

AGENCY STRATEGIC PLAN

FISCAL YEARS 2015 - 2019

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
Derrick Mitchell, Member	5/2009 - 1/2015	Houston
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

DATE OF SUBMISSION
JUNE 23, 2014

SIGNED: _____
John Morgan, Securities Commissioner

APPROVED: _____
Beth Ann Blackwood, Chair

APPENDIX E

WORKFORCE PLAN

I. Overview

The mission of the State Securities Board is to protect Texas investors. Consistent with that mission, the Agency will ensure a free and competitive securities market for Texas, maintain investor confidence, and thereby encourage the formation of capital and the creation of new jobs.

The Agency's strategic goals are to protect investors from fraud and misrepresentation to ensure that access to capital is available to business and to carry out policies governing purchasing that foster meaningful and substantive inclusion of historically underutilized businesses. The Agency's objectives are:

1. Investigate violations and coordinate appropriate action by authorities.
2. To guarantee that registered securities offerings are fair to investors.
3. To guarantee that persons registered or authorized are qualified.
4. To inspect registered securities dealers and investment advisers.
5. To include historically underutilized businesses in at least 30% of the total value of annual non-state contract purchases by the Agency.

The business functions of the Agency are:

1. **Law Enforcement.** The Agency aggressively investigates suspected violations of the Act and works closely with local, state, and federal prosecutors and other 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.
2. **Analysis of Securities Offerings.** The Agency performs a comprehensive, timely, and responsive review of the prospectus and related documentation submitted with securities registration applications, negotiates with the issuer or its representatives to remove unfair elements from offerings, inserts safeguards for the public, and ensures full disclosure of material considerations to facilitate the registration of offerings. Suspected fraudulent offerings are referred to law enforcement personnel.

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3. Evaluation of Dealer, Agent, Investment Adviser, and Investment Adviser Representative Applications. The Agency performs an extensive, timely, and responsive review of applications, investigates applicants by contacting other law enforcement and regulatory organizations, ensures compliance with examination requirements, and opposes registration of unqualified applicants.
4. Inspections. The Agency performs comprehensive inspections of records of registered dealers and investment advisers to ensure continuing compliance with statutory and rule requirements.

The Dodd-Frank Act Wall Street Reform and Consumer Protection Act increased the number of firms in Texas whose records must be inspected by the Agency. Going forward, it is imperative that the Agency be provided sufficient resources to continue a reasonable inspection cycle of its registrants.

Long-term customer demands for the Agency's services are predicted to continue to increase. Projected growth in the economy and population of the state coupled with increased dependence by Texans on the securities markets to help meet personal financial goals, such as providing for a child's college education and ensuring that adequate funds are available for retirement, indicate an increase in the workload of the Agency in securities registration filings; dealer, agent, investment adviser, and investment adviser representative registration filings; required inspections of securities dealers and investment advisers; and matters requiring investigation and enforcement action by the Agency.

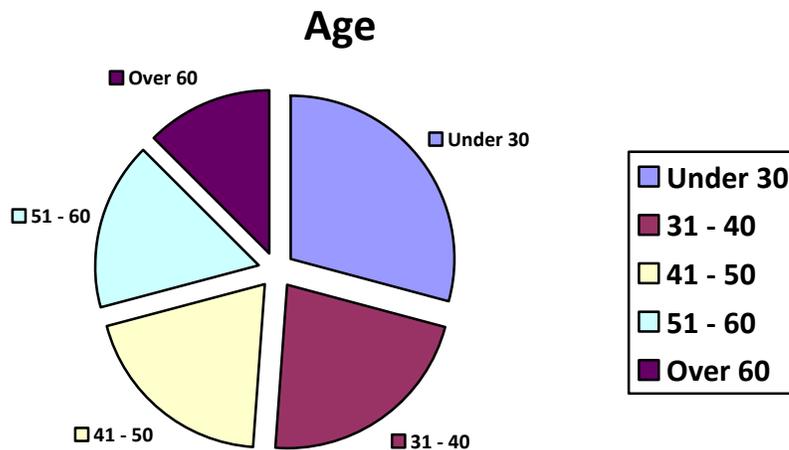
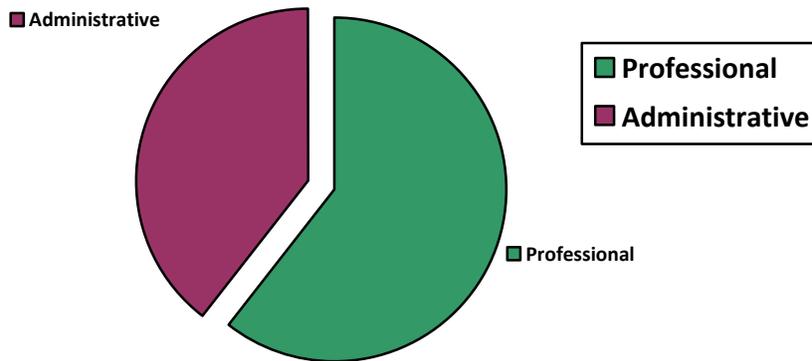
The Agency will be challenged in the next five years as approximately 23% of its workforce becomes eligible for retirement. The Agency's succession planning focuses on cross-training of employees to ensure an appropriate redundancy of experience and skills.

To help ensure the retention of key employees, adequate funds are needed to maintain salary parity with other positions in securities regulation performing similar work.

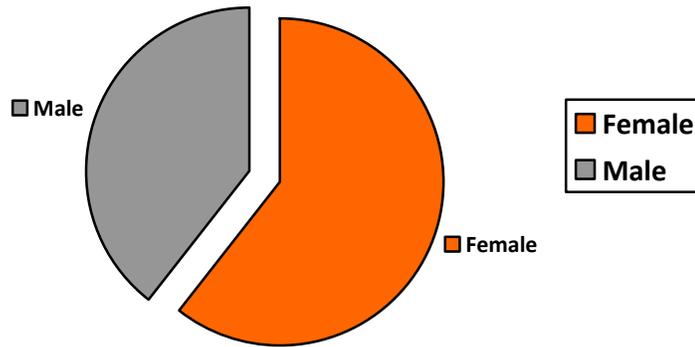
II. Workforce Profile

The Agency is authorized for 104 full-time equivalents (FTEs). The staff is comprised of attorneys, accountants, securities analysts, investigators, other professionals and support personnel. Staffing demographics are:

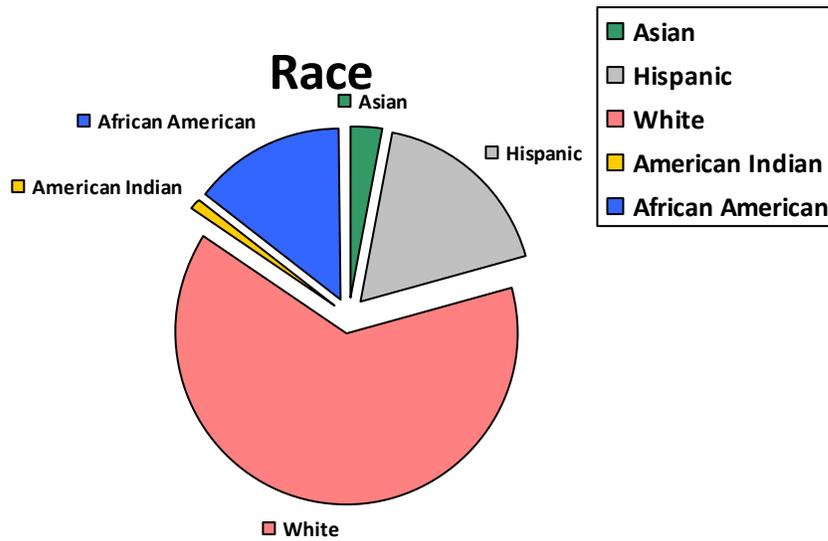
Workforce Breakdown

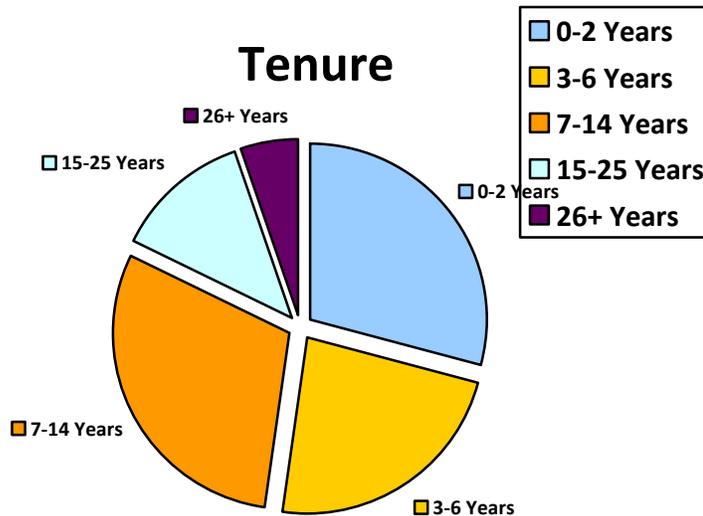


Gender



Race





The Agency had a turnover rate of 12% in fiscal year 2013. Based on a five-year average, the employee turnover rate in the next five years is estimated to be 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 (Demand Analysis)

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

APPENDIX E (CONTINUED)

prospective investors. The workforce for each of the Agency's strategies must also be proficient in using current technologies including computer hardware and software.

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 recruited by other securities regulatory entities and that is expected to continue unless the Agency can implement a plan to move closer to salary parity with like organizations. Securities regulators are highly sought due to their level of expertise in an extremely complicated industry. The need to address salary parity will be addressed by the Agency in the upcoming Legislative Appropriations Request.

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 Agency will also continue to maintain its published career ladder and 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.

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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. Maintenance of current funding is necessary to provide this on-going training.

Training opportunities for staff remain a high priority for the Agency. Cooperative state training opportunities are a valuable method for knowledge enhancement and the Agency will continue to make substantial efforts to utilize these tools. These cooperative training opportunities allow staff to learn about important subjects while working with their counterparts in other states.

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.