

# AGENCY STRATEGIC PLAN

FISCAL YEARS 2017 TO 2021

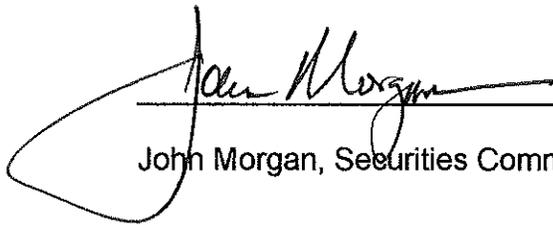
BY

## Texas State Securities Board

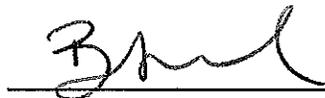
<u>BOARD MEMBER</u>	<u>DATES OF TERM</u>	<u>HOMETOWN</u>
Beth Ann Blackwood, Chair	4/2013 - 1/2019	Dallas
E. Wally Kinney, Member	3/2013 - 1/2019	Dripping Springs
David A. Appleby, Member	5/2011 - 1/2017	El Paso
Alan Waldrop, Member	6/2011 - 1/2017	Austin
Miguel Romano, Jr., Member	9/2015 - 1/2021	Austin

DATE OF SUBMISSION  
JUNE 24, 2016

SIGNED:

  
\_\_\_\_\_  
John Morgan, Securities Commissioner

APPROVED:

  
\_\_\_\_\_  
Beth Ann Blackwood, Chair

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## Agency Mission, Philosophy, and Structure

Pursuant to the requirements of The Securities Act, Tex. Rev. Civ. Stat. Ann. arts. 581-1 to 581-44, the mission of the State Securities Board is to protect investors. Consistent with that mission, the agency seeks to encourage capital formation, job formation, free and competitive securities markets and minimize burdens on issuers and persons subject to the Act, especially small businesses.

A healthy and productive capital market requires the State Securities Board to maintain a carefully balanced approach to regulation. A harsh and unyielding regulatory system limits incentives for businesses to raise capital in Texas. An overly-lenient regulatory system fosters an environment in which unscrupulous promoters can damage investor confidence and inhibit investment in the State.

To implement the requirements of the Securities Act, the State Securities Board maintains strategies for: 1) Law enforcement; 2) Registration of securities; 3) Registration of dealers, agents, investment advisers, and investment adviser representatives; and 4) Inspections of registered dealers and investment advisers.

Through its law enforcement strategy, the agency investigates suspected violations of the Securities Act and, when appropriate, pursues administrative enforcement actions or refers matters for civil action or criminal prosecution. The agency also provides investigative, trial, and appellate assistance to prosecutors upon request for the matters referred for criminal action.

Through the agency's registration strategies, applications for registration of securities are analyzed and notice filings for offerings in Texas are reviewed to ensure compliance with the Act and Board Rules. The agency also evaluates applications for registration of dealers, agents, investment advisers, and investment adviser representatives filed with the agency and processes notice filings of investment advisers and investment adviser representatives doing business in the state to ensure that only qualified firms and individuals are authorized to deal with the investing public in Texas.

Through the inspections and compliance strategy, the agency inspects the records of registered dealers and investment advisers to ensure that these registrants are acting in compliance with the Act and Board Rules and, in appropriate circumstances, pursues actions to sanction registrants found to have violated those requirements.

The governing board of the State Securities Board is comprised of five members appointed by the Governor, with consent of the Senate, who serve six-year staggered terms. The Board establishes the policies of the agency and meets periodically to update agency rules to ensure that investors remain adequately protected and that unreasonable burdens on legitimate capital formation are avoided. The Board appoints a Securities Commissioner who serves at the pleasure of the Board, administers the

provisions of the Act, and manages the day-to-day operations of the Agency.

## AGENCY OPERATIONAL GOAL AND ACTION PLAN

Accomplished on or before August 31, 2021

### GOAL

Protect Texas investors through efficient and effective regulation that increases investor confidence and encourages capital formation, job formation and free and competitive securities markets in Texas.

### SPECIFIC ACTION ITEMS TO ACHIEVE THE GOAL

Bring Law Enforcement Actions against Violators: Aggressively investigate suspected violations of the Texas Securities Act and ensure that appropriate administrative, civil, or criminal enforcement action is taken to protect the public.

Guarantee Registered Securities Offerings are in Compliance with the Act: Perform comprehensive and timely reviews of securities registration applications to ensure full disclosure of all material information to purchasers and compliance with the Securities Act.

Guarantee that Persons Registered or Authorized are Qualified: Perform comprehensive and timely reviews of dealer, agent investment adviser and investment adviser applications to ensure applicants are qualified for registration.

Inspect Dealers and Investment Advisers: Perform comprehensive inspection of records of registered dealers and investment advisers to ensure continuing compliance with statutory and rule requirements.

### HOW THE GOAL OR ACTION ITEMS SUPPORT EACH STATEWIDE OBJECTIVE

1. The operational goal and action items create accountability to tax and fee payers of Texas by requiring responsive, comprehensive, and timely work in each of the core functions of the State Securities Board as set forth in the Securities Act -- enforcement of the Securities Act, registration of securities, registration of firms and individuals selling securities or rendering investment advice, and inspection of the records of registered firms.

**AGENCY OPERATIONAL GOAL AND ACTION PLAN (cont.)**

2. The most efficient use of taxpayer funds to maximize results is achieved by limiting the operational goal and action items to only the core functions of the State Securities Board.
3. The operational goal and action items create the foundation for measurement of performance of the agency in carrying out its core functions and for implementing plans to continuously improve effectiveness based on performance results.
4. The operational goal and action items create the foundation for excellent customer service by requiring efficient, effective, comprehensive, and timely work in core functions of the agency.
5. The operational goal and action items that are directly linked to the four core functions of the State Securities Board are concisely set forth in a way that maximizes transparency and public understanding of the mission and actions of the agency.

**REDUNDANCIES AND IMPEDIMENTS**

Service, statute, rule or regulation	Why item is resulting in inefficient or ineffective agency operations	Recommendation for modification or elimination	Estimated benefit associated with recommended change
Gov. Code §2161.124, (relating to state agency progress reports); Gov. Code §2161.127 (relating to appropriations request instructions); Annual Report of Nonfinancial Data instructions; 34 T.A.C. Part 1 Chap. 20 Subch. B Rule 20.16 (e) & (f) ; GAA Art IX Section 7.08	Much of the same numerical data is provided on the HUB Progress report, LAR, Annual Report of Nonfinancial Data, Comptroller’s annual HUB Report, and LBB website. The instructions for the LAR and Nonfinancial report specifically direct agencies to enter the same information found on the Comptroller’s HUB Report.	Given that the Comptroller is required to publish the numerical data on these reports, modification of the Gov. Code, the LAR instructions, and/or the Annual Report of Nonfinancial Data instructions is recommended in order to remove the redundant reporting required by these reports.	Increased efficiency gained through the reduction in redundant reporting.

## EXTERNAL / INTERNAL ASSESSMENT

Texas is an exceptionally large and growing capital market. In every region of the State, the State Securities Board provides services to investors; securities issuers seeking to raise capital; persons registered or applying for registration as securities dealers, agents, investment advisers, and investment adviser representatives; firms and individuals requiring assistance with compliance with securities statutes and regulations; and firms subject to inspection by the agency. To effectively meet the service requirements of these customers and to help facilitate the law enforcement and inspections strategies of the agency, the State Securities Board maintains offices in Austin, Dallas, Houston, San Antonio, Corpus Christi, and Lubbock.

Long-term customer demands for the State Securities Board's services are expected to continue to increase, driven by the growth of the Texas economy and population generally as well as increasing dependence by the public on the securities markets to help meet personal financial goals. A contributing factor in this growth has been the widespread adoption of self-directed retirement plans, which has significantly increased the public's direct participation in, and dependence on, the securities markets to help fund retirement objectives. With dependence on the markets comes a dependence on the market professionals who advise individual investors.

Changes in federal law have shifted responsibility to the agency for oversight of an increased number of investment advisers. The State Securities Board now has responsibility for oversight of more than 1,300 investment advisers in Texas having investor assets under management of \$100 million or less. Currently, these advisers collectively manage more than \$23 billion in investor funds in Texas.

The amount of investment-related information presented to investors in public forums such as newspapers, radio, television, and the Internet is increasing. Widespread public solicitation can greatly accelerate participation in fraudulent investment schemes and the resulting harm to the public. The agency must be proactive in its enforcement approach in order to effectively prevent and detect violations of the Securities Act.

Because much of the evidence in modern white collar crime resides on computers and other electronic storage devices and is often voluminous, the agency must also maintain up-to-date equipment, software, and methodologies to obtain and analyze this information.

Nearly 80% of the staff of the State Securities Board are attorneys, financial examiners, accountants, information technology specialists, and other professionals. In order to effectively protect Texas investors without restraining capital formation by legitimate issuers and dealers, agency employees must be well-educated, knowledgeable, and

adequately trained to make prompt and accurate recommendations and decisions concerning complex fraudulent schemes, illegal sales practices, compliance with regulatory requirements, and plans of business for firms and individuals dealing in securities and rendering investment advice. The agency expends significant resources to ensure that employees receive adequate training and have the necessary support to effectively perform the agency's work.

Securities regulation in the United States is comprised of federal, state and self-regulatory entities employing legal, analytical, inspection and investigation professionals. This regulatory structure lends itself to movement of staff between regulators based on compensation packages. Although salaries for professional positions at the State Securities Board are not competitive with those of individuals performing related work in the private sector, the agency seeks to maintain a salary structure that is at least competitive with similar positions for other state and federal regulators. However, the agency loses qualified, experienced staff to other regulators based on salary levels. This is directly attributable to deficiencies in the agency's appropriations, making it impossible for it to compete with the salaries offered by organizations such as the U.S. Securities and Exchange Commission (SEC) and the Financial Industry Regulatory Authority (FINRA).

The State Securities Board will also be challenged in the next five years as approximately 20% of its workforce becomes eligible for retirement. The agency's succession planning focuses on cross-training of employees to help ensure redundancy of experience and skills.

Although federal law recognizes the role of each state to regulate securities transactions at the state level, Congress has taken action in recent years to preempt state registration requirements with respect to certain securities and transactions, while preserving state authority to investigate and bring enforcement actions. Additional proposals pending in Congress may expand on these earlier initiatives and may require states to expend greater resources in an effort to stop fraudulent offerings sold to the public that were not subject to the state registration process.

Continued growth in the workload of the State Securities Board and the increasing complexity of investment schemes offered to the public will require the agency to continue to improve its methods of processing and evaluating information. Maintaining the agency's capital budget will be necessary to keep pace with ongoing technological advancements in the securities industry. The agency must also seek new opportunities to develop and use technologies to achieve the efficiencies that are necessary to carry out its mission.

Because much of the information received by the State Securities Board, including evidence obtained in connection with investigations and inspections, is in electronic format, the agency must maintain modern equipment, software, and methodologies to

effectively process and analyze this information.

The key factors that will influence technology decisions over the next five years are the volume of the activity in the enforcement, inspections, and registration strategies of the agency and new developments in equipment, software, or processing methodologies that are available to improve the agency's functions.

The State Securities Board leverages the State's purchasing power by utilizing Department of Information Resources contracts for information technology hardware, software, service purchases, Texan and Capital Complex Telephone System communications technology infrastructure, and the USAS and USPS statewide portal infrastructure. The agency anticipates participation in the new centralized accounting and payroll system for Texas as the system becomes operational and the necessary resources are made available to the agency.

The State Securities Board information technology policies and procedures are aligned with the State Enterprise Security Plan developed by the Department of Information Resources. The agency participates in a program designed to periodically test vulnerability to cyber-attacks and follows published state guidelines on security, identity management, access privileges, and disaster recovery plans.

The agency continuously adds new information to its publicly-available websites and participates in social media to increase the amount of investor education, securities registration, enforcement, and dealer, agent, investment adviser and investment adviser representative information available to Texans. The agency will continue to comply with state and federal electronic information standards to limit the barriers to access by the public.

New technologies will continue to be implemented to improve workplace productivity and collaboration through remote computing capabilities and enhanced security procedures for electronic file storage and portable devices. Server virtualization software will continue to be used to lower information technology operating costs and create redundancy of critical information. Operating system software will continue to be updated to improve the functionality of information technology resources.

The agency follows published guidelines issued by the Department of Information Resources regarding best practices for managing digital information. The agency will continue to replace equipment in accordance with the cycle approved in its policies and procedures.

# SUPPLEMENTAL SCHEDULES

## SUPPLEMENTAL SCHEDULE A.

### **Budget Structure -- Goal, Objectives and Outcome Measures, Strategies and Output Measures, Efficiency and Explanatory Measures**

#### GOAL: PROTECT INVESTORS AND ASSURE ACCESS TO CAPITAL FOR BUSINESS

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Protect Texas investors through efficient and effective regulation that increases investor confidence and encourages capital formation, job formation and free and competitive securities markets in Texas.

#### OBJECTIVE: Bring Law Enforcement Actions against Violators

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Aggressively investigate suspected violations of the Texas Securities Act and work closely with local, state, and federal prosecutors and law enforcement officials to ensure that appropriate enforcement action is taken, including the criminal referral, indictment, and conviction of individuals who violate provisions of the Act.

#### STRATEGY: Law Enforcement

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Investigate violations of the Texas Securities Act and coordinate appropriate actions by authorities.

#### OUTCOME MEASURES

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- ❖ Number of Law Enforcement Actions Taken
- ❖ Dollar Amount Involved in Law Enforcement Actions
- ❖ Percentage of Law Enforcement Actions Successful

#### OUTPUT MEASURES

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- ❖ Number of Investigations Opened
- ❖ Number of Criminal and Civil Referrals

GOAL: PROTECT INVESTORS AND ASSURE ACCESS TO CAPITAL FOR BUSINESS

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Protect Texas investors through efficient and effective regulation that increases investor confidence and encourages capital formation, job formation and free and competitive securities markets in Texas.

OBJECTIVE: Guarantee Registered Securities Offerings are Fair to Investors

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Perform a comprehensive, timely, and responsive review of the prospectus and related documentation submitted with securities registration applications. Negotiate with the issuer or its representatives to remove unfair elements from offerings, to insert safeguards for the public, and to ensure full disclosure of material considerations to facilitate the registration of offerings. Refer suspected fraudulent offerings to enforcement personnel.

STRATEGY: Securities Registration

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Review security documentation for conformity.

OUTCOME MEASURE

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- ❖ Average Time (Days) for Deficiency Letters Issuance on Securities Applications

OUTPUT MEASURE

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- ❖ Number of Securities Filings and Submissions Processed

EXPLANATORY MEASURE

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- ❖ Revenues Deposited to the State Treasury from Securities Applications

## GOAL: PROTECT INVESTORS AND ASSURE ACCESS TO CAPITAL FOR BUSINESS

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Protect Texas investors through efficient and effective regulation that increases investor confidence and encourages capital formation, job formation and free and competitive securities markets in Texas.

### OBJECTIVE: Guarantee that Persons Registered or Authorized are Qualified

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Perform an extensive, timely, and responsive review of applications; conduct criminal and disciplinary investigation of applicants by contacting other law enforcement and regulatory organizations; ensure compliance with examination requirements; and oppose registration of unqualified applicants.

### STRATEGY: Dealer Registration

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Perform extensive review of applications and submissions.

### OUTCOME MEASURE

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- ❖ Average Time (Days) for Deficiency Letters on Dealer and Investment Adviser Applications

### OUTPUT MEASURE

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- ❖ Number of Dealers, Agents, Investment Advisers, and Investment Adviser Representatives Applications and Submissions Processed

### EXPLANATORY MEASURES

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- ❖ Number of Dealers, Agents, Investment Advisers and Investment Adviser Representatives Licensed or Authorized
- ❖ Revenues Deposited to State Treasury from Applications and Submissions

## GOAL PROTECT INVESTORS AND ASSURE ACCESS TO CAPITAL FOR BUSINESS

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Protect Texas investors through efficient and effective regulation that increases investor confidence and encourages capital formation, job formation and free and competitive securities markets in Texas.

### OBJECTIVE: Inspections

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Perform a comprehensive inspection of records to ensure continuing compliance with statutory and rule requirements.

### STRATEGY: Inspect Records

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Inspect Dealer and Investment Adviser records for regulatory compliance.

### OUTCOME MEASURES

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- ❖ Percentage of Texas Dealers and Investment Advisers Inspected
- ❖ Percentage of Inspected Dealers and Investment Advisers Requiring Corrective Action

### OUTPUT MEASURES

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- ❖ Number of Inspections Conducted
- ❖ Number of Referrals for Administrative or Law Enforcement Action
- ❖ Number of Administrative Actions Taken by Inspections and Compliance

## SUPPLEMENTAL SCHEDULE B.

### List of Measure Definitions

<b>Goal:</b>	Protect Investors	
<b>Objective:</b>	Bring Law Enforcement Actions against Violators	
<b>Outcome Measure</b>	Number of Law Enforcement Actions Taken	
	<i>Definition</i> This reports a count of the number of civil, administrative and criminal charges and the number of judicial orders issued in civil, administrative and criminal cases.	
	<i>Purpose</i> To measure various results (actions) related to enforcement investigations.	
	<i>Data Source</i> Enforcement Actions log backed up by source documents.	
	<i>Method of Calculation</i> A count of all enforcement actions taken during the reporting period.	
	<i>Data Limitations:</i> The performance is partially controlled by the complexity of cases, and the discretion used by prosecutors, Office of the Attorney General, and the court system.	<i>Calculation Type:</i> Cumulative
	<i>New Measure:</i> No	<i>Target Attainment:</i> Higher than target

<b>Goal:</b>	Protect Investors	
<b>Objective:</b>	Bring Law Enforcement Actions against Violators	
<b>Outcome Measure</b>	Dollar Amount Involved in Law Enforcement Actions	
	<i>Definition</i> Estimates the aggregate amount of funds obtained from the public in schemes associated with administrative, civil and criminal law enforcement actions.	
	<i>Purpose</i> To reflect the impact on the economy of illegal schemes associated with administrative, civil and criminal law enforcement actions.	
	<i>Data Source</i> The data is tracked by staff on a spreadsheet.	
	<i>Method of Calculation</i> An aggregate count of the dollar amount associated with administrative, civil and criminal law enforcement actions.	
	<i>Data Limitations:</i> The performance is partially controlled by the discretion used by prosecutors, Office of the Attorney General, and the court system.	<i>Calculation Type:</i> Cumulative
	<i>New Measure:</i> No	<i>Target Attainment:</i> Higher than target

<b>Goal:</b>	Protect Investors	
<b>Objective:</b>	Bring Law Enforcement Actions against Violators	
<b>Outcome Measure</b>	Percentage of Law Enforcement Actions Successful	
	<i>Definition</i> This measure reports a percentage derived from the number of administrative, civil, or criminal cases successfully resolved during the reporting period compared with the total number of civil, administrative or criminal cases resolved during the reporting period. Successfully resolved is defined as receiving requested relief.	
	<i>Purpose</i> To measure the quality and effectiveness of the law enforcement work product of the Agency.	
	<i>Data Source</i> All administrative, civil, and criminal judicial orders entered against defendants or respondents and the final determination of such orders are recorded in a spreadsheet.	
	<i>Method of Calculation</i> The number of administrative, civil and criminal cases successfully resolved during the reporting period is divided by the total number of administrative, civil and criminal cases resolved during the reporting period.	
	<i>Data Limitations:</i> Although the Agency prepares the case for trial, in many cases the civil and criminal matters are conducted by other attorneys, such as a local District Attorney or the Office of Attorney General. In such cases the success of the action can be affected by the skill level, caseload and discretion of the assigned attorneys.	<i>Calculation Type:</i> Non-cumulative
	<i>New Measure:</i> No	<i>Target Attainment:</i> Higher than target

<b>Goal:</b>	Protect Investors	
<b>Objective:</b>	Guarantee Registered Securities Offerings are Fair to Investors	
<b>Outcome Measure</b>	Average Time (Days) for Deficiency Letters Issuance on Securities Applications	
	<i>Definition</i> The average number of days between the receipt of a securities registration application and the issuance of a deficiency letter.	
	<i>Purpose</i> To measure the Agency's responsiveness to securities registration applications.	
	<i>Data Source</i> The Agency's automated tracking system.	
	<i>Method of Calculation</i> The automated tracking system maintains a record of the number of days between the receipt of each securities registration application and the issuance of a deficiency letter thereon. For each reporting period, the computer calculates the average elapsed time.	
	<i>Data Limitations:</i> The complexity of an application and workload volume determine the length of the review process. Also, some applicants request an extended period of time.	<i>Calculation Type:</i> Non-cumulative
	<i>New Measure:</i> No	<i>Target Attainment:</i> Lower than target

<b>Goal:</b>	Protect Investors	
<b>Objective:</b>	Guarantee that Persons Registered or Authorized are Qualified	
<b>Outcome Measure</b>	Average Time (Days) for Deficiency Letters on Dealer & Investment Adviser Applications	
	<i>Definition</i> Average time (days) for issuance of deficiency letters on new dealer and investment adviser applications.	
	<i>Purpose</i> To measure responsiveness to dealer and investment adviser registration applications.	
	<i>Data Source</i> The Agency's automated tracking system.	
	<i>Method of Calculation</i> The Agency's automated tracking system maintains a record of the number of days between the receipt of each new application and the issuance of a deficiency letter thereon. For each reporting period, the computer calculates the average elapsed time.	
	<i>Data Limitations:</i> None.	<i>Calculation Type:</i> Non-cumulative
	<i>New Measure:</i> No	<i>Target Attainment:</i> Lower than target

<b>Goal:</b>	Protect Investors	
<b>Objective:</b>	Inspect Dealers	
<b>Outcome Measure</b>	Percentage of Texas Dealers and Investment Advisers Inspected	
	<i>Definition</i> Percentage of Texas registered dealers and Texas registered investment advisers inspected that are not inspected by any other regulatory entity.	
	<i>Purpose</i> To measure inspection coverage.	
	<i>Data Source</i> The Agency's automated tracking system.	
	<i>Method of Calculation</i> The number of Texas registered dealers and Texas registered investment advisers inspected by the Agency that are not inspected by any other regulatory entity is divided by the total number of Texas registered dealers and Texas registered investment advisers that are not inspected by any other regulatory entity.	
	<i>Data Limitations:</i> The complexity of the inspections affects the percentage of inspections conducted. Changes in federal law could also affect the percentage of inspections.	<i>Calculation Type:</i> Non-cumulative
	<i>New Measure:</i> No	<i>Target Attainment:</i> Higher than target

<b>Goal:</b>	Protect Investors	
<b>Objective:</b>	Inspect Dealers	
<b>Outcome</b>	Percentage of Dealers/Investment Advisers Requiring Corrective Action	
	<i>Definition</i> This measure reflects the percentage of registered dealers and investment advisers found out of compliance with statutory and rule requirements during an inspection.	
	<i>Purpose</i> To measure compliance.	
	<i>Data Source</i> The Agency's automated tracking system.	
	<i>Method of Calculation</i> The number of registered dealers and registered investment advisers inspected by the Agency and found out of compliance is divided by the total number of inspections of registered dealers and registered investment advisers completed.	
	<i>Data Limitations:</i> None	<i>Calculation Type:</i> Non-cumulative
	<i>New Measure:</i> No	<i>Target Attainment:</i> Lower than target

<b>Goal:</b>	Protect Investors	
<b>Objective:</b>	Bring Law Enforcement Actions against Violators	
<b>Output Measure</b>	Number of Investigations Opened	
	<i>Definition</i> This reports a count of new law enforcement investigations opened as a result of complaints, referrals from other law enforcement entities, surveillance of the market, and information received from other sources.	
	<i>Purpose</i> To measure the quantity of new law enforcement investigations.	
	<i>Data Source</i> A count of law enforcement investigations opened, as tracked on Agency spreadsheet.	
	<i>Method of Calculation</i> A count of law enforcement investigations opened.	
	<i>Data Limitations:</i> This measure is limited by factors that include the resources of the Agency, information received from other agencies and the general public, volume of the current caseload, complexity of pending investigations, and availability of evidence.	<i>Calculation Type:</i> Cumulative
	<i>New Measure:</i> No	<i>Target Attainment:</i> Higher than target

<b>Goal:</b>	Protect Investors	
<b>Objective:</b>	Bring Law Enforcement Actions against Violators	
<b>Output Measure</b>	Number of Criminal and Civil Referrals	
	<i>Definition</i> This reports a count of the number of matters referred to county, state, or federal prosecutors for criminal prosecution as a result of investigations and the number of matters referred for civil action as a result of investigations.	
	<i>Purpose</i> To measure intermediate action taken following investigations which may lead to the taking of civil or criminal law enforcement actions.	
	<i>Data Source</i> This measure reports a count of the number of matters referred to county, state, or federal prosecutors or the Office of Attorney General as a result of investigations, as tracked on Agency spreadsheet.	
	<i>Method of Calculation</i> This reports a count of the number of matters referred to county, state, or federal prosecutors or the Office of Attorney General as a result of investigations.	
	<i>Data Limitations:</i> This measure is limited by factors that include information received from other agencies and the general public and the availability of evidence.	<i>Calculation Type:</i> Cumulative
	<i>New Measure:</i> No	<i>Target Attainment:</i> Higher than target

<b>Goal:</b>	Protect Investors	
<b>Objective:</b>	Guarantee Registered Securities Offerings are Fair to Investors	
<b>Output Measure</b>	Number of Securities Filings and Submissions Processed	
	<i>Definition</i> This number reports all securities filings and submissions processed. Securities filings are those applications that require a merit review. Securities submissions are notice filings with the State.	
	<i>Purpose</i> To measure securities filing and submission activity.	
	<i>Data Source</i> The Agency's automated tracking system.	
	<i>Method of Calculation</i> Using the Agency's automated tracking system as the source of data, this number reports all securities filings and submissions processed.	
	<i>Data Limitations:</i> The number of applications received is directly affected by general and Texas specific economic conditions.	<i>Calculation Type:</i> Cumulative
	<i>New Measure:</i> No	<i>Target Attainment:</i> Higher than target

<b>Goal:</b>	Protect Investors	
<b>Objective:</b>	Guarantee that Persons Registered or Authorized are Qualified	
<b>Output Measure</b>	Number of Dealers, Agents, Investment Adviser, and Investment Adviser Representative Applications and Submissions Processed	
	<i>Definition</i>  This measure is a count of the number of dealer, agent, investment adviser, and investment adviser representative applications, amendments, renewals, notice filings, and branch office amendments processed and includes all submissions that are withdrawn, abandoned and denied.	
	<i>Purpose</i>  To measure application and submission activity.	
	<i>Data Source</i>  The Agency's automated tracking system.	
	<i>Method of Calculation</i>  The number of applications and submissions are tracked in the Agency's automated tracking system.	
	<i>Data Limitations:</i>  The number of applications and submissions received is directly affected by general and Texas specific economic conditions.	<i>Calculation Type:</i>  Cumulative
	<i>New Measure:</i>  No	<i>Target Attainment:</i>  Higher than target

<b>Goal:</b>	Protect Investors	
<b>Objective:</b>	Inspect Dealers	
<b>Output Measure</b>	Number of Inspections Conducted	
	<i>Definition</i> This measure is a count of all inspections conducted pursuant to the Texas Securities Act of registered dealers and investment advisers to determine whether the firms are in compliance with the Act and Board rules.	
	<i>Purpose</i> To measure inspection activity.	
	<i>Data Source</i> The Agency's automated tracking system.	
	<i>Method of Calculation</i> Using the Agency's automated tracking system as the source of data, the measure is a count of the inspections of registered dealers and investment advisers initiated during the quarter.	
	<i>Data Limitations:</i> The level of resources for staff and experience of those staff could have a significant impact on this measure. The complexity of inspections affects the number of inspections conducted. Changes in federal law could also affect the number of inspections.	<i>Calculation Type:</i> Cumulative
	<i>New Measure:</i> No	<i>Target Attainment:</i> Higher than target

<b>Goal:</b>	Protect Investors	
<b>Objective:</b>	Inspect Dealers	
<b>Output Measure</b>	Number of Referrals for Administrative or Law Enforcement Action	
	<i>Definition</i>	
	The measure is a count of referrals for administrative or law enforcement actions as a result of findings of violations.	
	<i>Purpose</i>	
	To measure the violations found which require administrative or law enforcement activity.	
	<i>Data Source</i>	
	The Agency's automated tracking system and data tracked on a spreadsheet.	
	<i>Method of Calculation</i>	
	Using the Agency's automated tracking system and a spreadsheet as the source of data, the measure is a count of the problems referred for administrative or law enforcement action as a result of findings of violations of statutes and/or regulations.	
	<i>Data Limitations:</i>	<i>Calculation Type:</i>
	None	Cumulative
	<i>New Measure:</i>	<i>Target Attainment:</i>
	No	Higher than target

<b>Goal:</b>	Protect Investors	
<b>Objective:</b>	Inspect Dealers	
<b>Output Measure</b>	Number of Administrative Actions Taken by Inspections and Compliance	
	<i>Definition</i>	
	The number of administrative actions taken on dealers, agents, investment advisers, and investment adviser representatives as a result of referrals.	
	<i>Purpose</i>	
	To measure the number of administrative actions taken by the Inspections and Compliance Division.	
	<i>Data Source</i>	
	The data is tracked on a spreadsheet.	
	<i>Method of Calculation</i>	
	Information input by staff onto a spreadsheet when an administrative action is filed or when an administrative order is issued.	
	<i>Data Limitations:</i>	<i>Calculation Type:</i>
	The number of administrative actions is affected by receipt of referrals.	Cumulative
	<i>New Measure:</i>	<i>Target Attainment:</i>
	No	Higher than target

<b>Goal:</b>	Protect Investors	
<b>Objective:</b>	Guarantee Registered Securities Offerings are Fair to Investors	
<b>Explanatory Measure</b>	Revenues Deposited to the State Treasury from Securities Applications	
	<i>Definition</i> This measure reflects the dollar amount of fees received for securities offerings.	
	<i>Purpose</i> To measure fee income from securities applications.	
	<i>Data Source</i> The Agency's automated tracking system is the source of data.	
	<i>Method of Calculation</i> The Agency's automated tracking system tracks the dollar amount received for securities offerings.	
	<i>Data Limitations:</i> The dollar amount received is directly affected by general economic conditions.	<i>Calculation Type:</i> Cumulative
	<i>New Measure:</i> No	<i>Target Attainment:</i> Higher than target

<b>Goal:</b>	Protect Investors	
<b>Objective:</b>	Guarantee that Persons Registered or Authorized are Qualified	
<b>Explanatory Measure</b>	Number of Dealers, Agents, Investment Advisers and Representatives Licensed or Authorized	
	<i>Definition</i> This reports all dealers, agents, investment advisers, and investment adviser representatives licensed or authorizations issued.	
	<i>Purpose</i> To measure registration activity.	
	<i>Data Source</i> The Agency's automated tracking system is the source of the data.	
	<i>Method of Calculation</i> Using the Agency's automated tracking system as the source of data, the number of new applications that are licensed or authorized is added to the number of licenses or authorizations renewed.	
	<i>Data Limitations:</i> None	<i>Calculation Type:</i> Cumulative
	<i>New Measure:</i> No	<i>Target Attainment:</i> Higher than target

<b>Goal:</b>	Protect Investors	
<b>Objective:</b>	Guarantee that Persons Registered or Authorized are Qualified	
<b>Explanatory Measure</b>	Revenues Deposited to State Treasury from Applications and Submissions	
	<i>Definition</i>  This measure reflects the dollar amount of fees received for dealer, agent, investment adviser, and investment adviser representative applications and submissions.	
	<i>Purpose</i>  To measure fee revenue from dealer, agent, investment adviser, and investment adviser representative applications and submissions.	
	<i>Data Source</i>  The Agency's automated tracking system.	
	<i>Method of Calculation</i>  The Agency's automated tracking system tracks the dollar amount received for dealer, agent, investment adviser, and investment adviser representative application and submission fees.	
	<i>Data Limitations:</i>  The number of applications and submissions received is directly affected by general economic conditions.	<i>Calculation Type:</i>  Cumulative
	<i>New Measure:</i>  No	<i>Target Attainment:</i>  Higher than target

## **SUPPLEMENTAL SCHEDULE C.**

### **Historically Underutilized Business Plan**

Pursuant to Government Code, Chapter 2056, the State Securities Board has created and implemented a plan for the use of historically underutilized business (HUB) purchasing and contracting. As part of this plan, the State Securities Board complies with all HUB requirements as set forth by the Comptroller of Public Accounts and continuously engages in efforts to use HUB vendors for purchases whenever they are available.

The State Securities Board seeks to award at least 30% of the total dollar amount of contracts and subcontracts awarded by the agency to HUBs. Long-standing purchasing policies that call for the meaningful and substantive inclusion of HUBs enables the agency to exceed that objective.

The State Securities Board tracks and reports on the percentage of the total dollar of purchasing and public works contracts and subcontracts awarded to HUBs, the number of HUB contractors and subcontractors contacted for bid proposals, number of HUB contracts and subcontracts awarded, and dollar value of HUB contracts and subcontracts awarded. The most recent filing for this information is set forth on the following pages.



**Quarterly Assessment of HUB Related Activities**

<b>Total</b>	0	0	0	0	0	0	0	0	0
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**4-New Vendors: Number of vendors (prime and sub) utilized in this quarter which were not used during the last 2 Years.**

Procurement Category	African American	Asian American	Hispanic American	Native American	Non-minority Woman	Disabled Veteran		Non-HUB	HUB Total
						Included in HUB Groups	Not Included in HUB Groups		
Heavy Construction									0
Building Construction									0
Special Trade Construction									0
Professional Services									0
Other Services									0
Commodities									0
<b>Total</b>	0	0	0	0	0	0	0	0	0

**5- Sponsored or participated in local and statewide settings to encourage HUB participation in state procurement activities.**

Event/Activity	Number of Events Hosted or Attended	
	Hosted	Attended
Economic Opportunity Forum	0	0
Annual Meeting/Setting	0	0
Advocacy Group Meeting (i.e., TAAACC, TAMACC, etc.)	0	0
Other (Please explain)	0	0

**6- Mentor-Protégé Program:**

Active Mentor-Protégé Program	Ongoing	Added Current Fiscal Year
Number of Programs	0	0

**7- HUB program staffing:**

HUB Staffing	Allocated	Current
Staff size	2	2

**8-Work Related Activities Conducted by HUB Program Staff:**

HUB Program Personnel	% of Weekly Hrs. with HUB	% of Weekly Hrs. with Purchasing	% of Weekly Hrs. with Contract
Staff -1	20%	40%	40%
Staff -2	7.25%	7.50%	
Staff -3			
Staff -4			
Staff -5			
Staff -6			
Staff -7			
Staff -8			
Staff -9			
Staff -10			
Staff -11			
Staff -12			

**9- Justification for not reaching the intended goals and other remarks.**



**Quarterly Assessment of HUB Related Activities**

<b>Total</b>	0	0	0	0	0	0	0	0	0
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**4-New Vendors: Number of vendors (prime and sub) utilized in this quarter which were not used during the last 2 Years.**

Procurement Category	African American	Asian American	Hispanic American	Native American	Non-minority Woman	Disabled Veteran		Non-HUB	HUB Total
						Included in HUB Groups	Not Included in HUB Groups		
Heavy Construction									0
Building Construction									0
Special Trade Construction									0
Professional Services									0
Other Services									0
Commodities									0
<b>Total</b>	0	0	0	0	0	0	0	0	0

**5- Sponsored or participated in local and statewide settings to encourage HUB participation in state procurement activities.**

Event/Activity	Number of Events Hosted or Attended	
	Hosted	Attended
Economic Opportunity Forum	0	0
Annual Meeting/Setting	0	0
Advocacy Group Meeting (i.e., TAAACC, TAMACC, etc.)	0	0
Other (Please explain)	0	0

**6- Mentor-Protégé Program:**

Active Mentor-Protégé Program	Ongoing	Added Current Fiscal Year
Number of Programs	0	0

**7- HUB program staffing:**

HUB Staffing	Allocated	Current
Staff size	1	1

**8-Work Related Activities Conducted by HUB Program Staff:**

HUB Program Personnel	% of Weekly Hrs. with HUB	% of Weekly Hrs. with Purchasing	% of Weekly Hrs. with Contract
Staff -1	20%	40%	40%
Staff -2			
Staff -3			
Staff -4			
Staff -5			
Staff -6			
Staff -7			
Staff -8			
Staff -9			
Staff -10			
Staff -11			
Staff -12			

**9- Justification for not reaching the intended goals and other remarks.**

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## SUPPLEMENTAL SCHEDULE D.

### Agency Workforce Plan

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#### I. Overview

Pursuant to the requirements of The Securities Act, Tex. Rev. Civ. Stat. Ann. arts. 581-1 to 581-44, the mission of the State Securities Board is to protect investors. The agency's strategic goal is to pursue that mission through efficient and effective regulation that increases investor confidence and encourages capital formation, job formation and free and competitive securities markets in Texas. The objectives to achieve the goal are to bring law enforcement actions against those who violate the Securities Act, guarantee that registered securities offerings are in compliance with the Act, guarantee that persons registered or authorized are qualified to deal with the public, and inspect dealers and investment advisers.

Through the State Securities Board's law enforcement strategy, the agency investigates suspected violations of the Act and, when appropriate, pursues administrative enforcement actions or refers matters for civil action or criminal prosecution. The agency also provides investigative, trial, and appellate assistance to prosecutors upon request for the matters referred for criminal action. The securities registration strategy analyzes applications for registration of securities and processes notice filings for offerings in Texas to ensure that they are made in compliance with the Act and Board Rules. The agency also reviews applications for registration of dealers, agents, investment advisers, and investment adviser representatives filed with the agency and processes notice filings of investment advisers and investment adviser representatives doing business in the state to ensure that only qualified firms and individuals are authorized to deal with the investing public in Texas. Through the inspections and compliance strategy, the agency inspects the records of registered dealers and investment advisers to ensure that these registrants are acting in compliance with the Act and Board Rules and, in appropriate circumstances, pursues actions to sanction registrants found to have violated those requirements.

There are no anticipated changes to the mission, strategies, or goals of the agency over the next five years.

Nearly 80% of the staff of the State Securities Board are attorneys, financial examiners, accountants, information technology specialists, and other professionals. In order to effectively protect Texas investors without restraining capital formation efforts by legitimate issuers and dealers, agency employees must be well-educated, knowledgeable, and adequately trained to make prompt and accurate recommendations and decisions concerning complex fraudulent schemes, illegal sales practices,

compliance with regulatory requirements, and plans of business for firms and individuals dealing in securities and rendering investment advice. The agency expends significant resources to ensure that employees receive adequate training and have the necessary support to effectively perform this important work.

As with other financial regulatory agencies, the State Securities Board is competing not only against private industry, but also with other regulators in this region. Securities regulation in the United States is comprised of federal, state, and self-regulatory entities employing legal, analytical, inspection, and investigation professionals. This regulatory structure lends itself to movement of staff between the regulators based on compensation packages.

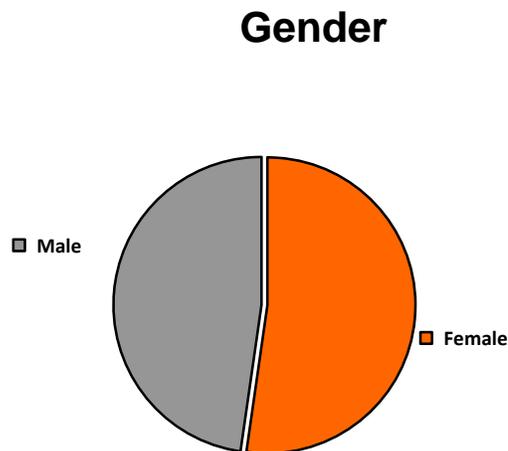
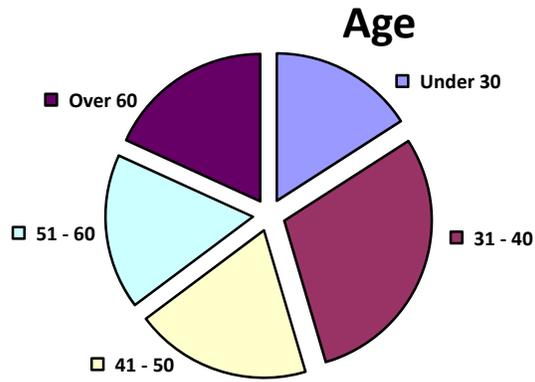
Although the State Securities Board is authorized under the General Appropriations Act for 104 FTEs, the agency currently employs less than 90 FTEs, primarily as a result of turnover in professional positions and a lack of sufficient appropriations to adequately fund a career ladder for those positions. The appropriations process has failed in recent years to provide adequate funds to permit the State Securities Board to make appropriate use of the existing state salary structure for financial examiners and attorneys based on years of experience, advanced training, and higher levels of competence and responsibility.

Losing experienced and well-trained professionals represents not only a significant loss of investment in time and money to the agency and the State, but a loss to taxpayers and to the applicants, registrants and the industry as well -- who would have otherwise benefitted from the efficiency an experienced and well-trained professional can bring to an inspection, investigation, or analysis of a complex filing.

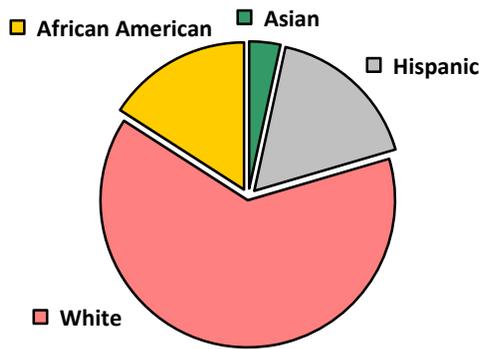
Although the salaries of the agency cannot be expected to compete favorably with those of the private sector, the significant pay disparities that exist between the salaries paid by the agency and those of other regulators performing the same or similar work should be corrected to maintain an effective workforce into the future.

## II. Current Workforce Profile

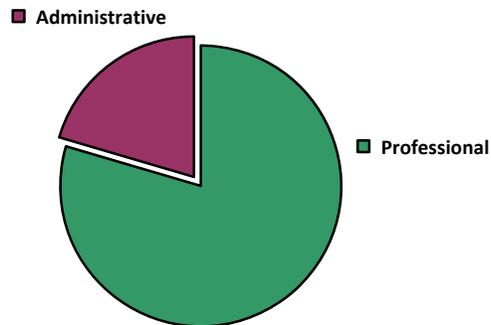
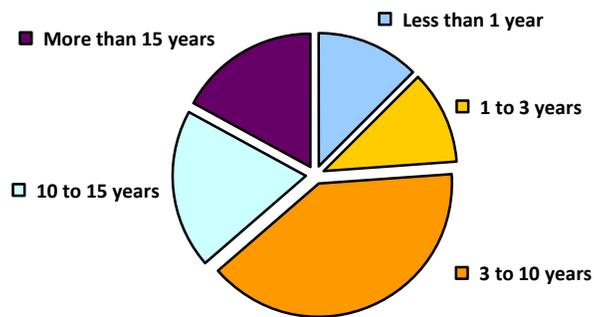
Information relating to the proportional composition of the staff of the State Securities Board as of June, 2016 is set forth in the following charts:



## Ethnicity



## Length of Service



The agency will be challenged in the next five years as approximately 20% of its workforce becomes eligible for retirement. The agency's succession planning focuses on cross-training of employees to ensure an appropriate redundancy of experience and skills.

The State Securities Board had an overall turnover rate of approximately 11% in fiscal year 2015 although the turnover rate among certain professional positions was substantially higher. Based on a five-year average, the employee turnover rate in the next five years is estimated to be at least 13% annually. This includes employees who are eligible to retire during the period. The expected turnover rate could be greater than expected if the agency cannot maintain sufficient funding to address salary issues as noted above.

### III. Future Workforce Profile

The professional workforce skills that are critical to the mission and goals of the agency in Enforcement include: education in law or accounting; extensive knowledge of securities laws and regulations; demonstrated legal and financial analytical abilities; excellent written and oral communication skills; experience in administrative, civil, or criminal litigation and proceedings; and experience in complex financial investigations and audits. The professional skills necessary in Inspections and Compliance include: excellent written and oral communication skills; experience in financial auditing; extensive knowledge of securities laws and regulations; litigation experience in an administrative forum and ability to travel extensively throughout the state. The professional skills necessary in Registration include: education in law, accounting, or finance; extensive knowledge of securities laws and regulations; excellent oral and written communication skills; experience in analysis of registration applications, complex disclosure documents, balance sheets, income statements and sources and uses of capital; and expertise in negotiating with issuers, underwriters, and legal counsel to create disclosure language in materials distributed to prospective investors. The workforce for each of the agency's strategies must also be proficient in using current technologies including computer hardware and software.

Continued increases in population, registration filings, matters requiring law enforcement action, and other components of the workload of the agency may require an increase in the number of employees needed to do the work.

The critical functions that must be performed to achieve the strategic plan are law enforcement, registration of securities, registration of securities dealers, investment advisers, and their agents, and inspections of dealers and investment advisers.

### IV. Gap Analysis

The Agency relies heavily on attorneys and financial professionals. These positions have historically been difficult to recruit and that is expected to continue unless the Agency can implement a plan to move closer to salary parity with like organizations.

## V. Strategy Development

The agency's goal is to retain its professional workforce and to meet the special needs described above. Future changes in the organizational structure may be necessary to respond to changing workloads or new initiatives to ensure that the mission of the agency is accomplished efficiently. The agency will continue to utilize a wide range of recruiting sources to secure the maximum number of qualified applicants, including minorities and women, for positions within all classifications.

The securities industry is technologically advanced and dynamic. Substantial training is required to maintain the necessary knowledge related to this industry. Training for employees on current technological enhancements is a critical component in enabling the agency to remain current on ways to counter new, innovative methods of committing securities fraud.

The agency will also continue to sponsor formal and informal on-the-job training and in-house programs for employees and, when possible, provide funding for workshops, seminars, and other programs offered by universities, other agencies, and private entities to develop leadership and career development.

Succession planning will remain an ongoing process of recruitment, retention, methodical development of required skills through training and experience, cross-training, and careful evaluation of individual job performance. This will maintain the depth of skilled personnel at key positions on the agency's career ladder to ensure continuation of the efficiency and effectiveness of the agency.

# SUPPLEMENTAL SCHEDULE E

## Report on Customer Service



## **Texas State Securities Board**

# **Report on Customer Service**

## **May 2016**

In 2016, the Texas State Securities Board (SSB) conducted its eighth biennial survey of external customers, pursuant to Section 2114.002 of the Texas Government Code.

Customers for each of the agency's four budget strategies listed in the General Appropriations Act were surveyed.

### **Law Enforcement Strategy**

**Customers:** State and federal prosecutors, other state and federal law enforcement officials, receivers, and defense attorneys representing respondents in actions brought by the agency.

**Services:** SSB investigates suspected violations of the Texas Securities Act and works with state and federal prosecutors and other law enforcement officials to ensure that appropriate enforcement actions are taken, ranging from administrative action to criminal prosecution of persons who violate the Act.

### **Securities Registration Strategy**

**Customers:** Securities investors, securities issuers, entrepreneurs, and small businesses who register or notice file with the agency.

**Services:** SSB provides registration records to the public upon request, conducts extensive reviews of securities registration applications, processes notice filings, refers suspected fraudulent offerings to enforcement personnel, and provides assistance to entrepreneurs, small businesses, and others who contact the agency for assistance regarding capital formation, registration, or exemptions from registration.

### **Dealer Registration Strategy**

**Customers:** Securities dealers and agents, investment advisers, investment adviser representatives who apply to register or notice file with the agency.

**Services:** SSB provides registration records to the public upon request, conducts extensive reviews of registration applications, carries out background checks on applicants, ensures compliance with examination requirements, and opposes or conditions the registration of certain applicants.

## **Inspections Strategy**

**Customers:** Securities investors, registered securities dealers, registered investment advisers, and persons making complaints to the agency concerning registered persons.

**Services:** The agency conducts comprehensive on-site inspections of the records of registered securities dealers and investment advisers to ensure their compliance with statutory and regulatory requirements, evaluates complaints concerning registered dealers and investment advisers, and reviews administrative and law enforcement actions taken against registered persons.

An additional 148 customers of the Dealer Registration and Securities Registration strategies who requested public information were surveyed. Since both strategies are housed in the agency's Registration Division, it was not possible to allocate these non-registration customers to either the sample for either the Dealer or the Securities Registration strategies so these 148 are not included in either the Dealer or Securities Registration totals but are counted in the totals for the agency.

Customers of the General Counsel Division and the Investor Education program were also surveyed. External customers of the General Counsel Division include persons who request public information, the Legislature, other governmental agencies, and attorneys and other securities professionals who seek information and interpretive guidance on the law and regulations governing the agency's activities.

Other customers include those who have received investor education information disseminated by the agency. The staff of the agency makes presentations, distributes printed materials, maintains Web-based resources, and works with educators to assist Texans in becoming informed investors.

## **Survey Form**

The survey appeared online and the persons making up the sample were either sent a postcard directing them to the website so they could take the online survey or were sent an email with that information. The postcard and email text also provided an option to the recipient to request a print copy of the form be mailed to them for completion.

In earlier surveys responses were coded so that the responses were allocated to the division or strategy that provided the individual/firm name to the sample. The agency's strategies have interrelated functions so it is probable that persons, especially those in the securities industry, have dealt with several different divisions. For example, a registered dealer may have dealt with both the Registration and the Inspections divisions. Although

their name may have been included as part of the Inspections sample, their response to the survey may have been answered by someone at the firm who dealt with the Registration Division during the same period. Since the responses were historically allocated to the division providing the contact for the sample, a response for the Registration Division/Strategy may have been included in the Inspections Division/Strategy numbers. It was impossible to know and allocate with 100% certainty an individual response to the appropriate division.

To minimize the incidence of this type of misallocation of responses, the survey included a description of the various strategies and divisions along with a question that asked the customer to identify a single division they had contact with during the survey period and answer the rest of the survey in regards to that contact. There was also a category of “Other” for customers who were unable to identify the division that they contacted. These “Other” responses are included in the overall totals for the agency but no attempt was made to try to second-guess the customer by allocating their response to a particular strategy.

The survey form included specific questions relevant to four of the seven customer service quality elements specified by statute: communications, complaint handling processes, service timeliness, and staff. Questions were also asked to gain information as to how often, and in what ways, customers had contact with the agency. The 2016 survey eliminated questions that appeared in the previous survey regarding the agency’s Internet site as it was completely redesigned in the summer of 2015, and the new site went live in Fiscal Year 2016.

The survey asked customers to indicate their level of agreement with statements about specific service components as Strongly Agree, Agree, Neutral, Disagree, or Strongly Disagree. For statistical rating purposes, Strongly Agree was assigned the highest value of 5, progressing downward with the Strongly Disagree responses assigned a value of 1. As in previous surveys, a “Not Applicable” option was provided for each item. Additionally, two open-ended questions were included to allow customers to express their thoughts about the agency’s services more fully and to make suggestions to improve services. In prior years, written comments have provided some of the most useful survey information.

A copy of the survey form is included as an attachment to this report.

## **Sample Selection**

Three objectives were established for the selection of agency customers who would receive the survey form: (1) A large sample, representative of SSB customers; (2) A focus on customers who had recent contact with the agency; and (3) Elimination of duplicate recipients.

For the Enforcement strategy, an initial sample size of 257 was drawn. After adjusting for duplicates, invalid email addresses, and opt-outs, the Enforcement strategy had an effective sample size of 217. Email addresses identified as opting out are those contacts from the agency’s sample that have notified the online survey site that they do not wish to

receive any of its surveys. Recipients included state and federal prosecutors and other law enforcement officials that Enforcement staff have worked with to combat securities violations, as well as receivers and defense attorneys for respondents in recent Enforcement investigations.

As in the past, the largest number of survey forms were targeted to the agency's two largest customer groups, those in the Registration strategies.

The securities database was used to select the sample for Securities Registration. First, records of securities applications received in 2014 and 2015 were identified. These totaled 112,077. An additional 262 were identified from the 7,897 Form D notice filings for 2014 and 2015. The associated correspondents for these applications were then identified. (Correspondents are attorneys or other professionals who handle the process of registering securities for securities issuers.) An unduplicated count of correspondents resulted in a sample size of 402 (143 securities applications and 259 Form D filings) for Securities Registration. After returns were removed, this left an effective sample size for Securities Registration of 393.

The sample for the Dealer Registration strategy was drawn from the active file, containing records on both securities dealers and investment advisers. Because firms are responsible for registering their agents and investment adviser representatives, the file is maintained by firm name. At the time the sample was drawn, there were 9,980 active firms in the file. A sample of 2,340 was chosen from the active firm group. After the returned postcards and duplicate, invalid and opt-out email addresses were subtracted, this left an effective sample size of 2,164. The surveys were directed to the individual listed as the designated principal for each firm or, if no principal was listed, to the firm's registration/compliance office.

In the Inspections strategy, the survey sample was selected from the 582 registered dealers and investment advisers whose offices had been inspected by the agency and the 250 identifiable persons making complaints about registered persons. The sample selected for the survey totaled 832. When the returned postcards and duplicate, invalid and opt-out email addresses were subtracted, the effective sample size was 798.

A total of 6 postcards and 904 emails were sent to the General Counsel customers. After invalid and opt-out email addresses were removed, the effective sample size was 871. The customers consisted of persons who have requested notification of all rules proposed or adopted by the agency or of the Board's meeting agendas, those who subscribe to the agency's rulebook, and persons receiving interpretative or no action responses and public information request responses (usually involving requests for confidential information) from the General Counsel.

The 45 individuals sampled for Investor Education were comprised of persons who have requested speakers for community groups they represent, educators who have used Investor Education resources in their classrooms, and persons affiliated with organizations representing target populations served by Investor Education, such as AARP and senior community centers. After removal of duplicate, invalid and opt-out email addresses, 38 individuals were contacted via email.

An additional 148 contacts provided by the Registration Division represent customers who had requested information from the Division under the Public Information Act. After removal of duplicate, invalid and opt-out email addresses, the effective sample size was 135. Since these emails and addresses were not divided between the Securities and Dealer strategies for the Registration Division, they were not counted in the totals for either strategy.

## Survey Process

On March 7, 2016, a total of 3,311 customers were contacted via email and March 9, 2016, an additional 1,530 postcards were mailed to agency customers, for a total of 4,841 potential responses. Recipients were asked to complete the online survey by April 1, 2016. On March 21, 2016, a reminder email was sent to the customers on the email list who had either not responded or had only partially responded to the online survey. An additional notice extending the response deadline to April 8, 2016, was sent on March 29, 2016, to customers on the email list who had either not responded or who had only partially responded to the online survey. All responses and forms received through April 8, 2016, were included in the data analysis.

A total of 468 responses were received out of 4,841, of which only 411 were fully completed, for an overall fully completed response rate of 8.5% – 3.8% lower than the equivalent response rate of 12.3% obtained in 2014, when 509 fully completed surveys were returned out of 4,150 potential responses. Response rates by customer group were as follows:

Enforcement	15.3%
Securities Registration	8.3%
Dealer/Investment Adviser Registration	40.4%
Inspections and Compliance	23.4%
General Counsel	3.2%
Investor Education	1.7%

Response rates for each customer group were calculated by dividing the number of fully completed surveys for each group by the total number of fully completed surveys.

Undeliverable postcards (38), invalid email addresses (86), opt-outs (101) and duplicate email addresses identified by the online survey system (6) totaled 231 in 2016, compared to approximately 294 in 2014. However, the total number surveys successfully sent out in 2016 was 4,841, compared with the equivalent of 4,150 sent in the 2014 survey.

Survey responses were anonymous, except in a few instances in which customers chose to include their names. The initial survey question directed the customer to identify the agency Division that they had been in contact with during the survey period, and included descriptions of the activities performed by each division.

In previous years, print survey forms were coded prior to mailing to indicate to which customer group each form belonged. However, because of the overlap of customers across strategies, it is believed that a form coded for a particular customer group could

have included responses based on a broader customer experience with the agency. This concern was addressed in the survey by having the customer identify the nature of the contact as part of the survey itself. For responders using the click through function on the emails generated through the online survey service, it was possible to identify the originating sample list providing their email address for the survey. Of the 342 responses in this category, roughly 54.0% (185) identified the same division they interacted with as the one that generated their email address for the sample.

Responses for each survey question were tallied by strategy, or customer group, and entered into spreadsheets to facilitate analysis. Spreadsheets were also prepared totaling all survey responses by strategy and by customer service quality element. Responses from customers who selected “Other” instead of a particular division/strategy when responding to the survey are included in the overall agency figures, but no attempt has been made to “second guess” the customer and allocate the response to a particular strategy.

## **Findings and Analysis**

Table 1 documents the responses to the survey questions. (The table does not include written comments suggesting how to improve services or those providing additional information.)

**Table 1. Responses to Survey Questions***(Excludes Written Comments)*

	Rating	Strongly Agree (5)	Agree (4)	Neutral (3)	Disagree (2)	Strongly Disagree (1)	N/A
<b>Staff of the Texas State Securities Board</b>							
1. Staff members were accessible.	<b>4.33</b>	192 46.9%	135 33.0%	23 5.6%	10 2.4%	9 2.2%	40 9.8%
2. Staff members were courteous, professional, and respectful.	<b>4.50</b>	232 56.9%	100 24.5%	25 6.1%	5 1.2%	5 1.2%	41 10.0%
3. Staff members demonstrated a willingness to assist.	<b>4.33</b>	215 52.7%	99 24.3%	31 7.6%	14 3.4%	11 2.7%	38 9.3%
4. Staff members were knowledgeable, competent and able to answer my questions.	<b>4.31</b>	205 50.4%	100 24.6%	36 8.9%	14 3.4%	9 2.2%	43 10.6%
5. Staff members identified themselves by name.	<b>4.58</b>	241 59.2%	94 23.1%	20 4.9%	4 1.0%	1 0.3%	47 11.6%
<b>Communications</b>							
1. When I called, I was connected in a timely manner to a person who could assist me.	<b>4.25</b>	152 37.4%	108 26.5%	34 8.4%	8 2.0%	8 2.0%	97 23.8%
2. When I left a telephone message, a staff member responded in a reasonable time.	<b>4.21</b>	131 32.5%	80 19.9%	30 7.4%	10 2.5%	9 2.2%	143 35.5%
3. When I sent an email message, I received a timely response.	<b>4.34</b>	161 39.8%	94 23.2%	31 7.7%	5 1.2%	6 1.5%	108 26.7%
4. I received information I requested in a timely manner.	<b>4.22</b>	180 44.3%	104 25.6%	35 8.6%	17 4.2%	12 3.0%	58 14.3%
5. I was given clear explanations about agency rules and procedures.	<b>4.13</b>	172 42.6%	93 23.0%	43 10.6%	16 4.0%	17 4.2%	63 15.6%

	Rating	Strongly Agree (5)	Agree (4)	Neutral (3)	Disagree (2)	Strongly Disagree (1)	N/A
<b>Timeliness</b>							
1. I was informed in a timely manner of deficiencies in my application for registration.	<b>4.13</b>	84 21.0%	60 15.0%	17 4.2%	13 3.2%	6 1.5%	221 55.1%
2. I was given a clear explanation as to how to correct any deficiencies.	<b>4.09</b>	92 22.9%	58 14.5%	28 7.0%	10 2.5%	9 2.2%	204 50.9%
3. I was informed in a timely manner of the decision regarding my application (grant, deny, or allow withdrawal).	<b>4.10</b>	98 24.4%	70 17.5%	24 6.0%	14 3.5%	8 2.0%	187 46.6%
4. My registration renewal was processed in a timely manner.	<b>4.25</b>	106 26.6%	66 16.5%	22 5.5%	7 1.8%	6 1.5%	192 48.1%
5. When I reported an amendment to my registration information, it was processed in a timely manner.	<b>4.30</b>	84 21.1%	51 12.8%	21 5.3%	3 0.8%	3 0.8%	237 59.4%
6. I received written follow-up to an on-site inspection of my office in a timely manner.	<b>4.09</b>	71 17.8%	29 7.3%	24 6.0%	5 1.3%	8 2.0%	262 65.7%
7. My complaint relating to a person or company subject to regulation by the Texas State Securities Board was processed in a timely manner.	<b>3.58</b>	38 9.4%	22 5.5%	11 2.7%	10 2.5%	16 4.0%	307 76.0%
8. I received a timely response to my request for public information.	<b>3.97</b>	55 13.8%	24 6.0%	18 4.5%	2 1.0%	12 3.0%	289 72.3%
9. I received a timely response to my request for an interpretative opinion.	<b>3.74</b>	38 9.6%	22 5.5%	15 3.8%	4 1.0%	13 3.3%	306 76.9%
<b>Complaints About the Agency</b>							
1. I know how to file a complaint regarding services provided by the Texas State Securities Board.	<b>3.48</b>	62 15.3%	87 21.4%	67 16.5%	42 10.3%	18 4.4%	130 32.0%
2. If I complained regarding services of the agency, I believe it would be addressed in a reasonable manner.	<b>3.85</b>	87 21.6%	113 28.0%	55 13.7%	10 2.5%	18 4.5%	120 29.8%

	Rating	Strongly Agree (5)	Agree (4)	Neutral (3)	Disagree (2)	Strongly Disagree (1)	N/A
<b>Overall/General</b>							
<b>Overall, I was satisfied with my experience with the Texas State Securities Board.</b>	<b>4.14</b>	202 49.6%	121 29.7%	42 10.3%	22 5.4%	20 4.9%	

When analyzed by Strategies (Table 2), positive responses (i.e., Rating of 4 or 5) ranged from 85.7% for the Investor Education strategy to 71.4% for the Enforcement strategy, when the N/A responses were removed.

**Table 2**  
**Responses that Services are Satisfactory by Strategies**

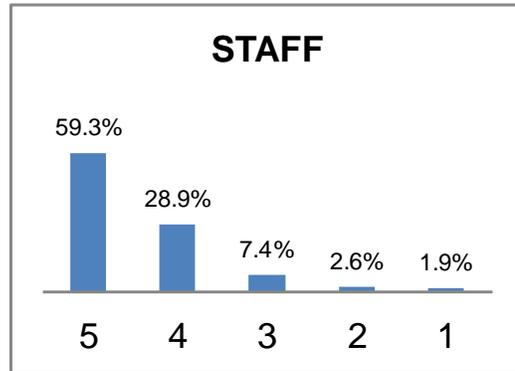
	<b>Strongly Agree (5)</b>	<b>Agree (4)</b>	<b>Neutral (3)</b>	<b>Disagree (2)</b>	<b>Strongly Disagree (1)</b>
<b>Enforcement</b>	57.1%	14.3%	11.1%	9.5%	7.9%
<b>Securities Registration</b>	47.1%	35.3%	11.8%	0.0%	5.9%
<b>Dealer/Investment Adviser Registration</b>	48.2%	37.2%	9.8%	1.2%	3.7%
<b>Inspections &amp; Compliance</b>	46.9%	30.2%	8.3%	8.3%	6.3%
<b>General Counsel</b>	46.2%	30.8%	15.4%	7.7%	0.0%
<b>Investor Education</b>	71.4%	14.3%	14.3%	0.0%	0.0%
<b>Other (no strategy specified)</b>	50.0%	16.7%	13.3%	16.7%	3.3%

When survey responses were tallied by Service Elements (Table 3), with the N/A responses removed, the percentage of positive responses (Rating 4 or 5) ranged from 88.1% for the agency Staff to 62.4% for complaints against the agency.

**Table 3**  
**Responses that Services are Satisfactory by Service Elements**

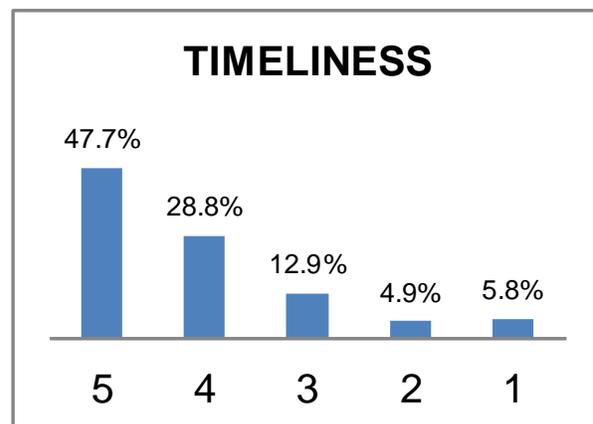
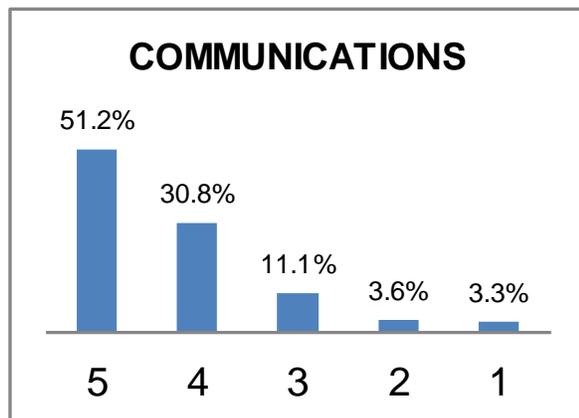
	<b>Strongly Agree (5)</b>	<b>Agree (4)</b>	<b>Neutral (3)</b>	<b>Disagree (2)</b>	<b>Strongly Disagree (1)</b>
<b>Staff</b>	59.3%	28.9%	7.4%	2.6%	1.9%
<b>Communications</b>	51.2%	30.8%	11.1%	3.6%	3.3%
<b>Timeliness</b>	47.7%	28.8%	12.9%	4.9%	5.8%
<b>Complaints about the agency</b>	26.7%	35.8%	21.8%	9.3%	6.4%

The Staff service element, which addresses customer assessments of staff members' courtesy, knowledge, and helpfulness, has consistently received positive ratings in previous surveys. In the 2016 survey, 88.1% responding rated staff above average.



As in the past, various customers chose to write compliments regarding SSB staff or individual staff members.

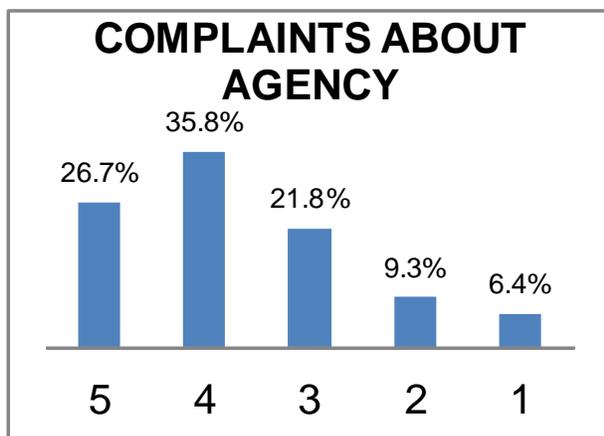
The Communications and Timeliness service components are of particular importance in assessing the agency's customer services, as the questions in these two areas directly address standards documented in the agency's Compact with Texans. Survey questions concerning communications queried customers on such matters as contacting agency staff via phone or e-mail, accessibility of staff, and whether needed information was received in a timely manner. Questions addressing timeliness focused on key steps in the agency's registration and renewal processes, inspections, complaints, interpretative requests, and public information requests.



In 2014, 80.7% of the responses regarding Communications were positive and 76.4% were positive regarding Timeliness. In the current survey, those ratings were 81.9% and 76.4%, respectively.

Review of the responses to the individual questions in these sections of the survey can provide additional insight into customers' assessments of the agency's performance in these two important areas. As in the past, members of the agency's senior staff will have the survey results at this level of detail for their areas of responsibility.

That the highest percentage of unfavorable responses were associated with the agency's Complaint procedures seems to reflect the fact that only a very small portion of the agency's customers have filed complaints about the agency or know how to file such a complaint. Despite this, the responses in this service area are not being discounted. Responses at the low end of the rating scale (1 and 2) were the highest among all service



categories, totaling 15.7% for all responders. It appears that these low ratings are primarily from persons who had either filed complaints and were disappointed in the agency's response or were otherwise dissatisfied with the staff's handling of an inspection or registration matter.

While 60.2% of the Inspections responses rated the agency's Complaint process as 5 or 4, 19.3% conveyed their relative dissatisfaction by rating the complaint services as either 1 or 2. Similarly, 67.2% of

the Dealer responses rated the Complaint process as 5 or 4, 12.7% rated the complaint services as either a 1 or 2.

The agency is taking steps through its investor education initiative to ensure that the procedure for filing complaints is accessible to the investing public. It is further committed to ensuring that complaints filed are thoroughly evaluated. Nevertheless, after investigation, complaints are often found not to be valid. Even when action is taken against the perpetrators, complainants may not be satisfied with the outcome, as they seldom recover funds lost to investment scams.

Many of the customers wrote comments in response to one or both of the open-ended questions at the end of the survey form. Customer comments were most numerous in the Dealer, Inspections, and Enforcement strategies. Many of these offered suggestions for improving agency services, especially with respect to the processes involved in inspections and registration. A complete compilation of comments for each strategy will be available for consideration by the agency's senior staff.

The low response rate (8.5%) for this year's survey suggests that the survey results may not be completely reliable in assessing customer satisfaction. Further, the overall sample may not be considered statistically valid because of necessary differences in the ways samples were drawn for each of the strategies.

Other limitations on the data include the difficulty of surveying some customers. When members of the agency staff give presentations in the Investor Education program, they request evaluations from participants. However the agency has not yet found a satisfactory way to obtain customer evaluations for this survey from the participants since the contact information maintained by the Investor Education program is for the event organizer or sponsor, rather than of the individuals attending the program.

Perhaps the greatest limitation on the data is the unknown accuracy of customers' recall of their contacts with the agency. This could be an issue for customers who have infrequent contacts with the agency or who deal with securities regulators in multiple states. Finally, though care was taken in developing the 2016 survey form to word questions as clearly as possible, different customers will interpret questions differently. This could be

seen in something as simple as a customer who, when commenting on their interaction with one division, praised personnel they interacted with in another division or commented on activities within the exclusive purview of a different division.

Despite these limitations, the survey affords the agency a good means of periodically assessing satisfaction with the agency's services and receiving suggestions for improving services, as reported by its primary customers.

In contemplating further improvement in the survey process in future years, alternate approaches to surveying some customer groups should be considered. To more accurately obtain information from customers who interact with the agency infrequently, a method to measure satisfaction at the time of service may be appropriate. Thought will also be given to alternative means of assessing customer service, such as providing an evaluation form to customers at the time of service or a permanent online comment option on the agency's website.

## **Customer-Related Performance Measures**

### Outcome Measures

- Percentage of Surveyed Customers Expressing Overall Satisfaction with Services Rendered 79.4%
- Percentage of Surveyed Customers Identifying Ways to Improve Service Delivery 23.3%

### Output Measures

- Number of Customers Surveyed 4,841 survey forms sent; 411 fully completed (8.5% response rate)
- Number of Customers Served Total customer count includes registrants, Texas investors, and businesses which rely on a free and competitive securities market to raise capital.

### Efficiency Measures

- Cost Per Customer Surveyed \$0.88 per survey sent out  
\$10.42 per fully completed survey
- Costs include:
  - Postage (for survey mailout) - \$431.20
  - Postcards - \$147.12
  - Online survey site subscription fee - \$204
  - Staff time (survey preparation and mailout, data compilation and analysis, report writing) - \$3499



## Texas State Securities Board - Customer Service Survey 2016

**Thank you for taking this brief survey about the Texas State Securities Board. It consists of 2 pages and contains 11 questions. It should take less than 5 minutes to complete. Your responses will help us serve you better.**

**Please identify the Division within the Agency that you contacted between September 2013 and August 2015. You may choose only one for this survey so if you have had contact with multiple Divisions please choose the one you have dealt with the most often.**

\* 1. My responses are based on my contact with: (Please choose only one.)

- SECURITIES REGISTRATION - reviews applications for registration of securities and notice filings for securities offerings; assists persons regarding financing alternatives and exemptions from registration; provides information on securities filings.
- DEALER/AGENT REGISTRATION - reviews applications for dealers and agents; assists with the registration process; provides information on registered firms and agents.
- INVESTMENT ADVISER/REPRESENTATIVE REGISTRATION - reviews applications and notice filings for investment advisers and their representatives; assists with the registration process; provides information on registered and notice filed advisory firms and adviser representatives.
- INSPECTIONS AND COMPLIANCE - conducts inspections of records of REGISTERED securities dealers and investment advisers; investigates complaints against REGISTERED dealers and advisers; brings administrative proceedings against REGISTERED dealers and their agents or investment advisers and their representatives.
- ENFORCEMENT - works with local, state and federal prosecutors and other regulatory offices and law enforcement agencies; investigates suspected UNREGISTERED activities and fraudulent sales of UNREGISTERED securities and pursues appropriate administrative, civil or criminal actions.
- INVESTOR EDUCATION - informs and educates Texans about the basics of investing in securities, with a special emphasis placed on the prevention and detection of securities fraud; provides free publications on the basics of investing in securities and avoiding investment fraud and provides speakers to Texas groups and events.
- GENERAL COUNSEL - answers legal questions about the Texas Securities Act and Board Rules; publishes the Texas Securities Act and Board Regulations; responds to Public Information Act inquiries involving confidential information.
- OTHER (please specify)

\* 2. I am a:

- Member of the public.
- Investor seeking information or making a complaint.
- Member of the regulated industry (dealer, agent, investment adviser, investment adviser representative) or a person acting on behalf of a industry member.
- Business seeking to raise capital.
- Prosecutor, law enforcement, or regulator.
- Legal counsel
- Consultant
- Other (please specify)

\* 3. How many times have you had contact with the Texas State Securities Board during the period September 2013 through August 2015?

- None
- Once
- 2-5
- 6-20
- more than 20

\* 4. What type of contact did you have? (Mark all that apply.)

- In person
- Telephone
- Mail
- Email
- Internet



## Texas State Securities Board - Customer Service Survey 2016

### 5. Staff of the Texas State Securities Board

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	N/A
Staff members were accessible.	<input type="radio"/>					
Staff members were courteous, professional, and respectful.	<input type="radio"/>					
Staff members demonstrated a willingness to assist.	<input type="radio"/>					
Staff members were knowledgeable, competent and able to answer my questions.	<input type="radio"/>					
Staff members identified themselves by name.	<input type="radio"/>					

If you want to provide additional information, please do so here.

### 6. Communications

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	N/A
When I called, I was connected in a timely manner to a person who could assist me.	<input type="radio"/>					
When I left a telephone message, a staff member responded in a reasonable time.	<input type="radio"/>					
When I sent an email message, I received a timely response.	<input type="radio"/>					
I received information I requested in a timely manner.	<input type="radio"/>					
I was given clear explanations about agency rules and procedures.	<input type="radio"/>					

If you want to provide additional information, please do so here.

## 7. Timeliness

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	N/A
I was informed in a timely manner of deficiencies in my application for registration.	<input type="radio"/>					
I was given a clear explanation as to how to correct any deficiencies.	<input type="radio"/>					
I was informed in a timely manner of the decision regarding my application (grant, deny, or allow withdrawal).	<input type="radio"/>					
My registration renewal was processed in a timely manner.	<input type="radio"/>					
When I reported an amendment to my registration information, it was processed in a timely manner.	<input type="radio"/>					
I received a written follow-up to an on-site inspection of my office in a timely manner.	<input type="radio"/>					
My complaint relating to a person or company subject to regulation by the Texas State Securities Board was processed in a timely manner.	<input type="radio"/>					
I received a timely response to my request for public information.	<input type="radio"/>					
I received a timely response to my request for an interpretative opinion.	<input type="radio"/>					

If you want to provide additional information, please do so here.

## 8. Complaints about the Agency

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	N/A
I know how to file a complaint regarding services provided by the Texas State Securities Board.	<input type="radio"/>					
If I complained regarding services of the agency, I believe it would be addressed in a reasonable manner.	<input type="radio"/>					

If you want to provide additional information, please do so here.

9. General

Strongly Agree    Agree    Neutral    Disagree    Strongly Disagree

Overall, I was satisfied with my experience with the Texas State Securities Board.

If you want to provide additional information, please do so here.

10. If you have specific suggestions that would help to improve your experience with the Texas State Securities Board, please explain.

11. If you wish to make any other comments, please do so here.