
Report on the Implementation of SEC Organizational Reform Recommendations

As Required by Section 967 of the
Dodd–Frank Wall Street Reform and Consumer Protection Act



This is a report prepared by the Staff of the Office of the Chief Operating Officer of the U.S. Securities and Exchange Commission. The Commission has expressed no view regarding the analysis, findings, or conclusions contained herein.

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Section 967(c) of the Dodd–Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act) states that “Not later than the end of the 6-month period beginning on the date the consultant issues the report under subsection (b), and every 6-months thereafter during the 2-year period following the date on which the consultant issues such report, the SEC shall issue a report to the Committee on Financial Services of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the Senate describing the SEC’s implementation of the regulatory and administrative recommendations contained in the consultant’s report.” This Progress Report represents the period between March 10, 2011 and September 9, 2011.

1.0 Executive Summary

The Dodd–Frank Act directed the U.S. Securities and Exchange Commission (SEC) to engage an independent consultant to conduct a broad and independent assessment of the SEC’s internal operations, structure, funding, and the agency’s relationship with Self-Regulating Organizations (SROs). Issued in March 2011, the consultant’s study provided 16 optimization initiative recommendations designed to increase the SEC’s efficiency and effectiveness. In the six months since the study was issued, the SEC has developed the necessary program management and oversight infrastructure to address the next step in the agency’s on-going multi-year change initiative: conducting a thorough analysis of each recommendation and designing appropriate approaches for those recommendations selected for implementation.

Over the next six months, significant work will have been done within each workstream to analyze the Boston Consulting Group’s (BCG) recommendations and recommend what, if any, actions should be taken. While the agency has made progress, the path forward is still long. As the analysis completes, the agency will develop implementation options, then create a time-phased, multi-year implementation plan that accounts for constraints in the agency budget, management time, and agency priorities. The agency will focus on assessing the schedule, costs, and management bandwidth required for each initiative; identifying cross-work-stream integration points; and developing a detailed prioritization and implementation plan that sequences the various implementation activities. It is at that time that trade-offs and hard decisions must be made about how to best expend resources, time and funding.

The SEC recognizes that successful implementation of many of the ideas in the BCG study will require a long-term commitment and sustained effort over several years. While still in the early

stages of considering the BCG recommendations, the SEC is committed to an open and transparent process. Consistent with the statute, the agency intends to report to Congress on a regular basis on the actions taken in response to the study.

2.0 Introduction

Over the past two decades, the markets, products and participants the SEC oversees and regulates have undergone major transformations. To address these transformations, Congress has periodically enacted changes in Federal securities laws to modify the SEC’s mission. In 2010, the 111th Congress passed the Dodd-Frank Act, which significantly expanded the SEC’s mission with new duties. These included the regulation of over-the-counter derivatives and hedge fund advisors, enhanced oversight of credit rating agencies, disclosure related to asset-backed securities, corporate governance improvements, specialized corporate disclosure and enhanced authority to adopt a uniform fiduciary standard for investment advisers and broker-dealers.

The Role of the SEC

The SEC’s mission in today’s complex and dynamic market environment is broad and challenging. In order to fulfill the agency’s mission to “protect investors, maintain fair, orderly and efficient markets and facilitate capital formation,” the SEC is responsible for examining more than 11,000 investment advisers managing more than \$43 trillion in assets, more than 5,000 broker-dealers with an excess of 160,000 branch offices and 7,500 mutual funds. In addition, the SEC is tasked with enforcing the securities laws governing the largest markets in the world and in which millions of Americans participate. Along with reviewing tens of thousands of disclosure documents each year, the SEC is tasked with reviewing and monitoring initial public offerings and other public capital markets transactions of corporate issuers, public asset-backed securities offerings, proxy statements, public mergers, acquisitions tender offers. The SEC oversees approximately 500 transfer agents, 15 national securities exchanges, 10 nationally recognized statistical ratings organizations (NRSROs), nine clearing agencies, as well as the Public Company Accounting Oversight Board (PCAOB), Financial Industry Regulatory Authority (FINRA), Municipal Securities Rulemaking Board (MSRB), and other Self-Regulating Organizations (SROs), and a market where more than 8.5 billion shares are traded each day.

The Boston Consulting Group's Assessment of SEC Organization and Operations

In October 2010, with the express purpose of carrying out the assessment required by Section 967 of the Dodd-Frank Act, the SEC engaged the services of the Boston Consulting Group, Inc. (BCG), a top-tier organizational consulting firm with significant capital markets expertise, to conduct a broad and independent assessment of the SEC's internal operations, structure, funding and the agency's relationship with SROs. BCG was selected to conduct the assessment following a competitive acquisition process conducted in accordance with government procurement regulations and overseen by the SEC's Office of Acquisitions. Specific topics of the study also included: the possible elimination of lower priority and / or redundant units at the SEC; improvement of internal communications and organizational chain-of-command; the effect of new market technologies, such as high-frequency trading; hiring authorities and personnel practices; and oversight and reliance on SROs.

To perform its assessment and formulate recommendations, BCG engaged in significant interaction with SEC staff, generally through interviews, to understand the existing state of the agency's operations. The agency actively encouraged staff to participate fully and candidly in interviews with BCG throughout the course of the engagement. Over the duration of the project, BCG conducted more than 300 interviews and meetings with agency employees, including division and office directors and significant numbers of other agency managers and staff. BCG set the agenda for these discussions to obtain insights into program operations, learn staff views, validate facts, test hypotheses and otherwise acquire the knowledge necessary to successfully perform its work. In conducting its work, BCG also interviewed or met with a significant number of external stakeholders, including congressional offices, SROs and entities that are regulated by or have significant interactions with the SEC.

On March 10, 2011, BCG delivered the results of its assessment to the SEC and to Congress: a 263-page final study, *U.S. Securities and Exchange Commission: Organizational Study and Reform*. The final study, which was submitted within the 150-day deadline specified in Section 967 of the Dodd-Frank Act, reflects BCG's own independent findings and conclusions.¹

BCG identified 16 specific initiative recommendations across four recommendation categories:

¹ The full text of the study is available online at <http://www.sec.gov/news/studies/2011/967study.pdf>

1. ***Reprioritizing regulatory activities.*** Acknowledging that the SEC is making—and will continue to need to make—difficult tradeoffs in allocating resources to highest priority needs, the study recommends that the SEC engage in a rigorous assessment to better prioritize its needs and reallocate resources accordingly.
2. ***Reshaping the organization.*** The study recommends several initiatives by which the SEC can reshape its organizational structure, roles and governance to maximize efficiency, effectiveness and collaboration and drive continuous improvement.
3. ***Investing in enabling infrastructure.*** The study concludes that significant new investment is needed in the SEC’s key enabling infrastructure, specifically technology, human resources, risk management and high-priority staff skills.
4. ***Enhancing engagement with SROs.*** The study concludes that the SEC can improve both its oversight of, and engagement with, SROs.

In the months since the study was released, the SEC has made progress to establish the processes and infrastructure necessary to analyze the BCG study recommendations. This document is the first of four Congressional reports required by Section 967(c) of the Dodd-Frank Act that will detail the SEC’s review, analysis and implementation of the recommendations contained in the BCG study. This report describes the actions that the SEC has taken to receive, delegate and begin analysis of the BCG study recommendations; will briefly outline the progress of each established workstream; and will discuss key considerations, challenges and next steps.

3.0 Challenges

The BCG study has provided the SEC with valuable insights into how the SEC should assess its current operations. Given the broad scope of the BCG study recommendations—which touch on virtually every aspect of the agency’s operations and offices—determining the appropriate course of action to take in response and implementing those actions will require careful internal coordination and prioritization, as well as a significant commitment of staff and other resources.

A critical challenge facing SEC senior management is determining how to best implement the study recommendations in the current resource-constrained environment, especially when substantial additional work is dictated by Dodd-Frank Act deadlines. While the BCG study postulated that recommended initiatives will lead to efficiencies over the long-term, it also acknowledged that substantial up-front costs would be required to implement the recommendations. The Boston Consulting Group estimated that between \$42 million and \$55 million will be required over

approximately the next two years², in addition to the costs associated with the significant commitment of SEC management and staff time. Since the study recommendations were released outside of the standard budgeting request cycle, the agency is currently funding recommendation analysis and implementation planning through its existing budget.

Both the resource constraints and time demands pose tremendous challenges. Without adequate funding the agency may not be able to realize the efficiencies, and because of the potential pull on management and staff time there is a potential risk for detracting from core mission-critical activities. The agency recognizes this and is carefully managing utilization of leadership and staff time as the workstreams conduct analysis and design recommendations, then commence throughout a multi-year implementation period.

Additionally, the agency is aware of the impact of organizational change on management and employees. Since 2009, the SEC has undergone fast-paced and significant change in processes, policies, priorities and structure. When analyzing the BCG study recommendations and planning implementation approaches, the agency must be cognizant of its own ongoing ability to absorb change.

Since resources and absorptive capacity do not permit the agency to implement all the recommendations at once, the process will likely focus on thinking strategically and prioritizing the various initiatives. It is critically important to conduct the analysis of the recommendations at the same time: otherwise, the cross-workstream overlaps, integration points and dependencies may not be detected. As the recommendation analysis progresses, the agency will carefully examine, start and stop activities to ensure consistent decision making. The Program Management Office (PMO) will also support the workstreams in serving as that cross-workstream integration.

For those initiatives that the agency decides to implement, the analysis workstreams will carefully develop implementation plans that identify the particular actions to be taken and define a realistic and achievable schedule for implementation. Those implementation timelines will take into account workforce impacts, risks, agency change capacity, budget, dependencies / integration needs, competing demands on management, and staff time to support the day-to-day mission. The agency is also carefully assessing how to move quickly while also ensuring there is sufficient time to

² BCG's estimated implementation costs consist of a \$7 to \$10 million investment within the first six to nine months (Wave 1), followed by an additional \$35 to \$45 million over the subsequent 12 to 18 months (Waves 2 and 3). See p. 143-144.

communicate with, and give consideration to the views of key stakeholders. Finally, the agency is assessing how best to make use of management and staff time and to determine what pace of change the agency as a whole, or any particular office, can successfully absorb.

4.0 Key Accomplishments since the BCG Study Release

The agency has made consistent progress since the March 2011 release of the BCG study. Efforts have focused on putting the right people, infrastructure and processes into place to support an effort that has the potential to re-shape how the SEC executes its mission through redefined processes, roles and responsibilities, and enhanced engagement with internal and external stakeholders.

The work that is required over the next several months and years cannot be effectively accomplished without laying the groundwork for how the work will be managed, communicated and governed. To that end, the immediate focus has been on establishing an appropriate operational structure to address the BCG recommendations, including assigning an executive sponsor, establishing working groups to ensure thorough analysis of the study recommendations, establishing program management and governance protocols, and defining the management agenda and establishing a roadmap.

Over the past six months, the SEC has:

Designated the Office of the Chief Operating Officer as the BCG Study Executive Sponsor

Upon release of the study, the Chairman designated the agency's Chief Operating Officer (COO) Jeffrey Heslop as the Executive Sponsor for the agency-wide effort to analyze and recommend implementation approaches in response to the BCG study recommendations. As Executive Sponsor, Mr. Heslop works with the recommendation initiative leads, chairs the program Executive Steering Committee (ESC), oversees the Program Management Office (PMO), communicates progress to key internal and external stakeholders, and has reported to the Commission by way of Closed Meetings, workstream lead briefings and one-on-one meetings on the progress of the analysis, considerations and preliminary recommendations.

Established Workstreams and Named Workstream Leads to Drive the Recommendations

Among its observations, the BCG study outlined 16 key recommendations across four categories designed to make the SEC more efficient and effective. The agency has divided up these recommendations into separate "workstreams" in order to permit further analysis and

recommendations for action. Each workstream is assigned to a senior SEC staff member, tasked with leading the analysis of the specific issues, creating a clear statement of findings, and designing and executing or delegating implementation.

Established Program Management and Governance

The agency also took the following actions to develop and implement a management and governance infrastructure to ensure effective program oversight:

Creation of an Executive Steering Committee (ESC)

The ESC provides oversight, integration and initial decision making across all workstreams, including: evaluating individual analyses and subsequent implementation options; assessing major dependencies; approving modifications to workstream scope or schedule; analyzing impacts to the SEC workforce and culture; and developing mechanisms to assess and incorporate stakeholder perspectives. The ESC is chaired by Mr. Heslop (who reports to the Chairman), with membership comprised of Workstream Leads (or designees). The ESC utilizes two subcommittees to review implementation plans and advise on how best to prioritize, sequence and harmonize the significant work that each workstream will perform. The Operating subcommittee focuses on leading analysis and interim decision making at the workstream level, while the Executive subcommittee provides review in determining program-wide actions based on workstream conclusions. The Executive subcommittee votes on recommendations to be presented to the Commissioners for review and commentary.

Establishment of a Program Management Office

In May 2011, the SEC engaged the management consulting firm Booz Allen Hamilton (Booz Allen) to establish a Program Management Office (PMO) responsible for deploying program management processes and analysis support infrastructure. The PMO supports workstream integration, designs and delivers program communication, ensures transparency through program management tools and performance metrics, and provides support to workstreams during analysis.

Specifically, the PMO supports the ESC by: helping the ESC adhere to established criteria and thresholds for decision making and issue consideration; maintaining the program integrated schedule, risk / issue log, and program reporting tools; assisting the workstreams in the development of their schedule, schedule updates, and risk assessments; and development and dissemination of communications at the program and individual workstream level.

Finally, the PMO provides resources and technical advice to support workstream activities and augment workstream resources. In particular, the PMO supports workstreams with similar needs for organizational and alternative analysis, organizational design, human capital planning / analysis, information technology strategy, and other technical capabilities.

Development of a Program Identity and Vision: “Mission Advancement Program”

In order for the agency to adopt and “own” the implementation of agreed-upon BCG recommendations, a program name (moving away from “BCG Study” or “BCG Recommendations”) was developed to give an identity to the initiative as well as set the stage for the multi-year program. With the adoption of an identity and vision, the program was formally designated the “Mission Advancement Program” (MAP). MAP acknowledges where the agency is today and how it will continue to move forward in support of its mission. The vision of MAP is “to effectively align [the agency’s] resources against the SEC’s most critical responsibilities and enable the SEC to continue to evolve as a premier regulator that is agile and equipped to evolve in pace with the securities market.”

MAP is focused on four major “Management Agenda” items:

- Optimize Mission and Structure: Prioritize activities and structure organizational operating units to align to the SEC’s strategic direction
- Strengthen Capabilities: Provide the agency with the tools to execute its core function and monitor risk
- Improve Controls & Efficiency: Develop internal mechanisms to locate cost savings, gather data and clarify or streamline processes
- Enhance Workforce: Develop resources to meet the agency’s dynamic need for talent

The table below shows how each of the existing workstreams corresponds to MAP’s overall Management Agenda. This alignment identifies what the SEC is doing to advance its operations and infrastructure, and allows for other, non-BCG study initiatives to be easily associated with workstreams that are analyzing recommendations of a similar character from the study.

The structure of the Management Agenda and associated workstreams should also assist in managing and communicating progress in recommendation analysis and implementation.

Figure 1: MAP Workstreams Aligned to Management Agenda Items (As of August 15, 2011)

Category	MAP Initiative Recommendations
Optimize Mission &	<ul style="list-style-type: none"> • Workstream 1A / B: Create a structured, agency-wide approach to evaluate / reprioritize mission critical activities • Workstream 2A: Systematically redesign the organization • Workstream 2B: Conduct a Regional Organizational Assessment • Workstream 2C: Seek flexibility from Congress on Dodd-Frank-mandated offices
Strengthen	<ul style="list-style-type: none"> • Workstream 3A: Transform OIT and Enhance Technology Capabilities • Workstream 3C: Create a Technology Center of Excellence • Workstream 3G: Enhance risk management capabilities in line and support organizations
Improve Controls &	<ul style="list-style-type: none"> • Workstream 2D: Review Commission / Staff interaction processes and Delegations of Authority • Workstream 2E: Implement a continuous cost improvement program • Workstream 4A: Strengthen Oversight of SROs • Workstream 4B: Centralize and Coordinate approach to SRO Interaction • Workstream 4C: Strengthen / Clarify processes for SRO Rule Proposals • Workstream 5A: Conduct Outcome-Oriented Performance Measures feasibility study
Enhance Workforce	<ul style="list-style-type: none"> • Workstream 3D: Restructure OHR (Workforce Planning component) • Workstream 3E: Accelerate roll out of the SEC's EBPM system • Workstream 3F: Create a surge capacity plan • Workstream 3H: Fill vacancies with employees who meet high priority skill needs

Created a MAP Roadmap

The program has developed a tentative draft multi-year Roadmap to assess the portfolio-wide impacts of managing 17 independent workstreams with a number of dependencies, integration points, resource needs and key decisions required for successful completion.

While the Roadmap will be a living document that is continuously updated to reflect emerging needs and program activities, the initial assessment identified several potential cross-workstream dependencies, recommended workstream tasks for consolidation or collaboration, and provided an

initial overview of workstream progress. For instance, organizational assessments and restructuring efforts may rely on foundational decision recommendations to be made in *Workstream 1A / B: Create a structured, agency-wide approach to evaluate / reprioritize mission critical activities*, as well as the recommendations from *Workstream 2B: Conduct a Regional Organizational Assessment*.

5.0 Workstream Definitions and Progress to Date

Over the past six months, the primary focus of each workstream has been to analyze the assigned recommendations and determine an initial approach to analysis. This process will allow for a better understanding of the potential magnitude of change, feasibility and interdependencies of implementing MAP. As many of the initiatives touch on issues that affect the SEC's workforce, workstreams are identifying and working with all key stakeholders.

This section provides an overview of each workstream and a summary of the progress made in the last six months to respond to the BCG study recommendations.

Workstream 1A / B – Reprioritize Regulatory Activities

This workstream seeks to develop and implement a structured agency-wide approach to evaluate and reprioritize the SEC's existing portfolio of mission activities, and identify new activities to be considered for incorporation into the portfolio. Key objectives for the workstream include:

- Developing a consistent, objective approach to assess SEC activities and potentially realign SEC resources to better support the agency's mission-critical activities
- Identifying activities that should be continued / commenced, scaled back / stopped, scaled up, or delegated externally

Progress to Date: The workstream established a working group made of up representatives from all SEC divisions, the Office of Compliance Inspections and Examinations (OCIE), the Office of the Chief Accountant (OCA), the Office of the General Counsel (OGC), and the Office of International Affairs (OIA). As part of this process, the working group has engaged leadership across the agency and has developed inventories of activities for each division and office, including activities that are currently undertaken, recently enacted statutory activities, and new activities to be considered. The working group is developing an evaluation methodology that will be used to identify critical and high-impact activities for each division and office that should be considered for potential

continuation / commencement, scaled back / stopped, scaled up or delegated externally. By late Fall 2011, the working group will have established and selected key activities that will undergo detailed evaluation and impact assessments in order to develop implementation plans. It is expected that implementation of the resulting recommendations will begin in 2012.

Workstream 2A – Reshape the Organization

One of the four overarching recommendations resulting from the BCG study was to “Reshape the Organization” with regard to organizational design, in particular around the structure of divisions, operations management and regional models. The goal is to consider how the SEC can be reshaped through a process that strengthens and establishes clear lines of accountability, provides definitions of roles and responsibilities, understands the talent pool, identifies decision rights and streamlines organizational structures to achieve operational efficiency and effectiveness. Reshaping the organization is important to ensuring that the SEC is properly allocating its human and financial resources. The SEC has been forward-looking in its use of organizational re-shaping to drive efficiencies in its mission. Since 2009, the SEC has carried out a comprehensive review of its two largest programs – the Division of Enforcement and the OCIE – to ensure effective performance. In addition, the Division of Corporation Finance (CF) has reshaped its organization to address issues identified by the recent financial crisis. BCG concluded that the SEC could simplify the support office structure by consolidating the OCOO and the Office of the Executive Director (OED) into one office, which has been accomplished.

The SEC is taking a methodical and prioritized approach to its restructuring efforts. With the restructuring of the two largest programs nearing completion, the agency is now turning its focus on re-shaping the support functions, including the Office of Administrative Services (OAS), the Office of Financial Management (OFM), and the Office of Human Resources (OHR). Additionally, the SEC is establishing its first Office of the Chief Data Officer (OCDO). These offices have been selected for the next wave of analysis and implementation as they are critical to serving the direct mission functions of key operating divisions and offices, and require efficiencies and restructuring to do so.

Workstream 2A – 1 – Office of Administrative Services Organizational Assessment

This workstream is conducting a comprehensive organizational analysis of the Office of Administrative Services (OAS) that provides recommendations for optimal organizational design

and processes / procedures to improve internal controls and meet organizational requirements in support of mission and customer requirements. The assessment is on-going, but will eventually provide a detailed summary of OAS's organizational structure, workforce, talent management, policies, procedures and governance, business processes, internal controls, and will result in the development of recommendations for improved operations, as well as a corrective action plan.

Progress to Date: The workstream has convened a working group of senior executives and managers within OAS, and the OCOO with coordination with the OFM and the OHR. The working group has developed a systematic approach to conducting the organizational assessment to include defining core acquisition and leasing processes, policies, staffing and skills analysis. The working group identified best practices across industry, including General Services Administration (GSA) practices in leasing and acquisition, and has begun to assess the impact of the upcoming transition of leasing activity to GSA. The group is in the process of developing a real property governance framework to ensure accuracy in scope and scale of all real property requirements (new space, lease renewals, space reconfigurations, etc.) and to include approvals from appropriate SEC stakeholders depending on pre-defined thresholds. A review of all background policies and procedures for OAS functions, Management Assurance Process planning, and development of internal controls for all OAS functions has commenced.

The intended outcome of these initial efforts is to improve the governance model for real property and to assess the impact of and facilitate the upcoming transition of leasing activity to GSA. These efforts will also assess and improve internal controls in all OAS core processes. The overall assessment is expected to be completed in November 2011.

Workstream 2A – 2 – Office of Financial Management Organizational Assessment

This workstream is conducting an organizational assessment to enable more efficient and effective delivery of OFM's financial management and budget functions to headquarters and all regional offices. Reshaping the OFM is vital to ensuring that the SEC is properly allocating its resources and operating under the umbrella of effective internal controls and that its policies and procedures reflect an adequate control environment. OFM is focused on migration to a new financial management system that will be hosted, operated, and maintained by the Department of Transportation's Enterprise Service Center (ESC) Federal Shared Service Provider (FSSP). As a result of this change, OFM is performing an organizational assessment prior to transitioning to the

FSSP in Spring 2012. The objective of the workstream is to assess the entire OFM organization with a focus on the impact to its functions, processes and workforce as a result of the FSSP transition. The assessment will provide recommendations for a streamlined and optimal operating model that effectively facilitates OFM mission needs, while enhancing internal controls, transparency and organizational performance.

The assessment is on-going, but will eventually provide a detailed summary of OFM organizational structure, workforce, talent management, governance and key business processes, resulting in the development of recommendations for improved operations.

Progress to Date: To align OFM’s mission requirements and future needs, the workstream initiated a comprehensive review of the current OFM functions, key processes, resources (e.g., workforce, IT systems) and capabilities. As part of the baseline review, the OFM organizational assessment workstream is coordinating closely with the FSSP transition project team to identify functions that are transitioning to the shared service provider and new ones that will need to be created. This data, along with inputs collected from OFM management interviews and organizational best practices, will inform the initial design requirements for a new OFM operating model design. The workstream is developing a workforce analysis and skills assessment framework to analyze workforce / skills requirements and gaps. The overall assessment is expected to be completed in Fall 2011, with a phased implementation commencing immediately to allow OFM to meet the FSSP transition schedule.

Workstream 2A – 3 – Office of the Chief Data Officer Organizational Stand-Up

This workstream will institute the role and function of the Chief Data Officer (CDO) at the SEC. The CDO function is being created to drive better understanding, management, sharing and optimization of the SEC's data, a critical enterprise asset. The CDO has two primary focus areas: to establish and implement data management policies, processes, standards and governance; and to envision, develop and lead the transition to the SEC's future target data architecture, to realize improved integration, access to, and availability of enterprise data. The CDO will be responsible for integrating strategic goals for enterprise data across the lines of business and the OIT, leading and facilitating collaborative joint initiatives. As part of its creation, the CDO will establish a data management program with appropriate governance structures; develop policies, processes, standards and structures to support effective management of data at all levels of the SEC; and drive

the development of, and transition plan for, a streamlined, efficient, sharable target data architecture. The end goal is to create a world-class enterprise data management capability, supported by an optimized architecture.

Progress to Date: The CDO represents the newest of the *Workstream 2A* organizational assessment studies and is in the process of defining its charter and approach for an SEC-wide data management program. Led by the CDO, the working group is currently developing its vision and communicating its role and functions to the SEC. The initial focus is on defining and establishing roles and responsibilities, operational models, decision rights, authorities and the governance structures required to drive the data strategy. While the overall operating model is under development and infrastructure options are being considered, the working group is continuing to build out the core operational data architecture plans and models. The CDO is also preparing to lead an Enterprise Data Management Assessment to evaluate the current state of the SEC's capabilities against industry best practices, analyze priorities and gaps, and develop a detailed roadmap and task plan. All of this information will be captured in an Enterprise Data Management Program Strategy and Plan by Fall 2011, with core stand-up activities such as the establishment of an executive Data Governance Council; development and publication of data management policies, processes and standards; and development of a high-level target Enterprise Data Architecture.

Workstream 2B - Conduct a Regional Organizational Assessment

The OCIE and the Division of Enforcement (Enforcement) are co-leading the regional organizational assessment workstream to ensure that best practices are leveraged across their respective programs. Since both OCIE and Enforcement have undertaken large-scale restructurings in the past two years, this workstream will also review those efforts to determine if additional changes are appropriate. Specifically, this workstream will critically assess whether today's headquarters and regional structure optimally supports the OCIE and Enforcement national programs. The study will examine areas such as location strategy, role clarity, reporting relationships, resource allocation and operational support. The workstream will undertake a disciplined and transparent process to assess the need for any organizational changes with the goal of maximizing efficiency, effectiveness and collaboration across the agency.

Progress to Date: Under the direction of the Directors of OCIE and Enforcement, the regional organizational assessment workstream formed four subcommittees focused on developing a

regional location approach for the SEC, improving regional operational functions, and improving mission effectiveness and efficiency of the OCIE/National Exam Program (NEP) and Enforcement programs.

The Location subcommittee has begun developing evaluation criteria, identifying potential alternative structures, and gathering pertinent data to analyze the regional model alternatives.

The Regional Operations subcommittee is currently interviewing regional office and headquarters leadership to better define respective roles and responsibilities, and to identify similarities and differences of operational functions across regional offices.

The Enforcement subcommittee is considering success criteria, lessons learned from the previous large-scale restructuring initiatives in OCIE and Enforcement, resource efficiency, policy or procedural streamlining opportunities and alternative structural models.

The OCIE subcommittee is analyzing home and regional office roles and responsibilities and has developed a draft framework for analysis.

Analysis has commenced within the workstream and should be complete in late Fall 2011, with recommendations and implementation plans to follow.

Workstream 2C - Seek Congressional flexibility for offices mandated by the Dodd-Frank Act

The Dodd-Frank Act requires that the SEC create four new offices that report directly to the Chairman, including the Office of Municipal Securities (OMS), the Office of Credit Ratings (OCR), the Office of the Investor Advocate (OIAD), and the Office of Minority and Women Inclusion (OMWI). As described in the BCG study, the creation of these offices and their proximity to the Office of the Chairman was primarily intended to increase the visibility of the functions that they contain, enhancing the degree of focus and resources accorded to them.

The BCG study recommended that the SEC seek the flexibility from Congress to design its organization structure in a manner consistent with the activities required to be performed by the Dodd-Frank-mandated offices, while avoiding unnecessary duplication. Doing so would allow the SEC to reduce organizational complexity, maximize flexibility in organizational redesign efforts, improve operational performance, and locate efficiencies.

Progress to Date: The SEC has communicated the findings of the BCG study to Congress in a number of ways. In addition to providing the BCG study to Congress, the BCG recommendations regarding the offices have been cited in testimony by the Chairman. For example, the BCG recommendations were recently cited by a Congressional committee as a basis for its conclusion regarding funding for the offices.

Workstream 2D - Review Commission / Staff Interaction processes and Delegation of Authorities (DOA)

This workstream will assess the Commission / Staff interaction and delegation process. A number of the SEC's daily operations and decisions have, over time, been delegated by the Commission to operating divisions and offices. In areas where the Commission has delegated authority, it may sometimes lack desired visibility into staff decision making processes and ready means for exercising oversight. Conversely, there may be areas where the SEC wishes to delegate certain actions, but has not done so and, as a result, this can affect the SEC's efficiency and speed of decision making.

Given this, BCG recommended that the Commission establish and execute a consistent process for regular review of delegated authorities to clarify which decisions should be delegated to SEC staff and which should be retained by the Commission, focusing both on areas for further delegation of authority, and on areas where the Commission should consider reclaiming authority that has been delegated.

Progress to Date: The work to identify and analyze the potential impact of modifying interaction and delegation structures has begun. Analysis is underway that should lead to recommendations on additional delegation, rescissions of delegation, feasibility of additional reporting and process improvements.

Workstream 2E - Implement a Continuous Cost Improvement Program

As part of the BCG recommendations, the Continuous Cost Improvement Program (CIP) workstream was formed to enhance the quality and cost effectiveness of the support functions at SEC. While the overall objective is to institutionalize continuous improvement processes across the SEC organization, thereby creating greater awareness across the agency about cost saving approaches and opportunities, there are other goals of this workstream, including:

- To better understand SEC’s organizational spending in terms of actual cost of products and services
- To identify and isolate areas of organizational spending that can be reduced or re-purposed to free up additional funds in support of mission-critical activity
- To identify areas which are not core competencies of the SEC and leverage alternative sources for these services which are more cost effective

Progress to Date: To date, the cross-functional working group consisting of members from across the Divisions, Offices, Support Operations, and Regions, has convened to gather and identify new savings ideas. The working group has begun to review and analyze cost savings opportunities across the SEC, identifying four levels of savings opportunities - quick-hits, short, medium and long-term savings. A small set of quick hits have been identified, with short, medium and long term opportunities being identified in the Fall timeframe, and with implementation to commence upon approval of the recommendations. The working group envisions developing an on-going, repeatable process for CIP after the initial savings opportunities (quick hits, short, medium and long-term) have been identified, approved and implementation has begun.

Workstream 3A - Transform the Office of Information Technology and Enhance Technology Capabilities (includes workstream 5G: Improve Technology-Delivery)

While the BCG study noted the agency’s “promising” momentum with regard to technological sophistication, it also recommended that SEC devote attention to the development of a technology strategy that understands the technology needs of SEC, and provides the staff with the technology it requires to perform most effectively. The two main objectives are to improve the Information Technology (IT) offerings from the Office of Information Technology (OIT) and improve the effectiveness of OIT organization.

Progress to Date: The OIT redesign is well underway and is in the process of phasing in infrastructure and operations to support the future mission of the SEC. A reorganization of the OIT organization began in January, 2011 and was completed in June, 2011. The reorganization is designed to strengthen communication and collaboration between OIT and other SEC Divisions. A Project Management Center of Excellence was created with significant focus placed on IT Best Practices. Automated and comprehensive metrics collection was introduced to improve the efficiency and management oversight of our operations staff and contractors. Analysis and revision

of existing OIT policies resulted in the elimination of 609 policies (a 91% reduction). Several Lean Business Process Redesign efforts have been implemented to improve the efficiency and effectiveness of OIT processes. Additionally, Information Technology Infrastructure Library (ITIL) Version 3 (an international IT Best Practice) performance measurements, operations, Service Desk enhancements, and a governance framework were introduced in May 2011.

Several IT systems were placed into production in order to improve the operational efficiency of the SEC Enforcement, OCIE, Trading and Markets and other divisions. A state-of-the-art automated business process workflow system was deployed to improve the intake and resolution of Tips Complaints and Referrals (TCR). The HUB system leverages many of the TCR system components to provide a more efficient case management system for the Division of Enforcement. In early August, the TRENDS Examiner Investigation system was deployed for OCIE. The SEC is utilizing the Edgar Filer System for the collection and storage of Dodd-Frank filing documents in order to minimize system development and on-going operational costs.

Workstream 3C - Create a Technology Center of Excellence

This workstream will help the SEC better understand the technologies employed by market participants and venues, while also supplying an awareness of emerging technologies relevant to the securities markets. The workstream will study technology innovations and identify strong candidates for internal adoption by the SEC in partnership with all Divisions and the OIT.

Progress to Date: The vision and concept behind the Center of Excellence has been established and is in development, and a Steering Committee has been appointed to guide the decision making around the components and technologies that should be considered or introduced at the SEC. The analysis of best practices and technology benchmarking has commenced and will continue through 2012.

Workstream 3D - Restructure the Office of Human Resources

This workstream is focused on conducting an assessment of the Office of Human Resources (OHR) organizational structure, resources, functions and processes to develop the OHR strategy and operating model. Specific areas of study include how to improve service to the agency's operating divisions through embedded HR experts, more clearly define OHR's administration, client relation and center of expertise functions and specialities, expand and centralize the SEC's training programs and streamline the recruitment process. Additionally, this workstream will develop a

profile of SEC workforce demographics and trends, along with a workforce gap analysis and supporting human capital recommendations to provide data-driven justification for decision making.

Progress to Date: The OHR workstream has established a working group, which completed a review of the current “as-is” structure of OHR and documented this in an updated organizational chart. The working group has identified key OHR staff and customers, and is conducting interviews to understand the current state of OHR operations and to gather customer feedback. The current state analysis will be completed by Fall 2011.

The working group has also reviewed SEC strategic documents and SEC-wide personnel data to analyze the workforce demographic and trends, and has begun working sessions with stakeholders to quantify the SEC’s workload and current staffing levels and assess workforce gaps / risks within each organizational unit and across the SEC as a whole.

Workstream 3E - Accelerate roll out of the SEC’s Evidence-Based Performance Management System

This workstream will review the current Evidence-Based Performance Management (EBPM) system implementation and compare it with federal government performance management best practices. The workstream will develop enterprise-wide training curriculum for management and staff, ensuring full understanding and consistent use of the new system. These activities will increase transparency with the performance management process. The EBPM system will have the ability to differentiate between the levels of performance with the goal of improving consistency both within and across SEC Divisions/Offices.

Progress to Date: The working group has conducted a review of the EBPM system, and begun to revise the EBPM policy, incorporating best practices in performance management. The working group will develop a draft communications plan to identify how the EBPM team will engage stakeholders at all levels of the organization to build awareness, understanding, and support for EBPM implementation across SEC. Additionally, the working group will develop an enterprise-wide training curriculum for management and staff. The training is scheduled to be conducted and completed in early Fall 2011. The revised EBPM policy and implementation recommendations are scheduled to be completed in Fall 2011.

Workstream 3F - Create a Surge Capacity Plan

This workstream is focused on developing mechanisms to manage the workforce to ensure adequate capacity. The SEC has historically experienced sudden and sharp increases in workload and has limited workforce planning processes to efficiently and effectively support the demand. Market events, legislation and other drivers can create a need for surge support in rule writing, filing reviews, examinations, enforcement and support services. In order to develop the ability to manage the SEC's workforce and ensure adequate capacity, this workstream will:

- Identify stakeholders (i.e., offices that may require direct and indirect surge support) and interdependencies (e.g., space planning, IT, training, contracting resources)
- Benchmark against government agencies, businesses and other relevant entities
- Identify internal and external staffing options to address surge capacity needs and any related impediments

Progress to Date: This workstream has begun analysis of workload surge drivers, conducted an assessment of the current process to meet surge needs and has commenced benchmarking activities against other federal government agencies to determine how other agencies plan for and ramp up during surge times. As analysis continues, the workstream will continue to conduct “what-if” scenarios and surge capacity staffing options into Fall 2011, with recommendations to follow.

Workstream 3G - Enhance Risk Management Capabilities in Line and Support Organizations

This workstream is focused on assessing current, and implementing further, programs related to two aspects of risk management – one that is externally-facing and concerns risks that involve markets and participants overseen by the SEC (Markets Risk Management subcommittee), and one that is internally-facing and concerns operational risk in the day-to-day work of the SEC itself (Operational Risk Management subcommittee).

Progress to Date: The Markets Risk Management subcommittee has begun to catalogue existing risk management initiatives to assess cross-division priorities, areas that might require further coverage, synergies across related programs, and enhanced communication channels. Through Fall 2011, the workstream will continue to explore potential future approaches to market risk monitoring, defining the roles and responsibilities within the SEC and evaluating the pros and cons of further embedding risk capabilities into the mission support areas or at an enterprise level.

The Operational Risk Management (ORM) subcommittee has established a program office within the Office of the Chief Operating Officer to drive a coordinated approach across the SEC. ORM has been working closely with OIT to pilot an operational risk management program and has integrated ORM tools and techniques into the FSSP program. Additionally, the ORM subcommittee is overseeing the embedding of internal controls into the restructuring of OAS, OFM, and OHR redesigns, where applicable.

Workstream 3H - Fill Vacancies with Employees who meet High Priority Skill Needs

This workstream is focused on addressing two high priority agency needs: (1) hiring new staff whose skill sets are “hard to recruit,” “hard to hire” and “hard to slot” and (2) developing and executing a process to address mission-critical administrative staff needs. The BCG study identified several areas where the SEC would benefit from increasing organizational and individual skills capacity. Specifically, the study highlighted a number of required skill sets, including an understanding of new technologies (e.g., high frequency trading), industry expertise and other areas. Consistent with this recommendation, the agency has focused hiring in FY 2011 on developing needed skills, including specialized industry expertise in such areas as over-the-counter derivatives.

Progress to Date: This workstream has begun gathering information on the SEC’s experience in hiring “hard to recruit,” “hard to hire” or “hard to slot” employees. This assessment will focus on the factors that attracted “hard to hire” employees to the SEC, and the ways that managers have resolved challenges with “hard to slot” employees. Additionally, the workstream has begun to identify mission-critical administrative staff needs, which will inform future process development.

Workstream 4 Enhance SRO Engagement Model (Workstream 4A - Strengthen Oversight of SROs; 4B - Centralize and Coordinate approach to SRO Interaction; Workstream 4C - Strengthen / Clarify processes for SRO Rule Proposals; 5A Conduct Outcome-Oriented Performance Measures)

This workstream is focused on enhancing the internal interaction model and external collaboration approach with SROs. The BCG report concludes that the SEC can improve both its oversight of SROs and its engagement with SROs. The report recommends three initiatives: to strengthen oversight of SROs through enhanced disclosures about regulatory activities, improved metrics and standards to measure performance, and enhanced oversight of FINRA; to centralize and coordinate

the agency’s interactions with SROs; and to strengthen the processes for reviewing SRO rule proposals.

Progress to Date: Preliminary analysis of opportunities to improve SRO engagement and oversight has been conducted, with early emphasis and analysis on outreach and collaboration opportunities identified over the next 6-24 months. The working group is planning an “SRO Outreach” in early Winter to bring together the SROs and the SEC to discuss ways to strengthen the relationship, and to hear from industry leaders on emerging trends and topics. The workstream is also analyzing ways to improve SRO oversight through review of various mechanisms for SRO regulation, as well as assessing the use of metrics.

Additionally, Dodd-Frank substantially revised the Securities Exchange Act provisions applicable to how the SEC reviews and processes proposed rule changes submitted by SROs. As required by that legislation, the SEC has revised the way it reviews and processes proposed rule changes submitted by SROs. SEC staff is also considering how to enhance, consistent with the BCG recommendations, internal coordination and communication in connection with the rule filings process. One such enhancement relates to efforts to identify and escalate complex filings earlier in the review process. Specifically, the Division of Trading and Markets has begun to circulate to the Commissioners’ offices a Dashboard report of SRO Proposed Rule Changes, which includes key information on selected filings that raise significant issues. In the coming months, the SEC will continue to explore ways to further strengthen the SRO rule filing process.

Workstream 5A - Conduct Outcome-Oriented Performance Measures Feasibility Study

This workstream will assess the feasibility of developing outcome-oriented performance metrics to measure SEC progress in achieving the agency’s mission, and will update the existing SEC Strategic Plan with newly-identified performance goals and measures. The workstream will establish clear and effective alignment throughout the agency on linkages between performed activities and strategic goals, and will work to improve stakeholder understanding of strategic goals and their alignment to desired market outcomes.

Progress to Date: The workstream has established a Strategic Plan Addendum working group consisting of senior staff from 16 of the major divisions and offices that has a broad understanding of the division / office’s strategic priorities and program initiatives. The working group has begun evaluation of the existing strategic and performance planning framework. The working group has

integrated with the MAP workstreams to ensure it understands the intent of each of the workstreams and how they may impact key goals, objectives and measures in the SEC Strategic Plan, Performance Accountability Report (PAR), and Budget requests to the Office of Management and Budget (OMB) and Congress. ENF and OCIE continue to drive forward in developing more outcome oriented performance measures to better measure and communicate program success. For example, ENF's Office of the Managing Executive is leading the division's efforts to create and collect data, including a dashboard of quantitative and qualitative metrics, and to incorporate this data into their regular review process. OCIE has also developed new metrics and uses them to manage the National Exam Program. The overall goal of this workstream is to work with each of the division/offices to establish new or revise existing performance measures, as required, to align to SEC strategic direction in preparation for the February 2012 Strategic Plan release.

6.0 Conclusion

The SEC recognizes that implementation of many of the ideas in the BCG study will require a long-term commitment and sustained effort over several years to successfully implement. While still in the early stages of implementing the BCG recommendations, the SEC is committed to an open and transparent process. Consistent with the statute, the agency intends to report to Congress on a regular basis on the actions taken in response to the study.