

[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.

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IN THE HOUSE OF REPRESENTATIVES

M. \_\_\_\_\_ introduced the following bill; which was referred to the  
Committee on \_\_\_\_\_

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**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”.

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

3 (a) ORGANIZATIONAL STRUCTURE OF THE COMMIS-  
4 SION.—Section 4(h) of the Securities Exchange Act of  
5 1934 is amended to read as follows:

6 “(h) ORGANIZATIONAL STRUCTURE OF THE COMMIS-  
7 SION.—

8 “(1) DIVISIONS.—The Commission shall have  
9 the following divisions:

10 “(A) CORPORATE FINANCE.—The Division  
11 of Corporate Finance, which shall be headed by  
12 a Director of Corporate Finance.

13 “(B) ENFORCEMENT.—The Division of  
14 Enforcement, which shall be headed by a Direc-  
15 tor of Enforcement.

16 “(C) INVESTMENT MANAGEMENT.—The  
17 Division of Investment Management, which  
18 shall be headed by a Director of Investment  
19 Management.

20 “(D) TRADING AND MARKETS.—The Divi-  
21 sion of Trading and Markets, which shall be  
22 headed by a Director of Trading and Markets.

23 “(2) REGIONAL OFFICES.—

24 “(A) IN GENERAL.—The Commission may  
25 establish regional offices, each of which shall be  
26 headed by a Regional Director.

1           “(B) REPORTING.—Each Regional Direc-  
2           tor shall report to the Director of Enforcement,  
3           the Director of Investment Management, and  
4           the Director of Trading and Markets.

5           “(3) OTHER OFFICES.—

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

10                   “(i) The Office of the General Coun-  
11                   sel.

12                   “(ii) The Office of the Secretary.

13                   “(iii) The Office of the Chief Account-  
14                   ant.

15                   “(iv) The Office of External Affairs.

16                   “(v) The Office of the Chief Oper-  
17                   ating Officer, which shall contain the fol-  
18                   lowing:

19                           “(I) The Office of Acquisitions.

20                           “(II) The Office of Administra-  
21                   tive Services.

22                           “(III) The Office of Financial  
23                   Management.

24                           “(IV) The Office of FOIA,  
25                   Records Management, and Security.

1                   “(V) The Office of Human Re-  
2                   sources.

3                   “(VI) The Office of Information  
4                   Technology.

5                   “(VII) The Office of Interactive  
6                   Disclosure.

7                   “(VIII) The Office of the Admin-  
8                   istrative Law Judges.

9                   “(B) OFFICES OF RISK, STRATEGY, AND  
10                  FINANCIAL INNOVATION.—Each division de-  
11                  scribed under paragraph (1) shall have an Of-  
12                  fice of Risk, Strategy, and Financial Innova-  
13                  tion, with each such office headed by a Deputy  
14                  Director of Risk, Strategy, and Financial Inno-  
15                  vation who shall report to the director of the di-  
16                  vision in which the office is located.

17                  “(C) OFFICES OF COMPLIANCE, INSPEC-  
18                  TIONS, AND EXAMINATIONS.—The Division of  
19                  Investment Management and the Division of  
20                  Trading and Markets shall each have an Office  
21                  of Compliance, Inspections, and Examinations,  
22                  with each such office headed by a Deputy Di-  
23                  rector of Compliance, Inspections, and Exami-  
24                  nations who shall report to the director of the  
25                  division in which the office is located.

1           “(D) OFFICE OF THE CHIEF ECONO-  
2           MIST.—The Commission shall have an Office of  
3           the Chief Economist, which shall be headed by  
4           the Chief Economist of the Commission.

5           “(E) OFFICE OF EQUAL EMPLOYMENT OP-  
6           PORTUNITY.—The Commission shall have an  
7           Office of Equal Employment Opportunity,  
8           which shall—

9                   “(i) be located within the Commis-  
10                  sion’s Office of Minority and Women Inclu-  
11                  sion established pursuant to section 342 of  
12                  the Dodd-Frank Wall Street Reform and  
13                  Consumer Protection Act; and

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

18           “(F) OFFICE OF INVESTOR EDUCATION  
19           AND ADVOCACY.—The Commission shall have  
20           an Office of Investor Education and Advocacy,  
21           which shall be headed by a Director of Investor  
22           Education and Advocacy.

23           “(G) OFFICE OF ETHICS COUNSEL.—The  
24           Commission shall have an Office of Ethics

1 Counsel, which shall be headed by the Ethics  
2 Counsel.

3 “(4) EXAMINER STAFF.—The Division of In-  
4 vestment Management and the Division of Trading  
5 and Markets shall each have a staff of examiners  
6 who shall—

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

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

12 **【“(5) COMMISSION COORDINATING COUNCIL.—**  
13 **The Commission shall have a Coordinating Council,**  
14 **which shall be chaired by the Chief Operating Offi-**  
15 **cer, which shall be tasked with identifying and re-**  
16 **ducing duplicative operations within the Commis-**  
17 **sion.”.】**

18 (b) ORGANIZATION OF THE OFFICE OF THE INVES-  
19 TOR ADVOCATE.—Section 4(g) of the Securities Exchange  
20 Act of 1934 is amended—

21 (1) by striking paragraphs (1) and (2) and in-  
22 serting the following:

23 “(1) OFFICE ESTABLISHED.—There is estab-  
24 lished within the Office of Investor Education and

1       Advocacy the Office of the Investor Advocate (in this  
2       subsection referred to as the ‘Office’).

3               “(2) INVESTOR ADVOCATE.—

4                       “(A) IN GENERAL.—The head of the Of-  
5       fice shall be the Deputy Director for the Office  
6       of the Investor Advocate (in this subsection re-  
7       ferred to as the ‘Investor Advocate’), who  
8       shall—

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

11                              “(ii) be appointed by the Director of  
12       Investor Education and Advocacy, in con-  
13       sultation with the Commission, from  
14       among individuals having experience in ad-  
15       vocating for the interests of investors in se-  
16       curities and investor protection issues,  
17       from the perspective of investors.

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

22                             “(C) LIMITATION ON SERVICE.—An indi-  
23       vidual who serves as the Investor Advocate may  
24       not be employed by the Commission—

1 “(i) during the 2-year period ending  
2 on the date of appointment as Investor Ad-  
3 vocate; or

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

7 (2) by striking paragraph (3);

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

11 (4) in subparagraph (D) of paragraph (7), as  
12 so redesignated, by striking “paragraph (6)” and in-  
13 sserting “paragraph (5)”.

14 (c) CONSOLIDATION OF CERTAIN EXISTING OF-  
15 FICES.—

16 (1) DIVISION OF RISK, STRATEGY, AND FINAN-  
17 CIAL INNOVATION.—The employees and assets of the  
18 Commission’s Division of Risk, Strategy, and Finan-  
19 cial Innovation, as in existence on the day before the  
20 date of the enactment of this Act, shall be consoli-  
21 dated into the Office of Risk, Strategy, and Finan-  
22 cial Innovation of the Division of Investment Man-  
23 agement and the Office of Risk, Strategy, and Fi-  
24 nancial Innovation of the Division of Trading and  
25 Markets.



1           (2) OFFICE OF COMPLIANCE, INSPECTIONS,  
2           AND EXAMINATIONS.—The employees and assets of  
3           the Commission’s Office of Compliance, Inspections,  
4           and Examinations, as in existence on the day before  
5           the date of the enactment of this Act, shall be con-  
6           solidated into the Office of Compliance, Inspections,  
7           and Examinations of the Division of Investment  
8           Management and the Office of Compliance, Inspec-  
9           tions, and Examinations of the Division of Trading  
10          and Markets.

11          (3) OFFICE OF THE EXECUTIVE DIRECTOR.—  
12          The employees and assets of the Commission’s Of-  
13          fice of the Executive Director, as in existence on the  
14          day before the date of the enactment of this Act,  
15          shall be consolidated into the Office of the Chief Op-  
16          erating Officer.

17          (4) OFFICE OF INTERNATIONAL AFFAIRS; OF-  
18          FICE OF LEGISLATIVE AND INTER-GOVERNMENTAL  
19          AFFAIRS; OFFICE OF PUBLIC AFFAIRS.—The employ-  
20          ees and assets of the Commission’s Office of Inter-  
21          national Affairs, Office of Legislative and Inter-Gov-  
22          ernmental Affairs, and Office of Public Affairs, as in  
23          existence on the day before the date of the enact-  
24          ment of this Act, shall be consolidated into the Of-  
25          fice of External Affairs.

1 (d) CONSTRUCTION.—Nothing in this section, or the  
2 amendments made by this section, shall be construed as  
3 limiting the Commission’s ability to create other offices  
4 within the Commission.

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

7 Section 4 of the Securities Exchange Act of 1934 is  
8 amended by adding at the end the following new sub-  
9 section:

10 “(j) ADDITIONAL DUTIES OF THE ETHICS COUN-  
11 SEL.—

12 “(1) MAINTENANCE OF ETHICS GUIDANCE.—

13 The Ethics Counsel shall maintain records of all eth-  
14 ics guidance provided by the Office of Ethics Coun-  
15 sel to employees of the Commission and shall, if re-  
16 quested in furtherance of an investigation, provide  
17 such records to the Inspector General of the Com-  
18 mission.

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

23 “(A) documenting employee recusals; and

1           “(B) documenting matters for which each  
2           employee was personally and substantially in-  
3           volved while an employee of the Commission.”.

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

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

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

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

17           Section 4(g)(8) of the Securities Exchange Act of  
18 1934 (15 U.S.C. 78d(g)(8)) is amended to read as follows:

19           “(8) OMBUDSMAN.—

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

23                   “(B) DUTIES.—The Ombudsman ap-  
24           pointed under subparagraph (A) shall—

1           “(i) act as a liaison between the Com-  
2           mission and any affected person with re-  
3           spect to any problem such person may  
4           have in dealing with the Commission re-  
5           sulting from the regulatory activities of the  
6           Commission;

7           “(ii) review and make recommenda-  
8           tions regarding Commission policies and  
9           procedures to encourage persons to present  
10          questions to the Commission regarding  
11          compliance with Federal securities laws;  
12          and

13          “(iii) assure that safeguards exist to  
14          maintain confidentiality of communications  
15          between such persons and the Ombuds-  
16          man.

17          “(C) LIMITATION.—In carrying out the  
18          duties under subparagraph (B), the Ombuds-  
19          man shall utilize personnel of the Commission  
20          to the extent practicable. Nothing in this sec-  
21          tion shall be construed as replacing, altering, or  
22          diminishing the activities of any ombudsman or  
23          similar office in any other agency.

24          “(D) REPORT.—Each year, the Ombuds-  
25          man shall submit a report to the Commission

1 for inclusion in the annual report that describes  
2 the activities and evaluates the effectiveness of  
3 the Ombudsman during the preceding year. In  
4 that report, the Ombudsman shall include solie-  
5 ited comments and evaluations from registrants  
6 in regard to the effectiveness of the Ombuds-  
7 man.”.

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

10 Section 4(i)(3) of the Securities Exchange Act of  
11 1934, as added by section 991(e)(1) of the Dodd-Frank  
12 Wall Street Reform and Consumer Protection Act, is  
13 amended by striking “as the Commission determines is  
14 necessary to carry out the functions of the Commission”  
15 and inserting “only for necessary technology improve-  
16 ments”.

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

19 Section 39(b)(2) of the Securities Exchange Act of  
20 1934 (15 U.S.C. 78pp(b)) is amended to read as follows:

21 “(2) TERM.—

22 “(A) IN GENERAL.—Each member of the  
23 Committee appointed under subparagraph (B),  
24 (C) or (D) of paragraph (1) shall serve for a  
25 term of 5 year.

1           “(B) STAGGERING OF MEMBERS.—Mem-  
2           bers of the Committee that are appointed by  
3           the Commission under subparagraph (D) of  
4           paragraph (1) shall serve staggered terms, as  
5           determined by the Commission, and, notwith-  
6           standing subparagraph (A), the Commission  
7           may lengthen or shorten the terms of newly ap-  
8           pointed members if necessary to create such  
9           staggered terms.”.

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

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

14           “(B) DEPUTY DIRECTOR OF THE OF-  
15           FICE.—The head of the Office shall be a Dep-  
16           uty Director, who shall report to the Director of  
17           Trading and Markets.”.

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

20           Section 979(b) of the Dodd-Frank Wall Street Re-  
21 form and Consumer Protection Act is amended to read  
22 as follows:

23           “(b) DEPUTY DIRECTOR OF THE OFFICE.—The head  
24 of the Office of Municipal Securities shall be the Deputy

1 Director, who shall report to the Director of Trading and  
2 Markets.”.

3 **SEC. 11. COMMISSION DEFINED.**

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