[DISCUSSION DRAFT]

112TH CONGRESS  1ST SESSION  H. R. ______

To amend the Securities Exchange Act of 1934 to improve and modernize the Securities and Exchange Commission, and for other purposes.

________________________________________

IN THE HOUSE OF REPRESENTATIVES

M. __________ introduced the following bill; which was referred to the Committee on __________________________

________________________________________

A BILL

To amend the Securities Exchange Act of 1934 to improve and modernize the Securities and Exchange Commission, and for other purposes.

1 Be it enacted by the Senate and House of Representa-
2 tives of the United States of America in Congress assembled,
3 SECTION 1. SHORT TITLE.
4 This Act may be cited as the “SEC Modernization
5 Act of 2011”.

SEC. 3. [CDOSR\#1,#2,#3,#4; MER\#1,#4] ORGANIZATIONAL STRUCTURE OF THE COMMISSION.

(a) Organizational Structure of the Commission.—Section 4(h) of the Securities Exchange Act of 1934 is amended to read as follows:

“(h) Organizational Structure of the Commission.—

“(1) Divisions.—The Commission shall have the following divisions:

“(A) Corporate Finance.—The Division of Corporate Finance, which shall be headed by a Director of Corporate Finance.

“(B) Enforcement.—The Division of Enforcement, which shall be headed by a Director of Enforcement.

“(C) Investment Management.—The Division of Investment Management, which shall be headed by a Director of Investment Management.

“(D) Trading and Markets.—The Division of Trading and Markets, which shall be headed by a Director of Trading and Markets.

“(2) Regional Offices.—

“(A) In general.—The Commission may establish regional offices, each of which shall be headed by a Regional Director.
“(B) REPORTING.—Each Regional Director shall report to the Director of Enforcement, the Director of Investment Management, and the Director of Trading and Markets.

“(3) OTHER OFFICES.—

“(A) OFFICE OF THE CHAIRMAN.—The Commission shall have an Office of the Chairman, which shall be headed by the Chairman of the Commission, and contain the following:

“(i) The Office of the General Counsel.

“(ii) The Office of the Secretary.

“(iii) The Office of the Chief Accountant.

“(iv) The Office of External Affairs.

“(v) The Office of the Chief Operating Officer, which shall contain the following:

“(I) The Office of Acquisitions.

“(II) The Office of Administrative Services.


“(V) The Office of Human Resources.

“(VI) The Office of Information Technology.

“(VII) The Office of Interactive Disclosure.


“(B) Offices of Risk, Strategy, and Financial Innovation.—Each division described under paragraph (1) shall have an Office of Risk, Strategy, and Financial Innovation, with each such office headed by a Deputy Director of Risk, Strategy, and Financial Innovation who shall report to the director of the division in which the office is located.

“(C) Offices of Compliance, Inspections, and Examinations.—The Division of Investment Management and the Division of Trading and Markets shall each have an Office of Compliance, Inspections, and Examinations, with each such office headed by a Deputy Director of Compliance, Inspections, and Examinations who shall report to the director of the division in which the office is located.
“(D) Office of the Chief Economist.—The Commission shall have an Office of the Chief Economist, which shall be headed by the Chief Economist of the Commission.

“(E) Office of Equal Employment Opportunity.—The Commission shall have an Office of Equal Employment Opportunity, which shall—

“(i) be located within the Commission’s Office of Minority and Women Inclusion established pursuant to section 342 of the Dodd-Frank Wall Street Reform and Consumer Protection Act; and

“(ii) be headed by a Deputy Director of Equal Employment Opportunity who shall be appointed by, and report to, the Director of Minority and Women Inclusion.

“(F) Office of Investor Education and Advocacy.—The Commission shall have an Office of Investor Education and Advocacy, which shall be headed by a Director of Investor Education and Advocacy.

“(G) Office of Ethics Counsel.—The Commission shall have an Office of Ethics
Counsel, which shall be headed by the Ethics Counsel.

“(4) EXAMINER STAFF.—The Division of Investment Management and the Division of Trading and Markets shall each have a staff of examiners who shall—

“(A) perform compliance inspections and examinations of entities under the jurisdiction of the division in which they are located; and

“(B) report to the director of the division in which they are located.

“(5) COMMISSION COORDINATING COUNCIL.—

The Commission shall have a Coordinating Council, which shall be chaired by the Chief Operating Officer, which shall be tasked with identifying and reducing duplicative operations within the Commission.”

(b) ORGANIZATION OF THE OFFICE OF THE INVESTOR ADVOCATE.—Section 4(g) of the Securities Exchange Act of 1934 is amended—

(1) by striking paragraphs (1) and (2) and inserting the following:

“(1) OFFICE ESTABLISHED.—There is established within the Office of Investor Education and
Advocacy the Office of the Investor Advocate (in this subsection referred to as the ‘Office’).

“(2) INVESTOR ADVOCATE.—

“(A) IN GENERAL.—The head of the Office shall be the Deputy Director for the Office of the Investor Advocate (in this subsection referred to as the ‘Investor Advocate’), who shall—

“(i) report to the Director of Investor Education and Advocacy; and

“(ii) be appointed by the Director of Investor Education and Advocacy, in consultation with the Commission, from among individuals having experience in advocating for the interests of investors in securities and investor protection issues, from the perspective of investors.

“(B) COMPENSATION.—The annual rate of pay for the Investor Advocate shall be equal to the highest rate of annual pay for other deputy directors of the Commission.

“(C) LIMITATION ON SERVICE.—An individual who serves as the Investor Advocate may not be employed by the Commission—
“(i) during the 2-year period ending on the date of appointment as Investor Advocate; or

“(ii) during the 5-year period beginning on the date on which the person ceases to serve as the Investor Advocate.”;

(2) by striking paragraph (3);

(3) by redesignating paragraphs (4), (5), (6), (7), and (8) as paragraphs (3), (4), (5), (6), and (7), respectively; and

(4) in subparagraph (D) of paragraph (7), as so redesignated, by striking “paragraph (6)” and inserting “paragraph (5)”.

(e) CONSOLIDATION OF CERTAIN EXISTING OFFICES.—

(1) DIVISION OF RISK, STRATEGY, AND FINANCIAL INNOVATION.—The employees and assets of the Commission’s Division of Risk, Strategy, and Financial Innovation, as in existence on the day before the date of the enactment of this Act, shall be consolidated into the Office of Risk, Strategy, and Financial Innovation of the Division of Investment Management and the Office of Risk, Strategy, and Financial Innovation of the Division of Trading and Markets.
(2) Office of Compliance, Inspections, and Examinations.—The employees and assets of the Commission’s Office of Compliance, Inspections, and Examinations, as in existence on the day before the date of the enactment of this Act, shall be consolidated into the Office of Compliance, Inspections, and Examinations of the Division of Investment Management and the Office of Compliance, Inspections, and Examinations of the Division of Trading and Markets.

(3) Office of the Executive Director.—

The employees and assets of the Commission’s Office of the Executive Director, as in existence on the day before the date of the enactment of this Act, shall be consolidated into the Office of the Chief Operating Officer.

(4) Office of International Affairs; Office of Legislative and Inter-Governmental Affairs; Office of Public Affairs.—The employees and assets of the Commission’s Office of International Affairs, Office of Legislative and Inter-Governmental Affairs, and Office of Public Affairs, as in existence on the day before the date of the enactment of this Act, shall be consolidated into the Office of External Affairs.
(d) CONSTRUCTION.—Nothing in this section, or the amendments made by this section, shall be construed as limiting the Commission’s ability to create other offices within the Commission.

SEC. 4. [MER#2,#5]ADDITIONAL DUTIES OF THE ETHICS COUNSEL.

Section 4 of the Securities Exchange Act of 1934 is amended by adding at the end the following new subsection:

“(j) ADDITIONAL DUTIES OF THE ETHICS COUNSEL.—

“(1) MAINTENANCE OF ETHICS GUIDANCE.—

The Ethics Counsel shall maintain records of all ethics guidance provided by the Office of Ethics Counsel to employees of the Commission and shall, if requested in furtherance of an investigation, provide such records to the Inspector General of the Commission.

“(2) DOCUMENTING OF EMPLOYEE RECUSALS.—In order to identify potential conflicts of interest, the Ethics Counsel shall maintain a database for—

“(A) documenting employee recusals; and
“(B) documenting matters for which each employee was personally and substantially involved while an employee of the Commission.”.

SEC. 5. [MER#3] REPORT ON COMMISSION AGENDA.

Section 4 of the Securities Exchange Act of 1934, as amended by section 4, is further amended by adding at the end the following new subsection:

“(k) ANNUAL REPORT ON COMMISSION AGENDA.—Not later than January 31 of each calendar year, the Chairman of the Commission shall issue a written report to the Committee on Financial Services of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the Senate on stating the agenda of the Commission for that calendar year.”.

SEC. 6. [FIDF#1] PROVIDING FOR THE INDEPENDENCE OF THE SEC OMBUDSMAN.

Section 4(g)(8) of the Securities Exchange Act of 1934 (15 U.S.C. 78d(g)(8)) is amended to read as follows:

“(8) OMBUDSMAN.—

“(A) ESTABLISHMENT.—The Chairman of the Commission shall appoint an Ombudsman who shall report directly to the Chairman.

“(B) DUTIES.—The Ombudsman appointed under subparagraph (A) shall—
“(i) act as a liaison between the Commission and any affected person with respect to any problem such person may have in dealing with the Commission resulting from the regulatory activities of the Commission;

“(ii) review and make recommendations regarding Commission policies and procedures to encourage persons to present questions to the Commission regarding compliance with Federal securities laws; and

“(iii) assure that safeguards exist to maintain confidentiality of communications between such persons and the Ombudsman.

“(C) LIMITATION.—In carrying out the duties under subparagraph (B), the Ombudsman shall utilize personnel of the Commission to the extent practicable. Nothing in this section shall be construed as replacing, altering, or diminishing the activities of any ombudsman or similar office in any other agency.

“(D) REPORT.—Each year, the Ombudsman shall submit a report to the Commission
for inclusion in the annual report that describes the activities and evaluates the effectiveness of the Ombudsman during the preceding year. In that report, the Ombudsman shall include solicited comments and evaluations from registrants in regard to the effectiveness of the Ombudsman.”.

SEC. 7. [FIDF#2] RESERVE FUND USED FOR TECHNOLOGY IMPROVEMENTS.

Section 4(i)(3) of the Securities Exchange Act of 1934, as added by section 991(e)(1) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, is amended by striking “as the Commission determines is necessary to carry out the functions of the Commission” and inserting “only for necessary technology improvements”.

SEC. 8. [FIDF#3] TERMS FOR MEMBER OF THE INVESTOR ADVISORY COMMITTEE.

Section 39(b)(2) of the Securities Exchange Act of 1934 (15 U.S.C. 78pp(b)) is amended to read as follows:

“(2) Term.—

“(A) In general.—Each member of the Committee appointed under subparagraph (B), (C) or (D) of paragraph (1) shall serve for a term of 5 year.
“(B) STAGGERING OF MEMBERS.—Members of the Committee that are appointed by the Commission under subparagraph (D) of paragraph (1) shall serve staggered terms, as determined by the Commission, and, notwithstanding subparagraph (A), the Commission may lengthen or shorten the terms of newly appointed members if necessary to create such staggered terms.”.

SEC. 9. [FIDF#4A] CHAIN OF COMMAND FOR THE OFFICE OF CREDIT RATINGS.

Section 15E(p)(1)(B) of the Securities Exchange Act of 1934 (78o–7(p)(1)(B)) is amended to read as follows:

“(B) DEPUTY DIRECTOR OF THE OFFICE.—The head of the Office shall be a Deputy Director, who shall report to the Director of Trading and Markets.”.

SEC. 10. [FIDF#4B] CHAIN OF COMMAND FOR THE OFFICE OF MUNICIPAL SECURITIES.

Section 979(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act is amended to read as follows:

“(b) DEPUTY DIRECTOR OF THE OFFICE.—The head of the Office of Municipal Securities shall be the Deputy
Director, who shall report to the Director of Trading and Markets.”

SEC. 11. COMMISSION DEFINED.

For purposes of this Act, the term “Commission” means the Securities and Exchange Commission.