding the SEC's ability to adjudicate other enforcement actions administratively, as well as the additional resources required to bring actions in federal court, pose challenges for the SEC.

Challenge 1 Endnotes

1 *The Enhancement and Standardization of Climate-Related Disclosures for Investors,* 89 Fed. Reg. 21668 (March 28, 2024).

2 *Iowa v. SEC*, No. 24-1522 (8th Cir. 2024).

3 *Private Fund Advisers; Documentation of Registered Investment Adviser Compliance Reviews*, 88 Fed. Reg. 63206 (Sept. 14, 2023).

4 *Nat'l Ass'n of Priv. Fund Managers v. SEC*, 103 F.4th 1097 (5th Cir. 2024).

5 *Share Repurchase Disclosure Modernization*, 88 Fed. Reg. 36002 (June 1, 2023).

6 *Chamber of Commerce v. SEC*, 85 F.4th 760 (5th Cir. 2023).

7 *Exemptions from the Proxy Rules for Proxy Voting Advice*, 85 Fed. Reg. 55082 (Sept. 3, 2020).

8 *Institutional S'holder Servs. Inc. v. SEC*, No. 19-cv-3275, 2024 WL 756783 (D.D.C. Feb. 23, 2024).

9 Federal Bureau of Investigation Internet Crime Complaint Center, 2023 Cryptocurrency Fraud Report, at 12, *https://www.ic3.gov/AnnualReport/Reports/2023_IC3CryptocurrencyReport.pdf*.

10 *Id.* at 11

11 Order Granting Accelerated Approval of Proposed Rule Changes, as Modified by Amendments Thereto, to List and Trade Shares of Ether-Based Exchange-Traded Products, Securities Exchange Act Release No. 34-100224 (May 23, 2024).

12 Order Granting Accelerated Approval of Proposed Rule Changes, as Modified by Amendments Thereto, to List and Trade Shares of Ether-Based Exchange-Traded Products, Securities Exchange Act Release No. 34-100224 (May 23, 2024).

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CHALLENGE 2

Recruiting and Retaining a Skilled Workforce

2024 UPDATES

- ➤ Lower Attrition and Vacancy Rates
- ➤ Increasing Compensation Costs
- ➤ Reduced Benefits

Consistently recognized as one of the best places to work in the federal government, the SEC considers its workforce to be its most important asset. Increasing personnel costs, coupled with flat funding in FY 2024, required the Agency to implement austerity measures, including a freeze on filling vacant positions and substantial benefit cuts. Without a budget increase in FY 2025, the SEC may be forced to eliminate additional benefits. The long-term effects on the workforce and on the Agency's operations are unlikely to be positive.

Lower Attrition and Vacancy Rates

In last year's report, we noted concerns about the Agency's rising vacancy rate and staff attrition, and the resulting pressure on operations. The intervening year has seen some progress, in that only 8 percent of the authorized positions are vacant, down from 9.3 percent in FY 2023, while attrition declined from 4.7 percent to 3.4 percent. After a push to fill vacant

positions in late FY 2023, the SEC froze most hiring for FY 2024, due to uncertainty about funding levels, and that freeze remains in effect.

Increasing Compensation Costs

The SEC now faces the challenge of compensating its employees within available funding levels. Staffing levels have remained relatively steady, with only a 5 percent increase from 2016 until the present. Personnel costs, however, consume an increasing share of the SEC's budget, rising from 64 percent in FY 2023 to 70 percent in FY 2024. This stems, in large part, from government-wide salary increases, merit pay raises for SEC staff rated "Accomplished Performers," and increasing health insurance and other federal benefits costs. To offset its increased payroll costs, the SEC suspended FY 2024 contributions towards employees' supplemental retirement benefits and assistance through the student loan repayment program. With FY 2025 funding uncertain, the Agency may need to suspend these and other benefits, with final decisions to be made after passage of appropriations laws.

Reduced Benefits

The suspension of these benefits for FY 2024 and contemplated benefit cuts in FY 2025 could negatively impact the Agency's ability to recruit and retain highly skilled staff.

The SEC employs highly skilled professionals, with specialties sought after in the private sector and by financial regulators. Reduced benefits, and ongoing uncertainty about future reductions, may negatively impact workforce retention and, in the future, recruiting and hiring.

In FY 2024, we initiated an audit to:

- Determine the extent to which the SEC has implemented leading human capital management practices and government-wide guidance related to recruitment and retention; and
- Evaluate the mechanisms used by the SEC to assess the effectiveness of its recruitment and retention efforts for FY 2022 and 2023.

The audit will be completed in FY 2025, and its results should assist the SEC when it resumes hiring.

PRIOR OIG WORK

- *Final Management Letter: Review of Upward Mobility Program (May 1, 2023)*
- *The SEC Can Improve in Several Areas Related to Hiring, Report No. 572 (February 28, 2022)*
- *Review for Racial and Ethnic Disparities in the SEC's Issuance of Corrective and Disciplinary Actions from January 1, 2017–August 31, 2020 (August 26, 2021)*
- *The SEC Made Progress But Work Remains To Address Human Capital Management Challenges and Align With the Human Capital Framework, Report No. 549 (September 11, 2018)*
- *Final Closeout Memorandum: Audit of the SEC's Hiring Practices (August 19, 2016)*
- *Audit of the Representation of Minorities and Women in the SEC's Workforce, Report No. 528 (November 20, 2014)*

CHALLENGE 3

Protecting Systems and Data

2024 UPDATES

- X (Twitter) Account Compromise
- Consolidated Audit Trail
- Annual Evaluation of Information Security

Robust information security protects systems and data from compromise by malicious actors. The SEC must maintain the confidentiality, integrity, and availability of sensitive data and must respond effectively to breaches and security incidents. We note that the Office of Information Technology (OIT) staff and contractors have sometimes taken actions without anticipating their downstream effects.

X (Twitter) Account Compromise

On January 9, 2024, an unauthorized party gained control of the SEC's account on the X (formerly Twitter) platform and posted falsely that the SEC had approved "#Bitcoin ETFs for listing on all registered national securities exchanges." The bogus announcement led to a brief $1,000.00 (2.5 percent) spike in the price of bitcoin.

The Agency had not approved spot bitcoin exchange-traded funds (ETFs) at the time of the posting. The SEC quickly issued a statement that the posting was false and that no decision had been reached regarding spot bitcoin ETFs. (The following day, the SEC approved spot bitcoin exchange-traded products.)

As reported by X's security operations, the SEC had not protected its X account with two-factor authentication, enabling the hacker to gain access to the account via a SIM swap.

Following a joint OIG-FBI investigation, an Alabama man was arrested on October 17, 2024 in connection with the hack. The indictment charged that he conspired with others to commit aggravated identity theft and fraud by stealing the identity of a person who had access to the X account and taking over the account through the unauthorized SIM swap.[13] The investigation is continuing.

> We initiated an audit of the SEC's controls for safeguarding CAT data available to SEC users and responding to CAT security events within the SEC's environment.

Consolidated Audit Trail

On May 6, 2010, the stock market and other securities exchanges experienced a "flash crash," a sudden, huge intraday trading loss. It took regulators many months to reconstruct the market events that led to the crash and take appropriate action. The SEC thereafter adopted Rule 613 to create a comprehensive Consolidated Audit Trail (CAT) that would allow regulators to efficiently and accurately track all activity throughout the U.S. markets in National Market System securities. The CAT is intended to allow regulators to more efficiently and effectively conduct research, reconstruct market events, monitor market behavior, and identify and investigate misconduct.

Some have voiced concerns with the ability of this system to maintain investor privacy and secure personal data, rising costs and the fairness of the funding plan. We initiated an audit of the SEC's controls for safeguarding CAT data available to SEC users and responding to CAT security events within the SEC's environment. The audit is expected to be completed in the upcoming months.

Annual Evaluation of the SEC's Information Security

By statute, the OIG evaluates annually the SEC's implementation of the Federal Information Security Modernization Act of 2014 (FISMA). The SEC has made progress in improving its information security program. However, as we reported, remaining challenges prevent its program being rated "effective." These challenges have broadly included developing plans to effectively mitigate security weaknesses, designing and implementing new baseline controls, and meeting government-wide logging requirements. We will continue to track the SEC's progress to address open and outstanding recommendations from our FY 2022 and 2023 FISMA evaluations as we complete this year's evaluation in the coming months.

SEC's Assessed Maturity Level for FY 2023	
Security Function	**FY 2023 Assessed Maturity Level**
Identify	Level 3: *Consistently Implemented*
Protect	Level 2: *Defined*
Detect	Level 2: *Defined*
Respond	Level 4: *Managed and Measurable*
Recover	Level 2: *Defined*
Overall Maturity	Level 3: *Consistently Implemented*

Source: Fiscal Year 2023 Independent Evaluation of the U.S. Securities and Exchange Commission's Implementation of the Federal Information Security Modernization Act of 2014; Report No. 580 (December 20, 2023).

PRIOR OIG WORK

- *Fiscal Year 2023 Independent Evaluation of the U.S. Securities and Exchange Commission's Implementation of the Federal Information Security Modernization Act of 2014, Report No. 580 (December 20, 2023)*
- *Final Management Letter: Readiness Review—The SEC's Progress Toward Implementing Zero Trust Cybersecurity Principles (September 27, 2023)*
- *Final Management Letter: Review of SEC Controls Over Public Comments Submitted Online and Actions Taken in Response to a Known Error (April 14, 2023)*
- *Fiscal Year 2022 Independent Evaluation of the SEC's Implementation of the Federal Information Security Modernization Act of 2014, Report No. 574 (November 15, 2022)*
- *Fiscal Year 2021 Independent Evaluation of the SEC's Implementation of the Federal Information Security Modernization Act of 2014, Report No. 570 (December 21, 2021)*
- *Additional Steps Are Needed For the SEC To Implement a Well-Defined Enterprise Architecture, Report No. 568 (September 29, 2021)*
- *Final Management Letter: Review of the SEC's Compliance With CISA Emergency Directive 21-01 and Initial Response to the SolarWinds Compromise (August 3, 2021)*
- *Fiscal Year 2020 Independent Evaluation of SEC's Implementation of the Federal Information Security Modernization Act of 2014, Report No. 563 (December 21, 2020)*

Challenge 3 Endnotes

13 *See* https://www.justice.gov/opa/pr/alabama-man-arrested-role-securities-and-exchange-commission-x-account-hack.

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CHALLENGE 4

Contract Management

2024 UPDATES

- Time-and-Materials Contracts

Contract management is a challenge across the federal government, and the SEC is no exception. The majority of the SEC's contract dollars are dedicated to IT services, including application management and development, infrastructure and operations management, and information security.

By FY 2021, over half of the SEC's contract dollars were for time-and-materials (T&M) contracts. As recognized in the Federal Acquisition Regulation, T&M contracts do not reward a contractor for cost control or labor efficiency, are generally considered riskier, and may only be used in certain circumstances. The SEC obligated more than $375 million to T&M contracts at the end of FY 2023. The OIG therefore conducted an audit to assess the strength of the SEC's controls for the use and management of T&M contracts.

Contracting officers reported that the SEC divisions and offices that most frequently procure goods and services prefer T&M contracts and pressure the contracting officers to award them. Some attributed this to agency culture and because firm fixed-price contracts require more work up front to detail the work to be performed.

Further, we found that the Agency did not have in place policies and procedures for converting T&M contracts to other pricing structures, as suggested in a prior OIG report.

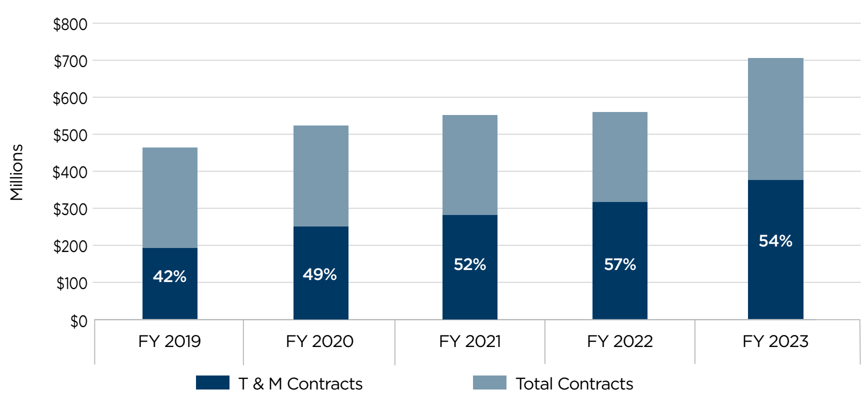
To limit risk, federal regulations instruct contracting officers to avoid protracted use of T&M contracts when experience provides a basis for firmer pricing.

And, although T&M contracts require close surveillance and management to prevent the government from being overcharged, we reported that half of the surveillance plans in our sample were inadequate. Consequently, the SEC overlooked opportunities to convert certain T&M contracts to a lower-risk contract type, and thereby reduce risk and save the substantial resources needed for effective contract surveillance.

Finally, we found that third-party (i.e., contracted) contract file reviews were deficient. Between August 2020 and August 2022, the SEC paid an estimated $430,000–$520,000 for file reviews that were not always effective. The SEC has since awarded a new contract for this work and, to date, has not identified similar performance issues. We made two recommendations to improve third-party contract file reviews.

The SEC agreed with our seven recommendations to help lower the SEC's contract risk and improve its management of T&M contracts.

SEC T&M Contract Obligations vs. Total Contract Obligations (FY 2019–FY 2023)



Source: The SEC Missed Opportunities to Lower Contract Risk and More Effectively Manage Time-and-Materials Contracts, Report No. 582 (August 26, 2024).

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PRIOR OIG WORK

- *The SEC Missed Opportunities to Lower Contract Risk and More Effectively Manage Time-and-Materials Contracts, Report No. 582 (August 26, 2024)*
- *The SEC Supported Federal Small Business Contracting Objectives, Yet Could Make Better Use of Data and Take Other Actions to Further Promote Small Business Contracting, Report No. 577 (February 28, 2023)*
- *The SEC Has Taken Steps to Strengthen its Monitoring of ISS Contractor's Performance, But Additional Actions are Needed, Report No. 565 (February 24, 2021)*
- *The SEC Can Better Manage Administrative Aspects of the ISS Contract, Report No. 554 (May 31, 2019)*

MANAGEMENT'S RESPONSE TO IG'S STATEMENT

Challenge 1 – Meeting Regulatory and Oversight Responsibilities

Management Response: We remain dedicated to our critical regulatory responsibilities and to fulfilling rulemaking directives from Congress. We also are mindful that the SEC, like many administrative agencies, may continue to face legal challenges to its rulemaking and other regulatory activities. In all of our rulemaking and other policy endeavors, the agency and its staff consistently seek to exercise the Commission's authorities consistent with the laws Congress has passed and the courts' interpretations of those laws. We will continue to do so, taking into account all relevant legal developments and adjusting our approach as appropriate.

We agree with the OIG that crypto-asset industry compliance is an area where heightened focus is warranted, particularly in light of the high levels of investor complaints. Many market participants in the crypto industry have shown their unwillingness to comply with applicable laws and regulations, variously arguing that the laws do not apply to them or that they do, but that a new and different set of rules should be created and retroactively applied to excuse their past conduct. We will continue to vigorously enforce the law when crypto assets or crypto-related investment schemes are offered or sold as securities.

The Division of Examinations (EXAMS) is responsible for strategically examining registrants from among the roughly 40,000 entities for which we have oversight responsibilities. This work would not be possible without the dedication of our remarkable staff. As the OIG recognized and encouraged in its September report, EXAMS' leadership team has proactively begun to enhance the effectiveness of the broker-dealer examination program. Management proposed actions responsive to each of the OIG's recommendations, and EXAMS' leadership will continue to pursue its holistic and strategic approach to continuous improvement. Likewise, where registrants are engaged in crypto-asset activities, EXAMS will focus resources to ensure compliance with applicable law.

Challenge 2 – Recruiting and Retaining a Skilled Workforce

Management Response: We have continued to prioritize human capital management programs and strategies that support the agency's goal of recruiting and retaining a skilled workforce that is diverse, equitable, inclusive, and fully equipped to advance agency objectives. During FY 2024, the SEC continued to rank among the best places to work in the Federal government. Our ongoing attention to key drivers of employee satisfaction and engagement has contributed to a positive work environment and resulted in low turnover and a reduction in vacancy rates. While budget constraints have necessitated limitations on hiring and adjustments to some aspects of compensation, we still offer a wide range of flexibilities, benefits, and learning and development opportunities that support workforce engagement and satisfaction.

We will continue to carefully monitor key data related to the agency's human capital management, and we will make necessary adjustments as we gain further clarity on the agency's appropriation in the months ahead. We also look forward to reviewing the findings of the OIG's audit of the agency's recruitment and retention efforts and practices once it is completed.

Challenge 3 – Protecting Systems and Data

Management Response: In light of increasingly frequent and constantly evolving cyberattacks on federal agencies like the SEC, protecting our information systems and data remains a top priority.

In FY 2024, we made significant progress in identifying and mitigating cybersecurity risks. The agency successfully completed remediation efforts to close a total of 15 technology-related audit recommendations from the OIG and the Government Accountability Office. The Office of Information Technology (OIT) enhanced a number of IT security capabilities and processes including those related to network asset management, user access recertification, data exfiltration exercises, and vulnerability disclosure reporting. These efforts are part of the agency's overall response to comply with OMB M-21-31, *Improving the Federal Government's Investigative and Remediation Capabilities Related to Cybersecurity Incidents*, and OMB M-22-09, *Moving the U.S. Government Toward Zero Trust Cybersecurity Principles*.

As noted by the OIG, the X account compromise was a notable event in FY 2024. Following this event, we took immediate action to strengthen controls for agency social media accounts. Regarding the Consolidated Audit Trail (CAT), in parallel to the audit being conducted by the OIG, the SEC has continued to advance the controls and protections for CAT data and the environments where it is stored and utilized.

Challenge 4 – Contract Management

Management Response: In FY 2024, we continued efforts to improve our contract management. For example, we enhanced training for members of our acquisition workforce. These trainings included topics such as surveillance of Time & Materials/Labor Hour contracts and reviewing invoicing history for possible conversion of Time & Materials/Labor Hour type contracts to Firm Fixed-Price. Our Office of Acquisitions also conducted training on proposal evaluation, fraud and procurement, and post-award conferences, as well as on our electronic contract file management system, which has supported improved documentation and contract administration.

We also continued to promote a diverse supplier base, sharing information on doing business with the SEC and the Federal government with 21 small and diverse businesses during its monthly Vendor Outreach Day sessions. For FY 2024, we exceeded four out of five government-wide small business prime contracting goals.

We appreciate the analysis and recommendations from the OIG on the agency's use of Time & Materials/Labor Hour contracts. Since FY 2022, the agency's Time & Materials/Labor Hour contract obligations have been decreasing as a percentage of total contract obligations. For FY 2024, less than half (48.4 percent) of the SEC's total contract obligations were Time & Materials/Labor Hour, a decrease of more than 5 percent from the prior fiscal year. Building on these improvements, in FY 2025, we will work on addressing the seven OIG recommendations pertaining to this topic to help reduce potential contract risk associated with Time & Materials/Labor Hour contracts and further strengthen our overall contract management.

SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

Table 1.8 | Summary of Financial Statement Audit

Audit Opinion: Unmodified

Restatement: No

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Material Weaknesses	—	—	—	—	—

Table 1.9 | Summary of Management Assurances

Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)

Statement of Assurance: Unmodified

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	—	—	—	—	—	—

Effectiveness of Internal Control over Operations (FMFIA § 2)

Statement of Assurance: Unmodified

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	—	—	—	—	—	—

Conformance with Financial Management System Requirements (FMFIA § 4)

Statement of Assurance: Federal Systems Conform

Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Non-Conformances	—	—	—	—	—	—

Compliance with Section 803(a) of the Federal Financial Management Improvement Act (FFMIA)

	Agency	Auditor
1. Federal Financial Management System Requirements	No lack of substantial compliance noted	No lack of substantial compliance noted
2. Applicable Federal Accounting Standards	No lack of substantial compliance noted	No lack of substantial compliance noted
3. USSGL at Transaction Level	No lack of substantial compliance noted	No lack of substantial compliance noted

PAYMENT INTEGRITY REPORTING DETAILS

The Payment Integrity Information Act of 2019 (PIIA) updated government-wide improper payment reporting requirements by repealing and replacing the Improper Payments Information Act of 2002 (IPIA), the Improper Payments Elimination and Recovery Act of 2010 (IPERA), the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA), and the Fraud Reduction and Data Analytics Act of 2015 (FRDAA).

PIIA requires agencies to review all programs and activities they administer to identify those that may be susceptible to significant erroneous payments. For all programs and activities in which the risk of erroneous payments is significant, agencies are to estimate the annual amount of erroneous payments made in those programs.

Guidance provided by the Office of Management and Budget (OMB) in Circular A-136, *Financial Reporting Requirements*, and Appendix C of Circular A-123, *Requirements for Payment Integrity Improvement*, requires agencies to report specific details about the SEC's Improper Payments Elimination Program, which are below. Additionally, the following link further explains improper payments and the information reported in previous AFRs that is not included in the FY 2024 AFR: paymentaccuracy.gov/.

Risk Assessment

PIIA guidelines state that if an agency deems a program to be low risk for improper payments, the agency will re-assess that program's risk at least every three years. An agency is only required to conduct a formal risk assessment earlier than three years if the program experiences a significant change in legislation, a significant increase in funding level, or a determination of possible significant improper payments in the following year. The SEC conducted its latest risk assessment in FY 2022. The SEC's determination that all of its evaluated programs are low risk is based upon the results of this assessment, in which none of its programs and activities were deemed susceptible to significant improper payments at or above the threshold levels set by OMB. These programs have historically had low volumes and risks of improper payments given the controls and processes in place. The SEC recognizes the importance of maintaining adequate internal controls to ensure the accuracy and integrity of payments made by the agency, and the SEC maintains a strong commitment to continuous improvement in the overall disbursement management process.

To perform its risk assessment, the SEC used a systematic method of reviewing each program and activity by considering risk factors likely to contribute to significant improper payments. The risk assessment encompassed a review of existing data that included the Government Accountability Office and the SEC Office of Inspector General audit reports, prior internal controls over financial reporting assessments, and the results of improper payments testing performed in prior years. These risk assessments were performed for the following programs:

- Vendor payments;
- Disgorgement and penalty distributions (made by the SEC to fund tax administrators and directly to harmed investors);
- Returned deposits of registration filing fees under Section 6(b) of the Securities Act of 1933 and Sections 13 and 14 of the Securities Exchange Act of 1934;
- Payroll and benefit payments (includes base pay, overtime pay, and agency contributions to retirement plans, health plans, and thrift savings plans);
- Supplemental retirement payments;
- Purchase Card payments;
- Travel payments; and
- Whistleblower payments.

Recapture of Improper Payments

The SEC determined that implementing a payment recapture audit is not cost-effective and notified OMB of this determination in September 2015. The benefits of recaptured amounts associated with implementing and overseeing the program do not exceed the costs—including staff time and payments to contractors—of a payment recapture audit program. In making this determination, the SEC considered its low improper payment rate based on testing conducted over several years. The SEC also considered whether sophisticated software and other cost-efficient techniques could be used to identify significant overpayments at a low cost per overpayment, or if labor intensive manual reviews of paper documentation would be required. In addition, the SEC considered the availability of tools to efficiently perform the payment recapture audit and minimize payment recapture audit costs.

The SEC will continue to monitor its improper payments across all programs and activities it administers and assess whether implementing payment recapture audits for each program is cost-effective. If the SEC determines, through future risk assessments, that a program is susceptible to significant improper payments and implementing a payment recapture program may be cost-beneficial, the SEC will implement a pilot payment recapture audit to gauge whether such audits would be cost-effective on a larger scale.

CIVIL MONETARY PENALTY ADJUSTMENT FOR INFLATION

The Federal Civil Penalties Inflation Adjustment Act of 1990 (FCPIA), 28 U.S.C. 2461 note, as amended by the Debt Collection Improvement Act of 1996, and the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015 (2015 Act), requires agencies to annually adjust for inflation any civil monetary penalties that are assessed or enforced by that agency. This adjustment must be performed for any penalty where either the amount of the penalty or the maximum penalty is set by law. The 2015 Act replaces the inflation adjustment mechanism previously contained in the FCPIA and all previous inflation adjustments made pursuant to the FCPIA with a new mechanism for calculating the inflation-adjusted amount of civil monetary penalties. The 2015 Act implemented this change by first requiring that each agency perform a "catch-up adjustment" to be published by July 1, 2016. Thereafter, agencies are to adjust their penalty amounts every January, starting in January 2017.

The FCPIA also directs the Commission to include in its Agency Financial Report information about the civil monetary penalties within the jurisdiction of the agency, including the adjustment of civil monetary penalties for inflation under the FCPIA. Further, the FCPIA directs the Comptroller General of the United States to annually submit to Congress a report assessing agencies' compliance with the inflation adjustments required by the FCPIA.

The SEC administers four statutes that provide for civil monetary penalties:

- The Securities Act of 1933;
- The Securities Exchange Act of 1934;
- The Investment Company Act of 1940; and
- The Investment Advisers Act of 1940.

In addition, the Sarbanes-Oxley Act of 2002 provides the Public Company Accounting Oversight Board (PCAOB) authority to levy civil monetary penalties in its disciplinary proceedings. These penalties are established by federal law and are enforced by the Commission for purposes of the FCPIA because the Commission may by order affirm, modify, remand, or set aside civil monetary penalties imposed by the PCAOB and may enforce the PCAOB's civil monetary penalty orders in federal district court.

The Commission will adjust for inflation the maximum penalty amounts provided in these statutes as required by the FCPIA and will publish these adjustments in the Federal Register. The catch-up adjustment in July 2016 was published in the Federal Register, Volume 81, No. 127, on July 1, 2016 (81 FR 43042). Annual adjustments have been performed for:

- 2017 (Federal Register, Volume 82, No. 11, on January 18, 2017 (82 FR 5367));
- 2018 (Federal Register, Volume 83, No. 8, on January 11, 2018 (83 FR 1396));
- 2019 (Federal Register, Volume 84, No. 34, on February 20, 2019 (84 FR 5122));[1]
- 2020 (Federal Register, Volume 85, No. 8, on January 13, 2020 (85 FR 1833));
- 2021 (Federal Register, Volume 86, No. 8, on January 13, 2021 (86 FR 2716));
- 2022 (Federal Register, Volume 87, No. 8, on January 12, 2022 (87 FR 1808));
- 2023 (Federal Register, Volume 88, No. 7, on January 11, 2023 (88 FR 1614)); and
- 2024 (Federal Register, Volume 89, No. 8, on January 11, 2024 (89 FR 1970)).

1 This adjustment was performed in February 2019 instead of January 2019 due to a lapse in appropriations that caused the SEC's normal operations to be suspended from December 27, 2018, through January 25, 2019.

Acts in Action . . .

2010s

DODD-FRANK ACT

Congress passed the Dodd-Frank Wall Street Reform and Consumer Protection Act in response to the financial crisis that began in 2008. The legislation set out to reshape the U.S. regulatory system in numerous areas including, but not limited to, consumer protection, trading restrictions, credit ratings, regulation of financial products, corporate governance and disclosure, and transparency.

William Brodsky (left) and U.S. Senator Christopher Dodd
Photo courtesy of the SEC Historical Society

JOBS ACT

On April 5, 2012, President Barack Obama signed into law the Jumpstart Our Business Startups (JOBS) Act. The JOBS Act requires the SEC to write rules and issue studies on capital formation, disclosure, and registration requirements. The JOBS Act aims to help businesses raise funds in U.S. capital markets by minimizing regulatory requirements.

President Barack Obama
Photo courtesy of the SEC Historical Society

APPENDICES

Appendix A: Chair and Commissioner Biographies

Appendix B: Divisions and Offices

Appendix C: Glossary of Selected Terms

Appendix D: Acronyms and Abbreviations

Every day that I'm blessed to serve at the SEC, I'm going to be animated by thinking about working families: How can we help them invest for their future and prepare for the inevitable bumps along the way? How can those same working families, when taking out a mortgage or a car loan, indirectly tap into the capital markets? How can the markets help companies innovate, hire folks into good jobs, and contribute to economic growth?

— CHAIR GENSLER

APPENDIX A: CHAIR AND COMMISSIONER BIOGRAPHIES

Gary Gensler, CHAIR

Gary Gensler was nominated by President Joseph R. Biden to serve as Chair of the U.S. Securities and Exchange Commission on February 3, 2021, confirmed by the U.S. Senate on April 14, 2021, and sworn into office on April 17, 2021.

Before joining the SEC, Gensler was professor of the Practice of Global Economics and Management at the MIT Sloan School of Management, co-director of MIT's Fintech@CSAIL, and senior advisor to the MIT Media Lab Digital Currency Initiative. From 2017–2019, he served as chair of the Maryland Financial Consumer Protection Commission.

Gensler was formerly chair of the U.S. Commodity Futures Trading Commission, leading the Obama Administration's reform of the $400 trillion swaps market. He also was senior advisor to U.S. Senator Paul Sarbanes in writing the Sarbanes-Oxley Act (2002), and was undersecretary of the Treasury for Domestic Finance and assistant secretary of the Treasury from 1997–2001.

In recognition for his service, he was awarded the Alexander Hamilton Award, the U.S. Department of the Treasury highest honor. He is a recipient of the 2014 Frankel Fiduciary Prize.

Prior to his public service, Gensler worked at Goldman Sachs, where he became a partner in the Mergers & Acquisition department, headed the firm's Media Group, led fixed income and currency trading in Asia, and was co-head of Finance, responsible for the firm's worldwide Controllers and Treasury efforts.

A native of Baltimore, Maryland, Gensler earned his undergraduate degree in economics in 1978 and his MBA from The Wharton School, University of Pennsylvania, in 1979. He has three daughters.

Hester M. Peirce, COMMISSIONER

Hester M. Peirce was appointed by President Donald J. Trump to the U.S. Securities and Exchange Commission and was sworn in on January 11, 2018.

Prior to joining the SEC, Commissioner Peirce conducted research on the regulation of financial markets at the Mercatus Center at George Mason University. She was a senior counsel on the U.S. Senate Committee on Banking, Housing, and Urban Affairs, where she advised Ranking Member Richard Shelby and other members of the Committee on securities issues. Commissioner Peirce served as counsel to SEC Commissioner Paul S. Atkins.

She also worked as a staff attorney in the SEC's Division of Investment Management. Commissioner Peirce was an associate at Wilmer, Cutler & Pickering (now WilmerHale) and clerked for Judge Roger Andewelt on the Court of Federal Claims.

Commissioner Peirce earned her bachelor's degree in economics from Case Western Reserve University and her JD from Yale Law School.

Caroline A. Crenshaw, COMMISSIONER

Caroline A. Crenshaw was unanimously confirmed by the U.S. Senate, and sworn into office as Commissioner of the U.S. Securities and Exchange Commission on August 17, 2020.

Commissioner Crenshaw brings to the SEC a range of securities law and policy experience and a commitment to public service and the SEC's mission. In addition to serving as a career SEC staff attorney in the Division of Examinations (formerly the Office of Compliance Inspections and Examinations) and the Division of Investment Management, Commissioner Crenshaw served as counsel to Commissioners Kara Stein and Robert Jackson, focusing on strengthening investor protections in our increasingly complex markets and helping to oversee the institutions that manage millions of Americans' savings. In addition, Commissioner Crenshaw currently serves as a captain in the United States Army Reserve, Judge Advocate General's Corps.

Prior to government service, Commissioner Crenshaw practiced law in the Washington, DC, office of Sutherland, Asbill and Brennan LLP. At Sutherland, she represented public companies, broker-dealers, and investment advisers on complex securities law investigations and enforcement matters.

Commissioner Crenshaw graduated cum laude from Harvard College and received a law degree magna cum laude from the University of Minnesota.

Mark T. Uyeda, COMMISSIONER

Mark T. Uyeda was sworn into office as a Commissioner of the U.S. Securities and Exchange Commission on June 30, 2022, after being confirmed by the U.S. Senate. He was sworn in for a second term as Commissioner on December 28, 2023, after being confirmed by the U.S. Senate for a five-year term expiring in 2028.

Prior to becoming Commissioner, he served as an SEC detailee to both the legislative and executive branches, most recently as securities counsel to Ranking Member Pat Toomey on the U.S. Senate Committee on Banking, Housing, and Urban Affairs. Commissioner Uyeda also served on detail as a policy advisor to senior leadership at the U.S. Department of the Treasury in 2017–2018 and the U.S. Department of Labor in 2020. Commissioner Uyeda has been with the SEC since 2006, serving as senior advisor to Chairman Jay Clayton, counsel to Commissioners Michael S. Piwowar and Paul S. Atkins, and assistant director and senior special counsel in the Division of Investment Management.

Before joining the SEC, Commissioner Uyeda served as chief advisor to the California Corporations Commissioner, the state's securities regulator, having been appointed by Governor Arnold Schwarzenegger in 2004. Earlier in his career, he worked as a corporate and securities attorney at Kirkpatrick & Lockhart (now K&L Gates) in Washington, DC, and O'Melveny & Myers in Los Angeles.

Commissioner Uyeda earned his bachelor's degree in business administration from Georgetown University in 1992 and his law degree with honors from Duke University in 1995. He is the first Asian-Pacific American to serve as a Commissioner at the SEC.

Jaime Lizárraga, COMMISSIONER

Jaime Lizárraga was sworn into office on July 18, 2022. He was nominated by President Joseph R. Biden and unanimously confirmed by the U.S. Senate.

Commissioner Lizárraga most recently served as senior adviser to House Speaker Nancy Pelosi. In that role, he oversaw issues related to financial markets, small business, housing, international finance, and immigration. He also served as Speaker Pelosi's liaison to the Congressional Hispanic Caucus.

Throughout his 32-year career in public service, Commissioner Lizárraga has advised congressional leaders and heads of executive agencies on policy and legislative strategy. He previously served on the Democratic staff of the House Financial Services Committee and as a presidential appointee at the U.S. Department of the Treasury and the U.S. Securities and Exchange Commission.

Commissioner Lizárraga earned his bachelor's degree with high honors from the University of California San Diego and earned a master's degree from the Lyndon B. Johnson School of Public Affairs at the University of Texas.

APPENDIX B: DIVISIONS AND OFFICES

Headquarters

DIVISION OF CORPORATION FINANCE
Erik Gerding, Director

DIVISION OF ECONOMIC AND RISK ANALYSIS
Jessica Wachter, Director/Chief Economist

DIVISION OF ENFORCEMENT
Sanjay Wadhwa, Acting Director

DIVISION OF EXAMINATIONS
Keith Cassidy, Acting Director

DIVISION OF INVESTMENT MANAGEMENT
Natasha Vij Greiner, Director

DIVISION OF TRADING AND MARKETS
Haoxiang Zhu, Director

EDGAR BUSINESS OFFICE
Jed Hickman, Director

OFFICE OF ACQUISITIONS
Vance Cathell, Director

OFFICE OF ADMINISTRATIVE LAW JUDGES
Dean C. Metry, Chief Administrative Law Judge

OFFICE OF THE ADVOCATE FOR SMALL BUSINESS CAPITAL FORMATION
Stacey Bowers, Director

OFFICE OF THE CHIEF ACCOUNTANT
Paul Munter, Chief Accountant

OFFICE OF THE CHIEF OPERATING OFFICER
Kenneth Johnson, Chief Operating Officer

OFFICE OF CREDIT RATINGS
Lori H. Price, Director

OFFICE OF EQUAL EMPLOYMENT OPPORTUNITY
Rita Sampson, Director

OFFICE OF THE ETHICS COUNSEL
Danae Serrano, Ethics Counsel

OFFICE OF FINANCIAL MANAGEMENT
Caryn Kauffman, Chief Financial Officer

OFFICE OF THE GENERAL COUNSEL
Megan Barbero, General Counsel

OFFICE OF HUMAN RESOURCES
Mark Reinhold, Director/Chief Human Capital Officer

OFFICE OF INFORMATION TECHNOLOGY
David Bottom, Chief Information Officer

OFFICE OF INSPECTOR GENERAL
Deborah J. Jeffrey, Inspector General

OFFICE OF INTERNATIONAL AFFAIRS
YJ Fischer, Director

OFFICE OF THE INVESTOR ADVOCATE
Cristina Begoña Martin Firvida, Director

OFFICE OF INVESTOR EDUCATION AND ADVOCACY
Lori Schock, Director

OFFICE OF LEGISLATIVE AND INTERGOVERNMENTAL AFFAIRS
Kevin Burris, Director

OFFICE OF MINORITY AND WOMEN INCLUSION
Nathaniel H. Benjamin, Director

OFFICE OF MUNICIPAL SECURITIES
Dave A. Sanchez, Director

OFFICE OF PUBLIC AFFAIRS
Scott Schneider, Director

OFFICE OF THE SECRETARY
Vanessa Countryman, Secretary

OFFICE OF SUPPORT OPERATIONS
Olivier Girod, Director/Chief FOIA Officer

STRATEGIC HUB FOR INNOVATION AND FINANCIAL TECHNOLOGY
Valerie A. Szczepanik, Director

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At the time of publication, the SEC's Salt Lake Regional Office had closed. For inquiries regarding enforcement and regulation within Utah, please contact the Denver Regional Office.

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APPENDIX C: GLOSSARY OF SELECTED TERMS

Accountability of Tax Dollars Act of 2002
A federal law requiring most federal agencies that are not subject to the Chief Financial Officers Act of 1990 to prepare annual audited financial statements.

Accredited Investor
Under Commission rules, accredited investors may participate in investment opportunities that are generally not available to non-accredited investors such as investments in many private issuers and offerings by hedge funds, private equity funds, and venture capital funds. Natural persons may qualify as accredited investors based on income or net worth; obtaining certain professional certifications and designations; or other credentials designated by the Commission.

Agency Financial Report
An annual report that provides financial and high-level performance results that enable the President, Congress, and the public to assess an agency's accomplishments each fiscal year (October 1 through September 30). The report is prepared in accordance with the requirements of OMB Circular A-136, *Financial Reporting Requirements*.

Alternative Trading System (ATS)
Any organization, association, person, group of persons, or system that constitutes, maintains, or provides a market place or facilities for bringing together purchasers and sellers of securities or for otherwise performing, with respect to securities, the functions commonly performed by a stock exchange. An ATS does not set rules governing the conduct of subscribers other than the conduct of such subscribers' trading on such organization, association, person, group of persons, or system, or discipline subscribers other than by exclusion from trading.

Annual Performance Report
Outlines the goals and intended outcomes of an agency's programs and initiatives.

Appropriations
Budget authority to incur obligations and to make payments from the Treasury for specified purposes.

Asset
A resource that embodies economic benefits or services that the reporting entity controls.

Bitcoin
Digital assets that are issued and transferred via a distributed, open-source protocol used by a peer-to-peer computer network through which transactions are recorded on a public transaction ledger known as the "Bitcoin blockchain." The Bitcoin protocol governs the creation of new bitcoins and the cryptographic system that secures and verifies bitcoin transactions.

Blockchain
A type of distributed ledger, or peer-to-peer database spread across a network, that records all transactions in the network in theoretically unchangeable, digitally recorded data packages called blocks. Each block contains a batch of records of transactions, including a timestamp and a reference to the previous block, linking the blocks together in a chain. The system relies on cryptographic techniques for secure recording of transactions. A blockchain can be shared and accessed by anyone with appropriate permissions.

Broker-Dealer

A **broker** is any person engaged in the business of effecting transactions in securities for the account of others. A **dealer** is any person engaged in the business of buying and selling securities for his or her own account, through a broker or otherwise.

Chief Financial Officers Act of 1990

Legislation focused on improving the government's financial management, performance, and disclosure.

Clawback

The recovery of compensation. In the case of a clawback under Exchange Act Rule 10D-1 and the related exchange listing standards, compensation is recoverable if it was erroneously awarded due to being originally calculated based on a financial reporting measure that was subject to a subsequent restatement.

Clearing Agencies

Clearing agencies that are registered with the Commission are self-regulatory organizations that typically come in two types: central counterparties and securities depositories. **Central counterparties** compare member transactions (or report to members the results of exchange comparison operations); clear those trades and prepare instructions for automated settlement of those trades; and often act as intermediaries in making those settlements. **Securities depositories** hold securities certificates in bulk form for their participants, maintain ownership records of the securities on their own books, and may otherwise permit or facilitate the settlement of securities without physical delivery of securities certificates.

Climate and Sustainability Oversight Committee

An oversight body that monitors and provides recommendations to management on the SEC's operational responses to climate-related risks and opportunities.

Compliance Rule of the Advisers Act

Requires all registered advisers to document in writing their annual review of compliance policies and procedures.

Commodity Futures Trading Commission

An independent government agency that regulates the U.S. derivatives markets, which includes futures, swaps, and certain kinds of options.

Consolidated Audit Trail

A single, comprehensive database of orders to trade in the National Market System securities and over-the-counter equities that enables regulators to more efficiently and thoroughly track all trading activity in the U.S. equity and options markets.

Contingent Liability

A liability that may occur depending on the outcome of an uncertain future event. Contingent liabilities is recorded if the contingency is likely and the amount of the liability can be reasonably estimated.

Continuous Diagnostics and Mitigation Dashboard Program

A Congressionally established program to provide adequate, risk-based, and cost-effective cybersecurity assessments and more efficiently allocate cybersecurity resources targeted at federal civilian organizations.

Crypto Asset
Also known as a "digital asset," an asset that is issued and/or transferred using distributed ledger or blockchain technology, including, but not limited to, so-called "virtual currencies," "cryptocurrencies," "coins," and "tokens." A crypto asset may or may not have been offered or sold as a "security" under the federal securities laws.

Cryptocurrency
A term used by some to describe a digital asset that relies on cryptography and that purports to act as a substitute for real currency in certain distributed ledger technology ecosystems. However, a so-called cryptocurrency does not necessarily have any or all of the three economic functions associated with money, namely a medium of exchange, a store of value, and a unit of account, and does not have all the attributes of "real" currency, as defined in 31 C.F.R. Section 1010.100(m), including legal tender status.

Custodial Activity
Revenue that is collected, and its disposition, by a federal agency on behalf of other entities is accounted for as a custodial activity of the collecting entity. SEC custodial collections include amounts collected from violators of securities laws as a result of enforcement proceedings.

Customer Protection Rule (Rule 15c3-3)
Designed to ensure that customer property (securities and cash) in the custody of broker-dealers is adequately safeguarded. Net cash owed to customers and other broker-dealers must be held in a special reserve bank account.

Cybersecurity
The steps taken to prevent illegal or unauthorized access to a computer system or network.

Cybersecurity and Information Security Agency (CISA)
An agency within the Department of Homeland Security, CISA conducts and maintains cybersecurity and critical infrastructure security programs, operations, and associated policy, including national cybersecurity asset response activities. CISA coordinates with federal entities to carry out CISA's cybersecurity and critical infrastructure activities.

Data Quality Plan
Required to be developed and maintained by agencies subject to DATA Act reporting that considers the incremental risks to data quality in federal spending data and any controls that would manage such risks in accordance with OMB Circular A-123.

Deposit Fund
Consists of funds that do not belong to the federal government such as disgorgement, penalties, and interest collected and held on behalf of harmed investors, registrant monies held temporarily until earned by the SEC, and collections awaiting disposition or reclassification.

Digital Accountability and Transparency Act of 2014 (DATA Act)
Aims to make information on federal expenditures more easily accessible and transparent.

Disclosure
Information about a company's financial condition, results of operations, and business that it makes public. Investors can use this information to make informed investment decisions about the company's securities.

Disgorgement
The act of returning or repaying ill-gotten gains obtained from fraudulent activities. When disgorgement is ordered, the judge or the Commission may also order that any money collected, including penalties paid, be placed in a Fair Fund for distribution to investors who were the victims of the violation.

Distributed Ledger Technology

The term distributed ledger refers to databases that maintain information across a network of computers in a decentralized or distributed manner. These networks commonly use cryptographic protocols to ensure data integrity and consensus mechanisms to ensure data congruity. Blockchains are one type of distributed ledger, and they are often used to issue and transfer ownership of crypto assets/digital assets that may be offered and sold as securities, depending on the facts and circumstances.

Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act)

Legislation that enforces transparency and accountability while implementing rules for consumer protection.

E-Government Act of 2002

Establishes policies to support IT standards and guidelines, encourage collaboration, and enhance understanding of best practices. The Act aims to promote the use of the internet and electronic government services; make the federal government more transparent and accountable; and provide enhanced access to government information and services in a manner consistent with laws regarding protection of personal privacy, national security, records retention, access for persons with disabilities, and other relevant laws.

Electronic Data Gathering, Analysis, and Retrieval (EDGAR) System

The system that public companies and others use to electronically submit required filings to the SEC.

Entity Accounts Receivable

Monies owed to the SEC generated from securities transaction fees and filing fees paid by registrants.

Entity Assets

Assets that an agency is authorized to use in its operations.

Exchange Revenue

Inflows of earned resources to an entity. Exchange revenues arise from exchange transactions, which occur when each party to the transaction sacrifices value and receives value in return. Examples include the sale of goods and services, entrance fees, and most interest revenue.

Exchange-Traded Fund (ETF)

SEC-registered investment companies that offer investors a way to pool their money in a fund that invests in stocks, bonds, or other assets. ETFs combine features of a mutual fund, which can only be purchased or redeemed at the end of each trading day at its net asset value per share, with the ability to trade throughout the day on a national securities exchange at market prices.

Fair Fund

A fund created by the SEC to return money to harmed investors.

Federal Accounting Standards Advisory Board

Establishes generally accepted accounting principles for federal reporting entities.

Federal Civil Penalties Inflation Adjustment Act of 1990

Requires agencies to adjust its civil monetary penalties for inflation and make adjustments at least once every four years thereafter.

Federal Employee Viewpoint Survey

An annual survey administered by the U.S. Office of Personnel Management that measures federal government employees' perceptions of whether, and to what extent, conditions characterizing successful organizations are present in their agencies.

Federal Financial Management Improvement Act of 1996

Provides for the establishment of uniform financial systems, standards, and reporting.

Federal Information Security Modernization Act of 2014

Requires federal agencies to conduct annual assessments of their information security and privacy programs; develop and implement remediation efforts for identified weaknesses and vulnerabilities; and report on compliance to OMB.

Federal Managers' Financial Integrity Act of 1982

Establishes management's responsibility to assess and report on internal accounting and administrative controls.

Federal Records Act

Requires all federal agencies to maintain records that document their activities, file records for safe storage and efficient retrieval, and dispose of records according to agency schedules.

Federal Register

The official journal of the federal government of the United States that contains government agency rules, proposed rules, and public notices.

Financial Industry Regulatory Authority (FINRA)

A registered securities association and self-regulatory organization. Generally, all registered broker-dealers that deal with the public must become members of FINRA.

Finfluencer

Short for "financial influencer," online content creators who leverage social media platforms to share investment-related content, ranging from general financial education to specific stock recommendations. They often present themselves as experts, sharing personal experiences, market analysis, and investment tips in an engaging and accessible manner, and may include celebrity/social media influencers who do not regularly provide or share financial and investment advice, but may, from time to time, promote investment products or schemes.

Form ADV

Used by investment advisers to register with both the SEC and state securities authorities and by exempt reporting advisers to report information to the SEC and state securities authorities.

Form N-CEN

Used by all registered investment companies, other than face-amount certificate companies, to file annual reports with the Commission.

Form N-CR

Used by registered open-end management investment companies, or series thereof, that are regulated as money market funds pursuant to Rule 2a-7 under the Investment Company Act of 1940, to file current reports with the Commission pursuant to Rule 30b1-8 under the Act. The Commission may use the information provided on Form N-CR in its regulatory, disclosure review, inspection, and policymaking roles.

Form N-MFP

Used by registered money market funds to report their portfolio holdings and other information to the SEC on a monthly basis.

Form N-PORT
Used by a registered management investment company, or an exchange-traded fund organized as a unit investment trust, or series thereof, other than a fund that is regulated by a money market fund or a small business investment company, to file reports of monthly portfolio holdings.

Form N-PX
Used by a registered management investment company, other than a small business investment company, to file the registered management investment company's complete proxy voting record. Form N-PX also is used by institutional investment managers to file their proxy voting records regarding certain executive compensation matters.

Form PF
A confidential reporting form for certain SEC-registered investment advisers to private funds.

Form SHO
Used by institutional investment managers to report short sale activity. The data will then be published pursuant to Rule 13f-2 to provide information regarding short sale activities.

Fraud Reduction and Data Analytics Act of 2015
Requires agencies to implement the Government Accountability Office's *A Framework to Managing Fraud Risks in Federal Programs*, which is: (1) commit to creating an organization that is conductive to manage fraud risk; (2) assess the fraud risks within the organization; (3) design and implement controls that reduce risk of fraud; and (4) evaluate and adapt assessment outcomes.

Freedom of Information Act
Allows for any person to request federal agency records or information, with the exception of protected items that qualify under the nine exemptions of the law.

Fund Balance with Treasury
The amount of funds in the entity's accounts with the U.S. Treasury for which the entity is authorized to make expenditures and pay liabilities, and that have not been invested in federal securities.

Funds from Dedicated Collections
Accounts containing specifically identified revenues—often supplemented by other financing sources—that are required by statute to be used for designated activities, benefits, or purposes, and must be accounted for separately from the government's general revenues.

Gatekeepers
Professionals—such as attorneys, accountants, and other consultants—who are enlisted to help protect investors through the detection and prevention of compliance breakdowns and fraudulent schemes that cause investor harm.

General Services Administration
Acts as a central point for agencies to procure and/or build office space, products, and other workspace items.

Generally Accepted Accounting Principles
A framework of accounting standards, rules, and procedures defined by the professional accounting industry.

Government Accountability Office (GAO)
An independent, non-partisan agency that works for Congress, GAO examines how tax payers' dollars are spent and aims to improve the government as its "congressional watchdog."

Government Performance and Results Act
Requires federal agencies and departments to develop annual performance plans describing the year's goals and performance reports indicating if those goals were met.

Hedge Funds

Like mutual funds, hedge funds pool investors' money and invest the money to make a positive return; however, hedge funds typically have more flexible investment strategies, and many seek to profit in various markets by using leverage (i.e., borrowing to increase investment exposure as well as risk), short-selling, and other speculative investment practices that are not often used by mutual funds. Hedge funds are not subject to some of the regulations that are designed to protect investors. Depending on the amount of assets in the hedge funds advised by a manager, some hedge fund managers may not be required to register or to file reports with the SEC.

Holding Foreign Companies Accountable Act

Requires the Commission to identify registrants that have retained a registered public accounting firm to issue an audit report where that registered public accounting firm has a branch or office that: (1) is located in a foreign jurisdiction; and (2) the Public Company Accounting Oversight Board has determined that it is unable to inspect or investigate completely because of a position taken by an authority in the foreign jurisdiction.

Once identified, the Act requires such a registrant to submit documentation to the Commission establishing that it is not owned or controlled by a governmental entity in that foreign jurisdiction. Moreover, if the registrant is a foreign issuer, it is subject to specified disclosure requirements. Finally, if a registrant is identified for three consecutive years (or one year if there has been a previous trading prohibition), the registrant would subject to a trading prohibition until such time that it can certify that it has retained an inspectable auditor (and for a minimum of five years if there has been a previous trading prohibition).

Imputed Financing

Financing provided to the reporting entity by another federal entity covering certain costs incurred by the reporting entity.

Initial Public Offering

The first time a company offers its shares of capital stock to the general public. Under the federal securities laws, a company may not lawfully offer or sell shares unless the transaction has been registered with the SEC or an exemption applies.

Insider Trading

The purchase or sale of a security by someone who has access to material, nonpublic information about the security.

International Organization of Securities Commissions

An international body consisting of the world's securities regulators. Members are typically primary securities and/or derivatives regulators in a national jurisdiction or the main financial regulator from each country.

Internet Adviser Exemption

Allows advisers that would not otherwise be qualified to register with the SEC to register so long as the adviser provides advice to all of its clients exclusively through an operational interactive website.

Intragovernmental Costs

Costs that arise from the purchase of goods and services from other components of the federal government.

Investment Adviser

A firm or person that, for compensation, engages in the business of providing investment advice to others about the value of, or investing in, securities—stocks, bonds, mutual funds, exchanged-traded funds, and certain other investment products—and/or in issuing reports or analyses regarding securities as part of a regular business.

Investment Advisers Act of 1940

Created to regulate the actions of investment advisers, this federal law requires that firms or sole practitioners compensated for advising others about securities investments must register with the SEC and conform to regulations designed to protect investors (with certain exceptions).

Investment Company Act of 1940

Regulates the organization of companies, including mutual funds, that engage primarily in investing, reinvesting, and trading in securities, and whose own securities are offered to the investing public. It requires these companies to disclose their financial condition and investment policies to investors when stock is initially sold and, subsequently, on a regular basis.

Investor Protection Fund

A fund established by the Dodd-Frank Act to pay awards to eligible whistleblowers who voluntarily provide the Commission with original information about a violation of federal securities laws.

Liquidity

The ease with which an asset, or security, can be converted into ready cash without affecting its market price.

Liquidity Rule

Requires funds, including exchange-traded funds, to establish liquidity risk management programs. As part of the rule, funds are required to assess, manage, and periodically review their liquidity risk. Liquidity risk is the risk that a fund could not meet requests to redeem shares issued by the fund without significant dilution of remaining investors' interests in the fund.

Market-Based Treasury Securities

Debt securities that the U.S. Treasury issues to federal entities without statutorily determined interest rates.

Marketing Rule

Prohibits advisers from engaging in certain advertising practices including, for example, making untrue statements of material fact or omitting a material fact necessary to make a statement not misleading. The rule captures communications that meet the definition of "advertisements" and other general solicitations. Moreover, the rule also requires advisers to standardize certain parts of a performance presentation in order to help investors evaluate and compare investment opportunities, and will include tailored requirements for certain types of performance presentations.

Miscellaneous Receipt Account

A fund used to collect non-entity receipts from custodial activities that the SEC cannot deposit into funds under its control or use in its operations. These amounts are forwarded to the U.S. Treasury General Fund and are considered to be non-entity assets of the SEC.

Money Market Fund

A type of mutual fund registered under the Investment Company Act of 1940 and regulated pursuant to Rule 2a-7 under the Act. Money market funds generally limit their investments to short-term, high-quality debt securities that fluctuate very little in value under normal market circumstances.

Municipal Advisor

A person (not a municipal entity or an employee of a municipal entity) who: (1) provides advice to or on behalf of a municipal entity or obligated person with respect to municipal financial products or the issuance of municipal securities, including advice with respect to the structure, timing, terms, and other similar matters concerning such financial products or issues; or (2) undertakes a solicitation of a municipal entity. This definition includes financial advisors, guaranteed investment contract brokers, third-party marketers, placement agents, solicitors, finders, and swap advisors who provide municipal advisory services, unless they are statutorily excluded.

Municipal Securities Rulemaking Board

The self-regulatory organization for the U.S. municipal securities market that writes rules regulating broker-dealers and banks that transact in municipal securities and municipal advisors.

Mutual Fund

A company that pools money from many investors and invests the money in securities such as stocks, bonds, and short-term debt. Investors buy shares in mutual funds. Each share represents an investor's part ownership in the fund and the income it generates.

National Institute of Standards and Technology (NIST)

Develops cybersecurity standards, guidelines, best practices, and other resources to meet the needs of U.S. industry, federal agencies, and the broader public. OMB mandates that all federal agencies implement NIST's cybersecurity standards and guidance for non-national security.

National Market System (NMS)

The system for trading equities in the United States, which includes all facilities and entities that are used by broker-dealers to fulfill trade orders for securities.

National Securities Exchange

An exchange registered as such under Section 6 of the Exchange Act, national securities exchanges are self-regulatory organizations (SROs) and must comply with regulatory requirements applicable to both national securities exchanges and SROs.

Nationally Recognized Statistical Rating Organization

Credit rating agencies that have registered with the Commission and meet certain disclosure, governance, internal controls, conflict of interest, and recordkeeping requirements.

Non-Entity Assets

Assets that are held by an entity but are not available to the entity. Examples of non-entity assets are disgorgement, penalties, and interest collected and held on behalf of harmed investors.

Office of Inspector General Employee Suggestion Program

As required by Section 966 of the Dodd-Frank Act, this program allows employees to submit suggestions concerning improvements in the SEC's work efficiency, effectiveness, productivity, and use of its resources. The Office of Inspector General also receives allegations by employees of waste, abuse, misconduct, or mismanagement within the SEC through the program.

Office of Management and Budget (OMB)

Helps the President oversee the federal budget and supervise federal agencies.

Office of Personnel Management

Manages the civil service of the federal government, coordinates recruiting of new government employees, and manages their health insurance and retirement benefits programs.

OMB Circular A-50, *Audit Follow-Up*

Provides the policies and procedures for use by executive agencies when considering reports issued by the Office of Inspector General, other executive branch audit organizations, the Government Accountability Office, and non-federal auditors where follow-up is necessary.

OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*

Provides an overview of the budget process, the basic laws that regulate the budget process, and the development of the President's budget, including how to prepare and submit materials required for agency budget requests and instructions on budget execution.

OMB Circular A-94, *Guidelines and Discount Rates for Benefit-Cost Analysis of Federal Programs*

Promotes social welfare through well-informed decision-making throughout the federal government by providing general guidance for conducting benefit-cost and effectiveness analyses of certain federal activities, as well as specific guidance on the discount rates to be used in analyzing federal programs whose benefits and costs are distributed over time.

OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*

Defines management's responsibilities for enterprise risk management and internal financial controls, including administrative and program activities as well as financial activities.

OMB Circular A-123 Appendix A, *Management of Reporting and Data Integrity Risk* (OMB Memorandum 18-16)

Revises the 2004 A-123 Appendix A, *Internal Controls Over Financial Reporting*. The revision was necessary due to the 2016 update to OMB Circular A-123 and the 2014 update to the U.S. Government Accountability Office Standards for Internal Control in the Federal Government. A reexamination was also necessary in light of the implementation of recent statutory requirements, including the Data Accountability and Transparency Act. The revised memorandum goals are to provide updated guidance to: (1) effectively manage taxpayer assets, including government data; (2) improve data quality; and (3) reduce burdens on agencies by shifting away from compliance activities and toward actions that will support the reporting of high-quality data in support of data-driven decisions, federal government-wide management analyses, and transparency.

OMB Circular A-123 Appendix C, *Requirements for Payment Integrity Improvement*

Guidance to assist federal agencies with compliance in payment integrity.

OMB Circular A-123 Appendix D, *Management of Financial Management Systems–Risk and Compliance*

Provides requirements for agencies to comply with the Federal Financial Management Improvement Act to "implement and maintain financial management systems" that comply with system and accounting requirements.

OMB Circular A-130, *Managing Information as a Strategic Resource*

Establishes general policy for information governance, acquisitions, records management, open data, workforce, security, and privacy.

OMB Circular A-136, *Financial Reporting Requirements*

Establishes a central point of reference for all federal financial reporting guidance.

OMB M-21-31, *Improving the Federal Government's Investigative and Remediation Capabilities Related to Cybersecurity Incidents*

Establishes the requirements to increase visibility "before, during, and after a cybersecurity incident" by creating logging standards involving a tier system, a maturity level model, and retention periods.

OMB M-22-09, *Moving the U.S. Government Toward Zero Trust Cybersecurity Principles*

Sets forth a federal zero trust architecture strategy and identifies agency-specific tasks against the CISA's five pillars: Identify, Devices, Networks, Applications and Workloads, and Data.

Paperwork Reduction Act of 1980

A United States federal law designed to reduce the total amount of paperwork burden the federal government imposes on private businesses and citizens. The Act imposes procedural requirements on agencies that wish to collect information from the public.

Pay versus Performance

Rules that require registrants to disclose, in certain proxy statements, the relationship between executive compensation actually paid and the financial performance of the issuer.

Payment Integrity Information Act of 2019 (PIIA)

Requires agencies to review all programs and activities they administer to identify those that may be susceptible to significant erroneous payments. For all programs and activities in which the risk of erroneous payments is significant, agencies are to estimate the annual amount of erroneous payments made in those programs. PIIA updated government-wide improper payment reporting requirements by repealing and replacing the Improper Payments Information Act of 2002, the Improper Payments Elimination and Recovery Act of 2010, the Improper Payments Elimination and Recovery Act of 2012, and the Fraud Reduction and Data Analytics Act of 2015.

Performance and Accountability Report

An annual report that provides program performance and financial information that enables Congress, the President, and the public to assess an agency's performance and accountability over entrusted resources.

Phishing

A cybercrime in which a target or targets are contacted via email, phone, or text by someone posing as a legitimate institution to lure individuals into providing sensitive data such as personally identifiable information, banking and credit card details, and passwords.

Plan of Action and Milestones (POA&Ms)

A document that identifies tasks needing to be accomplished. POA&Ms detail resources required to accomplish the elements of the plan, any milestones for meeting the tasks, and scheduled milestone completion dates.

Ponzi Scheme

A fraudulent scheme in which returns are paid to established investors with funds from new investors rather than from profits.

Privacy Act of 1974

Establishes a code of practices that govern the collection, maintenance, use, and dissemination of information that is maintained by federal agencies in records or systems.

Private Equity Fund

A pooled investment vehicle in which the adviser pools together the money invested in the fund by all the investors and uses that money to make investments on behalf of the fund. Although a private equity fund may be advised by an adviser that is registered with the SEC, private equity funds themselves are not registered with the SEC. As a result, private equity funds are not subject to regular public disclosure requirements. A private equity fund is typically open only to sophisticated investors (e.g., investors having a minimum level of income or assets). Unlike mutual funds or hedge funds, however, private equity funds often focus on long-term investment opportunities in assets that take time to sell with an investment time horizon typically of 10 or more years.

Private Fund Adviser Rule

Aims to enhance the transparency of fund advisers by requiring advisers to furnish quarterly performance statements, have an audit done on funds they advise, and would require an independent valuation for a proposed transaction.

Proxy Rules

A **proxy** allows shareholders to vote for matters involving a company without being in physical attendance, and the **rules** require a company to provide a proxy card, statement, and annual report to shareholders prior to a vote.

Public Company Accounting Oversight Board (PCAOB)

A nonprofit corporation established by Congress to oversee the audits of public companies in order to protect the interests of investors and further the public interest in the preparation of informative, accurate, and independent audit reports. The PCAOB also oversees the audits of broker-dealers, including compliance reports filed pursuant to federal securities laws, to promote investor protection.

Pyramid Scheme

A scheme in which participants attempt to make money solely by recruiting new participants into the program. The hallmark of these schemes is the promise of sky-high returns in a short period of time doing nothing other than handing over your money and getting others to do the same.

Registered Index-Linked Annuities (RILA)

A kind of annuity contract insurance companies offer to retail investors in which an investor's return is based at least in part on the performance of an index or other benchmark over a set period of time. RILAs typically include complex features relating to their risks and economic trade-offs, including limits on both potential gains and losses.

Regulation Best Interest

Requires broker-dealers to act in the best interest of their retail customers when making a recommendation without placing their financial or other interests ahead of the interests of the retail customer.

Regulation Crowdfunding

Crowdfunding is a financing method in which money is raised through soliciting relatively small individual investments or contributions from a large number of people. Regulation Crowdfunding provides an exemption from the registration requirements for securities-based crowdfunding, allowing companies to offer and sell up to $5 million of their securities in a 12-month period without having to register the offering with the SEC. All transactions must take place online through an SEC-registered intermediary, either a broker-dealer or a funding portal.

Regulation NMS

A series of rules governing the National Market System (NMS) for equities and options that are listed on a national securities exchange. The rules encompass a broad range of issues including the filing and amendment of NMS plans, the collection and distribution of market data, disclosure of order execution and order routing information, access to markets, order protection, and the consolidated audit trail.

Regulation S-P

Requires brokers, dealers, investment companies, and registered investment advisers to "adopt written policies and procedures that address administrative, technical, and physical safeguards for the protection of customer records and information" and to inform their customers about those privacy policies and practices. It also limits the circumstances in which these institutions may disclose nonpublic personal information about a customer to a nonaffiliated third party without first giving the customer an opportunity to opt out of the disclosure. In addition, it requires these institutions, as well as transfer agents registered with the Commission, to properly dispose of consumer report information.

Regulation Systems Compliance and Integrity (Regulation SCI)

Adopted in November 2014 to strengthen the technology infrastructure of the U.S. securities markets, reduce the occurrence of systems issues in those markets, improve their resiliency when technological issues arise, Regulation SCI is a set of rules establishing expectations for and the oversight of the technological systems of SCI entities. SCI entities are those determined by the Commission to play a significant role in the U.S. securities markets and/or have the potential to impact investors, the overall market, or the trading of individual securities in the event of certain types of systems problems. Today, SCI entities comprise the self-regulatory organizations (excluding securities futures exchanges); alternative trading systems meeting certain volume thresholds with respect to NMS stocks and non-NMS stocks; exclusive disseminators of consolidated market data; certain competing disseminators of consolidated market; and certain exempt clearing agencies.

Reports Consolidation Act of 2000

Streamlines reporting requirements by allowing each agency to combine its audited financial statements, as required by the Chief Financial Officers Act, and its performance reports, as required by the Government Performance and Results Act. Each consolidated report must include an assessment from the agency head verifying the reliability of the agency's performance data and a summary from the inspector general addressing the agency's management challenges.

Reserve Fund

A fund established by the Dodd-Frank Act that may be used by the SEC to obligate amounts up to $100 million in one fiscal year as the SEC determines is necessary to carry out its functions.

Retail Investor

An individual who buys securities for personal benefit (e.g., to purchase a home, save for retirement, or send a child to college) rather than for the benefit of an organization.

Risk Management Oversight Committee

Monitors the SEC enterprise risk environment and provides a forum for collaborative, risk-based decision making.

Rule 2a-7

The principal rule governing money market funds under the Investment Company Act of 1940.

Rule 10c-1a

Requires certain persons to report information about securities loans to a registered national securities association (RNSA) and requires the RNSA to make publicly available certain information it receives, along with daily information pertaining to the aggregate transaction activity and distribution of loan rates for each reportable security. The rule is designed to increase the transparency and efficiency of the securities lending market.

Rule 13f-2

Aims to provide greater transparency to investors and other market participants by increasing the public availability of short sale-related data. Specifically, Rule 13f-2 requires institutional investment managers that meet or exceed certain thresholds to report on Form SHO specified short position data and short activity data for equity securities.

Rule 605

As part of Regulation NMS, Rule 605 generally requires a market center that trades NMS stocks to make available to the public monthly electronic execution reports that include uniform statistical measures of execution quality.

Sarbanes-Oxley Act of 2002

Legislation aimed at enhancing corporate responsibility and financial disclosures, and fighting corporate and accounting fraud that created the Public Company Accounting Oversight Board.

SEC University

Provides and assists SEC staff in obtaining learning, development, and training opportunities via classroom and/or virtual options.

Section 31 Fees

Transaction fees paid to the SEC based on the volume of securities that are sold on various markets. These fees recover the costs incurred while supervising and regulating the securities markets and securities professionals.

Securities

Fungible and tradable financial instruments used to raise capital in public and private markets. There are primarily three types of securities: equity—which provides ownership rights to holders; debt—essentially loans repaid with periodic payments; and hybrids—which combine aspects of debt and equity.

Securities Act of 1933 (Securities Act)

One of the primary federal securities laws, its basic objectives are to ensure investors receive financial and other significant information about securities being offered for public sale, and to prohibit deceit, misrepresentation, and other fraud in the sale of securities.

Securities Exchange Act of 1934 (Exchange Act)

A law governing the secondary trading of securities (stocks, bonds, and debentures) in the United States. It was this piece of legislation that established the SEC.

Security-Based Swap (SBS)

A **swap** is any agreement, contract, or transaction that provides for one or more payments based on the performance of underlying reference instrument, subject to certain exclusions, including exclusions for futures contracts, options on futures, forward contracts on non-financial commodities, and certain retail investments. An **SBS** is based on: (1) a narrow-based index; (2) a single (non-exempt) security or loan; or (3) a financial event relating to an issuer or issuers in points 1 or 2.

Self-Regulatory Organization (SRO)

An organization that exercises some degree of regulatory authority over an industry or profession. The regulatory authority could be applied in addition to some form of government regulation, or it could fill the vacuum of an absence of government oversight and regulation. The ability of an SRO to exercise regulatory authority does not necessarily derive from a grant of authority from the government.

Sequestration

Automatic spending cuts that occur through the withdrawal of funding for certain (but not all) government programs.

Settlement Cycle

The time between when a securities transaction is executed and when it is finalized. This time period involves the official transfer of securities to the buyer's account and the cash to the seller's account.

Shell Company

A corporation without active business operations or significant assets.

Short Sale

Any sale of a security that the seller does not own, or any sale that is consummated by the delivery of a security borrowed by, or for the account of, the seller.

Special Purpose Acquisition Company (SPAC)

A type of shell company created specifically to conduct an initial public offering (IPO) to raise funds for a merger or acquisition with an unidentified target company within a set timeframe.

The merger or acquisition often occurs within two years after the SPAC has completed its IPO. Unlike an operating company that becomes public through a traditional IPO, however, a SPAC is a shell company when it becomes public. This means that it does not have an underlying operating business and does not have assets other than cash and limited investments, including the proceeds from the IPO.

Standards for Internal Control in the Federal Government

Published by the U.S. Government Accountability Office, this book, which is colloquially known as "Green Book" because of its green cover, sets the standards for an effective internal control system for federal agencies.

Statement of Federal Financial Accounting Standards 54, *Leases*

Starting in FY 2024, federal lessees are required to recognize a lease liability and a right-to-use lease asset, and federal lessors are required to recognize a lease receivable and unearned revenues at the commencement of the lease term, unless the lease meets the definitional criteria of a short-term lease contract, or an agreement that transfers ownership, or an intra-governmental lease.

Strategic Plan

Defines an agency's mission, long-term goals, strategies planned, and the approaches it will use to monitor its progress in addressing specific national problems, needs, challenges, and opportunities related to its mission.

T+1 and T+2

Refers to the settlement cycle for broker-dealer transactions in securities, where T+2 is two business days after the trade date and T+1 is one business day after the trade date.

Tick Sizes

The smallest change in quoted price that can occur for a trading instrument in a market.

Transfer Agent

A trust company, bank, or similar financial institution assigned by a corporation to maintain records of investors and account balances; as such, the transfer agent issues and cancels certificates to reflect changes in ownership and handles lost, destroyed, or stolen certificates.

U.S. Treasury General Fund

Consists of assets and liabilities used to finance the daily and long-term operations of the U.S. Government as a whole. It also includes accounts used in management of the budget of the U.S. Government.

USASpending.gov

The official source for spending data for the U.S. Government, this website allows the American public to see how the federal government spends money.

Uyghur Forced Labor Prevention Act

Prohibits importing goods into the United States manufactured wholly or in part with forced labor in the People's Republic of China, especially from the Xinjiang Uyghur Autonomous Region.

Variable Interest Entity

An organization in which consolidation is not based on a majority of voting rights.

Venture Capital Fund

A pooled investment vehicle that invests in early-stage startups and small to medium sized businesses. A venture capital fund is a type of private equity fund, which means investments are not made available on a public market and are generally open only to sophisticated investors (e.g., investors having a minimum level of income or assets). Unlike mutual funds or hedge funds, venture capital funds typically focus on long term investment opportunities. The typical time horizon for most venture investments is 6–10 years.

Whistleblower

A person who, alone or jointly with others, provides the Commission with information related to a possible violation of the federal securities laws (including any rules or regulations thereunder) that has occurred, is ongoing, or is about to occur.

Zero Trust

An approach to cybersecurity in which access to data, networks, and infrastructure is kept to what is minimally required and the legitimacy of that access is continuously verified.

APPENDIX D: ACRONYMS AND ABBREVIATIONS

AFR	Agency Financial Report
AI	Artificial Intelligence
APR	Annual Performance Report
CAT	Consolidated Audit Trail
CF	Division of Corporation Finance
CFO	Chief Financial Officer
CFR	Code of Federal Regulations
CIO	Chief Information Officer
CIP	Customer Identification Program
CISA	Cybersecurity and Infrastructure Security Agency
CPA	Certified Public Accountant
CSOC	Climate and Sustainability Oversight Committee
CSRS	Civil Service Retirement System
DEIA	Diversity, Equity, Inclusion, and Accessibility
DERA	Division of Economic and Risk Analysis
DHS	U.S. Department of Homeland Security
DNS	Domain Naming System
DQP	Data Quality Plan
EAG	Employee Affinity Group
EDGAR	Electronic Data Gathering, Analysis, and Retrieval System
EEO	Equal Employment Opportunity
EEOC	Equal Employment Opportunity Commission
ENF	Division of Enforcement
ERM	Enterprise Risk Management
ETF	Exchange-Traded Fund
ETP	Exchange-Traded Product
EXAMS	Division of Examinations
FAF	Financial Accounting Foundation
FASAB	Federal Accounting Standards Advisory Board
FASB	Financial Accounting Standards Board
FBI	Federal Bureau of Investigation
FCPIA	Federal Civil Penalties Inflation Adjustment Act
FDIC	Federal Deposit Insurance Corporation
FECA	Federal Employees' Compensation Act
FERS	Federal Employees Retirement System
FEVS	Federal Employee Viewpoint Survey
FFMIA	Federal Financial Management Improvement Act of 1996
FINRA	Financial Industry Regulatory Authority
FISMA	Federal Information Security Modernization Act of 2014
FMFIA	Federal Managers' Financial Integrity Act of 1982
FOIA	Freedom of Information Act
FR	Federal Register
FRDAA	Fraud Reduction and Data Analytics Act of 2015
FSSP	Federal Shared Service Provider
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GAO	U.S. Government Accountability Office
GHG	Greenhouse Gas
GRC	Governance, Risk, and Compliance
GSA	U.S. General Services Administration
GTAS	Government-Wide Treasury Account Symbol Adjusted Trial Balance System
HBCU	Historically Black College and University
IAC	Investor Advisory Committee

IM	Division of Investment Management
IPERA	Improper Payments Elimination and Recovery Act of 2010
IPERIA	Improper Payments Elimination and Recovery Improvement Act of 2012
IPF	Investor Protection Fund
IPIA	Improper Payments Information Act of 2002
IT	Information Technology
MNPI	Material Non-Public Information
NASAA	North American Securities Administrators Association
NMS	National Market System
NRSRO	Nationally Recognized Statistical Rating Organization
OASB	Office of the Advocate for Small Business Capital Formation
OCC	Office of the Chief Counsel
OCDO	Office of the Chief Data Officer
OCRO	Office of the Chief Risk Officer
OHR	Office of Human Resources
OIAD	Office of the Investor Advocate
OIEA	Office of Investor Education and Advocacy
OIG	Office of Inspector General
OIR	Office of Investor Research
OIT	Office of Information Technology
OMB	Office of Management and Budget
OMWI	Office of Minority and Women Inclusion
OPM	U.S. Office of Personnel Management
PCAOB	Public Company Accounting Oversight Board
PG	Performance Goal
PII	Personally Identifiable Information
PIIA	Payment Integrity Information Act of 2019
PISA	Privacy and Information Security Awareness
POA&Ms	Plan of Action and Milestones
RILA	Registered Index-Linked Annuity
RMOC	Risk Management Oversight Committee
RSI	Required Supplementary Information
S/L	Straight-Line
SAOP	Senior Agency Official for Privacy
SASE	Secure Access Service Edge
SBR	Statement of Budgetary Resources
SCI	Systems Compliance and Integrity
SEC	U.S. Securities and Exchange Commission
SFFAS	Statement of Federal Financial Accounting Standards
SIPA	Securities Investor Protection Act of 1970
SIPC	Securities Investor Protection Corporation
SOX	Sarbanes-Oxley Act of 2002
SPAC	Special Purpose Acquisition Company
SRO	Self-Regulatory Organization
T&M	Time and Materials (contract)
THRIVE	Thoughtful Households Relating InVesting Experiences
TM	Division of Trading and Markets
TRENDS	Tracking and Reporting Examination National Documentation System
TSP	Thrift Savings Plan
U.S.C.	United States Code
USSGL	U.S. Standard General Ledger

For 90 years, the federal securities laws and our work to oversee them have played a crucial role for the public both in good times and in times of stress. The core principles of U.S. securities markets regulation have contributed to America's economic success and geopolitical standing.

— CHAIR GENSLER

THE SEC'S FY 2024 AGENCY FINANCIAL REPORT was successfully produced through the efforts of our talented staff. To these individuals, we offer our sincerest appreciation. We would also like to acknowledge the Government Accountability Office and the SEC's Office of Inspector General for their professionalism. Finally, we would like to extend our gratitude to the SEC Historical Society for their generous contributions.

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