

**State Securities Board**  
**Supplemental Self-Evaluation Report**



July 25, 2018

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## **State Securities Board - 312 Supplemental Self-Evaluation Report**

### ***Substantive Update:***

*This Supplemental Self-Evaluation Report, dated July 25, 2018, updates the State Securities Board Self-Evaluation Report dated September 1, 2017. The report largely provides Fiscal Year 2017 data that was unavailable at the time of original report.*

*The supplemental report also includes organizational changes that bear specific mention:*

*The position of Director of Registration was eliminated in Fiscal Year 2018. Supervisory functions of this position were shifted to the Deputy Commissioner. Also, an additional Assistant Director position was created. The two Assistant Director positions provide day-to-day supervisory functions to division personnel.*

*The Enforcement Division maintained a branch office in San Antonio. Effective March 31, 2018, the office was closed. The division continues to maintain a field presence in San Antonio at zero hard cost to the agency. One enforcement attorney offices out of the Federal Bureau of Investigation San Antonio field office and reports directly to the Director and Assistant Director in Austin.*

*As a result of the San Antonio office closure, one Assistant Director position and one Administrative Assistant position were eliminated.*

*Effective July 1, 2018, the Securities Board reduced the Section 35.A.1 fee from \$100.00 to \$70.00 for securities filings. The fee reduction was done to calibrate the agencies Section 35.A fees with the agency's general appropriations as required by Section 316.045, Texas Government Code.*

*All references to page numbers in this supplemental report are to the Self-Evaluation Report ("SER") dated September 1, 2017. Unless otherwise noted, the statistical information in the supplement is for the period from September 1, 2016, to August 31, 2017 – Fiscal Year 2017.*

## I. Agency Contact Information

A. Please fill in the following chart.

**State Securities Board  
Exhibit 1: Agency Contacts**

	Name	Address	Telephone & Fax Numbers	Email Address
<b>Agency Head &amp; Sunset Liaison</b>	Travis J. Iles, Securities Commissioner	208 E. 10 <sup>th</sup> St., 5 <sup>th</sup> Fl. Austin, Texas 78701	512-305-8341 / 512-305-8336	<a href="mailto:tiles@ssb.texas.gov">tiles@ssb.texas.gov</a>

Table 1 - Agency Contacts

## II.

I. Discuss any changes that could impact your agency's key functions in the near future (e.g., changes in federal law or outstanding court cases).

The House of Representatives is considering proposed federal legislation, H. R. 5037, during the 115<sup>th</sup> Congress, 2D Session. The bill is styled as the "Securities Fraud Act of 2018" and would preempt state authority over civil enforcement actions for certain securities transactions. The legislation would also require state criminal enforcement actions to comply with the legal requirements for securities fraud under federal law.

*SER at page 7.*

K. In the following chart, provide information regarding your agency's key performance measures included in your appropriations bill pattern, including outcome, input, efficiency, and explanatory measures. Please provide information regarding the methodology used to collect and report the data.

**State Securities Board  
Exhibit 2: Key Performance Measures — Fiscal Year 2017**

Key Performance Measures	FY 2017 * Target	FY 2017 Actual Performance	FY 2017 % of Annual Target
Percentage of Texas Dealers and Investment Advisers Inspected	25% (18%)	25.62%	102.48%
Percentage of Inspected Dealers and Investment Advisers Found to Require Corrective Action	80% (No change)	79.80%	99.75%
Number of Investigations Opened	414 (376)	426	102.90%
Number of Securities Filings and Submissions Processed	52,200 (No change)	64,230	123.05%
Revenues Deposited to the State Treasury from Securities Applications	102,000,000 (114,649,700)	149,239,144.48	146.31%

<b>Key Performance Measures</b>	<b>FY 2017 * Target</b>	<b>FY 2017 Actual Performance</b>	<b>FY 2017 % of Annual Target</b>
Number of Dealers, Agents, Investment Advisers, and Investment Adviser Representatives Applications and Submissions Processed	342,000 (No change)	446,272	130.49%
Number of Dealers, Agents, Investment Advisers, and Investment Adviser Representatives Licensed or Authorized	320,000 (No change)	345,484	107.96%
Number of Inspections Conducted	340 (311/312)	364	107.06%

Table 2 - Key Performance Measures

The agency maintains internal databases that collect the data used to calculate performance measure information. A detailed description of program-specific performance measures is set forth in Section VII.C of the SER.

\* Fiscal 2018/2019 target performance measures changed in several respects; the changes are listed in the corresponding target measure parenthetically.

*SER at page 7.*

## V. Funding

### C. Show your agency's expenditures by strategy.

**State Securities Board**  
**Exhibit 5: Expenditures by Strategy — 2017 (Actual)**

Goal / Strategy	Amount Spent	Percent of Total	Contract Expenditures Included in Total Amount *
1.1 Law Enforcement	\$2,799,920.22	39.23%	\$47,972.74
2.1 Securities Registration	\$376,876.55	5.28%	\$1,259.55
3.1 Dealer Registration	\$457,363.04	6.41%	\$1,469.47
4.1 Inspect Records	\$1,918,324.64	26.88%	\$5,877.90
<b>Subtotal</b>	<b>\$5,552,484.45</b>		
1.1 Central Administration	\$1,324,715.49	18.56%	\$19,423.83
1.2 Information Technology	\$259,340.88	3.63%	
<b>GRAND TOTAL:</b>	<b>\$7,136,540.82</b>	<b>100%</b>	<b>\$76,003.49</b>

Table 5 - Expenditures by Strategy

\* Reported contract expenditures included expenses associated with third-party court reporting services and internal audit services. Certain subscriptions were excluded from the table, e.g. Thompson Reuters Westlaw and Clear.

*SER at page 16.*

### D. Show your agency's sources of revenue. Include all local, state, and federal appropriations, all professional and operating fees, and all other sources of revenue collected by the agency, including taxes and fines.

**State Securities Board**  
**Exhibit 6: Sources of Revenue — Fiscal Year 2017 (Actual)**

Source	Amount
General Revenue Fund	\$7,134,797.01
<b>Appropriated Receipts</b>	\$1,743.81
<b>TOTAL</b>	<b>\$7,136,540.82</b>

Table 6 - Sources of Revenue

*SER at page 16.*

**State Securities Board  
Exhibit 7: Federal Funds — Fiscal Year 2017 (Actual)**

Type of Fund	State / Federal Match Ratio	State Share	Federal Share	Total Funding
N/A	-	-	-	-
	<b>TOTAL</b>	-	-	-

Table 7 - Federal Funds

SER at page 16.

**F. If applicable, provide detailed information on fees collected by your agency.**

**State Securities Board  
Exhibit 8: Fee Revenue — Fiscal Year 2017 \***

Fee Description/ Program/ Statutory Citation	Current Fee/ Statutory Maximum	Number of Persons or Entities Paying Fee	Fee Revenue	Where Fee Revenue is Deposited (e.g., General Revenue Fund)
Securities Filings: ACT § 35.A.(1) **	\$100 / \$100	59,420	\$5,939,500.00	General Revenue Fund
Original Dealer/IA Applications: ACT § 35.A.(2), including § 133.29 fees, which vary in amount	\$75 / \$100	1,302	\$100,002.25	General Revenue Fund
Dealer / IA Renewals: ACT § 35.A.(3)	\$40 / \$100	10,166	\$406,825.00	General Revenue Fund
Original Agent / IAR Applications: ACT § 35.A.(4)	\$35 / \$100	56,517	\$1,983,580.00	General Revenue Fund
Agent / IAR Renewals: ACT § 35.A.(5)	\$20 / \$100	264,531	\$5,290,747.50	General Revenue Fund
Registration certificate amendment or branch office registration: ACT § 35.B.(1)	\$25 / \$25	19,220	\$480,175.00	General Revenue Fund
Securities applications: ACT § 35.B.(2)	1/10 of 1% / 1/10 of 1%	30,492	\$140,826,574.50	General Revenue Fund

<b>Fee Description/ Program/ Statutory Citation</b>	<b>Current Fee/ Statutory Maximum</b>	<b>Number of Persons or Entities Paying Fee</b>	<b>Fee Revenue</b>	<b>Where Fee Revenue is Deposited (e.g., General Revenue Fund)</b>
Certified copies of papers filed in the office of the Commissioner: ACT § 35.B.(3)	\$1 per page plus a \$15 certification fee / \$1 per page plus a \$15 certification fee	7	\$233.59	General Revenue Fund
Stock exchange application: ACT § 35.B.(4)	\$10,000 / \$10,000	0	\$0	General Revenue Fund
Texas Securities Law Exam: ACT § 35.B.(5)	\$35 / \$35	24	\$840.00	General Revenue Fund
Secondary trading exemption filing: ACT § 35.B.(6)	\$500 / \$500	4	\$2,500.00	General Revenue Fund
Limited offering exemption filing: ACT § 35.B.(7)	1/10 of 1%, no more than \$500	4,532	\$2,137,457.29	General Revenue Fund
GC interpretation: ACT § 35.B.(8)	\$100 / \$100	3	\$300.00	General Revenue Fund
Sale of excess securities: ACT § 35-1.A	three times the difference between the initial fee paid and the fee required plus interest	74	\$327,412.69	General Revenue Fund
Sale of excess securities limited offering: ACT § 35-1.B	three times the difference between the fee initially paid and the fee which should have been paid plus interest	0	\$0	General Revenue Fund
Sale of unregistered securities: ACT § 35-2	six times the amount that would have been paid if the issuer had filed an application to register the securities	0	\$0	General Revenue Fund
Administrative Fines: ACT § 23-1	Varies	13	\$279,500.00	General Revenue Fund
Professional fee: ACT § 41	Repealed 84 <sup>th</sup> Legislature	122	\$24,400.00	General Revenue Fund

Fee Description/ Program/ Statutory Citation	Current Fee/ Statutory Maximum	Number of Persons or Entities Paying Fee	Fee Revenue	Where Fee Revenue is Deposited (e.g., General Revenue Fund)
Court costs: ACT § 28	Varies	0	\$0	General Revenue Fund
Charges for copies of public records: Board Rule 101.5.(a)	charges set by the Office of the Attorney General, 1 TAC, §70.3	12	\$1,660.59	General Revenue Fund
Sale of Texas Securities Act and lists (cost recovery + tax)	\$6.25 Mailed \$3.00 Picked up \$500 per list	13	\$86.50	General Revenue Fund
		<b>Total Fee Revenue</b>	\$157,801,794.91*	

Table 8 - Fee Revenue

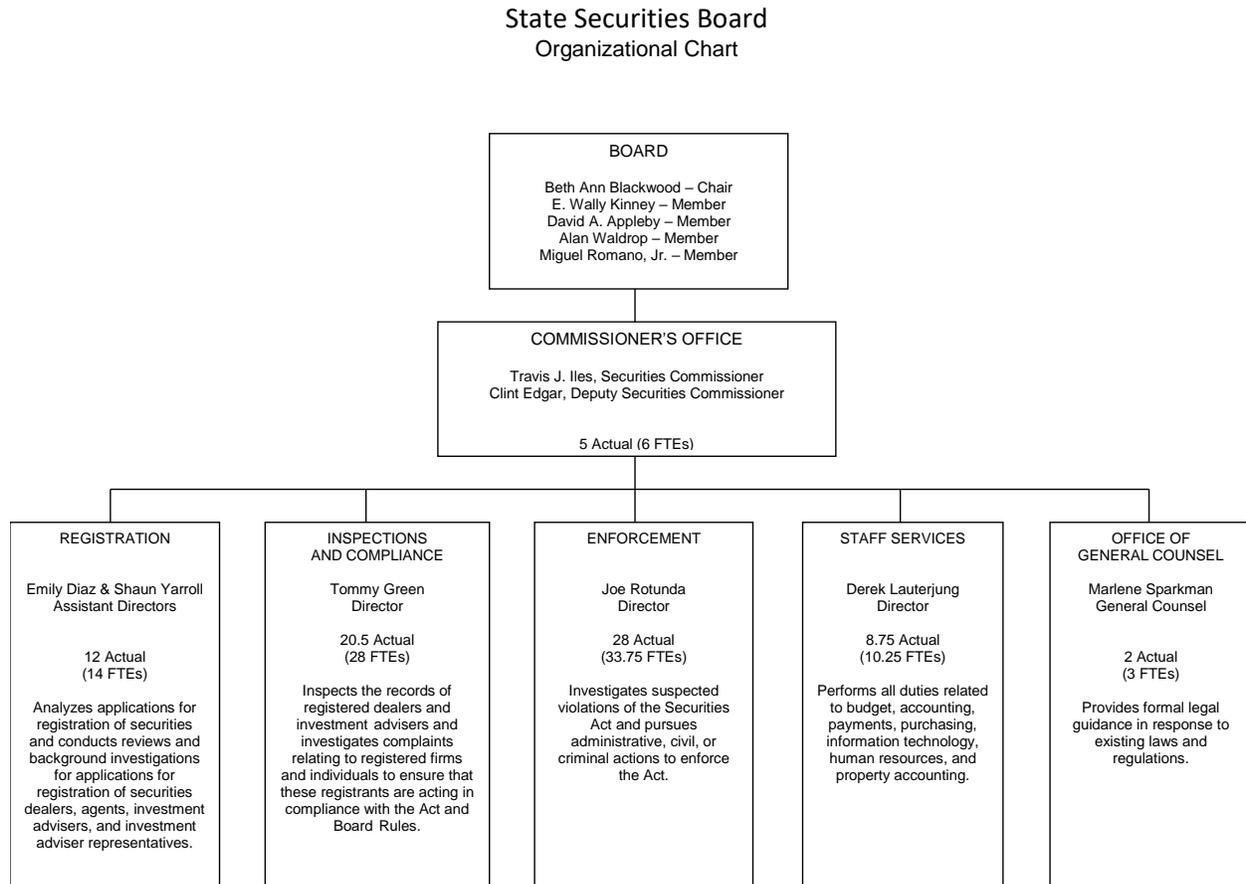
\* Multiplying the Current Fee times the Number of Persons or Entities Paying Fee will not result in a number equal to the Fee Revenue for multiple fee types. This can be caused by several different issues including late renewal fees that differ from the standard fee, amendment fees that differ from the standard fee, and incorrect fee amount submissions that are abandoned. The agency's staff can assist with detailed information as needed.

\*\* Effective July 1, 2018, the Board reduced the amount of the agency's Section 35.A.1 fee from \$100.00 to \$70.00.

*SER at page 17.*

## VI. Organization

- A. Provide an organizational chart that includes major programs and divisions, and shows the number of FTEs in each program or division. Detail should include, if possible, Department Heads with subordinates, and actual FTEs with budgeted FTEs in parenthesis.



Appropriated FTEs – 97 - as of September 1, 2017.

Chart reflects FTE count as of July 25, 2018 – Actual FTEs – 76.25.

*SER at page 19.*

B. If applicable, fill in the chart below listing field or regional offices.

**State Securities Board  
Exhibit 9: FTEs by Location — Fiscal Year 2017**

Headquarters, Region, or Field Office	Location	Co-Location? Yes / No	Number of Budgeted FTEs FY 2017	Number of Actual FTEs as of Aug. 31, 2017
Austin	Austin	Yes	71	54.75
Dallas	Dallas	Yes	15	13
Houston	Houston	Yes	9	9
Lubbock	Lubbock	Yes	3	2
San Antonio *	San Antonio	Yes	3	3
Corpus Christi	Corpus Christi	Yes	3	3
			<b>TOTAL: 104</b>	<b>TOTAL: 84.75</b>

Table 9 - FTEs by Location

\* As of April 1, 2018, the San Antonio field office was closed. Number of San Antonio FTEs – 0.

*SER at page 20.*

E. List each of your agency’s key programs or functions, along with expenditures and FTEs by program.

**State Securities Board  
Exhibit 10: List of Program FTEs and Expenditures — Fiscal Year 2017**

Program	Number of Budgeted FTEs FY 2017	Actual FTEs as of August 31, 2017	Actual Expenditures
Law Enforcement	37.75	30.5	\$2,799,920.22
Securities Registration	6	5	\$376,876.55
Dealer Registration	8	7	\$457,363.04
Inspections & Compliance	33	25.5	\$1,918,324.64
Central Administration	16.25	13.75	\$1,324,715.49
Information Technology	3	3	\$259,340.88
<b>TOTAL</b>	<b>104</b>	<b>84.75</b>	<b>\$7,136,540.82</b>

Table 10 - List of Program FTEs and Expenditures

Number of budgeted FTEs for FY 2018/2019 – 97. Actual FTE’s as of July 25, 2018 – 76.25.

*SER at page 21.*

## VII. Guide to Agency Programs – Law Enforcement

- A. Provide the following information at the beginning of each program description.

***Name of Program or Function:*** Law Enforcement

***Location/Division:*** Austin, Corpus Christi, Dallas, Houston, Lubbock

***Contact Name:*** Travis J. Iles

***Actual Expenditures, FY 2017:*** \$2,799,920.22

***Number of Actual FTEs as of June 1, 2017:*** 30.5

***Statutory Citation for Program:*** The Securities Act, §§ 3, 23-2, 25-1, 28, 29, & 32

*SER at page 22.*

- C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and outcome performance measures that best convey the effectiveness and efficiency of this function or program. Also please provide a short description of the methodology behind each statistic or performance measure.

A summary of calendar year 2018 enforcement actions may be accessed at <https://www.ssb.texas.gov/news-publications/mid-year-enforcement-highlights-crypto-scams-oilfield-fraud-millions-stolen>.

Updated performance reports for fiscal 2017 are submitted as an attachment to this report.

*SER at page 23.*

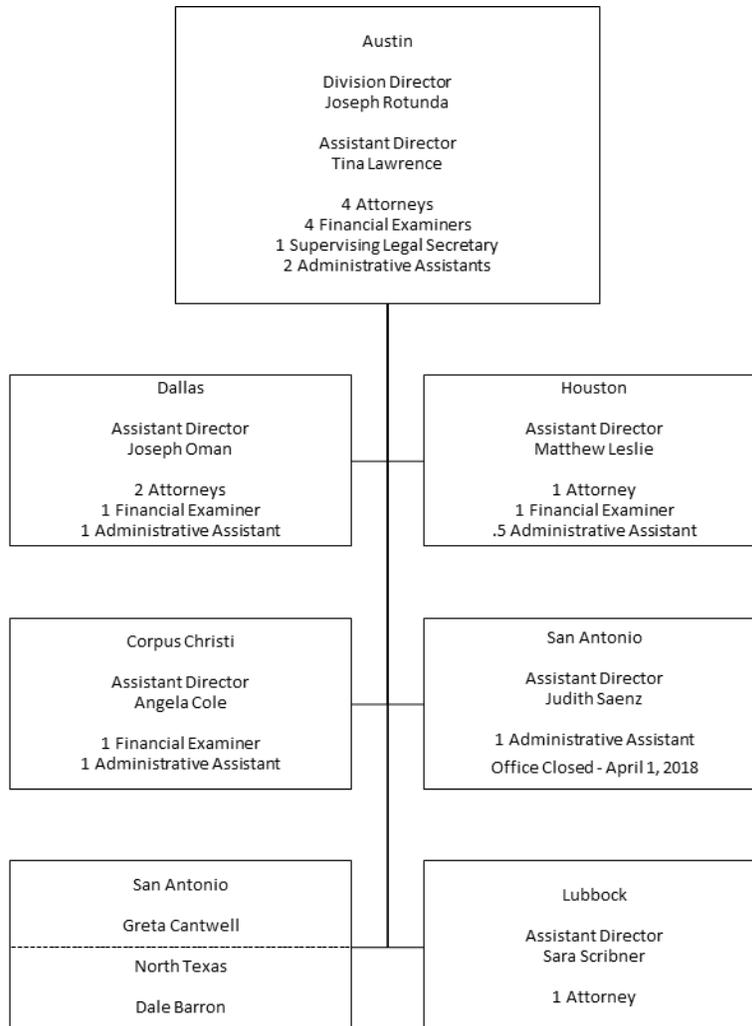
- F. Describe how your program or function is administered, including a description of the processes involved in the program or function. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. Indicate how field/regional services are used, if applicable.

As of July 25, 2018, the Enforcement Division employed 28.5 FTEs classified as one director, five attorneys who serve as assistant directors, ten enforcement attorneys, seven financial examiners, and five and one-half administrative support personnel.

*SER at page 25.*

# Enforcement Division

## Organizational Chart



Organizational Chart as of July 25, 2018. *SER at page 26.*

**K. If contracted expenditures are made through this program please provide:**

- a short summary of the general purpose of those contracts overall;
- the amount of those expenditures in fiscal year 2016;
- the number of contracts accounting for those expenditures;
- the method used to procure contracts;
- top five contracts by dollar amount, including contractor and purpose;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

The amount of these expenditures for fiscal year 2017 were \$32,434.74. Five contracts accounted for these expenditures. The top five contracts by dollar amount were as follows: \$23,520.00 – Internal Auditor; \$7,443.90 – Court Reporter, Dallas field office; \$812.10 – Court Reporter, Houston field office; \$550.24 – Court Reporter, Austin office; and \$108.50 – Court Reporter, Lubbock field office.

Based upon the method of computation, the figures set forth in Exhibit 5 will not necessarily correlate with the figures in Section VII.K because some contract costs are expensed in different fiscal years.

Beginning in fiscal 2018, the division initiated steps to reduce court reporting costs.

*SER at page 28.*

- P. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency’s practices. Please include a brief description of the methodology supporting each measure.**

**State Securities Board  
Law Enforcement  
Exhibit 11: Information on Law Enforcement Investigations and Actions  
Fiscal Years 2016 and 2017**

	Fiscal Year 2016	Fiscal Year 2017
Total number of regulated persons	N/A	N/A
Total number of regulated entities	N/A	N/A
Total number of complaints received from the public	N/A	N/A
Total number of investigations initiated by agency	417	426
Investigations resulting in:		
administrative order	11	13
administrative fine *	0	\$100,000.00
civil referral	0	1
criminal referral	15	9
indictments by transaction	843	600
convictions by transaction	477	213
Total number of special prosecutor appointments **	4	5
Dollar amount of law enforcement actions	\$44,476,202.57	\$18,916,299.56
Restitution ordered	\$8,433,529.09	\$16,820,800.98
Percentage of law enforcement actions successful	100% (17/17)	100% (35/35)

**Table 11 - Information on Law Enforcement Investigations and Actions**

\* The law enforcement program does not typically pursue administrative fines in connection with actions initiated by the division.

\*\* The number of special prosecutor appointments during a given fiscal year may include re-appointments due to changes in the administration of district attorney's offices. The number may also include multiple enforcement staff being appointed in connection with a particular case or prosecution.

*SER at page 29.*

## VII. Guide to Agency Programs – Inspection & Compliance

- A. Provide the following information at the beginning of each program description.

***Name of Program or Function:*** Inspection & Compliance

***Location/Division:*** Austin, Dallas, Houston

***Contact Name:*** Travis J. Iles

***Actual Expenditures, FY 2017:*** \$1,918,324.64

***Number of Actual FTEs as of June 1, 2017:*** 25.5

***Statutory Citation for Program:*** The Securities Act, § 13-1

*SER at page 31.*

- C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and outcome performance measures that best convey the effectiveness and efficiency of this function or program. Also please provide a short description of the methodology behind each statistic or performance measure.

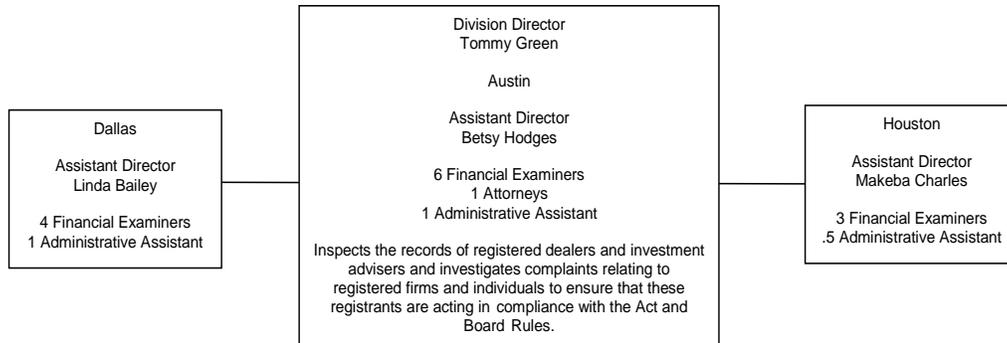
At present, the inspection and compliance program has been allocated 30 FTEs and has 20.5 actual FTEs to utilize in connection with conducting compliance examinations.

Updated performance reports for fiscal year 2017 are submitted as an attachment to this report.

*SER at page 32.*

- F. Describe how your program or function is administered, including a description of the processes involved in the program or function. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. Indicate how field/regional services are used, if applicable.

Inspections & Compliance  
Organizational Chart



**K. If contracted expenditures are made through this program please provide:**

- a short summary of the general purpose of those contracts overall;
- the amount of those expenditures in fiscal year 2016;
- the number of contracts accounting for those expenditures;
- the method used to procure contracts
- top five contracts by dollar amount, including contractor and purpose;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

None – 2017.

Based upon the method of computation, the figures set forth in Exhibit 5 will not necessarily correlate with the figures in Section VII.K because some contract costs are expensed in different fiscal years.

***SER at Page 38.***

- P. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency’s practices. Please include a brief description of the methodology supporting each measure.**

**State Securities Board  
Inspections & Compliance**

**Exhibit 11: Information on Regulated Persons or Entities Including Complaints and Regulatory Actions  
Fiscal Years 2016 and 2017**

	Fiscal Year 2016	Fiscal Year 2017
Total number of regulated persons *	322,709	334,272
Total number of regulated entities *	10,758	11,212
<b>Number of registered entities not inspected by any other regulatory authority</b>	1,406	1,421
Total number of entities inspected	327	365
Total number of matters received from the public **	85	102
Total number of complaints investigated by I&C	41	32
Number of complaints forwarded to the Enforcement Division	48	65
Number of complaints pending from prior years	22	14
Number of complaints found to be non-jurisdictional	6	4
Number of jurisdictional complaints found to be without merit	30	28
Number of complaints with resolution	82	98
Average number of days for complaint resolution - <b>Do not track</b>	-	-
Complaints resulting in disciplinary order:	3	2
administrative fine	2	2
reprimand	2	2
suspension	1	0
revocation	0	0
undertaking	2	1
restitution	0	0
Disciplinary order from complaint and non-complaint sources:	18	7
administrative fine	13 (\$543,000)	5 (\$118,000)
reprimand	8	3
suspension	3	5
revocation	3	0
undertaking	5	4
restitution	1 (\$110,855.07)	1 (\$46,915.30)

Table 12 - Information on Regulated Persons or Entities Including Complaints and Regulatory Actions

SER at page 40.

\* Total number of registered individuals and entities will vary based upon the date the data is compiled.

\*\* In certain instances, the number of complaints received from the public will not be equal to the number of matters investigated by the inspections program and those forwarded to the Enforcement Division. This may be due, for example, to more than one complaint at times being associated with a single complaint file.

## **VII. Guide to Agency Programs – Dealer/Investment Adviser/Agent Registration**

- A. Provide the following information at the beginning of each program description.**

***Name of Program or Function:* Dealer/Investment Adviser/Agent Registration**

***Location/Division:* Austin**

***Contact Name:* Travis J. Iles**

***Actual Expenditures, FY 2017:* \$457,363.04**

***Number of Actual FTEs as of June 1, 2018:* 7**

***Statutory Citation for Program:* The Securities Act, §§ 12, 13, 15, 18 & 19**

*SER at page 42.*

- E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.**

In fiscal 2017, the number of new registrations submitted and approved and registrations renewed was approximately 345,000.

*SER at page 44.*

- F. Describe how your program or function is administered, including a description of the processes involved in the program or function. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. Indicate how field/regional services are used, if applicable.**

As of the first quarter, fiscal 2018, the Registration Division has two assistant directors who supervise division personnel on a day-to-day basis in the review and processing of investment adviser, dealer, investment adviser representative, and agent applications for entity and individual licensure in Texas. The assistant directors are supervised by the Deputy Commissioner. As part of the agency's restructuring, the position of Registration Director was eliminated. The agency's SER description of division functions is otherwise consistent with the September 1, 2017, report.

As of July 25, 2018, the Dealer/Investment Adviser/Agent program consisted of two assistant directors, one attorney, three financial examiners and four support personnel who examine, investigate, and process applications and filings. Personnel have responsibilities in both the Analysis of Securities Offerings program and the Dealer/Investment Adviser/Agent Registration program. Combined, the programs consist of 12 actual FTEs.

SER at page 44.

- K. If contracted expenditures are made through this program please provide:**
- a short summary of the general purpose of those contracts overall;
  - the amount of those expenditures in fiscal year 2016;
  - the number of contracts accounting for those expenditures;
  - the method used to procure contracts
  - top five contracts by dollar amount, including contractor and purpose;
  - the methods used to ensure accountability for funding and performance; and
  - a short description of any current contracting problems.

The agency's internal auditor selected and the Board approved the fiscal year 2018 internal audit focus on *Processing Dealer Applications*. The initial audit report is expected to be drafted in August/September 2018.

None – 2017.

Based upon the method of computation, the figures set forth in Exhibit 5 will not necessarily correlate with the figures in Section VII.K because some contract costs are expensed in different fiscal years.

SER at page 46.

- P. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency's practices. Please include a brief description of the methodology supporting each measure.**

**State Securities Board  
Dealer/Investment Adviser Registration  
Exhibit 11: Information on Regulated Persons or Entities and Regulatory Actions  
Fiscal Years 2016 and 2017**

	Fiscal Year 2016	Fiscal Year 2017
Total number of registered persons *	322,709	334,272
Total number of registered entities *	10,758	11,212
Number of applications and submissions processed for dealer, agent, investment adviser and investment adviser representatives	417,681	446,272
Number of dealer, agent, investment adviser and investment adviser representatives registered	333,467	345,484
Average time of days for deficiency letters on dealer and investment adviser applications	5.35	4.825
Total number of complaints received from the public *	N/A	N/A
Total number of complaints initiated by agency *	N/A	N/A

	Fiscal Year 2016	Fiscal Year 2017
Applicant review resulting in disciplinary order:	2	10
administrative fine	2 (\$10,000)	7 (\$61,500)
reprimand	1	8
suspension	2	4
denial	0	0
undertaking	1	13

Table 33 - Information on Regulated Persons or Entities and Regulatory Actions

\* Total number of registered individuals and entities will vary based upon the date the data is compiled.

*SER at page 49.*

## VII. Guide to Agency Programs – Analysis of Securities Offerings

- A. Provide the following information at the beginning of each program description.

***Name of Program or Function:*** Analysis of Securities Offerings

***Location/Division:*** Austin

***Contact Name:*** Travis J. Iles

***Actual Expenditures, FY 2017:*** \$376,876.55

***Number of Actual FTEs as of June 1, 2017:*** 5

***Statutory Citation for Program:*** The Securities Act, §§7 & 10

*SER at page 50.*

Updated performance reports for fiscal year 2017 are submitted as an attachment to this report.

- F. Describe how your program or function is administered, including a description of the processes involved in the program or function. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. Indicate how field/regional services are used, if applicable.

As described in the Dealer/Investment Adviser/Agent Registration section of this supplement as of the first quarter, fiscal 2018, the Registration Division has two assistant directors who supervise division personnel on a day-to-day basis review all incoming applications for the registration of securities, assigns such applications to financial examiners, perform the second-tier review of applications for registration, forward registration recommendations to the Deputy Commissioner or Securities Commissioner for approval when the offering is deemed to be “fair, just, and equitable,” coordinate the resolution of problems associated with offerings that do not comply with the Board Rules or provisions of The Securities Act, and supervise and evaluate the work of all employees in the program. The assistant directors are supervised by the Deputy Commissioner. As part of the agency’s restructuring, the position of Registration Director was eliminated. The agency’s SER description of division functions is otherwise consistent with the September 1, 2017, report.

*SER at page 51.*

As of July 25, 2018, the Analysis of Securities Offerings program consisted of two assistant directors, one attorney, three financial examiners and two support personnel. Personnel have responsibilities in both the Analysis of Securities Offerings program and the Dealer/Investment Adviser/Agent Registration program. Combined, the programs consist of 12 actual FTEs.

*SER at page 52.*

- K. If contracted expenditures are made through this program please provide:**
- a short summary of the general purpose of those contracts overall;
  - the amount of those expenditures in fiscal year 2016;
  - the number of contracts accounting for those expenditures;
  - the method used to procure contracts
  - top five contracts by dollar amount, including contractor and purpose;
  - the methods used to ensure accountability for funding and performance; and
  - a short description of any current contracting problems.

None – 2017.

Based upon the method of computation, the figures set forth in Exhibit 5 will not necessarily correlate with the figures in Section VII.K because some contract costs are expensed in different fiscal years.

*SER at page 53.*

- P. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency’s practices. Please include a brief description of the methodology supporting each measure.**

**State Securities Board  
Analysis of Securities Offerings  
Exhibit 11: Information on Analyzing Securities Filings and Submissions  
Fiscal Years 2016 and 2017**

	Fiscal Year 2016	Fiscal Year 2017
Total number of complaints received from the public *	N/A	N/A
Total number of complaints initiated by agency *	N/A	N/A
Average number of days for issuance of deficiency letters on securities applications	8.9	8.3
Number of securities filings and submissions processed	62,265	64,230
Value of amount of authorized securities offerings	\$264,131,140,089.61	\$298,026,564,737.39
Revenue deposited to State Treasury from securities applications	\$129,777,139.08	\$149,239,144.48

**Table 14 - Information on Analyzing Securities Filings and Submissions**

\* Complaints received by the program for the analysis of securities offerings would be referred to the enforcement or inspections and compliance programs, as appropriate.

*SER at page 55.*

## **IX. Major Issues - Enforcement Attorneys Serving as Special Prosecutors**

### **A. Brief Description of Issue**

Elected district attorneys regularly request that the agency's enforcement attorneys assist their offices in the prosecution of criminal cases referred to their offices by the agency. They often appoint the enforcement attorneys as special prosecutors.

Defendants are now challenging the authority of enforcement attorneys to serve as appointed prosecutors. The agency has spent a considerable amount of time and resources defending these challenges, and its interests have prevailed in every venue that has considered the issue.

**UPDATE:** Agency staff members were recently sued in Travis County District Court by an individual with pending state court criminal charges. The suit was based upon a challenge to the staff's long-standing practice of enforcement attorneys assisting prosecuting offices by serving as special assistant prosecutors.

## X. Other Contacts

- A. Fill in the following charts with updated information on people with an interest in your agency, and be sure to include the most recent email address.

### State Securities Board Exhibit 14: Contacts

#### *Interagency, State, or National Associations*

*(that serve as an information clearinghouse or regularly interact with your agency)*

Group or Association Name/ Contact Person	Address	Telephone	Email Address
Financial Industry Regulatory Authority (FINRA) (State Liaison--Scott Borchert)  Dallas: District Director -- Erin Vocke	12801 North Central Expressway, Ste 1050 Dallas, Texas 75243	972-7167617	<a href="mailto:Erin.vocke@finra.org">Erin.vocke@finra.org</a>

Table 18 - Interagency, State, and National Association

#### *Liaisons at Other State Agencies*

*(with which your agency maintains an ongoing relationship, e.g., the agency's assigned analyst at the Legislative Budget Board, or attorney at the Attorney General's office)*

Agency Name / Relationship / Contact Person	Address	Telephone	Email Address
Office of the Governor Policy Advisor—Jordan Williford	P.O. Box 12428 Austin, Texas 78711	512-463-2047	<a href="mailto:Jordan.williford@gov.texas.gov">Jordan.williford@gov.texas.gov</a>
Office of the Governor Budget Advisor—Christopher Smith	P.O. Box 12548 Austin, Texas 78711	512-936-1610	<a href="mailto:Christopher.smith@gov.texas.gov">Christopher.smith@gov.texas.gov</a>
Legislative Budget Board: Budget Analyst – Daniela Fragoso	Robert E Johnson Building	512-463-2466	<a href="mailto:Daniela.fragoso@lbb.state.tx.us">Daniela.fragoso@lbb.state.tx.us</a>

Table 20 - Liaisons at Other State Agencies

*SER at pages 71 and 73.*

## XI. Additional Information

- C. Fill in the following chart detailing information on complaints regarding your agency. Do not include complaints received against people or entities you regulate. The chart headings may be changed if needed to better reflect your agency's practices.
- D. Fill in the following charts detailing your agency's Historically Underutilized Business (HUB) purchases.

**State Securities Board  
Exhibit 17: Purchases from HUBs**

*Fiscal Year 2017 \**

Category	Total \$ Spent	Total HUB \$ Spent	Percent	Agency Specific Goal	Statewide Goal
Heavy Construction	0.00	\$0.00	0	11.2%	11.2%
Building Construction	0.00	\$0.00	0	21.1%	21.1%
Special Trade	0.00	\$0.00	0	32.9%	32.9%
Professional Services	\$37,652	\$37,652	100%	23.7%	23.7%
Other Services	\$152,979	\$27,486	17.97%	26.0%	26.0%
Commodities	\$66,724	\$24,493	36.71%	21.1%	21.1%
<b>TOTAL</b>	<b>\$257,356</b>	<b>\$89,632</b>	<b>34.83%</b>		

Table 23 - HUB Purchases for FY 2017

*SER at page 75.*

- G. For agencies with biennial appropriations exceeding \$10 million, answer the following HUB questions.

1. Do you have a HUB coordinator? If yes, provide name and contact information. (Texas Government Code, Sec. 2161.062; TAC Title 34, Part 1, rule 20.296)

Jerri Goldstein, 512-305-8344, [jgoldstein@ssb.texas.gov](mailto:jgoldstein@ssb.texas.gov).

*SER at page 76.*

- H. Fill in the charts below detailing your agency's Equal Employment Opportunity (EEO) statistics.

**State Securities Board**  
**Exhibit 18: Equal Employment Opportunity Statistics**

**1. Officials / Administration**

Year	Total Number of Positions	Percent African-American	Statewide Civilian Workforce Percent	Percent Hispanic	Statewide Civilian Workforce Percent	Percent Female	Statewide Civilian Workforce Percent
2015	7	14.3%	7.4%	0%	22.1%	28.6%	37.4%
2016	8	12.5%	7.4%	0%	22.1%	25.0%	37.4%
2017	7	14.3%	7.4%	0%	22.1%	14.3%	37.4%

Table 26 - EEO Statistics for Officials/Administration

**2. Professional**

Year	Total Number of Positions	Percent African-American	Statewide Civilian Workforce Percent	Percent Hispanic	Statewide Civilian Workforce Percent	Percent Female	Statewide Civilian Workforce Percent
2015	66	18.2%	10.4%	13.7%	19.3%	50.0%	55.3%
2016	63	17.5%	10.4%	15.9%	19.3%	47.6%	55.3%
2017	58	17.2%	10.4%	17.2%	19.3%	48.3%	55.3%

Table 4 - EEO Statistics for Professionals

**3. Technical**

Year	Total Number of Positions	Percent African-American	Statewide Civilian Workforce Percent	Percent Hispanic	Statewide Civilian Workforce Percent	Percent Female	Statewide Civilian Workforce Percent
2015	4	0%	14.4%	50.0%	27.2%	50.0%	55.3%
2016	3	0%	14.4%	33.3%	27.2%	33.3%	55.3%
2017	3	0%	14.4%	33.3%	27.2%	33.3%	55.3%

Table 5 - EEO Statistics for Technical

**4. Administrative Support**

Year	Total Number of Positions	Percent African-American	Statewide Civilian Workforce Percent	Percent Hispanic	Statewide Civilian Workforce Percent	Percent Female	Statewide Civilian Workforce Percent
2015	30	16.7%	14.8%	26.7%	34.8%	86.7%	72.1%
2016	35	20.0%	14.8%	20.0%	34.8%	85.7%	72.1%
2017	25	24%	14.8%	24%	34.8%	84%	72.1%

Table 6 - EEO Statistics for Administrative Support

**5. Service / Maintenance**

Year	Total Number of Positions	Percent African-American	Statewide Civilian Workforce Percent	Percent Hispanic	Statewide Civilian Workforce Percent	Percent Female	Statewide Civilian Workforce Percent
2015	0	0%	13.0%	0%	54.1%	0%	51.0%
2016	0	0%	13.0%	0%	54.1%	0%	51.0%
2017	0	0%	13.0%	0%	54.1%	0%	51.0%

Table 7 - EEO Statistics for Service and Maintenance

**6. Skilled Craft**

Year	Total Number of Positions	Percent African-American	Statewide Civilian Workforce Percent	Percent Hispanic	Statewide Civilian Workforce Percent	Percent Female	Statewide Civilian Workforce Percent
2015	0	0%	10.6%	0%	50.7%	0%	11.6%
2016	0	0%	10.6%	0%	50.7%	0%	11.6%
2017	0	0%	10.6%	0%	50.7%	0%	11.6%

Table 8 - EEO Statistics for Skilled Craft

*SER at pages 77 and 78.*