U.S. GOVERNMENT ACCOUNTABILITY OFFICE

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

November 16, 2026

The Honorable Paul S. Atkins
Chairman
United States Securities and Exchange Commission

Financial Audit: Securities and Exchange Commission's FY 2026 and FY 2025 Financial Statements

Dear Mr. Atkins:

This report transmits the GAO auditor's report on the results of our audits of the fiscal years 2026 and 2025 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 2026 Agency Financial Report*.

As discussed more fully in the auditor's report that begins on page 38 of the enclosed agency financial report, we found

- the SEC and IPF financial statements as of and for the fiscal years ended September 30, 2026, and 2025, 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, 2026; and
- no reportable noncompliance for fiscal year 2026 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 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

[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. §§ 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.

[2]31 U.S.C. § 3515.

Congress.[3] In accordance with our authority to audit statements and 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 clarkce@gao.gov. Contact points for our Offices of Congressional Relations and Media Relations 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.

//SIGNED//

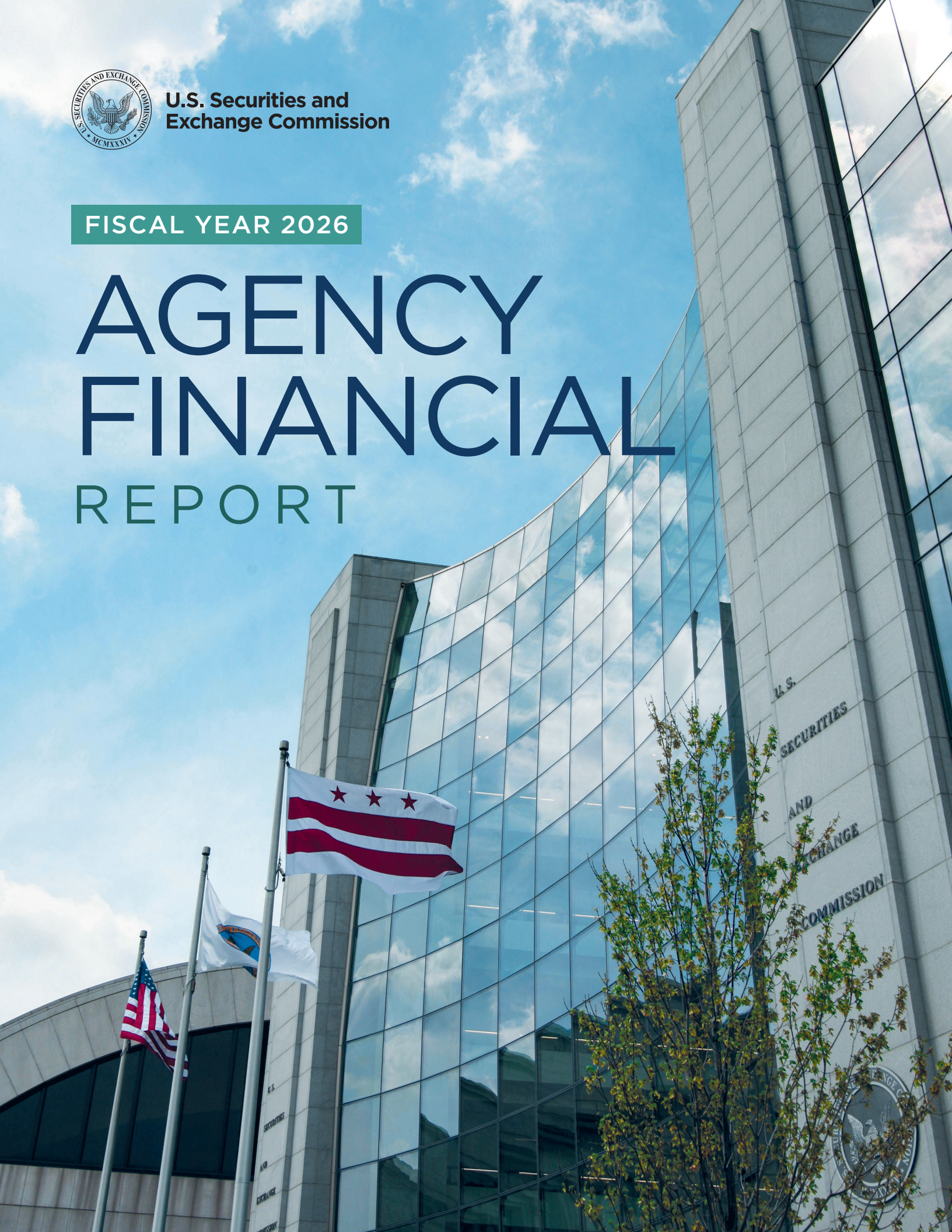
Cheryl E. Clark
Director
Financial Management and Assurance

Enclosures

[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)).

[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)).



FISCAL YEAR 2026

AGENCY FINANCIAL REPORT

SEC AT-A-GLANCE

Established in
1934

Approximately
4,000
STAFF MEMBERS

Headquarters in DC
10 REGIONAL OFFICES

6 DIVISIONS
and
25 OFFICES

WHAT WE OVERSEE

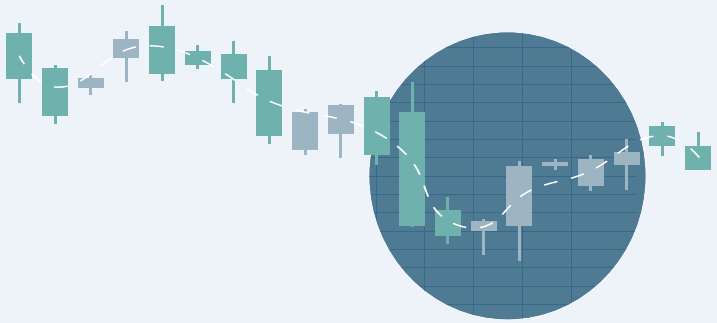
More than
30,000 ENTITIES,
including over:

- **13,500** REGISTERED FUNDS
- **16,000** INVESTMENT ADVISERS
- **3,200** BROKER-DEALERS
- **410** MUNICIPAL ADVISORS

As well as

- **333** registered **TRANSFER AGENTS**
- **116** alternative **TRADING SYSTEMS**
- **29** national **SECURITIES EXCHANGES**
- **11** credit **RATING AGENCIES**
- **8** active registered **CLEARING AGENCIES**
- **3** security-based swap **DATA REPOSITORIES**

Plus
PCAOB, FINRA, MSRB, SIPC, FASB



MESSAGE FROM THE CHAIRMAN



SEC CHAIRMAN
PAUL S. ATKINS

OUR MISSION

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

At the start of my Chairmanship, I declared a new day at the U.S. Securities and Exchange Commission (SEC)—one in which we return to the Commission's core mission of protecting investors; maintaining fair, orderly, and efficient markets; and facilitating capital formation. I am pleased to report that in Fiscal Year (FY) 2026, we made significant progress in restoring the work that Congress first entrusted to us more than 90 years ago, and at the same time, modernizing our regulatory frameworks to meet the realities of today's markets, as outlined in the pages that follow. We are revitalizing America's capital markets while ensuring that they remain worthy of the trust that investors place in them.

That investor trust is underpinned largely by investor protection—the facet of our mission that tasks us with holding accountable those who defraud investors and exploit our markets. To that end, we have focused our enforcement efforts on rooting out real fraud and abuse, rather than reaching numeric milestones, so that investors can confidently participate in the deepest and most liquid capital markets in the world. The second pillar of the SEC's mission—maintaining fair, orderly, and efficient markets—demands that our rules be grounded in sound cost-benefit analysis rather than reflexive expansion. From my first day as Chairman, this Commission has worked to unwind decades of regulatory creep and apply the minimum effective dose of regulation needed to do the job Congress gave to us.

The third pillar of the SEC's mission is capital formation—the channel through which investors' capital flows to innovators and industry. When that channel narrows, so does the economic growth and opportunity it makes possible. During FY 2026, we have taken steps toward clearing the obstacles that have discouraged companies from going and staying public, and to cultivate new ground for investment and enterprise to flourish. These three distinct but interlocking pillars have guided our work during my tenure as Chairman, and they will continue to do so in the years ahead.

Returning to our founding principles, however, does not mean clinging to the rules and tools of a bygone era. While adhering to our mission, we have also seized upon the emerging possibilities of today's markets and technology. For example, after years of uncertainty and regulation by enforcement, we have taken historic steps to develop a rational, workable framework for digital asset markets that establishes clear rules for the issuance, custody, and trading of digital assets while preserving the critical investor protections that guard against fraud.

On my appointment as Chairman, I also committed to reversing the troubling decline of the number of publicly traded companies in the United States, which had fallen by roughly 40 percent since the mid-1990s. Through disclosure reform focusing on the quality of information grounded in materiality and other proposals and initiatives described in this report, we are once again making it attractive to become a public company—restoring opportunity for entrepreneurs to raise capital and for everyday Americans to invest in the next generation of American enterprise. From Q1 2025 through Q2 2026, 583 companies have gone public, representing a 75 percent increase compared to the previous 6 quarters (Q3 2023–Q4 2024). And those companies raised an impressive $208 billion, nearly 4 times the amount raised during the prior period.

Of course, this transformative work is only accomplished with the Commission's greatest asset—its people. Across our Washington, DC, headquarters and 10 regional offices, approximately 4,000 dedicated public servants carry out the agency's mission with integrity and skill. For context, the agency currently oversees more than 30,000 entities, including over 13,500 registered funds, over 16,000 investment advisers, 3,200 broker-dealers, and over 410 municipal advisors, as well as 333 registered transfer agents, 116 alternative trading systems, 29 national securities exchanges, 11 credit rating agencies, 8 active registered clearing agencies, and 3 security-based swap data repositories. Our oversight responsibilities extend also to other organizations, including the Public Company Accounting Oversight Board (PCAOB), the Financial Industry Regulatory Authority (FINRA), the Municipal Securities Rulemaking Board (MSRB), the Securities Investor Protection Corporation (SIPC), and the Financial Accounting Standards Board (FASB). The scale of this responsibility reflects the complexity and dynamism of modern capital markets.

We made great leaps to deliver on what we set out to do in FY 2026, but there is more work ahead. We will continue to protect investors from fraud and markets from manipulation. We will keep unleashing capital formation rather than encumbering it. We will further advance our regulatory frameworks for the modern era, continue to provide a clear and durable path forward for digital assets, and ensure that our rulebook is fit-for-purpose to the benefit of all Americans. In doing so, we will make certain that the United States remains the best and most secure place in the world to invest and to do business.

I am pleased to present the FY 2026 Agency Financial Report (AFR), which reflects our progress in advancing these priorities and the dedication of the staff who made it possible. The AFR also includes the results of an independent audit of our FY 2026 financial statements. The financial and performance data in this report are complete and accurate under the Office of Management and Budget guidance.



PAUL S. ATKINS
Chairman
November 9, 2026

CONTENTS

Introduction **1**

Management's Discussion and Analysis **3**

About Us 4

Our Year in Review 5

Financial Highlights 16

Performance Highlights 23

Analysis of Systems, Controls, and Legal Compliance 30

Annual Assurance Statement 31

Management's Assessment of Internal Control 32

Risk Management and Internal Control 32

Other Reviews 33

Federal Information Security Modernization Act (FISMA) 34

Financial Section **37**

Report of Independent Auditors 38

Enclosure I: Management's Response to Audit Opinion 45

SEC Financial Statements 46

Notes to the Financial Statements 51

Investor Protection Fund Financial Statements 92

Notes to the Investor Protection Fund Financial Statements 94

Other Information **105**

IG's Statement on Management and Performance Challenges 106

Summary of Financial Statement Audit and Management Assurances 121

Payment Integrity Reporting Details 122

Civil Monetary Penalty Adjustment for Inflation 124

Appendices **127**

Appendix A: Glossary of Select Terms 128

Appendix B: Acronyms, Initialisms, and Abbreviations 139

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 2026 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 2028 Congressional Budget Justification Report available in 2027.

The FY 2026 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, including its mission, organization, history, and purpose, as well as select FY 2026 performance data. This section also includes management's assurances on internal controls and an analysis of the SEC's financial position and operations.

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 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 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, including a glossary of selected terms and frequently used acronyms, initialisms, and abbreviations.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section provides a high-level overview of the agency and its FY 2026 program and financial performance.

About Us

Explains the SEC's mission, organization, history, and purpose.

Our Year in Review

Summarizes the agency's mission-focused priorities throughout FY 2026, and details specific areas upon which the SEC will continue focusing to fulfill 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 performance planning framework, select FY 2026 performance results, and the process used to verify and validate that data.

Analysis of Systems, Controls, 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.

Our Mission

Protect investors; maintain fair, orderly, and efficient markets; and facilitate capital formation.



ABOUT US

Our Organization

The SEC is an independent federal agency led by a bipartisan Commission of up to five members—one of whom is designated as the Chairman—with staggered five-year terms.

Each member of the Commission is appointed by the President and confirmed by the Senate. The Chairman serves as the chief executive and, by law, no more than three of the Commissioners may belong to the same political party.

The SEC's headquarters are in Washington, DC, and there are 10 regional offices across the United States. (See SEC.gov/about/regional-offices.)

In FY 2026, the agency's functional responsibilities were organized into 6 divisions and 25 offices. A detailed organizational chart is available at SEC.gov/files/secorg.pdf.

Our History

Prior to the Great Crash of 1929, there was little support for federal regulation of the securities markets.

When the stock market crashed in October 1929, public confidence in the markets plummeted. Congress held hearings to identify problems and search for solutions.

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

The SEC was established to regulate and enforce this legislation.

Our Purpose

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 (Dodd-Frank Act), the agency's jurisdiction was expanded to include certain participants in the derivatives markets, private fund advisers, and municipal advisors.

OUR YEAR IN REVIEW

During Fiscal Year (FY) 2026, the SEC focused its efforts on returning to the agency's statutory mandate. Under the current Chairmanship, the Commission's decisions and rulemaking processes have remained faithful to the tripartite mission articulated by Congress: protecting investors; maintaining fair, orderly, and efficient markets; and facilitating capital formation. In addition, the rulemaking process has considered substantial feedback from the public.

The following summarizes the agency's actions during FY 2026 that reflect the Commission's strategic priorities to advance the agency's regulatory framework for the modern era, clarify jurisdictional lines, and transform the agency's rulebook to revitalize the U.S. capital markets—the deepest and most liquid markets in the world.

Advance

The SEC under Chairman Atkins' leadership is focused on bringing the agency's regulatory frameworks into the modern era and crafting rules that are clear enough to guide markets, flexible enough to accommodate innovation, and firm enough to protect investors.

Digital Assets

Building on the efforts made by the SEC's Crypto Task Force during FY 2025, the Commission continued to take historic steps to cement America as the crypto capital of the world in FY 2026.

On March 17, 2026, the Commission issued an interpretation clarifying how the federal securities laws apply to certain crypto assets and transactions involving crypto assets, providing long-needed clarity to innovators and investors in the digital assets markets. This is what regulatory agencies are designed to do: draw clear lines in clear terms. The interpretation acknowledges what the SEC, until now, had previously refused to recognize: that most crypto assets are not themselves securities. And it reflects the reality that investment contracts can come to an end.

On August 18, 2026, the SEC proposed Regulation Crypto Assets, rules that would provide crypto innovators with pathways to raise capital in the United States while also providing appropriate investor protections. The proposed rules include two exemptions from the registration requirements of the Securities Act of 1933 specifically tailored to certain investment contracts involving crypto assets. The first is a one-time exemption that would permit offerings of up to $5 million during a four-year period. The second exemption would permit offerings of up to $75 million during each 12-month period.

In line with the Commission's earlier interpretation, this proposal would also include a safe harbor for determining when an issuer has completed or permanently ceased all essential managerial efforts that it represented or promised it would take under an investment contract. Congress designed our securities laws to amplify—within specific guardrails—opportunities for entrepreneurs to innovate and build new products. Advancing this regulatory framework is a key element in our strategy to align our rulebook to today's realities and is another step by the Commission to onshore innovation in crypto asset markets.

Following proposed Regulation Crypto Assets, on September 17, 2026, the SEC took another stride forward to bring America's capital markets into the digital age by facilitating onchain trading of certain tokenized stocks. The Innovation Exemption grants a temporary conditional exemption from the definition of "exchange" and enables the creation of "tokenized securities venues" (TSV) that bring together the buyers and sellers of tokenized National Market System (NMS) stock, complete with investor protection guardrails.

In addition, the order temporarily grants a conditional exemption from the definition of "dealer," as defined in Section 3(a)(5) of the Securities Exchange Act of 1934 (Exchange Act), to liquidity providers in an AMM Liquidity Pool used by a TSV. This exemption applies to those who supply liquidity in the form of tokenized NMS stock using proprietary capital and may also be engaged in additional activities that are indicative of dealing activity, such as quoting pricing to customers or entering into agreements to provide committed capital.

LIQUIDITY

The ease with which an asset, or security, can be converted into ready cash without affecting its market price.

Together, these efforts further a comprehensive, tailored securities offering and trading regime intended to address long-standing barriers to responsible capital formation and innovation within domestic crypto asset markets, while preserving the investor protections at the core of federal securities laws.

E-Delivery

On July 16, 2026, the SEC proposed Regulation E-Delivery, a rule that would expand the ability of issuers, broker-dealers, investment advisers, and others to use electronic delivery to satisfy information delivery requirements under the federal securities laws.

In an age of super intelligence (SI)[1] and blockchain technology, a default to paper delivery should be a relic, not a standard. The proposed updated e-delivery approach generally would supersede the Commission's decades-old, guidance-based e-delivery approach and provide savings to issuers, market intermediaries, and, ultimately, investors, in paper, printing, and postage costs. Permitting e-delivery would represent another step toward modernizing our approach to compliance.

Preparations for 24-Hour Trading

On September 17, 2026, the SEC held a roundtable to discuss moving toward 24-hour trading in the U.S. equity markets, including preparations to support overnight trading, operations, and resiliency in a 24-hour market, as well as opportunities and challenges for expansion. Today, critical business and economic events are not confined to traditional trading hours, and many investors are seeking the ability to respond and adjust their positions on an ever-more-frequent basis. U.S. capital markets are a source of relentless innovation, and the trading-hours realm is certainly no exception; in fact, trading venues are already responding to investor interest by looking to increase accessibility around the clock. Some investors are even now trading 24 hours a day on alternative trading systems. If registered U.S. exchanges can evolve to satisfy this increasing appetite and offer additional hours, then greater investor benefit and protection, broader global access, and improved liquidity will likely follow. Such a change to our markets must be done thoughtfully and carefully, paying special attention to balancing investor protections with market access. Therefore, the SEC began soliciting public comment on preparations for 24-hour trading upon the announcement of the roundtable, and staff will continue reviewing public input as they make recommendations.

Clarify

As the SEC modernizes legacy rules for the 21st century, it also recognizes that markets depend on clear and coherent regulatory scoping. During FY 2026, the agency took steps toward drawing clear regulatory lines that give investors the confidence to build in the United States without fear of being caught in a crossfire of their own government's making.

SEC-CFTC Harmonization

In March 2026, the SEC and the Commodity Futures Trading Commission (CFTC) signed a historic Memorandum of Understanding (MOU) to guide collaboration between the two agencies to support lawful innovation, uphold market integrity, and ensure

1 Executive Order 14434, *Inaugurating the Era of Super Intelligence*, states that "To the maximum extent permitted by law, executive departments and agencies (agencies) shall use 'Super Intelligence' and 'SI' in place of 'Artificial Intelligence' and 'AI' in official correspondence, public communications, websites, reports, policy documents, and other non-statutory documents within the executive branch."

investor and customer protection. The MOU reflects both agencies' commitment to provide fair notice to market participants, respect individual liberty, and foster lawful innovation with the minimum effective dose of regulation to enhance U.S. competitiveness in finance.

Through the agencies' harmonization efforts, the SEC is scaling Project Crypto by relaunching the effort as an integrated SEC-CFTC joint initiative. The CFTC also signed on to the SEC's token taxonomy and provided guidance relating to the Commission's March 2026 interpretation, providing further clarity to innovators, issuers, and market participants.

Transform

The SEC is advancing Chairman Atkins' priority to transform its rulebook by trimming immaterial requirements that burden the market without a corresponding benefit to investors. Over time, some SEC disclosure requirements that began as a framework to inform have become instruments to obscure, leading the agency away from what a reasonable investor would consider important. Consequently, the agency is now focused on creating a principles-based disclosure regime that reflects the minimum effective dose of regulation and reinvigorates the Initial Public Offering (IPO) market.

Make IPOs Great Again

One of the major priorities of the Commission under Chairman Atkins' leadership is to "Make IPOs Great Again" after the number of companies entering the IPO market precipitously declined in recent years. To accomplish this objective, the Commission has focused on eliminating unnecessary impediments to a company's going and staying public, including by trimming onerous compliance requirements as well as streamlining a myriad of legal complexities. According to recent data published by the SEC's Division of Economic and Risk Analysis, 208 new IPOs raised over $137 billion in the first half of 2026, compared with 180 IPOs that raised over $27 billion in the first half of 2025, representing "an approximately 16 percent increase in the number of IPOs and nearly 400 percent increase in proceeds raised."

ACT *Strategy*



PROPOSED REGISTERED OFFERING REFORM AND FILER STATUS REFORM

On May 19, 2026, the SEC proposed two rules that serve as the foundation for the "Make IPOs Great Again" agenda. The first proposed rule—referred to as registered offering reform—would expand access to the SEC's "shelf registration" process, which allows public companies to access the public markets quickly and when market conditions are most favorable. Currently, due to eligibility restrictions, newly public companies cannot use shelf registration, and smaller companies have only limited access to shelf registration. Registered offering reform would expand the full availability of shelf registration to nearly all public companies—including the newest and the smallest—increasing the number of eligible companies by 60 percent. Additionally, this proposal would extend certain offering and communications flexibilities—currently reserved for large companies that have been public for at least one year—to all companies listed on a U.S. securities exchange. This change alone would represent a 200 percent increase in companies receiving these flexibilities.

SHELF REGISTRATION

Allows an issuer to register the offer and sale of securities in one or more offerings, on a continuous or delayed basis, generally for up to three years after the registration statement becomes effective. When an issuer conducts a delayed offering under a shelf registration statement, it is commonly described as taking securities "off the shelf" and referred to as "takedowns." Each takedown requires a short prospectus supplement under Securities Act Rule 424(b) in lieu of a new registration statement.

The second proposed rule—referred to as filer status reform—would re-calibrate disclosure requirements based on a company's size and how long it has been public. As a result, more companies would receive disclosure scaling and other accommodations, including being exempt from the obligation to obtain an auditor attestation of internal control over financial reporting. The proposal would also build on the "IPO on-ramp" concept that Congress created by extending the length of time that companies can potentially remain on the on-ramp and benefit from disclosure scaling and other accommodations.

PROPOSED SEMI-ANNUAL REPORTING

On May 5, 2026, the SEC proposed rule and form amendments that would give public companies the option of filing semi-annual reports in lieu of quarterly reports to meet their interim reporting obligations under the federal securities laws. The flexibility provided under the proposed amendments would enable public companies to choose the interim reporting frequency that would best serve the company and its investors. If adopted, this proposal would provide companies with increased regulatory flexibility, with the goal of reducing the burdens of becoming and remaining a public company.

PROPOSED RESCISSION OF SHAREHOLDER PROPOSAL RULE AND REFORMS TO PROXY SOLICITATION PROCESS

On September 16, 2026, the Commission issued two proposing releases related to its proxy rules under the Exchange Act, which reflect two of Chairman Atkins' highest regulatory priorities: first, ensuring that the Commission does not improperly intrude into state corporate law when applying the federal securities laws; and second, updating the Commission's rules to reflect developments in market practice and technology, and other innovations, since the rules' adoption or last amendment.

The first proposal to rescind Rule 14a-8 reflects the notion that none of the Commission's rules—no matter how entrenched within the agency—are immune from retrospective review. The Commission is duty bound to question whether a rule is a proper exercise of the Commission's statutory authority and whether it continues to reflect sound policy. Rule 14a-8 fails this review in both respects and thus should be rescinded.

The proposed rescission of Rule 14a-8 would, if adopted, eliminate the federal rule regulating inclusion of shareholder proposals in a company's proxy materials for vote by the company's shareholders. It would not eliminate the concept of shareholder proposals and is not an attempt by the Commission to silence shareholders. Rather, it is a recognition that the Commission must act within its authority. As part of the same release proposing to rescind Rule 14a-8, the Commission also proposed amendments to Rule 14a-4 that would provide companies with discretionary proxy authority to vote on matters presented at shareholder meetings but not included on the company's proxy card, while simultaneously providing shareholders with the means not to confer that authority. Currently, companies have this discretionary authority with respect to timely received proposals only if the shareholder proponent for the matter does not solicit a requisite percentage of shares. Other shareholders cannot opt out of companies using such authority, if available. The proposed amendments would provide companies with more flexibility and shareholders with more agency.

Trade-Through Prohibitions: Proposed Rescission of Regulation NMS Rules 611 and 610(e)

On June 11, 2026, SEC proposed amendments to rescind Rules 611 and 610(e) of Regulation NMS. After two decades of Rule 611, it is clear that its unintended consequences have hindered, rather than enhanced, the long-term growth of U.S. markets. This proposal is intended to simplify market structure and reduce costs for market participants while allowing competition, innovation, and other market forces to shape the continuing evolution of U.S. equity markets.

Form PF

Form PF collects information designed to facilitate the Financial Stability Oversight Council's monitoring of systemic risk in the financial markets, and the SEC and CFTC use the information collected on Form PF in their investor protection efforts. Prior amendments to Form PF, however, have led to overly burdensome disclosure requirements for advisers, distracting them from their core investment functions, often without a commensurate benefit to regulators' use of the collected data. Therefore, on April 20, 2026, the SEC and the CFTC jointly proposed amendments to Form PF to reduce private fund reporting burdens while enabling the continued collection of necessary and appropriate information. The amendments would help to rationalize the scope of Form PF requirements to support its purpose and bring the SEC's overall disclosure regime back into alignment, as Chairman Atkins has strived to do since his appointment.

PROXY PROCESS

The term used to describe the means through which widely dispersed shareholders can exercise their voting rights by appointing a proxy to vote their shares on their behalf at a shareholder meeting. Issuers with a class of securities registered under Section 12 of the Securities Exchange Act of 1934 and issuers that are registered under the Investment Company Act of 1940 are generally required to comply with the federal proxy rules when soliciting proxy authority from shareholders.

Consolidated Audit Trail

At Chairman Atkins' direction, the SEC staff has continued its comprehensive review of the Consolidated Audit Trail (CAT) to facilitate improvements needed to reduce costs for investors. Building on FY 2025's progress toward a more efficient and cost-effective CAT, including granting exemptive relief from two requirements, the SEC on March 27, 2026, approved an amendment to the NMS Plan governing the CAT and provided exemptive relief from certain requirements of Rule 17a-1 under the Exchange Act to allow for the implementation of various cost savings measures designed to meaningfully reduce the costs of the CAT while maintaining core regulatory functionality.

Furthermore, on April 16, 2026, the Commission issued a concept release soliciting public comment in support of a comprehensive review of the CAT and other audit trails and related data sources currently used in the regulation of U.S. securities markets.

CONSOLIDATED AUDIT TRAIL

A single, database of orders to trade in National Market System securities and over-the-counter equities in the U.S. equity and options markets.

As Chairman Atkins said upon supporting the concept release, "The Commission is aware of the need to address many aspects of the CAT, and public comment is a crucial piece of the comprehensive review currently under way." Based on the comments received, Chairman Atkins directed staff to:

1. explore ways to fund the CAT, including through the use of appropriated funds that would be offset by Section 31 transaction fees;
2. draft for Commission consideration a rulemaking that, if adopted, would rescind Rule 613 and require the exchanges, the Financial Industry Regulatory Authority (FINRA), and broker-dealers to report CAT data to the Commission or its designee while utilizing current CAT infrastructure and reporting specifications; and
3. assess SEC resources for purposes of assuming responsibility of the CAT and identify needs related to SEC governance of the CAT.

Proposed Rescission of Climate-Related Disclosure Rule

On May 29, 2026, the SEC proposed the rescission of overly burdensome and costly rules that require companies to provide certain climate-related information in their registration statements and annual reports. The proposal focuses on returning the agency to its statutory mandate—and restoring a materiality-focused approach to securities regulation. All SEC disclosure obligations should comply with the Commission's statutory authority, be guided by materiality as the North Star, avoid the practical effect of dictating corporate behavior, and be imposed only when the expected benefits justify the likely costs and burdens. When the disclosure mandates reflect these principles, becoming and remaining a public company becomes more attractive again.

Restoring the Enforcement Program to First Principles

The Division of Enforcement (ENF) continued its "back to basics" approach in FY 2026 with a disciplined enforcement program that aimed to provide clarity to investors and markets. That discipline is reflected by ENF allocating its resources wisely and efficiently; by the Commission bringing high-impact cases that send clear messages, hold bad actors accountable, and deter harmful behavior; and by market participants gaining clarity that ENF will not unduly burden conduct that drives innovation or otherwise benefits investors and markets.

In FY 2026, ENF pursued cases that addressed the most consequential misconduct: fraud, market manipulation, insider trading, failures by gatekeepers, and violations that undermine the integrity of disclosures and financial reporting. ENF also modernized its enforcement processes and built organizational and technological capacity to confront emerging risks. The result was an enforcement program that directed resources where they matter most: stopping harmful misconduct, deterring bad actors, and reinforcing confidence in U.S. markets.

RETAIL INVESTORS

Among ENF's priorities were matters most likely to cause harm to retail investors, including offering frauds, Ponzi schemes, and emerging technology scams. In FY 2026, the Commission charged:

- Goliath Ventures, Inc. and its founder and CEO for allegedly operating a multi-year Ponzi scheme that raised at least $425 million from over 1,300 investors;
- Two San Francisco Bay Area private fund executives for allegedly orchestrating an offering fraud that raised more than $80 million from approximately 190 mostly retail investors, many of whom were retired senior citizens;
- A founder and his two New Jersey-based companies for allegedly conducting a Ponzi scheme which raised approximately $16 million from more than 200 inexperienced investors, primarily targeting Christians of Ghanaian heritage in New York and New Jersey;

- AKL Transport LLC, Southern Truck Leasing LLC, and their founder in an alleged Ponzi scheme that raised at least $127 million from approximately 765 investors nationwide. Approximately $33 million of investor funds were allegedly misappropriated for personal use;
- Three purported crypto asset trading platforms and four investment clubs with allegedly defrauding retail investors of at least $14 million in an investment confidence scam. The scam involved soliciting investors through social media using investment tips supposedly generated by SI;
- The founder and CEO of a bitcoin mining business, for allegedly raising over $95.6 million from approximately 6,400 investors through a fraud scheme, and misappropriating $48.5 million of investor funds; and
- Three individuals for their roles in an alleged affinity fraud that raised approximately $47 million from more than 87 investors, primarily members of Orthodox Jewish communities in New Jersey and New York.

PRE-IPO

ENF intensified its investor protection efforts in the pre-IPO secondary market. As investors obtain greater access to private markets the risk of harm posed by fraudsters and other bad actors in those markets grows as well. In line with this focus, the Commission charged: private fund adviser, Adit Ventures Management, its CEO, and affiliated general partners for allegedly defrauding investors and client funds in connection with investments in pre-IPO shares, including by misappropriating advisory client assets and charging millions in undisclosed fees; private fund adviser, Meyer Global Management, and its CEO for allegedly defrauding investors and client funds in connection with investments in SpaceX and other pre-IPO securities; boiler room operator, Andrew Spaventa, and three of his entities in an alleged fraud that purportedly offered retail investors an opportunity to invest in shares of "pre-IPO" private companies while charging hidden fees; and a California resident for allegedly defrauding investors in a private fund that invested in pre-IPO shares of Palantir Technologies Inc.

CROSS-BORDER

ENF took decisive action to disrupt foreign bad actors targeting U.S. markets and investors. This work built off the momentum of the Commission launching, in September 2025, the Cross-Border Task Force, a dedicated enforcement group that protects U.S. investors from transnational bad actors.

The Commission charged 38 entities in the District of Colorado, several of which appear to be located overseas, and an additional entity in the Northern District of New York, for allegedly filing false Forms ADV to feign legitimacy as U.S. advisers. The SEC also charged multiple entities, likely operated by individuals overseas, for allegedly defrauding hundreds of retail investors through investment confidence scams on online platforms. The Commission instituted cease-and-desist proceedings against a foreign-based issuer that, according to the order, engaged in sham transactions concerning certain online advertising and marketing that materially overstated its net revenues. The SEC also instituted 13 trading suspensions to protect U.S. investors from harm arising out of suspected manipulation in the securities of foreign issuers.

MODERNIZING AND ENHANCING ENF'S CAPABILITIES AND PROCESSES

As part of a broader recalibration, ENF modernized its organization, technology, and processes in FY 2026 to address evolving market risks and deliver more timely, impactful outcomes.

In FY 2026, ENF made significant organizational enhancements to strengthen its enforcement program and better position itself to address evolving market risks. These enhancements included a broad reorganization of internal functions, most notably within ENF's Trial Unit, to streamline workflows and expand its overall litigation capacity. Moreover, with targeted hiring across key skill areas, ENF brought in attorneys, accountants, technologists, and data specialists to deepen expertise and accelerate investigative work.



Celebrating 250 Years *of Investing in the American Dream*

The SEC commemorated America's 250th anniversary throughout the fiscal year by highlighting Freedom 250 during various public engagements, emphasizing the strength of America's capital markets and weaving together the past and the present while setting a vision for the future.

> "Investing is part of our nation's DNA. America was an investment before it was a nation."
>
> —CHAIRMAN PAUL S. ATKINS

Opening Bell at NYSE & NASDAQ and Major 250 Address

December 2, 2025

SEC Chairman Paul Atkins rang the opening bell at the New York Stock Exchange and participated in a fireside chat with Nasdaq President and CEO Adena Friedman, during which he delivered a major address titled "Revitalizing America's Markets at 250."





NYSE Bell Ringing at One Year as SEC Chairman

April 20, 2026

On the one-year anniversary of his chairmanship, Chairman Atkins again rang the NYSE opening bell with Freedom 250 branding as the backdrop.



Outreach to Service Members at Camp Pendleton

May 27, 2026

Organized by the SEC's Office of Investor Education and Assistance, Chairman Atkins and Division of Examinations Director Keith Cassidy spoke to Navy sailors and to a class of over 200 Marines about investing first-principles and the strength of the American capital markets, equipping these service members with the knowledge and ability to participate in the economic prosperity and future of our nation.



Keynote Address at the Reagan National Economic Forum

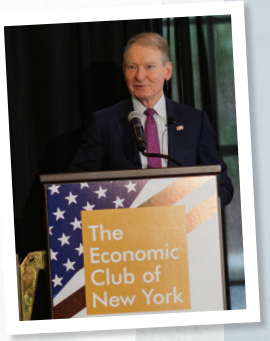
May 29, 2026

SEC Chairman Paul Atkins delivered the opening keynote address at the Reagan National Economic Forum at the Ronald Reagan Presidential Library in Simi Valley, California. His remarks highlighted 250 years of America's growth and prosperity powered by free market capitalism.

Speech and Fireside Chat at the Economic Club of New York

June 30, 2026

In the week leading up to July 4th, SEC Chairman Paul Atkins delivered a major address at the Economic Club of New York. In it, he emphasized that 1776 marked not just our national independence, but the birth of a powerful political philosophy anchored in self-governance, individual rights, economic enterprise, and the classical ideal of human flourishing. While celebrating the nation's revolutionary roots, he reaffirmed the enduring relevance of those founding ideas in guiding the SEC's rulemaking today. Following the speech, Chairman Atkins sat for a fireside chat with Fox Business host Larry Kudlow.



Weekly 250 Reflection from Chairman Atkins to SEC Staff

March – July 2, 2026

In the 16 weeks leading up to July 4th, Chairman Atkins sent a weekly email to all SEC staff reflecting on significant moments and individuals from the time of our nation's founding and connecting them to our work at the SEC today.

- ★ **Week 1** Genesis of the American story
- ★ **Week 2** Dialogue and deliberation that shaped the path toward independence
- ★ **Week 3** The Committee of Five drafts the Declaration of Independence
- ★ **Week 4** Refining the draft of the Declaration of Independence through debate and collaboration
- ★ **Week 5** The preamble to the Declaration of Independence
- ★ **Week 6** The conviction of the signers of the Declaration of Independence
- ★ **Week 7** How the news of independence spread across the 13 colonies
- ★ **Week 8** The ideals of service and sacrifice that defined our nation's founding
- ★ **Week 9** The rallying effect of the Declaration of Independence
- ★ **Week 10** Considering "the pursuit of happiness"
- ★ **Week 11** Governments derive "their just powers from the consent of the governed"
- ★ **Week 12** Contributions of some of the lesser-known patriots
- ★ **Week 13** The Virginia Declaration of Rights
- ★ **Week 14** America's founding ideals of freedom and equality under law – and the commemoration of June 19
- ★ **Week 15** Reflecting on 250 Years
- ★ **Week 16** Continental Congress

Supporting Retail Investors

In FY 2026, the SEC not only worked to reinvigorate U.S. public markets but also to support the retail investors who participate in them.

Retail Fraud Working Group

On July 7, 2026, the SEC announced the creation of the Retail Fraud Working Group, which reflects the Commission's commitment to protect investors from fraud and is a return to the core values and principles of the enforcement program. The new working group is designed to strengthen ENF's efforts to identify and combat fraud targeting everyday investors. The Retail Fraud Working Group aims to leverage staff and resources across the Commission to identify fraud and other misconduct targeting retail investors, including offering frauds, pump-and-dump schemes, market manipulation, and breaches of duties to customers and/or clients by investment advisers and broker-dealers.

Expanding Retail Investor Access to Private Funds

On September 30, 2026, the SEC proposed amendments to expand responsible retailization of private markets by expanding retail investor choice and promoting innovation in regulated fund structures while preserving appropriate investor protections and safeguards.

The proposed amendments would: 1) expand the ability of registered investment advisers to receive performance-based compensation from certain categories of clients, including regulated funds, that is calculated on the basis of capital gains or capital appreciation; 2) amend certain fund registration and reporting forms to require disclosure of performance-based compensation; 3) modernize the interval fund framework, including by allowing the scheduling of repurchases at certain times that better match the liquidity profile of the portfolio; and 4) replace existing exemptive orders with an exemptive rules-based framework for regulated closed-end funds to issue multiple share classes.

The Commission is separately requesting public comment as it considers providing individual investors with additional ways to qualify as an accredited investor by holding in good standing certain professional certifications, designations, or credentials, including the potential designation of the passage of an accredited investor exam to be developed by FINRA.

Together, these proposals and notices are initial steps toward the goal of offering expanded retail access to diversified investment opportunities while promoting transparency and aligning incentives across the advisory ecosystem. They also complement efforts undertaken pursuant to President Trump's Executive Order 14330, *Democratizing Access to Alternative Assets for 401(k) Investors*.

Trump Accounts

Trump Accounts present a historic opportunity to change the course of the lives of the next generation by helping Americans save and invest for the future. To that end, on May 5, 2026, the SEC's Division of Trading and Markets issued a no-action letter addressing the rollout of Trump Accounts in a way that ensures critical investor protections remain in place. In addition to assisting in the launch of the accounts, the SEC is also providing investor education resources to help American families capitalize on this historic investment opportunity.

Proposed Rescission of the "Pay-to-Play" Rule

On September 3, 2026, the SEC issued a proposal to rescind its investment adviser Pay-to-Play Rule. The rule prohibits investment advisers from providing compensated investment advisory services to a government client for two years after making a political contribution to certain elected officials or candidates. Based on the SEC's more than 15 years of experience administering the Pay-to-Play Rule, the rule has proven overly prescriptive and has produced a

host of unintended consequences. Beyond operational implementation challenges, it has imposed serious penalties for small, often impulsive donations to candidates in both parties, and routinely punishes and handicaps advisory firms for an employee making a donation even before joining the business. Furthermore, advisers' implementation of the rule has effectively resulted in the suppression of free political speech. If the rule is rescinded, all other requirements of the Advisers Act and its associated rules, including prohibitions on fraud, fiduciary duty requirements, the Compliance Rule, and the Code of Ethics Rule, would continue to apply.

Public Company Accounting Oversight Board

On January 30, 2026, the SEC announced the appointment of Demetrios (Jim) Logothetis as Chairman of the Public Company Accounting Oversight Board (PCAOB), and Mark Calabria, Kyle Hauptman, and Steven Laughton as Board members of the PCAOB. The PCAOB was established by the Sarbanes-Oxley Act of 2002 and oversees the audits of the financial statements of public companies, brokers, and dealers through registration, standard setting, inspection, and disciplinary programs. Under the Act, the SEC selects members and the Chairman of the Board.

Material *that* Matters



The work of the SEC impacts everyday investors, business owners, and even entire economies yet for many, the agency remains something of a mystery. With that in mind, the SEC in April 2026 introduced a new podcast, *Material Matters With SEC Chairman Paul Atkins*, to provide stakeholders and the investing public with exclusive interviews and insights around the agency's policies, rulemakings, and more.

Join Chairman Atkins each month as he hosts conversations with experts across the agency, government, and industry—from fellow commissioners and division directors to legal and policy experts, authors, and corporate leaders—to break down the complexities of financial regulation and advancing a free-market agenda.

Watch, listen, and subscribe for more conversations on regulatory action, free markets, and the future of capital formation. Episodes of *Material Matters* are available on SEC.gov, YouTube, Spotify, and Apple Podcasts.

YouTube
Spotify
Apple Podcasts

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 2026 financial statements.

As described further below, the SEC's finances in FY 2026 have several main components:

- An annual appropriation from Congress;
- Securities transaction fees, charged in accordance with Section 31 of the Securities Exchange Act of 1934 (Exchange Act), which offset the agency's annual appropriation;
- Securities registration, tender offer, and merger fees (also called filing fees);
- 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 2026

On March 1, 2013, the President issued the Sequestration Order. As determined by the Office of Management and Budget (OMB), for FY 2026, the Sequestration Order was applicable to mandatory appropriations, which included the IPF.

IPF

The budget authority of $316 million was reduced by 5.7 percent, or $18 million.

Overview of Financial Position

Assets. At September 30, 2026, the SEC's total assets were $15.7 billion, an increase of $203 million, or 1 percent, above FY 2025.

Fund Balance with Treasury increased by $499 million due to a $536 million increase in the salaries and expenses fund, caused primarily by $319 million in Section 31 fee collections in excess of budget authority, and a $42 million increase in the IPF due to increased fund deposits made during FY 2026. These increases were offset by a $47 million decrease in the Reserve Fund due to the funds closure during FY 2026, and a $36 million decrease in disgorgement and penalties as of September 30, 2026, when compared to the prior year.

Federal investments decreased by $677 million, mostly due to large distributions to harmed investors during FY 2026.

Accounts Receivable, Net increased by $451 million primarily due to a $460 million increase in Section 31 fees receivable because of the higher fee rate in effect for September of FY 2026 compared to the previous year. During FY 2025, the fee rate was adjusted from $27.80 per million on May 14th to $0 per million. This fee rate remained in effect through April 3, 2026, after which it was adjusted to $20.60 per million.

Chart 1.1 | FY 2026 Assets by Type

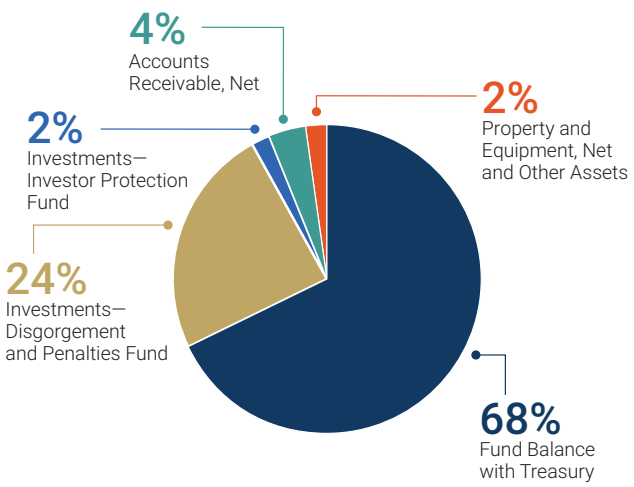


Table 1.1 | Assets as of September 30, 2026 and 2025

(DOLLARS IN MILLIONS)	FY 2026	FY 2025
Fund Balance with Treasury	$ 10,756	$ 10,256
Investments—Disgorgement and Penalties Fund	3,755	4,420
Investments—Investor Protection Fund	321	333
Accounts Receivable, Net	662	211
Property and Equipment, Net	224	291
Other Assets	15	19
Total Assets	**$ 15,733**	**$ 15,530**

Liabilities. At September 30, 2026, the SEC's total liabilities were $5.4 billion, a decrease of $697 million, or 11 percent, below FY 2025.

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 decreased by $723 million, mostly due to large distributions to harmed investors and remaining balances from Fair Funds being transferred to the General Fund.

Accounts Payable increased by $108 million, mostly due to an increase in whistleblower awards payable as of September 30, 2026, compared to the previous year.

Contingent Liabilities decreased by $54 million. For FY 2026, the SEC recognized estimated awards in the amount of $444 million that were probable as of September 30, 2026, while recognizing $498 million as of September 30, 2025.

Ending Net Position. The SEC's net position, which includes both unexpended appropriations and the cumulative results of operations, was $10.3 billion as of September 30, 2026, an increase of $900 million, or 10 percent, above FY 2025.

Chart 1.2 | 2026 Liabilities by Type

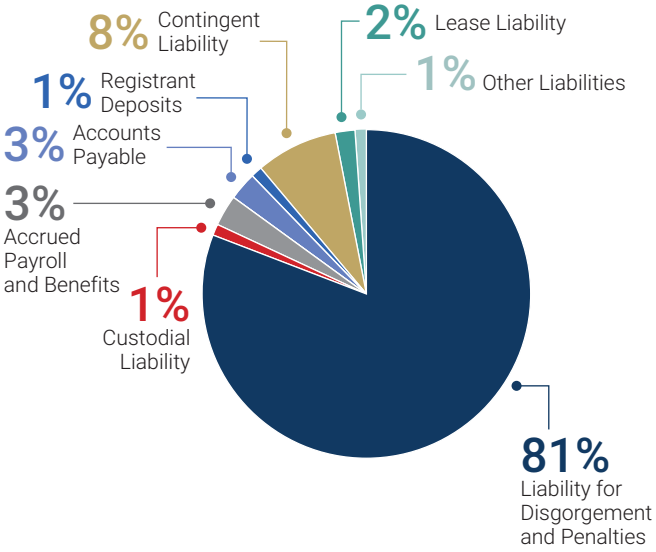


Table 1.2 | Liabilities as of September 30, 2026 and 2025

(DOLLARS IN MILLIONS)	FY 2026	FY 2025
Liability for Disgorgement and Penalties	$ 4,401	$ 5,124
Custodial Liability	24	19
Accrued Payroll and Benefits	169	178
Accounts Payable	179	71
Registrant Deposits	72	69
Contingent Liability	444	498
Liability for Non-Entity Assets	1	1
Lease Liability	145	173
Other Liabilities	10	9
Total Liabilities	**$ 5,445**	**$ 6,142**

Results of Operations

Earned Revenues. Total Earned Revenues for the year ended September 30, 2026, were $4.2 billion, a $178 million, or 4 percent, decrease below FY 2025.

Fees paid under Section 31 of the Exchange Act remain at the prior fiscal year-end rate until 60 days after the date of enactment of a regular appropriation in the current fiscal year. The Section 31 fee rate was increased to $20.60 per million in transaction volume in April 2026 after being $0 per million in transaction volume since May 2025.

Section 31 fee revenue totaled $2.9 billion. This included $2.5 billion in Section 31 collections and $468 million in Section 31 receivables. FY 2026 collections in excess of budget authority resulted in $319 million in collections precluded from obligation.

The filing fee rate for securities registration, tender offer, and merger fees was set at $138.10 per million in transaction volume during FY 2026. The Commission must set rates for the fees paid under Section 6(b) of the Securities Act of 1933 to levels that the Commission projects will generate collections equal to annual statutory target amounts. The statutory target for Section 6(b) fees collected during FY 2026 was $888 million effective the first day of the fiscal year.

For the year ended September 30, 2026, filing fee revenues totaled $1.2 billion and were earned on behalf of the U.S. Treasury General Fund.

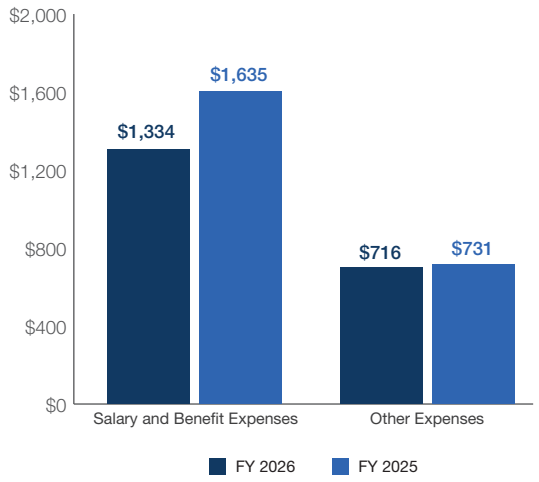
Program Costs. Total Program Costs were $2.1 billion for the year ended September 30, 2026, a decrease of $316 million, or 13 percent, compared to FY 2025. FY 2026 program costs were composed of $1.3 billion in salaries and benefits, $609 million in non-payroll contractual costs, and $107 million in net costs related to whistleblowers made from the IPF.

In FY 2026, in addition to program costs presented, the SEC reclassified $113 million in salaries to costs not assigned to programs. These costs included retroactive salary payments made to furloughed staff following the two government shutdowns during FY 2026.

Table 1.3 | Earned Revenues
For the years ended September 30, 2026 and 2025

(DOLLARS IN MILLIONS)	FY 2026	FY 2025
Section 31 Securities Transaction Fees	$ 2,937	$ 3,328
Securities Registration, Tender Offer, and Merger Fees (Filing Fees)	1,240	1,027
Total Earned Revenues	**$ 4,177**	**$ 4,355**

Chart 1.3 | Program Costs
(DOLLARS IN MILLIONS)



Budgetary Resources

For the year ended September 30, 2026, the SEC's total budgetary resources equaled $3.0 billion, a $54 million decrease, or 2 percent, below FY 2025.

Chart 1.4 | FY 2026 Sources of Funds

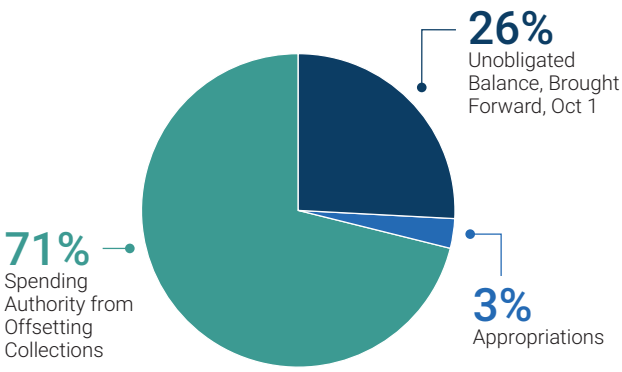


Table 1.4 | Total Budgetary Resources
For the years ended September 30, 2026 and 2025

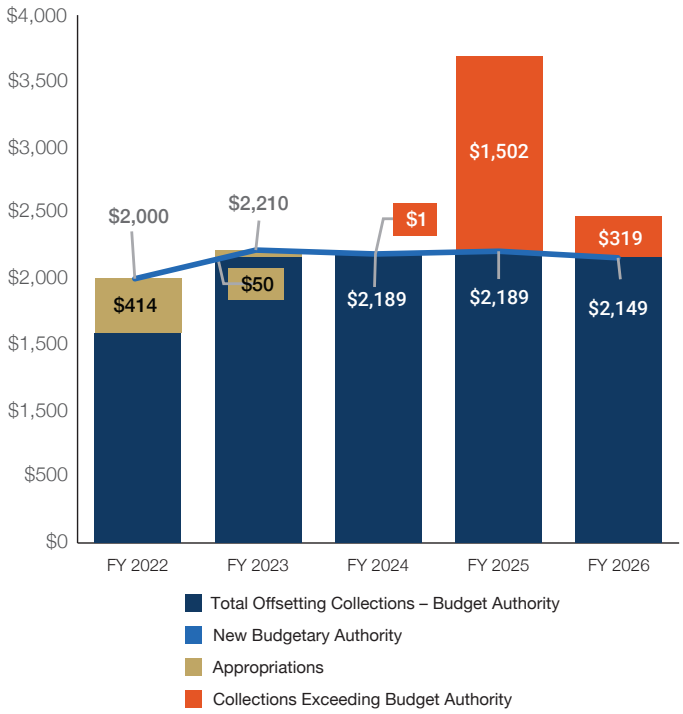
(DOLLARS IN MILLIONS)	2026	2025
Unobligated Balance from Prior Year Budget Authority, Net (Discretionary and Mandatory)		
Salaries and Expenses Fund	$ 482	$ 458
Reserve Fund	—	7
Investor Protection Fund	318	361
Total Unobligated Balance, Brought Forward, October 1	800	826
Appropriations (Discretionary and Mandatory)		
Reserve Fund	—	50
Investor Protection Fund	83	22
Spending Authority from Offsetting Collections	2,150	2,189
Total Budgetary Resources	**$ 3,033**	**$ 3,087**

Appropriations and Spending Authority from Offsetting Collections. For FY 2026, the SEC's appropriation, per H.R.7148 – Consolidated Appropriations Act, 2026, Public Law PL-119-75, totaled $2.149 billion. The total appropriation is for regular appropriation and available until expended.

For FY 2026, the SEC collected $2.5 billion in Section 31 transaction fees as of September 30, 2026, resulting in the full budget authority of $2.1 billion being collected on, and returned to, Treasury, and $319 million in collections in excess of budget authority that are precluded from obligation by the SEC.

Chart 1.5 | Offsetting Collections vs. New Budget Authority—Salaries and Expenses Fund 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, 2026, the balance of the IPF was $240 million, a $78 million decrease when compared to FY 2025.

During FY 2026, the SEC deposited $79 million from investment interest in Treasury securities. The SEC recognized $161 million in award activity, which included $49 million in payments to whistleblowers. Also, $22 million in the prior fiscal year sequestration was returned to the IPF and $18 million in FY 2026 funding was sequestered, resulting in a net sequestration activity totaling $4 million.

Limitations of the Financial Statements

The financial statements are prepared to report the overall financial position 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 1.5 | Investor Protection Fund Activity
For the years ended September 30, 2026 and 2025

(DOLLARS IN MILLIONS)	FY 2026	FY 2025
Balance of Fund at Beginning of Fiscal Year, October 1	$ 318	$ 361
Amount Deposited Into or Credited to the Fund During the Fiscal Year	79	15
Amount Awarded During the Fiscal Year	(161)	(65)
Net Sequestration	4	7
Balance of the Fund at the End of the Reporting Period*	**$ 240**	**$ 318**

*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 ensuring the work of the agency remains aligned with its mission. The SEC is committed to using performance management best practices to promote greater accountability. In addition to the SEC Programs and Program Descriptions table, this section also highlights a few key performance metrics for FY 2026. Overall, it outlines the SEC's program and performance planning framework and illustrates the agency's progress toward reaching its performance targets.

The SEC's FY 2026 Annual Performance Report (APR) will be issued with the agency's FY 2028 Congressional Budget Justification Report and will provide a complete discussion of the agency's performance goals, data sources, performance results and trends, 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 2027 at SEC.gov/reports.

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.

Program and Performance Framework

To enhance transparency, this section now includes the SEC Programs and Program Descriptions table, a link to the Statement of Net Cost, and key performance results by program. The SEC is committed to providing readers with an integrated view of the connection between program costs and performance data.

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 47. This is also consistent with the presentation used by the agency in submitting its budget requests.

Table 1.6 | SEC Programs and Program Descriptions

ENFORCEMENT	
Division of Enforcement (ENF)	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 (EXAMS)	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 (CF)	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 (TM)	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 (IM)	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 (DERA)	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 (OGC)	Serves as the chief legal officer of the Commission and provides independent legal analysis and advice to the Chairman, 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 1.6 | SEC Programs and Program Descriptions (continued)

OTHER PROGRAM OFFICES	
Office of Administrative Law Judges (OALJ)	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 (OASB)	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 (OCA)	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 (OCR)	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 (OIA)	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 (OIAD)	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 Assistance (OIEA)	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 (OMS)	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.
AGENCY DIRECTION AND ADMINISTRATIVE SUPPORT	
EDGAR Business Office (EBO)	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 (OA)	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 Chairman	Oversees all aspects of agency operations. The Chairman 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 Data Officer (OCDO)	Enables data analytics to support enforcement, examinations, policymaking, and other agency activities, and supports the agency to ensure effective and efficient data security.
Office of the Chief Operating Officer (OCOO)	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 (OEEO)	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 1.6 | SEC Programs and Program Descriptions (continued)

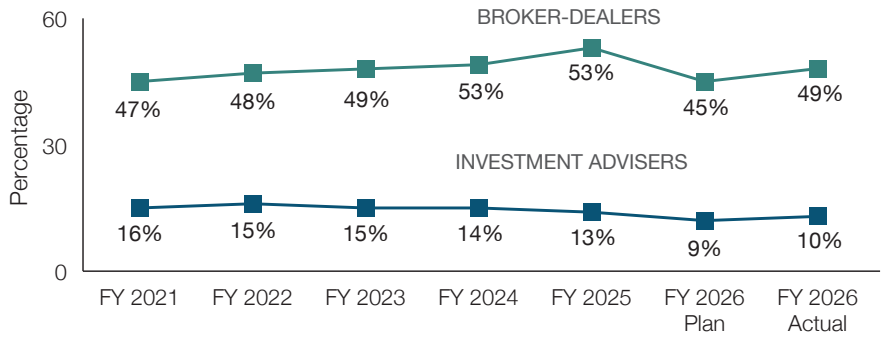
AGENCY DIRECTION AND ADMINISTRATIVE SUPPORT *(CONTINUED)*	
Office of the Ethics Counsel (OEC)	Administers the Commission's Ethics Program and interprets the SEC's Supplemental Ethics Rules as well as government-wide ethics laws, rules, and regulations.
Office of Financial Management (OFM)	Oversees the 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 (OHR)	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 (OIT)	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 (OLIA)	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 (OMWI)	Implements Section 342 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.
Office of Public Affairs (OPA)	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 (OS)	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 (OSO)	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 (OIG)	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.

SELECT METRICS

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

Chart 1.6

Percentage of investment advisers and broker-dealers examined during the year



Description: Investment advisers (IA) and broker-dealers (BD) are critical market participants in terms of their interactions with retail investors. This metric indicates the percentage of IAs and BDs examined by the SEC or a self-regulatory organization (SRO) as a percentage of the total number of registrants. This metric takes into account all types of examinations, including, for example, risk priority examinations, cause inspections to follow up on tips and complaints, and limited scope special inspections to probe emerging risk areas.

Target: IAs – Exceeded; BDs – Exceeded

Responsible Division/Office: Division of Examinations

Data Source: Tracking and Reporting Examination National Documentation System (TRENDS) (IA and BD SEC Data) and SRO Databases (BD SRO Data)

As part of the SEC's ongoing commitment to protecting retail investors, the Division of Examinations (EXAMS) conducts thousands of examinations each year, covering as many regulated entities as resources permit. The risk-based program is designed to focus on the firms, market participants, and business practices that present the greatest potential risk of securities law violations and investor harm.

In FY 2026, examination priorities concentrated on investment advisers and broker-dealers to protect investors and address critical risks in the marketplace. Examinations of these entities focused on fraud prevention, cybersecurity and information security, and compliance with recently adopted standards of care, including Regulation Best Interest. The division also examined practices that pose significant risks to retail investors, such as deceptive sales practices, conflicts of interest, and financial exploitation of elder investors. Overall, coverage rates for investment advisers and broker-dealers exceeded expectations and reflected the continued emphasis on examining these important market participants.

The dedication and expertise of EXAMS staff remained the foundation of the division's success. Despite operating with constrained resources, staff demonstrated an unwavering commitment to serving as the Commission's "eyes and ears" in the examination program. These accomplishments were made possible through the efforts of more than 150 employees in the Broker-Dealer/Exchange Program and more than 550 employees in the Investment Adviser/Investment Company Program. Looking ahead, EXAMS remains committed to continuous improvement and the advancement of strategic initiatives, including

the implementation of an operational effectiveness framework designed to enhance examination consistency, improve efficiency, and strengthen coordination with other divisions and offices across the Commission.

Table 1.7

Number of regulatory initiatives to improve investor disclosure							
Fiscal Year	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026 Plan	FY 2026 Actual
Division of Corporation Finance (CF)	Prior-year data not available		4	4	2	6	9
Division of Investment Management (IM)	Prior-year data not available		13	11	2	4	11
Division of Trading and Markets (TM)	Prior-year data not available		6	10	6	2	11

Description: Number of regulatory initiatives (i.e., concept, requests for comment, proposing, and adopting releases) that could assist investors in making informed investment or voting decisions, or that are designed to improve investors' ability to access or analyze registrants' disclosures.

Target: CF – Exceeded; IM – Exceeded; TM – Exceeded

Responsible Division/Office: Division of Corporation Finance; Division of Investment Management; Division of Trading and Markets

Data Source: Releases Posted on Commission Website (CF); Internal Logs (IM); Internal Logs (TM)

During FY 2026, the SEC made significant progress toward advancing investor-focused disclosure and transparency objectives through a broad portfolio of regulatory initiatives led by the Division of Corporation Finance (CF), the Division of Investment Management (IM), and the Division of Trading and Markets (TM). Collectively, these efforts strengthened the quality, consistency, accessibility, and usefulness of information available to investors while facilitating capital formation and supporting fair, orderly, and efficient markets.

The SEC achieved these results by recommending regulatory initiatives focused on improving investor disclosure and ensuring the availability of material information necessary for informed investment and voting decisions. These initiatives included actions addressing crypto asset disclosures and transactions, as well as proposals designed to promote capital formation in the public markets while maintaining robust disclosure obligations for issuers.

CF, IM, and TM exceeded their performance goals by developing and issuing rulemaking initiatives that promote investor protection, market efficiency, and capital formation. These initiatives addressed areas such as investment company reporting, electronic delivery of information, proxy modernization, financial data standards, investment adviser regulation, and modernization of investment fund frameworks. Collectively, these actions aim to improve the quality and accessibility of information available to investors while updating regulatory safeguards to address evolving market practices and products. For example, proposed Regulation E-Delivery would expand the ability of issuers, broker-dealers, investment advisers, and others to use electronic delivery to satisfy information delivery requirements under the federal securities laws. The proposal reflects how today's issuers, market intermediaries, investors, and others use electronic media to provide and access information. Regulation E-Delivery offers the opportunity to give investors and others a potentially more personalized, interactive, timely, and efficient experience with disclosure than paper delivery.

Talented and dedicated staff composed of over 90 members across the divisions contributed to these rulemaking initiatives, including staff in the CF Office of Rulemaking, IM Rulemaking Office, and various TM offices. Together, these accomplishments demonstrate a coordinated agency-wide effort to modernize disclosure frameworks, strengthen transparency, enhance investor access to material information, and support the Commission's mission of investor protection. The breadth and volume of regulatory initiatives completed during FY 2026 reflects significant engagement by staff across the divisions and offices, whose collective expertise contributed to improving the quality and effectiveness of information available to investors and market participants.

Table 1.8

Number of regulatory initiatives that enhance transparency in private markets or update the disclosure framework to reflect evolving technologies, business models, and capital markets

Fiscal Year	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026 Plan	FY 2026 Actual
Division of Corporation Finance (CF)	Prior-year data not available		4	2	3	2	10
Division of Investment Management (IM)	Prior-year data not available		15	16	9	10	13
Division of Trading and Markets (TM)	Prior-year data not available		8	7	6	2	9

Description: This metric captures the number of regulatory initiatives (i.e., concept, requests for comment, proposing, and adopting releases) that increase or improve information in, or available about, offerings that are exempt from registration under the Securities Act of 1933 or update the disclosure framework to reflect evolving technologies, business models, and capital markets.

Target: CF – Exceeded; IM – Exceeded; TM – Exceeded

Responsible Division/Office: Division of Corporation Finance; Division of Investment Management; Division of Trading and Markets

Data Source: Releases Posted on Commission Website (CF); Internal Logs (IM); Internal Logs (TM)

The SEC's mission has a profound impact on the American financial system and the businesses, market participants, investors, and innovators who make it the most dynamic market in the world. In FY 2026, the Division of Corporation Finance (CF), the Division of Investment Management (IM), and the Division of Trading and Markets (TM) helped advance the SEC's effort to modernize its regulatory framework. Over 90 dedicated staff members across the divisions worked on regulatory initiatives to transform longstanding rules and forms to bring SEC's regulatory posture into alignment with the world as it is rather than as it was when many of these rules were first written.

For example, in FY 2026, the SEC proposed the Registered Offering Reform and Enhancement of Emerging Growth Company Accommodations and Simplification of Filer Status for Reporting Companies regulatory initiatives. These proposed amendments, if adopted, will promote capital formation in the public markets by increasing efficiency, flexibility, and cost savings for public companies while maintaining robust investor protections. Issuers can raise capital through the public markets on more favorable terms compared to private markets, and investors can benefit from the increased transparency and liquidity provided by the public markets. These rulemaking initiatives, therefore, reflect the SEC's commitment to the agenda to "Make IPOs Great Again" by encouraging more companies to go and remain public.

ANALYSIS OF SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

In FY 2026, 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 as outlined by the Federal Managers' Financial Integrity Act of 1982 (FMFIA). Guidance for implementing the FMFIA is provided through Office of Management and Budget (OMB) Circular A-123, Management's Responsibility for 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. 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 the Dodd-Frank Act.

Annual Assurance Statement

Assurance Statement on Federal Managers' Financial Integrity Act (FMFIA)

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 Internal Control* (rev. March 10, 2026), 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, 2026.

Assurance Statement on Internal Control Over Financial Reporting (ICFR)

The SEC's internal control over financial reporting is a process affected by those charged with governance, management, and other personnel. The objectives of this process are to provide reasonable assurance that (1) 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 (2) 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.

The SEC's management is responsible for 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. Management assessed the effectiveness of the SEC's internal control over financial reporting as of September 30, 2026, based on criteria established under 31 U.S.C. § 3512 (c), (d), commonly known as the Federal Managers' Financial Integrity Act of 1982 (FMFIA). Based on that assessment, management concluded that the SEC's internal control over financial reporting as of September 30, 2026, was effective.

Assurance Statement on Federal Financial Management Improvement Act of 1996 (FFMIA)

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 (FFMIA) as of September 30, 2026.



PAUL S. ATKINS
Chairman
November 9, 2026

CARYN E. KAUFFMAN
Chief Financial Officer
November 9, 2026

Management's Assessment of Internal Control

The Chairman and Chief Financial Officer's FY 2026 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, 2026.

A central component of the SEC's internal control system was the sub-assurance statement each division or office director provided about their internal control system. These statements were made based on each director's knowledge of their division's or office's daily operations and internal reviews. They were also supported by control activity testing and recommendations for improvement arising from internal and external audits and investigations.

Also critical to management's assessment was the results of testing of the agency's internal control over financial reporting. 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 input from the agency's Financial Management Oversight Committee (FMOC). The FMOC considers significant aspects of the agency's assessments of internal controls and advises the Chairman as to whether the SEC had any internal control deficiencies, either individually or in the aggregate, that were determined to be significant.

Additional sources of information utilized to assess and inform management's assurance about SEC's internal control system included:

- An entity-level evaluation of the internal control system's adherence to the U.S. Government Accountability Office's *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 information from other federal entities reflecting the adequacy of internal controls; and
- Other internal reviews and self-assessments relating to a division's or office's operations.

Risk Management and Internal Control

The SEC's Office of the Chief Risk Officer (OCRO) leads the agency's risk management and internal control over operations, non-financial reporting, and compliance efforts, and promotes enterprise risk management (ERM) as a practical management tool for strengthening organizational performance. ERM supports the agency in achieving its strategic and operational objectives by providing a structured approach for identifying risks, analyzing underlying processes, and improving the consistency and quality of decision-making across the organization.

Grounded in principles of quality management and continuous improvement, OCRO provides risk management and internal control guidance and best practices that help foster a culture of learning, collaboration, and process excellence. This approach encourages ongoing evaluation of operational activities, strengthening internal controls, and use of data to improve process effectiveness and inform risk responses.

In FY 2026, OCRO continued its efforts to document business processes, identify and understand risks, develop appropriate responses, and assist in the design of controls to mitigate those risks. These efforts support the continued maturation of the agency's risk management framework and system of internal control.

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. The SEC's risk assessments have consistently indicated that none of the agency's programs are susceptible to significant improper payments. The agency's latest risk assessment was conducted in FY 2025, and the results of that 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 will not conduct another risk assessment until FY 2028 unless one or more specific changes occur.

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 Act)/Data Quality Plan (DQP)

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 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. The SEC submitted the mandatory monthly transmissions in FY 2026.

The current OMB Circular A-123 Appendix A called for the creation of a DQP. The SEC has a DQP in place, which is reviewed and updated on an annual basis. The SEC DQP utilizes the principles of OMB Circular A-123 Appendix A to highlight 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. 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 2026 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 utilizes a Federal Shared Service

Provider (FSSP) for its financial reporting. The agency's financial system, Delphi, operated by the Department of Transportation's Enterprise Services Center, meets all the requirements of the FFMIA. In FY 2026, the SEC continued to work with its FSSP 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)

The SEC's Office of Information Security (OIS), under the Office of Information Technology (OIT), leads the agency's cybersecurity risk management efforts in alignment with the Federal Information Security Modernization Act (FISMA). FISMA requires federal agencies to develop, document, and implement an agency-wide information security program to protect the information and systems that support agency operations and assets—including those provided or managed by another agency, contractor, or third party.

OIS supports the agency in achieving its strategic and operational objectives by providing a comprehensive, enterprise-wide approach to managing cybersecurity risks. This includes conducting annual assessments of the SEC's information security and privacy programs, implementing remediation efforts for identified vulnerabilities, and reporting compliance to OMB.

OIS provides oversight for information security risks in accordance with the National Institute of Standards and Technology's Risk Management Framework. It collaborates with stakeholders across the agency to determine acceptable levels of residual cybersecurity risk and develops mechanisms and metrics to provide a shared understanding of the SEC's cybersecurity posture. Identified risks are categorized and prioritized through structured assessments, and mitigation strategies are developed in coordination with system owners and business units. OIS facilitates these efforts by managing governance tools, tracking Plans of Action and Milestones, and coordinating internal and external audits.

In FY 2026, OIS made progress in strengthening the SEC's information security program. This included completing information system security assessments, conducting privacy reviews, and delivering updated Privacy and Information Security Awareness training to all personnel. These efforts reflect the continued integration of internal controls and cybersecurity risk management as critical components of the agency's enterprise risk framework.

OIT advanced agency-wide initiatives for efficiency by modernizing governance and risk processes through automated tools and reducing manual work within the Governance, Risk, and Compliance platform. The Security Operations Center expanded its use of super intelligence to support triage workflows and improve response quality, while also realigning contractor support to reduce projected FY 2027 costs by more than half a million dollars and enhance off-hours coverage. The agency retired numerous legacy systems, reducing the overall attack surface, and transitioned additional systems to continuous authorization. OIT also acquired a new risk-based vulnerability management platform that, once fully implemented, will streamline identification, assessment, and remediation activities across the enterprise.

To safeguard sensitive data, the SEC deployed mandatory sensitivity labeling in Microsoft Outlook and established a capability to archive text messages in compliance with federal records management requirements. The agency is well positioned to meet upcoming milestones for compliance with M-26-14 on logging and network visibility, M-26-18 on universal sign-in, and additional White House directives. These combined efforts—strengthening controls, modernizing processes, enhancing automation, improving data protection, and reducing operational risk—reflect continued maturation of the SEC's cybersecurity program. The agency recognizes that tools, techniques, and practices must continually evolve to keep pace with emerging threats and to securely support advanced technologies.

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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 2026 and 2025. 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.

REPORT OF INDEPENDENT AUDITORS

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

Independent Auditor's Report

To the Chairman of the United States Securities and Exchange Commission

In our audits of the fiscal years 2026 and 2025 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, 2026, and 2025, 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, 2026; and
- no reportable noncompliance for fiscal year 2026 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, 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.

[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 as amended 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, 2026, and 2025; 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, 2026, and 2025; 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, 2026, and 2025, 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, 2026, and 2025, 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, 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, 2026, 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, 2026, for SEC and for IPF, based on criteria established under FMFIA.

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

[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).

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 the 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.

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, 2026, included in management's Assurance Statement on Internal Control Over Financial Reporting (ICFR) on page 31.

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.
- 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.

[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.

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.

Definition and Inherent Limitations of Internal Control over Financial Reporting

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.

Required Supplementary Information

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 under standards issued 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 2026 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.

//SIGNED//

Cheryl E. Clark
Director
Financial Management and Assurance

November 9, 2026

ENCLOSURE I: MANAGEMENT'S RESPONSE TO AUDIT OPINION

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

November 9, 2026

Ms. Cheryl E. Clark
Director
Financial Management and Assurance
United States Government Accountability Office
441 G Street, N.W.
Washington, DC 20548

Dear Ms. Clark:

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 2026 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 controls over financial reporting, and that there was no reportable noncompliance with applicable laws and regulations.

I very much appreciate the GAO staff's professionalism and dedication during the audit. If you have any questions or concerns, please do not hesitate to contact me.

Sincerely,

Paul S. Atkins
Chairman

SEC FINANCIAL STATEMENTS

U.S. SECURITIES AND EXCHANGE COMMISSION

Balance Sheets

As of September 30, 2026 and 2025

(DOLLARS IN THOUSANDS)	2026	2025
ASSETS (NOTE 2):		
Intragovernmental:		
Fund Balance with Treasury (Note 3)	$ 10,755,484	$ 10,256,197
Investments, Net (Note 5)	4,076,379	4,753,080
Advances and Prepayments	14,611	19,370
Total Intragovernmental	14,846,474	15,028,647
With the Public:		
Cash and Other Monetary Assets (Note 4)	20	5
Accounts Receivable, Net (Note 6)	662,111	210,816
Property and Equipment, Net (Note 7)	223,985	290,748
Total With the Public	886,116	501,569
Total Assets	$ 15,732,590	$ 15,530,216
LIABILITIES (NOTE 8):		
Intragovernmental:		
Accounts Payable	$ 1,935	$ 2,888
Other Liabilities		
Payroll Taxes Payable	1,254	1,197
Custodial Liability	24,375	18,612
Liability for Non-Entity Assets	738	739
Benefit Program Contributions Payable	8,222	7,565
Total Intragovernmental	36,524	31,001
With the Public:		
Accounts Payable	176,939	68,693
Federal Employee Salary, Leave, and Benefits Payable	164,002	173,376
Post-Employment Benefits Payable	5,025	4,840
Registrant Deposits	72,354	69,078
Other Liabilities		
Lease Liability (Note 9)	145,129	173,583
Liability for Disgorgement and Penalties (Note 16)	4,401,047	5,123,659
Contingent Liabilities (Note 10)	443,865	498,096
Other Accrued Liabilities (Note 8)	135	82
Total With the Public	5,408,496	6,111,407
Total Liabilities	5,445,020	6,142,408
Commitments and Contingencies (Note 10)		
NET POSITION:		
Unexpended Appropriations – Funds from Dedicated Collections (Note 11)	252,751	252,795
Cumulative Results of Operations – Funds from Dedicated Collections (Note 11)	10,034,819	9,135,013
Total Net Position	$ 10,287,570	$ 9,387,808
Total Liabilities and Net Position	$ 15,732,590	$ 15,530,216

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

Statements of Net Cost

For the years ended September 30, 2026 and 2025

(DOLLARS IN THOUSANDS)	2026	2025
PROGRAM COSTS:		
Enforcement	$ 681,546	$ 731,850
Examinations	459,732	524,157
Corporation Finance	172,816	194,202
Trading and Markets	109,837	126,359
Investment Management	80,267	97,800
Economic and Risk Analysis	81,137	94,105
General Counsel	63,194	71,273
Other Program Offices	94,868	113,672
Agency Direction and Administrative Support	283,128	326,146
Inspector General	23,674	25,306
Total Program Costs	2,050,199	2,304,870
Cost Not Assigned to Programs (Note 18)	112,606	60,995
Total Costs	2,162,805	2,365,865
Less: Earned Revenue Not Attributed to Programs	4,176,557	4,354,710
Net (Income)/Cost of Operations (Note 15)	$ (2,013,752)	$ (1,988,845)

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

Statements of Changes in Net Position

For the years ended September 30, 2026 and 2025

(DOLLARS IN THOUSANDS)	2026		
	Funds from Dedicated Collections	All Other Funds	Consolidated Total
UNEXPENDED APPROPRIATIONS:			
Beginning Balances	$ 252,795	$ —	$ 252,795
Appropriations Used	(44)	—	(44)
Net Change in Unexpended Appropriations	(44)	—	(44)
Total Unexpended Appropriations: Ending	252,751	—	252,751
CUMULATIVE RESULTS OF OPERATIONS:			
Beginning Balances	9,135,013	—	9,135,013
Other Adjustments	(46,686)	—	(46,686)
Appropriations Used	44	—	44
Non-Exchange Revenue (Note 12)	79,254	—	79,254
Imputed Financing	93,274	—	93,274
Other (Note 12)	—	(1,239,832)	(1,239,832)
Net (Income)/Cost of Operations	(773,920)	(1,239,832)	(2,013,752)
Net Change in Cumulative Results of Operations	899,806	—	899,806
Cumulative Results of Operations: Ending (Note 11)	10,034,819	—	10,034,819
Net Position	$ 10,287,570	$ —	$ 10,287,570

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

(DOLLARS IN THOUSANDS)	2025		
	Funds from Dedicated Collections	All Other Funds	Consolidated Total
UNEXPENDED APPROPRIATIONS:			
Beginning Balances	$ 252,813	$ —	$ 252,813
Appropriations Used	(18)	—	(18)
Net Change in Unexpended Appropriations	(18)	—	(18)
Total Unexpended Appropriations: Ending	252,795	—	252,795
CUMULATIVE RESULTS OF OPERATIONS:			
Beginning Balances	7,984,820	—	7,984,820
Other Adjustments	—	—	—
Appropriations Used	18	—	18
Non-Exchange Revenue (Note 12)	15,446	—	15,446
Imputed Financing	122,944	—	122,944
Other (Note 12)	—	(977,060)	(977,060)
Net (Income)/Cost of Operations	(1,011,785)	(977,060)	(1,988,845)
Net Change in Cumulative Results of Operations	1,150,193	—	1,150,193
Cumulative Results of Operations: Ending (Note 11)	9,135,013	—	9,135,013
Net Position	$ 9,387,808	$ —	$ 9,387,808

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

Statements of Budgetary Resources

For the years ended September 30, 2026 and 2025

(DOLLARS IN THOUSANDS)	2026	2025
BUDGETARY RESOURCES:		
Unobligated Balance from Prior Year Budget Authority, Net (Discretionary and Mandatory) (Note 14)	$ 800,166	$ 825,574
Appropriations (Discretionary and Mandatory)	83,225	72,039
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	2,149,604	2,189,056
Total Budgetary Resources	$ 3,032,995	$ 3,086,669
STATUS OF BUDGETARY RESOURCES:		
New Obligations and Upward Adjustments (Total)	$ 2,206,789	$ 2,279,687
Unobligated Balance, End of Year:		
Apportioned, Unexpired Accounts	824,057	756,940
Exempt from Apportionment, Unexpired Accounts	—	43,836
Unapportioned, Unexpired Accounts	2,149	6,206
Unobligated Balance, End of Year (Total)	826,206	806,982
Total Budgetary Resources	$ 3,032,995	$ 3,086,669
OUTLAYS, NET:		
Outlays, Net (Total) (Discretionary and Mandatory)	$ (486,845)	$ (1,302,409)
Distributed Offsetting Receipts	(12,766)	(16,193)
Agency Outlays, Net (Discretionary and Mandatory) (Note 15)	$ (499,611)	$ (1,318,602)

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

Statements of Custodial Activity

For the years ended September 30, 2026 and 2025

(DOLLARS IN THOUSANDS)	2026	2025
REVENUE ACTIVITY:		
Sources of Cash Collections:		
Disgorgement and Penalties	$ 128,823	$ 911,843
Other	5,075	13,023
Total Cash Collections	133,898	924,866
Accrual Adjustments (Note 13)	5,764	(79,776)
Total Custodial Revenue	139,662	845,090
DISPOSITION OF COLLECTIONS:		
Amounts Transferred to:		
Department of the Treasury	133,898	924,866
Change in Amounts Yet to be Transferred	5,764	(79,776)
Total Disposition of Collections	139,662	845,090
NET CUSTODIAL ACTIVITY	$ —	$ —

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

NOTES TO THE FINANCIAL STATEMENTS

As of September 30, 2026 and 2025

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 Assistance, the Office of Municipal Securities, the Office of Inspector General, 10 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.

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, S*alaries and Expenses*, and Fund X5567, *Investor Protection 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.

- 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: During FY 2025, Public Law 119-21 was enacted, which closes the SEC's Reserve Fund effective October 1, 2025. Additional information is provided in *Note 14.B, Other Budgetary Disclosures*. 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, 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 arises 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.

Collections from securities registration, tender offer, merger, and other fees from registrants (filing fees) 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 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 with the public. 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 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 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. 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*.

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

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; 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, 2026, SEC entity and non-entity assets consisted of the following:

(DOLLARS IN THOUSANDS)	Entity	Non-Entity	Total
Intragovernmental:			
Fund Balance with Treasury:			
SEC Funds	$ 10,205,966	$ —	$ 10,205,966
Registrant Deposits	—	72,354	72,354
Disgorgement and Penalties (Note 16)	—	477,139	477,139
Custodial and Other Non-Entity Assets	—	25	25
Investments, Net:			
Disgorgement and Penalties (Note 16)	—	3,755,082	3,755,082
Investor Protection Fund	321,297	—	321,297
Advances and Prepayments	14,611	—	14,611
Total Intragovernmental Assets	10,541,874	4,304,600	14,846,474
Cash and Other Monetary Assets:			
SEC Funds	1	—	1
Disgorgement and Penalties (Note 16)	—	19	19
Accounts Receivable, Net:			
SEC Funds	468,176	—	468,176
Disgorgement and Penalties (Note 16)	—	188,008	188,008
Custodial and Other Non-Entity Assets	—	5,927	5,927
Property and Equipment, Net (Note 7)	223,985	—	223,985
Total Assets	$ 11,234,036	$ 4,498,554	$ 15,732,590

At September 30, 2025, SEC entity and non-entity assets consisted of the following:

(DOLLARS IN THOUSANDS)	Entity	Non-Entity	Total
Intragovernmental:			
Fund Balance with Treasury:			
SEC Funds	$ 9,674,251	$ —	$ 9,674,251
Registrant Deposits	—	69,078	69,078
Disgorgement and Penalties (Note 16)	—	512,851	512,851
Custodial and Other Non-Entity Assets	—	17	17
Investments, Net:			
Disgorgement and Penalties (Note 16)	—	4,419,510	4,419,510
Investor Protection Fund	333,570	—	333,570
Advances and Prepayments	19,370	—	19,370
Total Intragovernmental Assets	10,027,191	5,001,456	15,028,647
Cash and Other Monetary Assets:			
SEC Funds	—	—	—
Disgorgement and Penalties (Note 16)	—	5	5
Accounts Receivable, Net:			
SEC Funds	172	—	172
Disgorgement and Penalties (Note 16)	—	205,383	205,383
Custodial and Other Non-Entity Assets	—	5,261	5,261
Property and Equipment, Net (Note 7)	290,748	—	290,748
Total Assets	$ 10,318,111	$ 5,212,105	$ 15,530,216

NOTE 3. FUND BALANCE WITH TREASURY

The status of Fund Balance with Treasury as of September 30, 2026 and 2025 consisted of the following:

(DOLLARS IN THOUSANDS)	2026	2025
Status of Fund Balance with Treasury:		
Unobligated Balance	$ 586,400	$ 561,669
Obligated Balance not Yet Disbursed	685,268	497,529
Non-Budgetary Fund Balance with Treasury	9,483,816	9,196,999
Total Fund Balance with Treasury	$ 10,755,484	$ 10,256,197

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.

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 $20 thousand as of September 30, 2026. 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 $5 thousand as of September 30, 2025.

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, 2026, 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						
Market-Based Notes	$ 290,060	Effective	$ 833	$ 2,401	$ 293,294	$ 290,103
Market-Based Bills	358,319	S/L	4,366	—	362,685	362,618
One-Day Certificates	3,099,103	N/A	—	—	3,099,103	3,099,103
Total Disgorgement and Penalties	3,747,482		5,199	2,401	3,755,082	3,751,824
Investor Protection Fund – Entity						
One-Day Certificates	321,297	N/A	—	—	321,297	321,297
Total Investor Protection Fund – Entity	321,297		—	—	321,297	321,297
Total	$ 4,068,779		$ 5,199	$ 2,401	$ 4,076,379	$ 4,073,121

At September 30, 2025, 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						
Market-Based Notes	$ 1,026,064	Effective	$ 518	$ 7,716	$ 1,034,298	$ 1,027,181
Market-Based Bills	923,366	S/L	11,645	—	935,011	935,378
One-Day Certificates	2,450,201	N/A	—	—	2,450,201	2,450,201
Total Disgorgement and Penalties	4,399,631		12,163	7,716	4,419,510	4,412,760
Investor Protection Fund – Entity						
One-Day Certificates	333,570	N/A	—	—	333,570	333,570
Total Investor Protection Fund – Entity	333,570		—	—	333,570	333,570
Total	$ 4,733,201		$ 12,163	$ 7,716	$ 4,753,080	$ 4,746,330

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, 2026, accounts receivable consisted of the following:

(DOLLARS IN THOUSANDS)	Gross Receivables	Allowance	Net Receivables
Entity Accounts Receivable:			
Securities Transaction Fees	$ 467,788	$ —	$ 467,788
Other	388	—	388
Non-Entity Accounts Receivable:			
Disgorgement and Penalties[1]	6,883,826	6,695,818	188,008
Filing Fees	842	109	733
Other	463,065	457,871	5,194
Subtotal Non-Intragovernmental Accounts Receivable	7,815,909	7,153,798	662,111
Total Accounts Receivable	$ 7,815,909	$ 7,153,798	$ 662,111

1 **Disgorgement and Penalties Accounts Receivable by Tiers (Note 1.I)**

(DOLLARS IN THOUSANDS)	Gross Receivable	Allowance	Net Receivable
Tier 1	$ 6,520,331	$ 6,435,735	$ 84,596
Tier 2	40,360	20,085	20,275
Tier 3	323,135	239,998	83,137
Total Non-Entity Accounts Receivable: Disgorgement and Penalties	$ 6,883,826	$ 6,695,818	$ 188,008

At September 30, 2025, accounts receivable consisted of the following:

(DOLLARS IN THOUSANDS)	Gross Receivables	Allowance	Net Receivables
Entity Accounts Receivable:			
Securities Transaction Fees	$ —	$ —	$ —
Other	172	—	172
Non-Entity Accounts Receivable:			
Disgorgement and Penalties[2]	7,550,677	7,345,294	205,383
Filing Fees	770	35	735
Other	236,017	231,491	4,526
Subtotal Non-Intragovernmental Accounts Receivable	7,787,636	7,576,820	210,816
Total Accounts Receivable	$ 7,787,636	$ 7,576,820	$ 210,816

2 **Disgorgement and Penalties Accounts Receivable by Tiers (Note 1.I)**

(DOLLARS IN THOUSANDS)	Gross Receivable	Allowance	Net Receivable
Tier 1	$ 6,973,586	$ 6,853,318	$ 120,268
Tier 2	78,155	41,422	36,733
Tier 3	498,936	450,554	48,382
Total Non-Entity Accounts Receivable: Disgorgement and Penalties	$ 7,550,677	$ 7,345,294	$ 205,383

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 $459.4 million and $233.2 million as of September 30, 2026 and 2025, respectively. This estimate does not include interest accumulated on debts written off or officially waived.

Disgorgement and penalties net accounts receivable of $188.0 million and $205.4 million at September 30, 2026 and 2025, 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, 2026 and 2025, the custodial disgorgement and penalties accounts receivable balance designated as payable to the U.S. Treasury General Fund, net of allowance, was $19.2 million and $14.1 million, respectively.

NOTE 7. PROPERTY AND EQUIPMENT, NET

At September 30, 2026, 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	$ 56,032	$ 50,827	$ 5,205
Software	S/L	300	300	3–5	319,547	251,509	68,038
Leasehold Improvements	S/L	300	N/A	10	97,587	84,380	13,207
Right-to-Use Lease Assets	S/L	N/A	N/A	Lease Term	289,609	152,074	137,535
Total					$ 762,775	$ 538,790	$ 223,985

During FY 2026, activity impacting Net Book Value consisted of the following:

(DOLLARS IN THOUSANDS)	Net Book Value
Balance Beginning of Year	$ 290,748
Capitalized Acquisitions	26,131
Right-to-Use Lease Assets, Current Year Activity	22,338
Dispositions	—
Depreciation Expense	(63,269)
Amortization, Right-to-Use Lease Assets	(51,963)
Balance End of Year	$ 223,985

At September 30, 2025, 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	$ 67,076	$ 56,038	$ 11,038
Software	S/L	300	300	3–5	296,480	199,017	97,463
Leasehold Improvements	S/L	300	N/A	10	96,876	81,789	15,087
Right-to-Use Lease Assets	S/L	N/A	N/A	Lease Term	267,776	100,616	167,160
Total					$ 728,208	$ 437,460	$ 290,748

During FY 2025, activity impacting Net Book Value consisted of the following:

(DOLLARS IN THOUSANDS)	Net Book Value
Balance Beginning of Year	$ 371,147
Capitalized Acquisitions	39,872
Right-to-Use Lease Assets, Current Year Activity	(8,614)
Dispositions	(32)
Depreciation Expense	(61,182)
Amortization, Right-to-Use Lease Assets	(50,443)
Balance End of Year	$ 290,748

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.

NOTE 8. LIABILITIES COVERED AND NOT COVERED BY 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, 2026, 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	$ 1,935	$ —	$ —	$ 1,935
Other Liabilities				
Payroll Taxes Payable	1,254	—	—	1,254
Custodial Liability	—	—	24,375	24,375
Liability for Non-Entity Assets	—	—	738	738
Benefit Program Contributions Payable	7,158	1,064	—	8,222
Total Other Liabilities	8,412	1,064	25,113	34,589
Total Intragovernmental	10,347	1,064	25,113	36,524
With the Public:				
Accounts Payable	176,939	—	—	176,939
Federal Employee Salary, Leave, and Benefits Payable	31,872	132,130	—	164,002
Post-Employment Benefits Payable	—	5,025	—	5,025
Registrant Deposits	—	—	72,354	72,354
Other Liabilities				
Lease Liability (Note 9)	2,799	142,330	—	145,129
Liability for Disgorgement and Penalties (Note 16)	—	—	4,401,047	4,401,047
Contingent Liabilities (Note 10)	—	443,865	—	443,865
Other Accrued Liabilities				
Other	1	—	134	135
Total Other Liabilities	2,800	586,195	4,401,181	4,990,176
Total With the Public	211,611	723,350	4,473,535	5,408,496
Total Liabilities	$ 221,958	$ 724,414	$ 4,498,648	$ 5,445,020

Other Liabilities (intragovernmental and with the public) totaled $5.0 billion as of September 30, 2026, of which all but $535.8 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 $51.5 thousand as of September 30, 2026. As of September 30, 2026, the SEC's unfunded leave balance was $132.1 million.

At September 30, 2025, 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	$ 2,888	$ —	$ —	$ 2,888
Other Liabilities				
Payroll Taxes Payable	1,197	—	—	1,197
Custodial Liability	—	—	18,612	18,612
Liability for Non-Entity Assets	—	—	739	739
Benefit Program Contributions Payable	6,600	965	—	7,565
Total Other Liabilities	7,797	965	19,351	28,113
Total Intragovernmental	10,685	965	19,351	31,001
With the Public:				
Accounts Payable	68,693	—	—	68,693
Federal Employee Salary, Leave, and Benefits Payable	36,990	136,386	—	173,376
Post-Employment Benefits Payable	—	4,840	—	4,840
Registrant Deposits	—	—	69,078	69,078
Other Liabilities				
Lease Liability (Note 9)	33,963	139,620	—	173,583
Liability for Disgorgement and Penalties (Note 16)	—	—	5,123,659	5,123,659
Contingent Liabilities (Note 10)	—	498,096	—	498,096
Other Accrued Liabilities				
Other	—	—	82	82
Total Other Liabilities	33,963	637,716	5,123,741	5,795,420
Total With the Public	139,646	778,942	5,192,819	6,111,407
Total Liabilities	$ 150,331	$ 779,907	$ 5,212,170	$ 6,142,408

Other Liabilities (intragovernmental and with the public) totaled $5.8 billion as of September 30, 2025, of which all but $623.3 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 $15.4 million as of September 30, 2025. As of September 30, 2025, the SEC's unfunded leave balance was $134.3 million.

NOTE 9. LEASES

As of September 30, 2026, the SEC has real property leases, both non-intragovernmental and intragovernmental, at 12 locations supporting its headquarters and regional offices.

To comply with Statement of Federal Financial Accounting Standards (SFFAS) 54, *Leases*, federal reporting entities are required 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 four non-intragovernmental personal property leases for the following contracts: a data center co-location, postage meter equipment, printer and copier equipment, and NetApp Keystone storage. As of September 30, 2026, the SEC recorded right-to-use assets for non-intragovernmental leases totaling $289.6 million, and accumulated amortization totaling $152.1 million (see *Note 7, Property and Equipment, Net*). The SEC also recorded associated right-to-use liabilities totaling $145.1 million using a range of discount rates between 3.5 and 4 percent in accordance with SFFAS 54 (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, 2026, non-intragovernmental future lease payments are as follows:

FISCAL YEAR *(DOLLARS IN THOUSANDS)*	Principal	Interest	Total Future Payments
2027	$ 53,809	$ 4,699	$ 58,508
2028	55,964	2,533	58,497
2029	7,661	1,196	8,857
2030	7,847	907	8,754
2031	8,012	615	8,627
2032–2034	11,836	463	12,299
Total	$ 145,129	$ 10,413	$ 155,542

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, Boston, and Chicago. These leases are budgeted and obligated annually, and the terms range from 10 to 20 years. The SEC has an additional intragovernmental lease with the GSA motor pool for vehicles. For the year ended September 30, 2026, the SEC paid $35.8 million for GSA-owned rental space and $9 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, GSA announced the termination of the lease contract for the new SEC headquarters facility. 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.

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, 2026, 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. 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, 2026, commitments and contingencies consisted of the following:

(DOLLARS IN THOUSANDS)	Accrued Liabilities	Estimated Range of Loss	
		Lower End	Upper End
2026 Whistleblower Awards:			
Probable	$ 443,865	$ 253,665	$ 760,994
Reasonably Possible	—	53,365	160,096

At September 30, 2025, commitments and contingencies consisted of the following:

(DOLLARS IN THOUSANDS)	Accrued Liabilities	Estimated Range of Loss	
		Lower End	Upper End
2025 Whistleblower Awards:			
Probable	$ 498,096	$ 218,271	$ 654,813
Reasonably Possible	—	44,499	133,498

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 balance of the Investor Protection Fund at September 30, 2026 and 2025 were $240.2 million and $318.5 million, respectively. If the contingent liabilities balance exceeds the unobligated balance at September 30, 2026, 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, 2026, net obligations for all SEC activities were $685.1 million, of which $219.2 million was delivered and unpaid. As of September 30, 2025, net obligations for all SEC activities were $497.4 million, of which $116.5 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 and Investor Protection 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 2026, 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, 2026						
ASSETS						
Intragovernmental:						
Fund Balance with Treasury	$ 10,144,274	$ 61,598	$ —	$ 10,205,872	$ —	$ 10,205,872
Investments, Net	—	321,297	—	321,297	—	321,297
Advances and Prepayments	14,611	—	—	14,611	—	14,611
Total Intragovernmental	10,158,885	382,895	—	10,541,780	—	10,541,780
With the Public:						
Cash and Other Monetary Assets	1	—	—	1	—	1
Accounts Receivable, Net	468,176	—	—	468,176	—	468,176
Property and Equipment, Net (Note 7)	223,985	—	—	223,985	—	223,985
Total With the Public	692,162	—	—	692,162	—	692,162
Total Assets	$ 10,851,047	$ 382,895	$ —	$ 11,233,942	$ —	$ 11,233,942
LIABILITIES						
Intragovernmental:						
Accounts Payable	$ 1,935	$ —	$ —	$ 1,935	$ —	$ 1,935
Other Liabilities						
Payroll Taxes Payable	1,254	—	—	1,254	—	1,254
Benefit Program Contributions Payable	8,222	—	—	8,222	—	8,222
Total Intragovernmental Liabilities	11,411	—	—	11,411	—	11,411
With the Public:						
Accounts Payable	52,225	124,714	—	176,939	—	176,939
Federal Employee Salary, Leave, and Benefits Payable	164,002	—	—	164,002	—	164,002
Post-Employment Benefits Payable	5,025	—	—	5,025	—	5,025

(DOLLARS IN THOUSANDS)	Salaries & Expenses	Investor Protection Fund	Reserve Fund	Total Combined Funds from Dedicated Collections	Eliminations	Total Consolidated Funds from Dedicated Collections
Other Liabilities						
Lease Liability	145,129	—	—	145,129	—	145,129
Contingent Liabilities	—	443,865	—	443,865	—	443,865
Other Accrued Liabilities	1	—	—	1	—	1
Total With the Public	366,382	568,579	—	934,961	—	934,961
Total Liabilities	377,793	568,579	—	946,372	—	946,372
NET POSITION						
Unexpended Appropriations	252,751	—	—	252,751	—	252,751
Cumulative Results of Operations	10,220,503	(185,684)	—	10,034,819	—	10,034,819
Total Net Position	$ 10,473,254	$ (185,684)	$ —	$ 10,287,570	$ —	$ 10,287,570
Total Liabilities and Net Position	$ 10,851,047	$ 382,895	$ —	$ 11,233,942	$ —	$ 11,233,942
Statement of Net Cost for the year ended September 30, 2026						
Total Program Costs	$ 1,942,792	$ 107,345	$ —	$ 2,050,137	$ (12)	$ 2,050,125
Cost Not Assigned to Programs	112,606	—	—	112,606	—	112,606
Less Earned Revenues Not Attributable to Program Costs	2,936,663	—	—	2,936,663	(12)	2,936,651
Net (Income)/Cost of Operations	$ (881,265)	$ 107,345	$ —	$ (773,920)	$ —	$ (773,920)
Statement of Changes in Net Position for the year ended September 30, 2026						
Unexpended Appropriations:						
Beginning Balances	$ 252,795	$ —	$ —	$ 252,795	$ —	$ 252,795
Appropriations Used	(44)	—	—	(44)	—	(44)
Total Unexpended Appropriations: Ending	252,751	—	—	252,751	—	252,751
Cumulative Results of Operations:						
Beginning Balances	9,245,920	(157,593)	46,686	9,135,013	—	9,135,013
Other Adjustments	—	—	(46,686)	(46,686)	—	(46,686)
Appropriations Used	44	—	—	44	—	44
Non-Exchange Revenue	—	79,254	—	79,254	—	79,254
Transfers In/Out Without Reimbursement	—	—	—	—	—	—
Imputed Financing	93,274	—	—	93,274	—	93,274
Net (Income)/Cost of Operations	(881,265)	107,345	—	(773,920)	—	(773,920)
Net Change in Cumulative Results of Operations	974,583	(28,091)	(46,686)	899,806	—	899,806
Cumulative Results of Operations: Ending	10,220,503	(185,684)	—	10,034,819	—	10,034,819
Net Position	$ 10,473,254	$ (185,684)	$ —	$ 10,287,570	$ —	$ 10,287,570

For FY 2025, 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, 2025						
ASSETS						
Intragovernmental:						
Fund Balance with Treasury	$ 9,608,250	$ 19,250	$ 46,686	$ 9,674,186	$ —	$ 9,674,186
Investments, Net	—	333,570	—	333,570	—	333,570
Advances and Prepayments	19,370	—	—	19,370	—	19,370
Total Intragovernmental	9,627,620	352,820	46,686	10,027,126	—	10,027,126
With the Public:						
Cash and Other Monetary Assets	—	—	—	—	—	—
Accounts Receivable, Net	172	—	—	172	—	172
Property and Equipment, Net (Note 7)	290,748	—	—	290,748	—	290,748
Total With the Public	290,920	—	—	290,920	—	290,920
Total Assets	$ 9,918,540	$ 352,820	$ 46,686	$ 10,318,046	$ —	$ 10,318,046
LIABILITIES						
Intragovernmental:						
Accounts Payable	$ 2,888	$ —	$ —	$ 2,888	$ —	$ 2,888
Other Liabilities						
Payroll Taxes Payable	1,197	—	—	1,197	—	1,197
Benefit Program Contributions Payable	7,565	—	—	7,565	—	7,565
Total Intragovernmental Liabilities	11,650	—	—	11,650	—	11,650
With the Public:						
Accounts Payable	56,376	12,317	—	68,693	—	68,693
Federal Employee Salary, Leave, and Benefits Payable	173,376	—	—	173,376	—	173,376
Post-Employment Benefits Payable	4,840	—	—	4,840	—	4,840
Other Liabilities						
Lease Liability	173,583	—	—	173,583	—	173,583
Contingent Liabilities	—	498,096	—	498,096	—	498,096
Other Accrued Liabilities	—	—	—	—	—	—
Total With the Public	408,175	510,413	—	918,588	—	918,588
Total Liabilities	419,825	510,413	—	930,238	—	930,238

(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	252,795	—	—	252,795	—	252,795
Cumulative Results of Operations	9,245,920	(157,593)	46,686	9,135,013	—	9,135,013
Total Net Position	$ 9,498,715	$ (157,593)	$ 46,686	$ 9,387,808	$ —	$ 9,387,808
Total Liabilities and Net Position	$ 9,918,540	$ 352,820	$ 46,686	$ 10,318,046	$ —	$ 10,318,046
Statement of Net Cost for the year ended September 30, 2025						
Total Program Costs	$ 2,230,362	$ 34,448	$ 40,210	$ 2,305,020	$ (8)	$ 2,305,012
Cost Not Assigned to Programs	60,995	—	—	60,995	—	60,995
Less Earned Revenues Not Attributable to Program Costs	3,327,800	—	50,000	3,377,800	(8)	3,377,792
Net (Income)/Cost of Operations	$ (1,036,443)	$ 34,448	$ (9,790)	$ (1,011,785)	$ —	$ (1,011,785)
Statement of Changes in Net Position for the year ended September 30, 2025						
Unexpended Appropriations:						
Beginning Balances	$ 252,813	$ —	$ —	$ 252,813	$ —	$ 252,813
Appropriations Used	(18)	—	—	(18)	—	(18)
Total Unexpended Appropriations: Ending	252,795	—	—	252,795	—	252,795
Cumulative Results of Operations:						
Beginning Balances	8,006,991	(138,591)	116,420	7,984,820	—	7,984,820
Other Adjustments	—	—	—	—	—	—
Appropriations Used	18	—	—	18	—	18
Non-Exchange Revenue	—	15,446	—	15,446	—	15,446
Transfers In/Out Without Reimbursement	79,524	—	(79,524)	—	—	—
Imputed Financing	122,944	—	—	122,944	—	122,944
Net (Income)/Cost of Operations	(1,036,443)	34,448	(9,790)	(1,011,785)	—	(1,011,785)
Net Change in Cumulative Results of Operations	1,238,929	(19,002)	(69,734)	1,150,193	—	1,150,193
Cumulative Results of Operations: Ending	9,245,920	(157,593)	46,686	9,135,013	—	9,135,013
Net Position	$ 9,498,715	$ (157,593)	$ 46,686	$ 9,387,808	$ —	$ 9,387,808

NOTE 12. STATEMENT OF CHANGES IN NET POSITION

A. Other

The negative "Other" of $1.24 billion and $977.1 million for the period ended September 30, 2026 and 2025, respectively, reported on 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*.

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, 2026 and 2025, non-custodial non-exchange revenues consisted of the following:

Non-Exchange Revenue *(DOLLARS IN THOUSANDS)*		2026		2025
Deposits of Monetary Sanctions to the Investor Protection Fund	$	66,526	$	(746)
Investment Interest Revenue in the Investor Protection Fund		12,728		16,192
Total Amount of Federal Revenues Collected	$	79,254	$	15,446

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 2026 SBR and the actual FY 2026 data in the Budget of the U.S. Government (Budget) cannot be presented, as the FY 2028 Budget, which will contain FY 2026 actual data, is not yet available. The FY 2028 Budget with actual amounts for FY 2026 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 2025 Statement of Budgetary Resources and the FY 2025 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 2026. 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 SEC's annual appropriation is no-year funding, and available until expended.

RESERVE FUND

During FY 2025, Public Law 119-21 was enacted, which included a provision to close the SEC's Reserve Fund effective October 1, 2025. Between July 4, 2025, and September 30, 2025, the SEC began the process to terminate the fund as stipulated in section 30003 (c) through (e). During this time, the SEC could only expend amounts that were obligated prior to the enactment of the bill. The SEC transferred all remaining unobligated balances to the general fund of the Treasury and closed the fund on October 1, 2025, per Public Law 119-21.

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

For FY 2026, the Unobligated Balance from Prior Year Budget Authority, Net consisted of available unobligated balance brought forward from the prior year in the amount of $809.8 million as well as FY 2026 recoveries of prior-year obligations totaling $37.0 million. This balance also consisted of a $46.7 million reduction in budgetary authority for unobligated balances in the Reserve Fund required to be transferred to the U.S. Treasury during FY 2026. For FY 2025, the Unobligated Balance from Prior Year Budget Authority, Net consisted of available unobligated balance brought forward from the prior year in the amount of $506.2 million as well as FY 2025 recoveries of prior-year obligations totaling $319.3 million.

UNDELIVERED ORDERS AT THE END OF THE PERIOD

Undelivered orders consist of orders of goods and services that the SEC has not received.

As of September 30, 2026 and 2025, the undelivered orders consist of the following:

(DOLLARS IN THOUSANDS)	2026	2025
Intragovernmental:		
Undelivered Orders Prepaid	$ 14,611	$ 19,370
Undelivered Orders Unpaid	9,165	41,426
Total Intragovernmental	23,776	60,796
With the Public:		
Undelivered Orders Unpaid	456,945	339,737
Total With the Public	456,945	339,737
Total Undelivered Orders	$ 480,721	$ 400,533

LEGAL RESTRICTIONS ON UNOBLIGATED BUDGETARY RESOURCES

Between FYs 2018 and 2025, the SEC received funding for the relocation of its regional and headquarters office spaces. These funds are restricted to procuring replacement leases for designated SEC offices. During FYs 2025 and 2026, the appropriation allowed for any unobligated balances from funds made available in prior Acts for replacement leases to be used for such purposes at any Commission office facility. The following table details the current status of unobligated balances for the funding of the various lease sites. Unobligated budgetary resources are as follows:

(DOLLARS IN THOUSANDS)	Appropriated Resources	Transfers to/ (from) Other Lease Sites	Obligations Incurred – Undelivered	Obligations Incurred – Delivered	Downward Adjustment of Obligations	Unobligated Balance
Lease Site:						
Headquarters Funding FYs 2018–2024	$ 345,805	$ —	$ (254,189)	$ (2,972)	$ 254,189	$ 342,833
New York Regional Office Funding FYs 2019–2020	47,714	(29,191)	(23,729)	(16,904)	23,732	1,622
San Fransisco Regional Office Funding FYs 2021–2023	20,409	—	(6,519)	(9,574)	6,519	10,835
Fort Worth Regional Office Funding FY 2022	6,746	—	(1,004)	(3,326)	1,004	3,420
Atlanta Regional Office Funding FY 2024	14,415	—	—	—	—	14,415
Chicago Regional Office FY 2024	—	15,557	(2,643)	(348)	—	12,566
Undesignated Funding FY 2025	39,658	11,956	—	—	—	51,614
Philadelphia Regional Office FY 2026	—	1,678	(1,531)	(147)	—	—
Total	$ 474,747	$ —	$ (289,615)	$ (33,271)	$ 285,444	$ 437,305

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 the U.S. Treasury General 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, 2026:

(DOLLARS IN THOUSANDS)	Intragovernmental	With the Public	Total
Net (Income)/Cost of Operations	$ 450,410	$ (2,464,162)	$ (2,013,752)
Components of Net Cost That Are Not Part of Net Outlays:			
Property and Equipment Depreciation	$ —	$ (63,269)	$ (63,269)
Property and Equipment Disposal Reevaluation	—	—	—
Right-to-Use Lease Asset Amortization	—	(51,963)	(51,963)
Gains from Lease Modifications	—	—	—
Securities Registration, Tender Offer, Merger, and Other Fees from Registrants (Note 1.P)	—	1,239,824	1,239,824
Treasury Investment Fees	(96)	96	—
Increase/(Decrease) in Assets:			
Accounts Receivable	—	468,005	468,005
Advances and Prepayments	(4,759)	—	(4,759)
(Increase)/Decrease in Liabilities:			
Accounts Payable	953	(108,246)	(107,293)
Federal Employee Salary, Leave, and Benefits Payable	—	9,374	9,374
Post-Employment Benefits Payable	—	(184)	(184)
Other Liabilities			
Benefit Program Contributions Payable	(657)	—	(657)
Payroll Taxes Payable	(57)	—	(57)
Contingent Liabilities	—	54,230	54,230
Financing Sources:			
Imputed Costs	(93,274)	—	(93,274)
Total Components of Net Cost That Are Not Part of Net Outlays	(97,890)	1,547,867	1,449,977
Components of Net Outlays That Are Not Part of Net Cost:			
Acquisition of Capital Assets	—	26,131	26,131
Non-Exchange Interest Receipts Reported as Distributed Offsetting Receipts	(12,728)	(30)	(12,758)
Reduction of Lease Liability	—	50,791	50,791
Total Components of Net Outlays That Are Not Part of Net Cost	(12,728)	76,892	64,164
Net Outlays	$ 339,792	$ (839,403)	$ (499,611)

For the year ended September 30, 2025:

(DOLLARS IN THOUSANDS)	Intragovernmental	With the Public	Total
Net (Income)/Cost of Operations	$ 511,186	$ (2,500,031)	$ (1,988,845)
Components of Net Cost That Are Not Part of Net Outlays:			
Property and Equipment Depreciation	$ —	$ (61,182)	$ (61,182)
Property and Equipment Disposal Reevaluation	—	(32)	(32)
Right-to-Use Lease Asset Amortization	—	(50,443)	(50,443)
Gains from Lease Modifications	—	213	213
Securities Registration, Tender Offer, Merger, and Other Fees from Registrants (Note 1.P)	—	1,027,049	1,027,049
Treasury Investment Fees	(107)	107	—
Increase/(Decrease) in Assets:			
Accounts Receivable	—	(363,499)	(363,499)
Advances and Prepayments	6,879	—	6,879
(Increase)/Decrease in Liabilities:			
Accounts Payable	2,629	119,647	122,276
Federal Employee Salary, Leave, and Benefits Payable	—	11,310	11,310
Post-Employment Benefits Payable	—	(521)	(521)
Other Liabilities			
Benefit Program Contributions Payable	(440)	—	(440)
Payroll Taxes Payable	(249)	—	(249)
Contingent Liabilities	—	30,863	30,863
Financing Sources:			
Imputed Costs	(122,944)	—	(122,944)
Total Components of Net Cost That Are Not Part of Net Outlays	(114,232)	713,512	599,280
Components of Net Outlays That Are Not Part of Net Cost:			
Acquisition of Capital Assets	—	39,872	39,872
Non-Exchange Interest Receipts Reported as Distributed Offsetting Receipts	(16,192)	8	(16,184)
Reduction of Lease Liability	—	47,275	47,275
Total Components of Net Outlays That Are Not Part of Net Cost	(16,192)	87,155	70,963
Net Outlays	$ 380,762	$ (1,699,364)	$ (1,318,602)

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 2026, total Disgorgement and Penalties assets of $4.42 billion included $4.40 billion held for distribution to harmed investors and $19.2 million to be transferred to the U.S. Treasury General Fund. In FY 2025, total Disgorgement and Penalties assets of $5.14 billion included $5.12 billion held for distribution to harmed investors and $14.1 million to be transferred to the U.S. Treasury General Fund.

At September 30, 2026 and 2025, 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)	2026	2025
Fund Balance with Treasury:		
Beginning Balance	$ 512,851	$ 562,893
Collections	237,421	1,604,097
Purchases and Redemptions of Treasury Securities	822,257	(606,569)
Disbursements	(900,040)	(136,473)
Transfers and Deposits to the Investor Protection Fund	(66,527)	746
Transfers and Deposits to the U.S. Treasury General Fund	(128,823)	(911,843)
Total Fund Balance with Treasury (Note 2)	477,139	512,851
Cash and Other Monetary Assets:		
Beginning Balance	4	109
Net Activity	15	(104)
Total Cash and Other Monetary Assets (Notes 2 and 4)	19	5
Investments, Net:		
Beginning Balance	4,419,511	3,634,133
Net Activity	(664,429)	785,377
Total Investments, Net (Notes 2 and 5)	3,755,082	4,419,510
Accounts Receivable, Net:		
Beginning Balance	205,384	506,481
Net Activity	(17,376)	(301,098)
Total Accounts Receivable, Net (Notes 2 and 6)	188,008	205,383
Total Disgorgement and Penalties Assets	$ 4,420,248	$ 5,137,749

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 2025 FR can be found at: https://fiscal.treasury.gov/reports-statements/financial-report/current-report.html.

FY 2026 Balance Sheet

As of September 30, 2026

Financial Statement Line *(DOLLARS IN THOUSANDS)*	FY 2026 SEC Balance Sheet	Line Items Used to Prepare FY 2026 Government-Wide 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	$ 10,755,484	$ 10,205,872	$ —	$ 549,612	$ 10,755,484	Fund Balance with Treasury
Investments, Net	4,076,379	321,297	—	3,755,082	4,076,379	Investments, Net
Accounts Receivable	—	—	—	—	—	Accounts Receivable, Net
Advances and Prepayments	14,611	14,611	—	—	14,611	Advances and Prepayments
Total Intragovernmental	14,846,474	10,541,780	—	4,304,694	14,846,474	Total Intragovernmental
With the Public:						With the Public:
Cash and Other Monetary Assets (Note 4)	20	1	—	19	20	Cash and Other Monetary Assets
Accounts Receivable, Net (Note 6)	662,111	468,176	—	193,935	662,111	Accounts Receivable, Net
Property and Equipment, Net (Note 7)	223,985	223,985	—	—	223,985	General and Right-to-Use Property, Plant, and Equipment, Net
Total With the Public	886,116	692,162	—	193,954	886,116	Total With the Public
Total Assets	$ 15,732,590	$ 11,233,942	$ —	$ 4,498,648	$ 15,732,590	**Total Assets**
LIABILITIES:						**LIABILITIES:**
Intragovernmental:						Intragovernmental:
Accounts Payable	$ 1,935	$ 1,935	$ —	$ —	$ 1,935	Accounts Payable
Other Liabilities						
Payroll Taxes Payable	1,254	1,254	—	—	1,254	Other Liabilities (Without Reciprocals)
Custodial Liability	24,375	—	—	24,375	24,375	Liability to the General Fund of the U.S. Government for Custodial and Other Non-Entity Assets
Liability for Non-Entity Assets	738	—	—	738	738	Liability to the General Fund of the U.S. Government for Custodial and Other Non-Entity Assets
Benefit Program Contributions Payable	8,222	8,222	—	—	8,222	Benefit Program Contributions Payable
Total Other Liabilities	34,589	9,476	—	25,113	34,589	*Total Other Liabilities*
Total Intragovernmental	36,524	11,411	—	25,113	36,524	Total Intragovernmental

FY 2026 Balance Sheet *(continued)*

As of September 30, 2026

Financial Statement Line *(DOLLARS IN THOUSANDS)*	FY 2026 SEC Balance Sheet	Line Items Used to Prepare FY 2026 Government-Wide Balance Sheet: Dedicated Collections Combined	Dedicated Collections Eliminations	All Other Amounts (with Eliminations)	Total	Reclassified Financial Statement Line *(DOLLARS IN THOUSANDS)*
With the Public:						
Accounts Payable	176,939	176,939	—	—	176,939	Accounts Payable
Federal Employee Salary, Leave, and Benefits Payable	164,002	164,002	—	—	164,002	Federal Employee Salary, Leave, and Benefits Payable
Post-Employment Benefits Payable	5,025	5,025	—	—	5,025	Pensions, Other Post-Employment, and Veterans Benefits Payable
Registrant Deposits	72,354	—	—	72,354	72,354	Advances from Others and Deferred Revenue
Other Liabilities						
Lease Liability	145,129	145,129	—	—	145,129	Other Liabilities
Liability for Disgorgement and Penalties (Note 16)	4,401,047	—	—	4,401,047	4,401,047	Other Liabilities
Contingent Liabilities (Note 10)	443,865	443,865	—	—	443,865	Other Liabilities
Other Accrued Liabilities (Note 8)	135	1	—	134	135	Other Liabilities
Total Other Liabilities	4,990,176	588,995	—	4,401,181	4,990,176	*Total Other Liabilities*
Total With the Public	5,408,496	934,961	—	4,473,535	5,408,496	Total With the Public
Total Liabilities	5,445,020	946,372	—	4,498,648	5,445,020	**Total Liabilities**
Commitments and Contingencies						
NET POSITION:						**NET POSITION:**
Unexpended Appropriations – Funds from Dedicated Collections	252,751	252,751	—	—	252,751	Unexpended Appropriations – Funds from Dedicated Collections
Cumulative Results of Operations – Funds from Dedicated Collections	10,034,819	10,034,819	—	—	10,034,819	Cumulative Results of Operations – Funds from Dedicated Collections
Total Net Position	$ 10,287,570	$ 10,287,570	$ —	$ —	$ 10,287,570	**Total Net Position**
Total Liabilities and Net Position	$ 15,732,590	$ 11,233,942	$ —	$ 4,498,648	$ 15,732,590	**Total Liabilities and Net Position**

FY 2026 Statement of Net Cost

For the year ended September 30, 2026

		Line Items Used to Prepare FY 2026 Government-Wide Statement of Net Cost					
Financial Statement Line *(DOLLARS IN THOUSANDS)*	**FY 2026 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)*
Costs:							**Non-Federal Costs**
Total Costs	$ 2,162,805	$ 1,711,770	$ —	$ (22)	$ —	$ 1,711,748	Non-Federal Gross Cost
							Intragovernmental Costs
		234,846	—	—	—	234,846	Benefit Program Costs
		93,274	—	—	—	93,274	Imputed Costs
		64,565	(12)	96	—	64,649	Buy/Sell Costs
		58,288	—	—	—	58,288	Other Expenses
		450,973	(12)	96	—	451,057	**Total Intragovernmental Costs**
Total Costs	2,162,805	2,162,743	(12)	74	—	2,162,805	***Total Reclassified Gross Costs***
Less: Earned Revenues not Attributed to Programs	4,176,557						**Non-Federal Earned Revenue**
		2,936,004	—	1,239,906	—	4,175,910	Non-Federal Earned Revenue
							Intragovernmental Revenue
		659	(12)	—	—	647	Buy/Sell Revenue
Total Earned Revenues	$ 4,176,557	$ 2,936,663	$ (12)	$ 1,239,906	$ —	$ 4,176,557	***Total Reclassified Earned Revenue***
Net (Income)/Cost of Operations	$ (2,013,752)	$ (773,920)	$ —	$ (1,239,832)	$ —	$ (2,013,752)	**Net Cost of Operations**

FY 2026 Statement of Changes in Net Position

For the year ended September 30, 2026

Financial Statement Line *(DOLLARS IN THOUSANDS)*	FY 2026 SEC Statement of Changes in Net Position	Line Items Used to Prepare FY 2026 Government-Wide 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	$ 252,795	$ 252,795	$ —	$ —	$ 252,795	Net Position, Beginning of Period
Appropriations Received	—	—	—	—	—	Appropriations Received as Adjusted
Appropriations Used	(44)	(44)	—	—	(44)	Appropriations Used
Net Change in Unexpended Appropriations	(44)	(44)	—	—	(44)	
Total Unexpended Appropriations	252,751	252,751	—	—	252,751	
CUMULATIVE RESULTS OF OPERATIONS:						
Beginning Balances	9,135,013	9,135,013	—	—	9,135,013	Net Position, Beginning of Period
Other Adjustments	(46,686)	(46,686)	—	—	(46,686)	Other Financing Sources with Budgetary Impact
Appropriations Used	44	44	—	—	44	Appropriations Expended
Non-Exchange Revenue	79,254	66,526	—	(157,827)	(91,301)	Other Taxes and Receipts
	—	12,728	—	157,827	170,555	Federal Securities Interest Revenue, including Associated Gains/Losses (Non-Exchange)
Total Non-Exchange Revenues	79,254	79,254	—	—	79,254	*Total Reclassified Non-Exchange Revenues*
Imputed Financing	93,274	93,274	—	—	93,274	Imputed Financing Sources (Federal)
Other	(1,239,832)	—	—	(1,239,833)	(1,239,833)	Non-Entity Collections Transferred to the General Fund of the U.S. Government
		—	—	1	1	Accrual for Non-Entity Amounts to be Collected and Transferred to the General Fund of the U.S. Government
Total Other	(1,239,832)	—	—	(1,239,832)	(1,239,832)	*Total Reclassified Other*

FY 2026 Statement of Changes in Net Position *(continued)*

For the year ended September 30, 2026

		Line Items Used to Prepare FY 2026 Government-Wide Statement of Changes in Net Position				
Financial Statement Line *(DOLLARS IN THOUSANDS)*	**FY 2026 SEC Statement of Changes in Net Position**	**Dedicated Collections Combined**	**Dedicated Collections Eliminations**	**All Other Amounts (with Eliminations)**	**Total**	**Reclassified Financial Statement**
Net Cost of Operations	(2,013,752)	(773,920)	—	(1,239,832)	(2,013,752)	Net Cost of Operations (+/-)
Net Change in Cumulative Results of Operations	899,806	899,806	—	—	899,806	
Cumulative Results of Operations: Ending	10,034,819	10,034,819	—	—	10,034,819	
Net Position	$ 10,287,570	$ 10,287,570	$ —	$ —	$ 10,287,570	Net Position, End of Period
NON-EXCHANGE STATEMENT OF CUSTODIAL ACTIVITY						
Non-Exchange Custodial Revenue from the Statement of Custodial Activity						
Total Cash Collections	$ 133,898	$ —	$ —	$ 133,898	$ 133,898	Other Taxes and Receipts
Accrual Adjustments	5,764	—	—	5,764	5,764	Other Taxes and Receipts
Total Custodial Revenue	139,662	—	—	139,662	139,662	*Total Reclassified Custodial Revenue*
Disposition of Non-Exchange Custodial Collections from the Statement of Custodial Activity						
Amounts Transferred to Department of the Treasury	133,898	—	—	133,898	133,898	Non-Entity Collections Transferred to the General Fund of the U.S. Government
Amounts Yet to be Transferred	5,764	—	—	5,764	5,764	Accrual for Non-Entity Amounts to be Collected and Transferred to the General Fund of the U.S. Government
Total Disposition of Collections	$ 139,662	$ —	$ —	$ 139,662	$ 139,662	*Total Reclassified Disposition of Custodial Collections*

NOTE 18. STATEMENT OF NET COST

Cost Not Assigned to Programs

In FY 2026, non-excepted SEC staff were furloughed as part of two federal government shutdowns occurring during the periods October 1, 2025 – November 12, 2025, and January 31 – February 3, 2026. Following both government shutdowns, SEC employees received retroactive payment for salaries totaling $112.6 million.

In FY 2025, to comply with Presidential mandates to streamline the federal workforce, OPM established the Deferred Resignation Program (DRP) allowing employees to voluntarily resign effective no later than September 30, 2025. Upon acceptance of resignation, employees were placed on administrative leave, maintaining their pay and benefits. The SEC had 170 employees participate at a cost of $37.1 million.

Following the conclusion of the DRP acceptance period, the SEC provided all employees with a Voluntary Early Retirement Authority (VERA)/Voluntary Separation Incentive Payment (VSIP) opportunity. The SEC offered one additional VERA/VSIP opportunity at fiscal year-end to all managers within the agency as well as to staff within the Office of Information Technology who expressed interest by September 30th. VERA lowers the retirement age or years of service requirement for eligible employees, while VSIP offers payment in exchange for separation from the SEC. As of September 30, 2025, 472 employees participated at a cost of $23.9 million.

For FY 2026, retroactive government shutdown-related salaries, and for FY 2025, DRP, VERA, and VSIP payments, were reported as costs not assigned to programs on the SEC's Statement of Net Cost. Costs not assigned to programs include general management and administrative support costs that cannot be traced, assigned, or allocated to programs.

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 Statement of Budgetary Resources by Fund

For the year ended September 30, 2026

(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)	$ 481,606	$ 318,560	$ —	$ 800,166
Appropriations (Discretionary and Mandatory)	—	83,225	—	83,225
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	2,149,604	—	—	2,149,604
Total Budgetary Resources	$ 2,631,210	$ 401,785	$ —	$ 3,032,995
STATUS OF BUDGETARY RESOURCES:				
New Obligations and Upward Adjustments (Total)	$ 2,045,194	$ 161,595	$ —	$ 2,206,789
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	584,009	240,048	—	824,057
Exempt from Apportionment, Unexpired Accounts	—	—	—	—
Unapportioned, Unexpired Accounts	2,007	142	—	2,149
Unobligated Balance, End of Year (Total)	586,016	240,190	—	826,206
Total Budgetary Resources	$ 2,631,210	$ 401,785	$ —	$ 3,032,995
OUTLAYS, NET:				
Outlays, Net (Discretionary and Mandatory)	$ (536,023)	$ 49,178	$ —	$ (486,845)
Distributed Offsetting Receipts	(38)	(12,728)	—	(12,766)
Agency Outlays, Net (Discretionary and Mandatory) (Note 15)	$ (536,061)	$ 36,450	$ —	$ (499,611)

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

For the year ended September 30, 2025

(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)	$ 457,311	$ 361,814	$ 6,449	$ 825,574
Appropriations (Discretionary and Mandatory)	—	22,039	50,000	72,039
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	2,189,056	—	—	2,189,056
Total Budgetary Resources	$ 2,646,367	$ 383,853	$ 56,449	$ 3,086,669
STATUS OF BUDGETARY RESOURCES:				
New Obligations and Upward Adjustments (Total)	$ 2,201,761	$ 65,313	$ 12,613	$ 2,279,687
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	438,400	318,540	—	756,940
Exempt from Apportionment, Unexpired Accounts	—	—	43,836	43,836
Unapportioned, Unexpired Accounts	6,206	—	—	6,206
Unobligated Balance, End of Year (Total)	444,606	318,540	43,836	806,982
Total Budgetary Resources	$ 2,646,367	$ 383,853	$ 56,449	$ 3,086,669
OUTLAYS, NET:				
Outlays, Net (Discretionary and Mandatory)	$ (1,519,302)	$ 170,229	$ 46,664	$ (1,302,409)
Distributed Offsetting Receipts	(1)	(16,192)	—	(16,193)
Agency Outlays, Net (Discretionary and Mandatory) (Note 15)	$ (1,519,303)	$ 154,037	$ 46,664	$ (1,318,602)

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, 2026 and 2025

(DOLLARS IN THOUSANDS)	2026	2025
ASSETS:		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	$ 61,598	$ 19,250
Investments, Net (Note 3)	321,297	333,570
Total Intragovernmental	382,895	352,820
Total Assets	$ 382,895	$ 352,820
LIABILITIES (NOTE 4):		
With the Public:		
Accounts Payable	124,714	12,317
Contingent Liabilities (Note 5)	443,865	498,096
Total with the Public	568,579	510,413
Total Liabilities	568,579	510,413
Commitments and Contingencies (Note 5)		
NET POSITION:		
Cumulative Results of Operations – Funds from Dedicated Collections	(185,684)	(157,593)
Total Cumulative Results of Operations	(185,684)	(157,593)
Total Net Position	$ (185,684)	$ (157,593)
Total Liabilities and Net Position	$ 382,895	$ 352,820

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, 2026 and 2025

(DOLLARS IN THOUSANDS)	2026	2025
PROGRAM COSTS:		
Awards to Whistleblowers	$ 107,333	$ 34,440
Employee Suggestion Program	12	8
Total Program Costs	107,345	34,448
Net Cost of Operations (Note 7)	$ 107,345	$ 34,448

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, 2026 and 2025

(DOLLARS IN THOUSANDS)	2026	2025
CUMULATIVE RESULTS OF OPERATIONS:		
Beginning Balances	$ (157,593)	$ (138,591)
Non-Exchange Revenue	79,254	15,446
Net (Income)/Cost of Operations	107,345	34,448
Net Change in Cumulative Results of Operations	(28,091)	(19,002)
Cumulative Results of Operations: Ending	(185,684)	(157,593)
Net Position	$ (185,684)	$ (157,593)

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, 2026 and 2025

(DOLLARS IN THOUSANDS)	2026	2025
BUDGETARY RESOURCES:		
Unobligated Balance from Prior Year Budget Authority, Net (Mandatory)	$ 318,560	$ 361,814
Appropriations (Mandatory)	83,225	22,039
Total Budgetary Resources	$ 401,785	$ 383,853
STATUS OF BUDGETARY RESOURCES (NOTE 6):		
New Obligations and Upward Adjustments (Total)	$ 161,595	$ 65,313
Unobligated Balance, End of Year:		
Apportioned, Unexpired Accounts	240,048	318,540
Unapportioned, Unexpired Accounts	142	—
Unobligated Balance, End of Year (Total)	240,190	318,540
Total Budgetary Resources	$ 401,785	$ 383,853
OUTLAYS, NET:		
Outlays, Net (Total) (Mandatory)	49,178	170,229
Distributed Offsetting Receipts	(12,728)	(16,192)
Agency Outlays, Net (Mandatory) (Note 7)	$ 36,450	$ 154,037

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, 2026 and 2025

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 composed 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 $1 million 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, 2026 and 2025 consisted of the following:

(DOLLARS IN THOUSANDS)	2026	2025
Status of Fund Balance with Treasury:		
Unobligated Balance	$ (63,116)	$ 6,933
Obligated Balance not Yet Disbursed	124,714	12,317
Total Status of Fund Balance with Treasury	$ 61,598	$ 19,250

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.

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 2026 consisted of:

- Net cash inflows from investment redemptions of $12.3 million;
- Net cash inflows from investment interest of $12.7 million;
- Net cash inflows from fund replenishment required under the Dodd-Frank Act of $66.5 million; and
- Net cash outflows for payment of whistleblower awards totaling $8.8 million for amounts that were awarded prior to FY 2026, $40.4 million for amounts that were awarded during FY 2026, and payment of expenses of operating the Office of Inspector General Employee Suggestion Program of $12 thousand.

Cash flows during FY 2025 consisted of:

- Net cash inflows from investment redemptions of $138.8 million;
- Net cash inflows from investment interest of $16.2 million;
- Net cash outflows from fund replenishment required under the Dodd-Frank Act of $746 thousand; and
- Net cash outflows for payment of whistleblower awards totaling $110.3 million for amounts that were awarded prior to FY 2025, $59.9 million for amounts that were awarded during FY 2025, and payment of expenses of operating the Office of Inspector General Employee Suggestion Program of $8 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, 2026, 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	$ 321,297	N/A	$ —	$ —	$ 321,297	$ 321,297
Total	$ 321,297		$ —	$ —	$ 321,297	$ 321,297

At September 30, 2025, 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	$ 333,570	N/A	$ —	$ —	$ 333,570	$ 333,570
Total	$ 333,570		$ —	$ —	$ 333,570	$ 333,570

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, 2026, liabilities consisted of the following:

(DOLLARS IN THOUSANDS)	Liabilities Covered by Budgetary Resources	Liabilities Not Covered by Budgetary Resources	Total
Accounts Payable	$ 124,714	$ —	$ 124,714
Contingent Liabilities	—	443,865	443,865
Total Liabilities	$ 124,714	$ 443,865	$ 568,579

At September 30, 2025, liabilities consisted of the following:

(DOLLARS IN THOUSANDS)	Liabilities Covered by Budgetary Resources	Liabilities Not Covered by Budgetary Resources	Total
Accounts Payable	$ 12,317	$ —	$ 12,317
Contingent Liabilities	—	498,096	498,096
Total Liabilities	$ 12,317	$ 498,096	$ 510,413

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, 2026, commitments and contingencies consisted of the following:

(DOLLARS IN THOUSANDS)	Accrued Liabilities	Estimated Range of Loss	
		Lower End	Upper End
2026 Whistleblower Awards:			
Probable	$ 443,865	$ 253,665	$ 760,994
Reasonably Possible	—	53,365	160,096

At September 30, 2025, commitments and contingencies consisted of the following:

(DOLLARS IN THOUSANDS)	Accrued Liabilities	Estimated Range of Loss	
		Lower End	Upper End
2025 Whistleblower Awards:			
Probable	$ 498,096	$ 218,271	$ 654,813
Reasonably Possible	—	44,499	133,498

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 balance of the Investor Protection Fund at September 30, 2026 and 2025 were $240.2 million and $318.5 million, respectively. If the contingent liabilities balance exceeds the unobligated balance at September 30, 2026, 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 2026 Statement of Budgetary Resources and the actual FY 2026 data in the Budget of the U.S. Government (Budget) cannot be presented, as the FY 2028 Budget, which will contain FY 2026 actual data, is not yet available. The comparison will be presented in next year's financial statements. The FY 2028 Budget, with actual amounts for FY 2026, will be available at a later date at whitehouse.gov/omb/budget/.

There are no differences between the FY 2025 Statement of Budgetary Resources and the FY 2025 data in the Budget.

B. Other Budgetary Disclosures

There were no budgetary resources obligated for undelivered orders as of September 30, 2026.

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, 2026, the SEC paid $49.2 million to whistleblowers, including $40.4 million awarded during FY 2026. 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, 2026:

(DOLLARS IN THOUSANDS)	Intragovernmental	With the Public	Total
Net Cost of Operations	$ 12	$ 107,333	$ 107,345
Components of Net Cost That Are Not Part of Net Outlays:			
(Increase)/Decrease in Liabilities:			
Accounts Payable	—	(112,397)	(112,397)
Other Liabilities (Contingent Liabilities)	—	54,230	54,230
Total Components of Net Cost That Are Not Part of Net Outlays	—	(58,167)	(58,167)
Components of Net Outlays That Are Not Part of Net Cost:			
Non-Exchange Interest Receipts Reported as Distributed Offsetting Receipts	(12,728)	—	(12,728)
Total Components of Net Outlays That Are Not Part of Net Cost	(12,728)	—	(12,728)
Net Outlays	$ (12,716)	$ 49,166	$ 36,450

For the year ended September 30, 2025:

(DOLLARS IN THOUSANDS)	Intragovernmental	With the Public	Total
Net Cost of Operations	$ 8	$ 34,440	$ 34,448
Components of Net Cost That Are Not Part of Net Outlays:			
(Increase)/Decrease in Liabilities:			
Accounts Payable	—	104,918	104,918
Other Liabilities (Contingent Liabilities)	—	30,863	30,863
Total Components of Net Cost That Are Not Part of Net Outlays	—	135,781	135,781
Components of Net Outlays That Are Not Part of Net Cost:			
Non-Exchange Interest Receipts Reported as Distributed Offsetting Receipts	(16,192)	—	(16,192)
Total Components of Net Outlays That Are Not Part of Net Cost	(16,192)	—	(16,192)
Net Outlays	$ (16,184)	$ 170,221	$ 154,037

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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

Details 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.

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

Summarizes 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

The Reports Consolidation Act of 2000 requires the U.S. Securities and Exchange Commission's (SEC, agency, or Commission) Inspector General (IG) to identify and report annually on the most serious management and performance challenges facing the SEC.[1] This report represents the SEC IG's independent perspective on the top management challenges facing the SEC in fiscal year (FY) 2027 and beyond. To identify this year's top management challenges, we reviewed prior years' management and performance challenges reports and assessed potential challenges based on the significance of the challenge in relation to the SEC's mission; the potential of the challenge to lead to fraud, waste, and abuse; and the agency's progress in addressing the challenge. Furthermore, we considered our recent oversight work (audits, evaluations, reviews, and investigations); changes in the federal landscape; general knowledge of the SEC's operations; and information from the U.S. Government Accountability Office (GAO). We also conducted significant outreach to SEC leadership, senior officials, and staff across the agency to gain their perspectives on the challenges the agency continues to face, and we deeply appreciate their candor in sharing their perspectives with us. We will use the information we gathered to inform our work in the coming months. We provided a draft version of this report to SEC senior leadership and considered their comments. Through our work, we have identified the following as the SEC's top management and performance challenges in this new fiscal year:

- Meeting Regulatory and Oversight Responsibilities
- Human Capital Management
- Protecting Systems and Data
- Contract Management

[1] Pub. L. No. 106-531, § 3a, 114 Stat. 2537-38 (November 22, 2000).

CHALLENGE: Meeting Regulatory and Oversight Responsibilities

The SEC is charged with protecting investors; maintaining fair, orderly, and efficient markets; and facilitating capital formation. This includes overseeing approximately $207 trillion in annual trading on U.S. equity markets, as well as the activities of more than 33,000 entities—including more than 13,500 registered funds, 16,400 registered investment advisers, and 3,200 broker-dealers. The SEC also oversees 29 national securities exchanges,116 alternative trading systems, 11 registered credit rating agencies, 8 active registered clearing agencies, and other self-regulatory organizations.

Navigating a Changing Regulatory Landscape

Rulemaking

The SEC continues to navigate an evolving statutory and regulatory landscape as it implements an ambitious agenda and addresses novel financial products. For example, the Commission has emphasized the removal of barriers to capital formation and commenced rulemakings designed to reduce burdensome reporting requirements for public companies. However, as noted in the newly proposed rules, the agency must balance regulatory relief with maintaining investors' timely access to material information.[2]

In addition, regulatory changes are increasingly subject to heightened scrutiny and litigation, testing the Commission's ability to advance its goals with a smaller workforce. For example, the proposed rule to allow for semiannual reporting versus quarterly received over 250,000 comments, increasing the resources required to digest and consider the submissions. The SEC determined that more than 40,000 comment letters to the rule were of similar style and substance, potentially because outside entities can more efficiently organize parties to comment on proposed rules. Furthermore, super intelligence (SI) has made commenting on rules much easier, potentially contributing to the increased volume. Designing systems and protocols to address increases in comments to proposals is an important consideration for the Commission.

As the SEC works to implement the current regulatory agenda, the agency must ensure divisions and offices with subject matter expertise sufficiently collaborate during rulemaking, as illustrated in our 2025 report about the SEC's rulemaking process.[3] Further, the Division of Economic and Risk Analysis expressed how its work must consider the

[2] *Enhancement of Emerging Growth Company Accommodations and Simplification of Filer Status for Reporting Companies*, 91 Fed. Reg. 30086 (proposed May 21, 2026) (to be codified at 17 CFR Parts 210, 229, 230, 232, 239, 240, and 249), and *Semiannual Reporting*, 91 Fed. Reg. 24968 (proposed May 7, 2026) (to be codified at 17 CFR Parts 200, 210, 229, 230, 232, 239, 240, 249, and 260).

[3] U.S. Securities and Exchange Commission, Office of Inspector General, *Observations on the SEC's Rulemaking Process* (Report No. 588; September 29, 2025).

impacts of overlapping or related rulemakings within the SEC and with other federal agencies, which can be particularly complicated during periods of significant rulemaking.

The SEC also continued its implementation of the executive branch's centralized regulatory review process through the Office of Management and Budget's Office of Information and Regulatory Affairs (OIRA). As expected, this process has added time to rulemaking to allow for executive branch review. However, according to agency officials, the SEC has developed a productive working relationship with its counterparts in OIRA, and they stated there are benefits to having a centralized function to coordinate rulemakings promulgated by more than one federal agency. The SEC issued 30 regulatory actions in FY 2026 covered by the scope of Executive Order 12866.

Digital Asset Oversight

Digital asset regulation continues to be an area of focus for the SEC, the public, and Congress. In September 2026, the Digital Asset Market Clarity Act of 2025 failed to receive enough votes in the Senate to advance. While the SEC awaits direction from Congress, it has proposed new rules to create a tailored offering regime for certain investment contracts involving crypto assets to facilitate capital formation and accommodate innovation.[4] Furthermore, the agency has formalized its working relationship with the Commodity Futures Trading Commission through a memorandum of understanding outlining how the regulators work together when developing and implementing rulemakings related to digital assets.[5] Officials we spoke with said the memorandum helped further prioritize and strengthen an already productive partnership.

Overseeing Market Participants

Properly managing limited resources to effectively oversee market participants and protect investors remains a challenge. Human capital issues, further discussed later in this report, have made efficiently deploying and effectively managing the agency's staff more critical than ever.

In 2026, we issued a report regarding the Office of the Ombudsman, which helps resolve issues retail investors may have with the Commission or with a self-regulatory organization overseen by the SEC.[6] We found that the organization appropriately handled investor concerns but made errors when recording and reporting them. Additionally, the organization's Congressional reporting was not always clear. We made six recommendations to improve the usefulness, accuracy, and clarity of data and information

[4] *Regulation Crypto Assets*, 91 Fed. Reg. 54510 (proposed August 21, 2026) (to be codified 17 CFR Parts 200, 201, 228, 230, 232, and 239).

[5] *Memorandum of Understanding Between the U.S. Securities and Exchange Commission and the U.S. Commodity Futures Trading Commission Regarding Harmonization in Areas of Common Regulatory Interest* (March 11, 2026).

[6] U.S. Securities and Exchange Commission, Office of Inspector General, *The Office of the Ombudsman Appropriately Handled Investor Concerns But Reporting Was Inaccurate and Unclear* (Report No. 592; September 28, 2026).

reported by the Office of the Ombudsman. Management concurred with our recommendations. Because the Investor Advocate position is vacant, the agency did not submit the statutorily mandated Investor Advocate's Report on Objectives for FY 2027 to Congress that would have included the Ombudsman's reporting.[7] We have encouraged management to continue actions to fill this vacancy.

As publicly reported, total Enforcement actions declined from 583 to 456 between FYs 2024 and 2025.[8] In FY 2026, the Commission hired a new Enforcement Director and made significant changes to the Division's priorities and practices.[9] For example, in February 2026, the Division updated its Enforcement Manual to, among other things, revise the procedures and timelines of the Wells process. In May 2026, the Commission rescinded Rule 202.5(e) of its rules of informal procedure, 17 CFR 202.5(e), which previously required settling defendants or respondents to forgo publicly disputing the Commission's allegations. The Commission also announced the formation of a Retail Fraud Working Group in July 2026 and a Financial Reporting and Accounting Unit in August 2026. Adjusting to new Enforcement priorities, staffing changes, and a 43-day government shutdown were all factors that influenced the number and types of cases brought in FY 2026.[10] Finally, while the Supreme Court ruled in favor of a U.S. District Court's authority to order disgorgement without first finding pecuniary loss to investors in the *Sripetch* case, and while the Commission endeavors to return disgorged funds to victims where feasible, collecting and distributing monies ordered presents certain challenges. We expect to issue a report on this topic in FY 2027.

Prior fiscal year turnover and attrition have impacted most parts of the SEC, though some divisions have felt the effects more than others. For example, the Division of Investment Management lost 24 percent of its workforce in FY 2025, which was the largest percentage among the SEC's divisions. Its responsibilities included uploading to EDGAR correspondence related to reviews of company disclosures. Staff attrition along with the government shutdown in October and November 2025 led to an approximately three- to six-month delay in the public obtaining access to those materials.

As the workforce transitions and regulations change, the SEC has an increased need to ensure policies, procedures, and standards are well documented. Our work has identified

[7] The Securities Exchange Act of 1934 requires the Ombudsman to report its activities to the Investor Advocate on a semiannual basis, and the Investor Advocate must include this information in its statutorily mandated reports to Congress.

[8] U.S. Securities and Exchange Commission Press Release, *SEC Announces Enforcement Results for Fiscal Year 2024* (November 22, 2024), and U.S. Securities and Exchange Commission Press Release, *SEC Announces Enforcement Results for Fiscal Year 2025* (April 7, 2026).

[9] Judge Margaret A. Ryan resigned as Enforcement Director in March 2026, having only served in that role for approximately 6 months. The Enforcement Division was then led by an Acting Director until May 4, 2026, when David Woodcock was appointed Director of Enforcement.

[10] The total number of Enforcement actions brought in FY 2026 had not been made public as of October 16, 2026.

challenges related to two disclosure review programs.[11] Furthermore, GAO found that the Division of Enforcement lacked specific and measurable internal control testing standards and the Division of Corporation Finance did not have documented protocols for supervisory review of filings.[12]

Ongoing OIG Work

In FY 2027, we will complete assessments of the Division of Enforcement's collection and distribution of disgorgement and penalties and management of electronic case files, the Office of the Chief Accountant's accounting consultations process, and the EDGAR Business Office's review processes. We will also initiate reviews of the oversight of certain filings and the SEC's clearing agency examination program.

CHALLENGE: Human Capital Management

A highly skilled workforce is critical to the SEC's ability to meet its mission of protecting investors; maintaining fair, orderly, and efficient markets; and facilitating capital formation. Since 2001, GAO has reported that the government faces long-standing challenges in strategically managing its workforce.[13] Recent changes impacting the SEC's human capital management include voluntary departure incentives, requiring employees to work in the office full-time, and implementing Executive Orders and Office of Personnel Management (OPM) directives. Officials from most SEC divisions noted that managing human capital—including attrition, retention, recruitment, and change management—is the greatest challenge facing the SEC today.

Staffing: Attrition, Recruitment, and Hiring

Impacts of Recent Attrition

In 2025, the SEC and many other federal agencies experienced higher attrition due to offered resignation and retirement incentives, such as the Deferred Resignation Program, Voluntary Early Retirement Authority, and Voluntary Separation Incentive Payments. In 2026, attrition returned to a similar level as present in previous years, yet exit interviews conducted by the Office of Human Resources (OHR) indicated that limited telework options contributed to some employee departures.

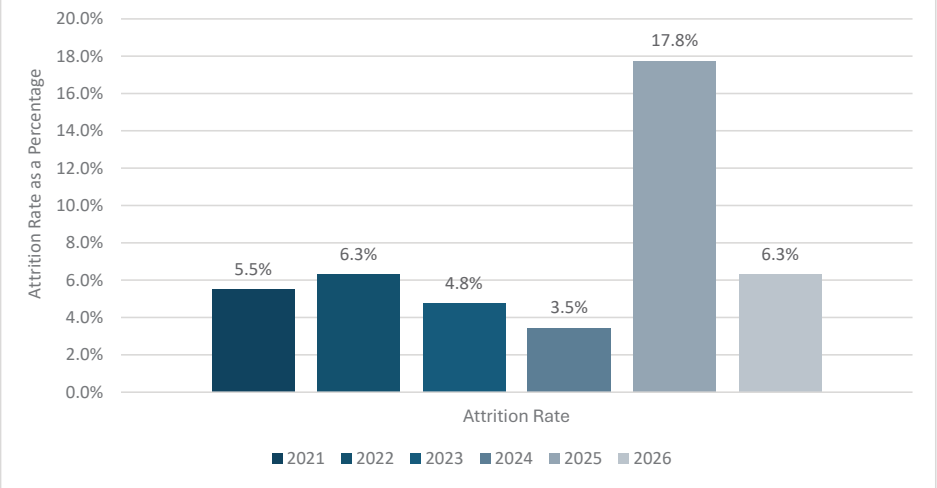
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[11] U.S. Securities and Exchange Commission, Office of Inspector General, *Improved Documentation and Guidance Can Help Strengthen Corporation Finance's Disclosure Review Program* (Report No. 586; August 26, 2025), and U.S. Securities and Exchange Commission, Office of Inspector General, *Opportunities Exist to Strengthen Investment Management's Disclosure Review Program* (Report No. 590; May 4, 2026).

[12] U.S. Government Accountability Office, *Securities and Exchange Commission: Updating Assessment of Staff Procedures Could Improve Key Agency Operations* (GAO-26-107823, March 2026).

[13] U.S. Government Accountability Office, *High-Risk Series: Heightened Attention Could Save Billions More and Improve Government Efficiency and Effectiveness*, (GAO-25-107743, February 2025).

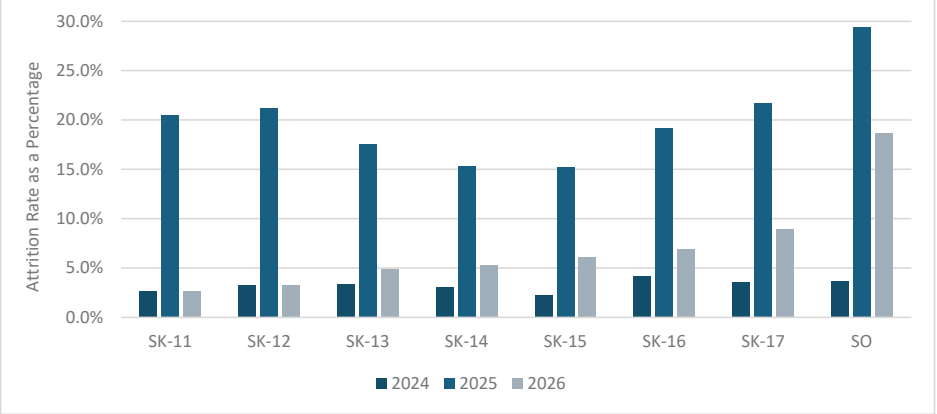
FIGURE 1. SEC Overall Attrition Rate, FY 2021 – FY 2026



Source: OIG-generated based on attrition information provided by OHR.

As the figure below shows, the SEC faced a higher attrition rate in senior level positions, namely Senior Officer positions, due in part to a voluntary separation incentive offered to supervisors in early FY 2026. Agency officials stated that this resulted in delays in setting direction and priorities for offices and divisions.

FIGURE 2. SEC Attrition Rate By Grade, FY 2024 – FY 2026



Source: OIG-generated based on attrition information provided by OHR.

Agency officials also stated that the SEC continues to recover from the significant transformation of the workforce over the last year, marked by the departure of many long-serving, career staff, resulting in the loss of institutional knowledge and expertise. Several divisions and offices lost a significant number of their senior staff and are working to

backfill vacant positions through promotions, creating a cascading effect on workload. Skills gaps emerged, especially in mission-critical divisions, and rebuilding the specialized experience lost will require significant time and effort. Agency staff also reported taking on multiple roles and working extended hours. Despite these challenges, the SEC continues to meet its mission, but not without a toll on staff morale, as reported to us by agency officials.

Recruitment and Hiring

Hiring has been a perennial challenge for the SEC, as we have reported in prior years.[14] Most recently, we identified areas for improvement in the SEC's processes to consistently monitor the cost effectiveness of recruitment sources used and processes to consistently calculate and assess the SEC's time-to-hire.[15] During this year, the SEC sought OPM's approval of its annual staffing plan to lift a hiring freeze.[16] After approval was granted, the SEC worked to fill the backlog of vacancies. However, with OPM's recently issued federal hiring initiatives, agencies had to revamp their hiring programs.[17] Specifically, the SEC must use a new application process, requiring multiple steps and phases to gather information about applicants. The SEC faced setbacks and learning curves with its implementation, which resulted in re-posting some positions and creating workarounds. OHR noted additional workload to educate divisions and offices on changes to the hiring process. Furthermore, agency officials noted that meeting their hiring needs has been challenging while federal hiring guidance has been in flux.

Given last year's attrition rate of almost 18 percent, when hiring reopened there was a surge of hiring requests and limited processing capacity within OHR. The SEC prioritized rulemaking and information technology positions and also focused on filling vacancies for the groups that faced the highest levels of attrition. Some divisions and offices noted concerns with applicants not meeting required qualifications and being unable to recruit candidates with necessary knowledge and skills.

As required by Executive Order 14356, the SEC has also implemented a strategic hiring committee, made up of senior officials, to create a more centralized approach to workforce

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[14] U.S. Securities and Exchange Commission, Office of Inspector General, *The Inspector General's Statement on the SEC's Management and Performance Challenges* (October 2023, October 2024, December 2025).

[15] U.S. Securities and Exchange Commission, Office of Inspector General, *Final Management Letter: Audit of the SEC's Efforts to Recruit and Retain a Highly Skilled Workforce and Address Related Challenges* (May 14, 2025).

[16] Presidential Memorandum, *Hiring Freeze* (January 20, 2025), Presidential Memorandum, *Extension of Hiring Freeze* (April 17, 2025), Presidential Memorandum, *Ensuring Accountability and Prioritizing Public Safety in Federal Hiring* (July 7, 2025), and Executive Order No. 14356, 90 Fed. Reg. 48387, *Ensuring Continued Accountability in Federal Hiring*, (October 15, 2025).

[17] Office of Personnel Management, *Merit Hiring Plan* (May 29, 2025); and Office of Management and Budget and Office of Personnel Management, *Guidance on Executive Order 14356* (November 5, 2025). These memorandums were issued in connection with Executive Order No. 14170, 90 Fed. Reg. 8621, *Reforming the Federal Hiring Process and Restoring Merit to Government Service*, (January 20, 2025), and Executive Order No. 14356, 90 Fed. Reg. 48387, *Ensuring Continued Accountability in Federal Hiring*, (October 15, 2025), respectively.

planning.[18] The committee reviews division and office position requests, ensures positions align with agency priorities, and must approve the posting of all vacancies and candidate selections before offers are made. Although the committee's work initially added time to the hiring process, the committee recently streamlined the approval workflow, thus allowing for an efficient and more informed decision-making process.

As of June 2026, the SEC had filled only 44 out of 383 (just over 11 percent) of the vacancies that have been approved. The agency has, however, met the Federal government metric for time-to-hire being under 80 days, with the average processing time of 61 days. The SEC's vacancy rate is unlikely to decrease significantly in the short term as there are limited resources in OHR and the agency continues to adapt to new hiring processes and requirements. As the SEC works through the changes, it hopes to improve the pace of reducing the backlog of vacancies in the coming year.

Navigating Change Management

Change Fatigue

Employee morale has become a central concern for OHR, as the cumulative effect of rapid changes can lead to widespread change fatigue. Changes to several aspects of human capital management have occurred simultaneously or in rapid succession, including changes in the hiring process, performance management programs, and workplace flexibility. This, combined with new administration priorities and regulatory requirements, may affect staff engagement and morale.

Among these changes, as required by OPM, the SEC is transitioning from a two-tiered performance rating system to a three-tiered system.[19] Additionally, on August 6, 2026, OPM finalized a rule that authorized it to require and enforce a standardized distribution of performance rating levels across agencies.[20] As a result, the SEC will need to update its performance appraisal system, update applicable policies, and train managers and staff.

Also, following the return-to-office mandate in FY 2025, the SEC experienced a 289 percent increase in reasonable accommodation requests when compared to the previous year. Reviewing and approving these requests has strained OHR's resources, requiring additional staff. Space limitations, especially in regional offices, have also reportedly impacted morale and productivity. Feelings of unfairness and scorekeeping are prevalent, as some employees perceive disparities in work arrangements.

[18] Executive Order No. 14356, 90 Fed. Reg. 48387, *Ensuring Continued Accountability in Federal Hiring*, (October 15, 2025).

[19] Office of Personnel Management, *Performance Management for Federal Employees* (June 17, 2025).

[20] 5 C.F.R. § 430.208 (2026).

Furthermore, the agency is facing new training demands to enhance specialized skill sets for new and existing staff. With technological advancements and the increased use of SI, the agency must rethink its training offerings and how to meet the needs of the workforce.

Anticipated OIG Work

In FY 2027, we will initiate an audit of the SEC's controls over employee and contractor offboarding. We will also continue to monitor for material impacts on SEC programs and operations resulting from changes to the agency's workforce, and conduct exit interviews with Senior Officers.

CHALLENGE: Protecting Systems and Data

The Office of Information Technology (OIT) devotes resources to enhancing and modernizing technology systems to meet mission outcomes, increase operational effectiveness and efficiency, and safeguard sensitive data. OIT maintains centralized services in a decentralized hardware environment, and the SEC supports both a cloud and on-premises technology environment. Evolving agency needs, combined with the fragmented nature of the technology environment, contribute to the challenge of protecting systems and data.

The SEC's information systems contain significant sensitive, nonpublic, and/or market-moving information that must be protected from unlawful or unauthorized access and disclosure, including from insider threats. For example, we recently closed a case where an SEC employee (now retired) accessed on her computer sensitive information about an open Division of Enforcement case and allowed her adult son to view this information on her computer screen. The adult son then posted online pictures taken of his mother's computer screen displaying the sensitive information.[21] Protecting systems and data remains a top priority and perennial challenge for the SEC.

Another challenge related to information technology includes the safe, cost-effective, and compliant adoption of SI.[22] Highlighting the need for responsible SI use, we investigated a matter and determined that an SEC employee, who has since left the agency, surreptitiously recorded an interview with a whistleblower and transcribed the recording

[21] U.S. Securities and Exchange Commission, Office of Inspector General, *Former SEC employee accessed and shared nonpublic investigative information with her son, who then posted and shared the information on X,* (July 15, 2026).

[22] Federal requirements include Executive Order No. 13960, 85 Fed. Reg. 78939, *Promoting the Use of Trustworthy Artificial Intelligence in the Federal Government* (December 3, 2020), *Advancing American AI Act*, James M. Inhofe National Defense Authorization Act for Fiscal Year 2023, Pub. L. No.117-263, Div. G title LXXII, subtitle B, §§7221-7228,136 Stat. 2395, 3668-3676 (2022) (codified at 40 U.S.C. § 11301 note), Executive Order No. 14179, 90 Fed. Reg. 8741, *Removing Barriers to American Leadership in Artificial Intelligence* (January 23, 2025), Office of Management and Budget, *Accelerating Federal Use of AI through Innovation, Governance, and Public Trust,* M-25-21 (April 3, 2025), Office of Management and Budget, *Driving Efficient Acquisition of Artificial Intelligence in Government,* M-25-22 (April 3, 2025), and Executive Order No. 14409, 91 Fed. Reg. 34565, *Promoting Advanced Artificial Intelligence Innovation and Security* (June 2, 2026), among others.

with an unapproved third-party SI service, using his personal email account, mishandling non-public information in the process.[23]

Physical security of information technology hardware is also a challenge with 10 regional offices in addition to the agency's headquarters in Washington, D.C. The OIG investigated a case where a contract security officer used by a building housing an SEC regional office did not follow policies, allowing an individual to enter the building unimpeded, and then access SEC office space and steal four laptop computers. The OIG worked with local law enforcement to identify the suspect who was later arrested. The laptops were not recovered, highlighting the challenge of physical security of government property.[24] However, because SEC laptops are encrypted, the agency does not believe the data was compromised.

Maturing the SEC's Information Security Program

Under the Federal Information Security Modernization Act of 2014 (FISMA), the OIG or an independent external auditor (as determined by the Inspector General) annually evaluates the maturity and overall effectiveness of the SEC's information security program and practices. The SEC has made progress in improving its information security, most recently in its ability to detect threats as the table below shows. In FY 2025, we contracted with Sikich CPA LLC (Sikich), which identified security concerns including staff inappropriately responding to phishing emails that risk the SEC's sensitive data. Additionally, the agency has not completed all corrective actions to address prior-year FISMA recommendations, including some from FY 2022 and FY 2024.

TABLE. The SEC's Assessed Maturity Level for FY 2025

Security Function	FY 2025 Assessed Maturity Level	FY 2024 Assessed Maturity Level
Govern	Level 4: *Managed and Measurable*	*N/A (new function as of FY 2025)*
Identify	Level 3: *Consistently Implemented*	Level 3: *Consistently Implemented*
Protect	Level 3: *Consistently Implemented*	Level 3: *Consistently Implemented*
Detect	Level 3: *Consistently Implemented*	Level 2: *Defined*
Respond	Level 4: *Managed and Measurable*	Level 4: *Managed and Measurable*
Recover	Level 3: *Consistently Implemented*	Level 3: *Consistently Implemented*
Overall Maturity	Level 3: *Consistently Implemented*	Level 3: *Consistently Implemented*

Source: U.S. Securities and Exchange Commission, Office of Inspector General, Fiscal Year 2025 Independent Evaluation of the U.S. Securities and Exchange Commission's Implementation of the Federal Information Security Modernization Act of 2014 (Report No. 589; February 25, 2026).

[23] U.S. Securities and Exchange Commission, Office of Inspector General, *Former SEC Attorney recorded a whistleblower interview without the knowledge of the participants and used an unapproved artificial intelligence service to transcribe the recording,* (March 25, 2026).

[24] U.S. Securities and Exchange Commission, Office of Inspector General, *Suspect arrested for SEC regional office burglary during lapse in appropriations and corresponding government shutdown,* (May 21, 2026).

Using the same metrics as FY 2025, Sikich assessed all six security functions in FY 2026 at Level 3: *Consistently Implemented*, meaning the SEC's information security program did not meet the definition of "effective" as specified by the Office of Management and Budget.[25] Challenges identified by Sikich related to the agency's supply chain risk management program, information system continuous monitoring documentation, and incident response.

Additionally, in September 2026, we concluded our field work and issued our preliminary findings to the agency related to our assessment of OIT's process for managing changes to the SEC's operational environment. We identified that deficiencies in the change control process resulted in the SEC being exposed to a greater risk of unintended consequences, disruptions, delays, and changes made without proper oversight. We expect to issue the final report in early FY 2027.

Ongoing and Anticipated OIG Work

In FY 2027, we will initiate reviews of the SEC's SharePoint access control and software management, SI cybersecurity, FY 2027 implementation of FISMA, records management program, and safeguarding of nonpublic information from insider threats.

CHALLENGE: Contract Management

Synopsis and Trends in SEC Contracting

The SEC continues to implement cost efficiency initiatives and address recent acquisition-related Executive Orders. Specifically, during FY 2026, according to the Office of Acquisitions (OA), the SEC processed a high volume of contract modification actions to include a clause in all contracts that, in part, states the contractor will not engage in racially discriminatory diversity, equity, and inclusion activities.[26] Furthermore, the SEC continues its efforts to convert time and materials contracts to fixed price, an initiative that began before a recent related Executive Order.[27] Complying with these Executive Orders will require balancing trade-offs and, where possible and appropriate, leveraging flexibilities for pricing adjustments. Notably, in FY 2026, the SEC's fixed price contract obligations were 75 percent of all contract obligations, which is the highest it has been in the past five years.

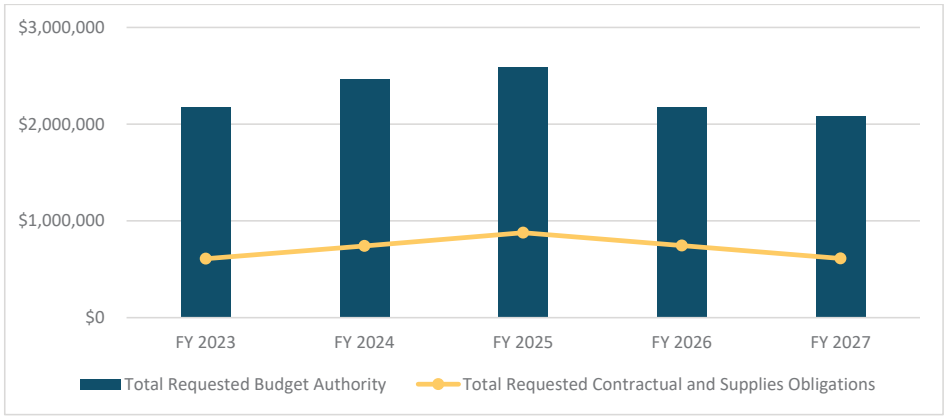
[25] Office of Management and Budget, *FY 2025 Inspector General Federal Information Security Modernization Act of 2014 (FISMA) Reporting Metrics,* Version 2.0, (April 3, 2025).

[26] Executive Order No. 14398, 91 Fed. Reg. 16147, *Addressing DEI Discrimination By Federal Contractors* (March 26, 2026).

[27] Executive Order No. 14402, 91 Fed. Reg. 24325, *Promoting Efficiency, Accountability, and Performance in Federal Contracting* (April 30, 2026).

The SEC's FY 2027 budget request included approximately $612 million for contractual services and supplies,[28] which represented more than 29 percent of the total $2.078 billion requested for agency operations. (See Figure 3.) As anticipated, that was a decrease of approximately 18 percent from the amount requested in FY 2026, consistent with the SEC's cost savings initiatives that began in the previous year.

FIGURE 3. SEC Annual Requested Contractual Services and Supplies, in Thousands, as a Percentage of Total Annual Requested Budget Authority (FY 2023-FY 2027)

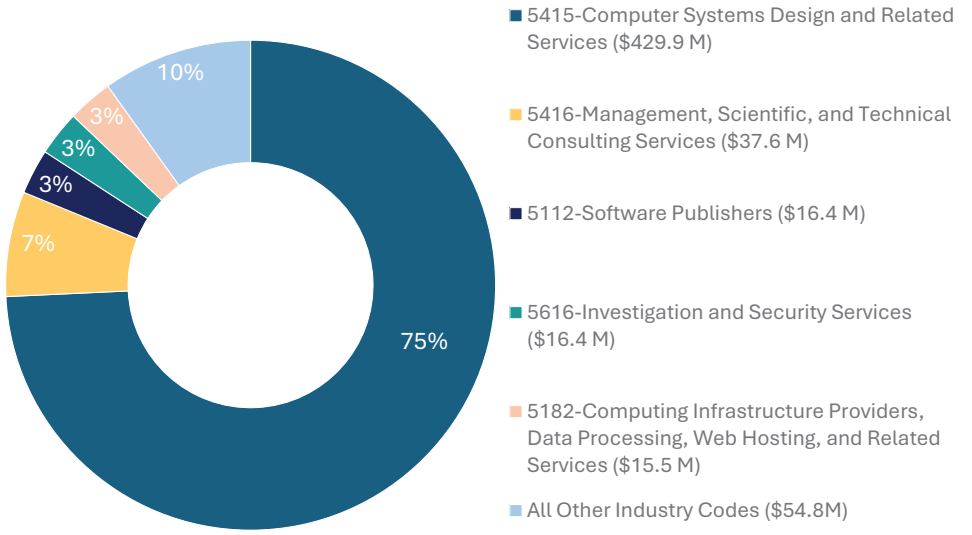


Source: OIG-generated based on annual budget requests by object class as reported in the SEC's Congressional Budget Justifications for FY 2023 through FY 2027.

Although the SEC procures a wide range of services and supplies, most of its contract obligations are for IT services. Of the nearly $570.6 million obligated to contract actions in FY 2026, the SEC obligated approximately 81 percent (or $461.8 million) to vendors doing business under three IT service-related North American Industry Classification System codes: (1) computer systems design and related services, (2) software publishers, and (3) computing infrastructure providers, data processing, web hosting, and related services. (See Figure 4.)

[28] According to the Office of Management and Budget's Circular No. A-11, Preparation, Submission, and Execution of the Budget (August 2025), the contractual services and supplies object class covers purchases in object classes 21.0 through 26.0 (Travel and transportation of persons; Transportation of things; Rent, Communications, and Utilities; Printing and reproduction; Other contractual services; and Supplies and materials).

FIGURE 4. The SEC's Top Contract Categories (Industry Codes in FY 2026)



Source: OIG-generated from data retrieved from SAM.gov on October 5, 2026.

Acquisitions Management and Oversight

GAO has reported that federal contracting practices have implications for how efficiently agencies are spending taxpayer dollars and has identified ways federal agencies can improve how they contract for goods and services, including through better oversight. As an example, in a recent management letter we issued, *Final Management Letter: Contract Management Concerns Identified During OIG Evaluation of Enforcement's Collection and Distribution of Disgorgements and Penalties,* we identified a contract management concern that warranted management's attention related to the services a contractor provided to the Division of Enforcement's Office of Collections and Office of Distributions.[29] We questioned costs based on a review of a small sample of contractor invoices approved by a Division of Enforcement contracting officer's representative and determined:

- that the contractor charged and the SEC paid a general and administrative rate that exceeded the contract limit;

[29] U.S. Securities and Exchange Commission, Office of Inspector General, *Final Management Letter: Contract Management Concerns Identified During OIG Evaluation of Enforcement's Collection and Distribution of Disgorgements and Penalties* (July 2, 2026).

- until we raised concerns, the contractor did not provide and the SEC did not request adequate support for overtime and other direct costs, including travel costs; and
- the SEC paid for unapproved overtime.

On August 17, 2026, OA reported to the OIG that, upon further inspection, OA and the contractor identified additional instances of these concerns. While the amounts identified were nominal, OA worked with the contractor to ensure the SEC was refunded amounts it was overcharged and to prevent such issues in the future.

Furthermore, as noted above, the majority of the SEC's contract obligations are for IT services, and the federal government's management of IT acquisitions and operations has been identified in GAO's *High-Risk Series* since 2015[30] as an area in need of improvement and attention by the executive branch and by Congress. Specifically, GAO has reported:

> "Critical government systems have continued to age and become either obsolete or extremely costly to maintain. Key management challenges – such as a lack of disciplined project planning and program oversight – continue to hamper effective acquisition and management of the government's IT assets."

Highlighting this risk, based on information gathered regarding the agency's oversight of its data center contracts, the OIG investigated the Chief Executive Officer (CEO) of an information technology services company for allegedly defrauding the SEC.[31] In 2026, the now former CEO entered into a criminal Deferred Prosecution Agreement, and he and the company settled a civil False Claims Act matter, agreeing to pay $1.8 million.[32]

To enhance oversight, the OIG and the agency have discussed how the SEC approaches suspension and debarment of contractors that fail to act responsibly. As a result, this year for the first time, the SEC referred a contractor for suspension and debarment. Suspension is a temporary exclusion from federal contracting, typically for up to a year, used when immediate action is necessary to protect the government's interest pending the completion of an investigation or legal proceeding. Debarment results in a longer exclusion from federal contracting, usually for no more than three years.

While the OIG's and the agency's renewed focus on contractor oversight, including pursuing suspension and debarment remedies, presents opportunities to identify mismanaged contracts and inadequate oversight, additional training and resources are

[30] U.S. Government Accountability Office, *High-Risk Series: Heightened Attention Could Save Billions More and Improve Government Efficiency and Effectiveness* (GAO-25-107743, February 2025).

[31] U.S. Securities and Exchange Commission, Office of Inspector General, *Audit of the SEC's Management of Its Data Centers* (Report No. 543; September 29, 2017).

[32] U.S. Department of Justice Press Release, *AiNET Corp. and Deepak Jain Agree to Pay $1.8M to Resolve Allegations of Submitting False Claims to the U.S. Securities and Exchange Commission for Data Center Services* (August 24, 2026).

required. To that end, in 2026 OIG organized, and OA attended a joint training on identifying fraudulent behavior taught by a member of the Department of Justice Procurement Collusion Strike Force. We are also reviewing whether there are instances of misuse of information by contractor personnel, either through the unauthorized use of non-approved information systems or the utilization of SEC information for personal gain. Unlike SEC employees, contracted employees are not required to pre-clear trades or report their holdings, despite having, in many cases, identical access to information.

To assist the SEC in identifying areas for cost savings, particularly in contract management, the OIG has implemented a cash awards program, authorized under 5 U.S.C. § 4512, which allows SEC employees to share in cost savings that arise from disclosures to the OIG of fraud, waste, and mismanagement within the SEC. In the six months since the OIG introduced the program, the OIG has received an uptick in disclosures from SEC employees that could result in cost savings to the SEC, particularly related to cost savings for contracted goods and services.

Ongoing and Anticipated OIG Work

In FY 2027, we will initiate reviews of the SEC's contracting officers' representative program, contract pre-award process, controls over contractor offboarding, and safeguarding of nonpublic information from insider threats, including contractor employees. We will also monitor contract management issues significant to the objectives of other planned audits and evaluations, as applicable.

SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

Table 1.9 | Summary of Financial Statement Audit

Audit Opinion: Unmodified

Restatement: No

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Material Weaknesses	—	—	—	—	—

Table 1.10 | 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 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.

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 agency'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 2026 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. In conformance with the OMB guidelines referenced above, the agency's latest risk assessment was conducted in FY 2025. Based on the results of this assessment, the SEC determined that all of its evaluated programs continue to be low risk, in which none of its programs 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.

To perform its risk assessment, the SEC used a systematic method of reviewing each program 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 (includes Purchase Card 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;
- Salaries and benefit payments (includes base pay, overtime pay, and agency contributions to retirement plans, health plans, and thrift savings plans, as well as supplemental retirement payments and student loan repayments);
- 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. 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.

Do Not Pay (DNP)

The DNP solution is a government-wide initiative mandated by PIIA to screen payment recipients before a contract award or payment is made in order to eliminate payment errors before they occur. The SEC, in coordination with its Federal Shared Service Provider and the Do Not Pay Business Center, has incorporated pre-award, pre-payment, and post-payment reviews into its existing business processes and programs. The SEC monitors the DNP system for payments flagged as potentially improper on a weekly basis. The dollar amounts and the number of payments reviewed for improper payments utilizing the DNP system between October 1, 2025, and August 31, 2026, are shown in Table 1.11 below. The September 2026 results were not available at the time of this report.

Table 1.11 | Results of the Do Not Pay Initiative in Preventing Improper Payments

	Number (#) of Payments Reviewed for Possible Improper Payments	Dollars ($) of Payments Reviewed for Possible Improper Payments	Number (#) of Payments Stopped	Dollars ($) of Payments Stopped	Number (#) of Potential Improper Payments Reviewed and Determined Accurate	Dollars ($) of Potential Improper Payments Reviewed and Determined Accurate
Reviews with the Do Not Pay Databases	14,480	1.43B	—	—	—	—

Note 1: The information provided in this table is per OMB Circular A-136 (revised May 29, 2026) Section II.4.5., *Payment Integrity Information Act Reporting*.
Note 2: Databases used above are AIS-OBIT, DOD, LEIE-PUB, SAMENT, AIS-PROB, DOS, SAM-EXCL-RES, and DMF.

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 AFR 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. Due to the lapse in appropriations in October 2025, the data that is used as the basis to make the adjustments was not available; therefore, agencies were directed to continue applying maximum civil monetary penalty amounts as annually adjusted for inflation in 2025. The notice was published in the Federal Register, Volume 91, No. 128, on July 7, 2026 (91 FR 41722). The 2025 annual adjustment was published in 2025 Federal Register, Volume 90, No. 7, on January 13, 2025 (90 FR 2767).

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APPENDICES

Appendix A: Glossary of Select Terms

Appendix B: Acronyms, Initialisms, and Abbreviations

APPENDIX A: GLOSSARY OF SELECT 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.

Affinity Fraud
Targets different segments of the population, including senior citizens, current and former military personnel, teachers, religious or ethnic communities, and other affinity groups. Fraudsters who carry out affinity scams frequently are (or pretend to be) members of the group they are trying to defraud. Affinity fraud typically involves either a fake investment or an investment where the fraudster lies about important details such as the risk of loss, the track record of the investment, or the background of the promoter of the scheme.

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.

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, database of orders to trade in National Market System securities and over-the-counter equities 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.

Cross-Border Task Force
An SEC Enforcement initiative focused on combatting cross-border fraud harming U.S. investors, with a focus on potential securities law violations as well as market manipulations such as "pump-and-dump" and "ramp-and-dump" schemes related to companies from foreign jurisdictions, such as China, where governmental control and other factors pose unique investor risks.

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.

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.

Cybersecurity
The steps taken to prevent illegal or unauthorized access to a computer system or network.

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

Legislation that enforces transparency and accountability while implementing rules for consumer protection.

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.

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 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.

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 PF
A confidential reporting form for certain SEC-registered investment advisers to private funds.

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."

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.

Innovation Exemption
The order granting temporary conditional exemptive relief, pursuant to Section 36(a)(1) of the Securities Exchange Act of 1934 (Exchange Act), from the definition of "exchange" in Section 3(a)(1) of the Exchange Act for the use of certain distributed ledger trading venues for tokenized NMS stocks and from the definition of "dealer" in Section 3(a)(5) of the Exchange Act for certain liquidity providers for tokenized NMS stocks.

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.

Market-Based Treasury Securities
Debt securities that the U.S. Treasury issues to federal entities without statutorily determined interest rates.

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.

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 securities 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.

No-Year Funding

Funding without an expiration date and "to remain available until expended."

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-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-123, *Management's Responsibility for 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.

Ombudsman

As set forth in Exchange Act Section 4(g)(8), 15 U.S.C. § 78d(g)(8), the Ombudsman—more commonly known as "Ombuds"—is required to: (i) act as a liaison between the Commission and any retail investor in resolving problems that retail investors may have with the Commission or with self-regulatory organizations; (ii) review and make recommendations regarding policies and procedures to encourage persons to present questions to the Investor Advocate regarding compliance with the securities laws; and (iii) establish safeguards to maintain the confidentiality of communications between investors and the Ombuds.

Onchain

A transaction that occurs directly on a network and is validated in accordance with the protocol of the network, with the transaction recorded on the network's public ledger.

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.

Plan of Action and Milestones

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.

Project Crypto

A Commission-wide initiative to modernize the securities rules and regulations to enable America's financial markets to move onchain. Project Crypto will help ensure that the United States remains the best place in the world to start a business, develop cutting-edge technologies, and participate in capital markets.

Proxy Process

The term used to describe the means through which widely dispersed shareholders can exercise their voting rights by appointing a proxy to vote their shares on their behalf at a shareholder meeting. Issuers with a class of securities registered under Section 12 of the Securities Exchange Act of 1934 and issuers that are registered under the Investment Company Act of 1940 are generally required to comply with the federal proxy rules when soliciting proxy authority from shareholders.

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.

Pump-and-Dump

An investment scheme in which promoters tout a company's stock through false or misleading statements that often includes claiming to have inside information. Once the stock price is "pumped," the promoters sell—or "dump"—their shares, thus dropping the overall value.

Ramp-and-Dump

A type of pump-and-dump scheme that is often characterized by coordinated trading activity conducted by bad actors over a more extended period of time (weeks or months) than a conventional pump-and-dump. This activity sometimes results in a slower and sustained increase in the share price ahead of the eventual collapse.

Regulation Crypto Assets

A rule proposal that, if adopted, would create a tailored offering regime for certain investment contracts involving crypto assets including two exemptions from the registration requirements of Section 5 of the Securities Act of 1933, for offerings of up to $5 million during a four-year period and offerings up to $75 million during each 12-month period, while preserving the federal securities laws' anti-fraud and anti-manipulation protections. The proposal would also establish a conditional safe harbor from the term "investment contract" in the definitions of "security" in the Securities Act of 1933 and the Securities Exchange Act of 1934. If the conditions are satisfied, the qualifying crypto assets would not be deemed subject to an investment contract for purposes of those definitions of "security."

Regulation E-Delivery

A proposed regulation to govern electronic delivery of information required to be delivered under the federal securities laws.

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.

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.

Rule 14a-4

Under the Exchange Act, this rule sets the requirements for the form of proxy, the card shareholders use to authorize someone to vote their shares at a meeting, and addresses when a proxy card submitted by a shareholder may confer discretionary voting authority on the proxy holder.

Rule 14a-8

Under the Exchange Act, this rule addresses when a company must include a shareholder's proposal in its proxy statement and identify the proposals in its form of proxy when the company holds an annual or special meeting of shareholders.

Rule 17a-1

Under the Exchange Act, this rule mandates that each self-regulatory organization, including exchanges, associations, clearing agencies, and the Municipal Securities Rulemaking Board, keep for certain periods records made or received in the course of its business and conduct of its self-regulatory activity and furnish those documents upon request for SEC inspection.

Rule 610(e)

Also known as the "Locking and Crossing Quotations Rule," as part of Regulation NMS, this rule requires national securities exchanges and national securities associations to establish, maintain, and enforce rules reasonably designed to prohibit their members from displaying quotations that lock or cross a protected quotation in an NMS stock, subject to specified exceptions. For purposes of this rule, a locked market occurs when the best bid price equals the best offer price, and a crossed market occurs when the best bid price is higher than the best offer price.

Rule 611

Also known as the "Trade-Through Rule" or "Order Protection Rule," as part of Regulation NMS, this rule requires a trading center to establish, maintain, and enforce written policies and procedures reasonably designed to prevent trade-throughs of protected quotations in NMS stocks (i.e., during regular trading hours, a purchase at a price lower than the protected bid or a sale higher than the protected offer), unless an exception applies.

Rule 613

Under Regulation NMS, this rule mandates the creation of the Consolidated Audit Trail, requiring exchanges and associations to develop a system to track trades in U.S. securities for regulators, consolidating order and trade data into a central repository for market oversight. This rule requires self-regulatory organizations and their members to report detailed information about orders (receipt, origination, routing, modification, cancellation) by 8 a.m. the next trading day to this central system.

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.

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 (e.g., stocks, bonds, 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.

Shelf Registration

Allows an issuer to register the offer and sale of securities in one or more offerings, on a continuous or delayed basis, generally for up to three years after the registration statement becomes effective. When an issuer conducts a delayed offering under a shelf registration statement, it is commonly described as taking securities "off the shelf" and referred to as "takedowns." Each takedown requires a short prospectus supplement under Securities Act Rule 424(b) in lieu of a new registration statement.

Standards for Internal Control in the Federal Government

Published by the U.S. Government Accountability Office, this book 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.

Super Intelligence

A machine-based system that can, for a given set of human-defined objectives, make predictions, recommendations or decisions influencing real or virtual environments. Super intelligence systems use machine and human-based inputs to: (a) perceive real and virtual environments; (b) abstract such perceptions into models through analysis in an automated manner; and (c) use model inference to formulate options for information or action.

Tokenized Securities Venue

An organization, association, or group of persons that brings together buyers and sellers of Tokenized NMS Stock by (1) providing one or more AMM Liquidity Pool(s) for permissioned participants to interact and agree to terms of a trade, and (2) setting standards for persons to access trading on such AMM Liquidity Pool(s).

Transfer Agent

Transfer agents work for the security issuer to record changes of ownership, maintain the issuer's security holder records, cancel and issue certificates, and distribute dividends. Transfer agents are usually banks or trust companies, but sometimes a company acts as its own transfer agent. Transfer agents are required to be registered with the SEC, or if the transfer agent is a bank, with a bank regulatory agency.

Trump Accounts

An individual retirement account under section 530A of the Internal Revenue Code subject to special rules on contributions, investments, distributions, and reporting during the period that begins when the initial account is established and ends on December 31 of the calendar year in which the account beneficiary attains age 17.

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.

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.

APPENDIX B: ACRONYMS, INITIALISMS, AND ABBREVIATIONS

AFR	Agency Financial Report
AMM	Automated Market Maker
APR	Annual Performance Report
CAT	Consolidated Audit Trail
CEO	Chief Executive Officer
CF	Division of Corporation Finance
CFO	Chief Financial Officer
CFR	Code of Federal Regulations
CFTC	Commodity Futures Trading Commission
CPA	Certified Public Accountant
CSRS	Civil Service Retirement System
DNP	Do Not Pay
DQP	Data Quality Plan
DRP	Deferred Resignation Program
EDGAR	Electronic Data Gathering, Analysis, and Retrieval System
ENF	Division of Enforcement
ERM	Enterprise Risk Management
EXAMS	Division of Examinations
FAF	Financial Accounting Foundation
FASB	Financial Accounting Standards Board
FCPIA	Federal Civil Penalties Inflation Adjustment Act
FECA	Federal Employees' Compensation Act
FERS	Federal Employees Retirement System
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
FMOC	Financial Management Oversight Committee
FR	Federal Register
FSSP	Federal Shared Service Provider
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GAO	U.S. Government Accountability Office
GSA	U.S. General Services Administration
GTAS	Government-Wide Treasury Account Symbol Adjusted Trial Balance System
ICFR	Internal Control Over Financial Reporting
IM	Division of Investment Management
IPF	Investor Protection Fund
IPO	Initial Public Offering
IT	Information Technology
MOU	Memorandum of Understanding
MSRB	Municipal Securities Rulemaking Board
NMS	National Market System
OA	Office of Acquisitions
OCRO	Office of the Chief Risk Officer
OIG	Office of Inspector General
OIRA	Office of Information and Regulatory Affairs
OIS	Office of Information Security
OIT	Office of Information Technology

OMB	Office of Management and Budget
OPM	U.S. Office of Personnel Management
PCAOB	Public Company Accounting Oversight Board
PIIA	Payment Integrity Information Act of 2019
RSI	Required Supplementary Information
S/L	Straight-Line
SBR	Statement of Budgetary Resources
SEC	U.S. Securities and Exchange Commission
SFFAS	Statement of Federal Financial Accounting Standards
SI	Super Intelligence
SIPA	Securities Investor Protection Act of 1970
SIPC	Securities Investor Protection Corporation
SRO	Self-Regulatory Organization
TM	Division of Trading and Markets
TSP	Thrift Savings Plan
TSV	Tokenized Securities Venue
U.S.C.	United States Code
USSGL	U.S. Standard General Ledger
VERA	Voluntary Early Retirement Authority
VSIP	Voluntary Separation Incentive Payment

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