

Office of Financial Research

FY 2014

President's Budget

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Section 1 – Purpose

1A – Mission Statement

The *Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010* (the “Dodd-Frank Act”) established the Office of Financial Research (OFR or Office) within the Department of the Treasury (Treasury) to serve the Financial Stability Oversight Council (Council), its member agencies, and the public by improving the quality, transparency, and accessibility of financial data and information; conducting and sponsoring research related to financial stability; and promoting best practices in risk management.

1.1 Appropriations Detail Table

Dollars in thousands

Office of Financial Research Budgetary Resources	FY 2012		FY 2013		FY 2014		Change		% Change	
	Actual		Estimated		Estimated		FY 2012 to FY 2014		FY 2012 to FY 2014	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources:^A										
Assessments		128,000		36,372		93,595		(34,405)		-27%
Transfers In/Out		16,828		0		0		NA		NA
<i>Transfers In From Federal Reserve Board</i>		63,000								
<i>Transfers Out to Federal Reserve Board</i>		(39,922)								
<i>Transfer Out To FSOC (FRB Funding)</i>		(6,250)								
Unobligated Balances from Prior Years		2,000		107,254		65,440		63,440		3172%
Total Revenue/Offsetting Collections		\$146,828		\$143,626		\$159,035		29,035		8%
Other Resources:										
Data Center	30	19,303	73	41,245	122	47,987	92	28,683	307%	149%
<i>Direct FTE</i>	24		67		112					
<i>Reimbursable/Detail FTE</i>	6		6		10					
Research and Analysis ^B	14	3,398	36	8,618	55	12,432	41	9,034	293%	266%
<i>Direct FTE</i>	11		32		51					
<i>Reimbursable/Detail FTE</i>	3		4		4					
Operations and Support Services ^C	21	16,873	58	28,323	73	28,566	52	11,693	248%	69%
<i>Direct FTE</i>	9		38		52					
<i>Reimbursable/Detail FTE</i>	12		20		21					
Total Expenses/Obligations	65	39,574	167	78,186	250	88,985	185	49,411	285%	125%
<i>Direct FTE</i>	44		137		215					
<i>Reimbursable/Detail FTE</i>	21		30		35					
Net Results	65	\$107,254	167	\$65,440	250	\$70,050	185	(\$37,204)	284.62%	-34.69%

^A The OFR was financed through transfers from the Federal Reserve Board through July 20, 2012 and through assessments on certain financial institutions thereafter (see Section 3, “Assessments”). Transfers out include a) \$39.9 million in transfers to FRB for unutilized balances as of July 21, 2012 and b) \$6.25 million in resources utilized for Council payments of covered FDIC expenses.

^B Research and Analysis includes only staffing, outside work arrangements and contracting related to annual report production. Costs associated with data, information systems, and analytical tools are captured under Data Center.

^C Effective January 2013, Operations and Support Services will include two offices formerly located in the Data Center. The FTE and estimated budget amounts for FY 2013 and FY 2014 reflect this organizational realignment.

1B – Vision, Priorities and Context

Goals and Objectives

Consistent with the Dodd-Frank Act, the OFR has established five strategic goals to support achievement of its mission.¹

- *Support the Council through the secure provision of high-quality financial data and analysis needed to monitor threats to financial stability.*

Key objectives underlying this goal include providing research and analytical support to the Council on developments in the financial system and potential threats to financial stability; collecting and securely providing data to the Council and its member agencies where such data are essential to monitoring threats to financial stability and are not otherwise available; seeking to reduce reporting burdens for financial institutions by coordinating data requests; and enhancing the quality and consistency of financial data available to Council member agencies through direct data services, including shared procurement, data validation, and data management.

- *Develop and promote data-related standards and best practices.*

Key objectives underlying this goal include facilitating the establishment of global data-related standards to improve the quality and scope of data related to financial stability, while also reducing the cost of reporting for financial market participants, and assisting Council members in defining standards and best practices for data collection and management that will increase efficiencies.

- *Establish a center of excellence for research on financial stability and promote best practices for financial risk management.*

Key objectives underlying this goal include conducting and sponsoring research—including collaboration with a network of outside researchers—to identify, monitor, and evaluate threats to financial stability and to analyze disruptions when and after they occur; evaluating and reporting on stress tests or other stability-related evaluations; providing advice on the impact of policies related to systemic risk; and promoting best practices in financial risk management.

¹ The OFR's strategic goals support the Treasury strategic goal: *Repair and Reform the Financial System and Accelerate the Recovery of the Housing Market*. See the OFR's strategic plan for FY 2012-2014 at <http://www.treasury.gov/initiatives/wsi/ofr/Documents/OFRStrategicFramework.pdf> and the Treasury's strategic plan at <http://www.treasury.gov/about/budget-performance/strategic-plan/Pages/index.aspx>

- *Provide the public with key data and analysis, while protecting sensitive information.*

The key objective underlying this goal is to increase the transparency and distribution of research on the financial system by publishing financial analysis, data, and information, while safeguarding sensitive information. Key publications will include annual reports of the OFR that contain its analysis and information about its activities, working papers that highlight OFR research activities, as well as reference databases on financial companies and financial institutions.

- *Establish the OFR as an efficient organization and world-class workplace.*

Key objectives underlying this goal are to build the workforce of the OFR, manage its information, and administer its finances to fulfill the OFR's mission in a cost-effective, transparent, and accountable manner, modeling its processes after best practice standards.

Priorities and Progress

As part of the OFR's first strategic plan published in March 2012, the OFR established medium-term priorities for FY 2012-2014, as well as more immediate and specific priorities for FY 2012.² Priorities for FY 2013 reflect the rapid evolution of the organization as it continues to mature. The OFR continues to strengthen its operating framework by establishing mechanisms to support transparency and accountability; ramping up investment in its core analytic, information security, and data management infrastructures; reinforcing protocols for efficient and secure collaboration and data-sharing; and deepening and expanding its output related to research and data (Table 1.2).

In FY 2014, this momentum is expected to continue, with the organization projected to move to steady-state staffing levels, investments in the OFR's initial data and analytic infrastructure projected to decline as many of the key services move from a "build" mode into a "maintenance mode," and the OFR's capacity to meet its data and research mandates substantially enhanced. Beyond the expansion of core outputs noted for FY 2013, key milestones for FY 2014 will include completing its facilities build-out, the publication of data on the reference databases, and publication of the OFR's third Annual Report in early FY 2014.

² See pages 6-11 of the OFR's strategic plan.

1.2 – OFR Long-term Goals and Objectives and Priorities for FY 2013

Goals*	Objectives*	FY 2013 Priorities
Council Support	<ul style="list-style-type: none"> • Provide analytic support • Serve as Council-wide data utility <ul style="list-style-type: none"> ○ Collect necessary data ○ Promote efficiency and security in data acquisition ○ Enhance data quality and consistency ○ Catalog financial entities and instruments 	<ul style="list-style-type: none"> • Expand analytic support to the Council and track timeliness and quality of services provided <ul style="list-style-type: none"> ○ Continue support for the designations process and Annual Reports ○ Expand financial stability risk monitoring, including through the Financial Stability Monitor (formerly “dashboard”) ○ Provide analysis of the asset management industry • Build on the OFR’s secure analytical environment through core investments in long-term IT infrastructure and collaboration tools. • Strengthen foundations for secure, targeted data acquisition and data sharing through: <ul style="list-style-type: none"> ○ Completion of foundational metadata inventory program and other efforts to identify gaps and overlap in data collection ○ Complete development of common approach to data sharing based on information security categorization ○ Continue elaboration of OFR protocols for data management and security, and data sharing ○ Develop a plan for the identification of additional opportunities to improve efficiencies in data collection by Council members • Continue support for the Council Data Committee, with working groups on key initiatives.
Promotion of Data-Related Standards	<ul style="list-style-type: none"> • Facilitate establishment of data-related standards • Assist Council in defining standards and best practices for data collection 	<ul style="list-style-type: none"> • Support key LEI milestones, including: <ul style="list-style-type: none"> ○ Fall 2012 endorsement of the Regulatory Oversight Committee charter ○ December 2012 definition of the Central Operating Unit legal framework ○ January 2013 achievement of membership on the Regulatory Oversight Committee ○ March 2013 launch of LEI operations • Publish internal milestones for a broader data standards strategy, to include interagency working groups to assist Council member agencies in defining additional information standards.

*See the OFR’s FY 2012-2014 Strategic Framework for additional detail.

Goals	Objectives	FY 2013 Priorities
Center for Research	<ul style="list-style-type: none"> • Conduct and sponsor research on financial stability • Promote best practices in risk management • Facilitate coordination and joint research 	<ul style="list-style-type: none"> • Conduct essential research on risks to financial stability and evaluate responses to those risks in collaboration with outside researchers, with a particular focus on: <ul style="list-style-type: none"> ○ Evaluating metrics for measuring risks to financial stability ○ Evaluating stress tests that can aid in financial stability analysis ○ Promoting best practices in financial institution risk management • Hold FY 2013 conference focusing on key aspects of the OFR's data and R&A agenda. • Continue Research Seminar Series and ad hoc workshops (similar to the August 2012 Stress Testing Workshop). • Hold inaugural Financial Research Advisory Committee (FRAC) meeting; engage with FRAC subcommittees. • Engage with international regulatory bodies on financial stability research.
Public Information	<ul style="list-style-type: none"> • Publish analytical reports, data, and related information, including reference databases and formats/standards for data • Deliver annual testimony 	<ul style="list-style-type: none"> • Expand the OFR Working Paper Series, including by leveraging collaboration with research networks and exploring other formats for publication. • Provide enhanced content on the website that promotes public awareness of the OFR. • Complete strategy for populating a financial company reference database (including LEI) and the financial instrument reference database.
Building the OFR	<ul style="list-style-type: none"> • Manage human capital and financial capital effectively 	<ul style="list-style-type: none"> • Recruit the first class of fellows under the OFR Fellowship Program to expand the OFR's expertise on financial stability and data management. • Continue to refine the OFR's Workforce Plan and work toward targeted staffing levels by continuing efforts to attract and retain highly skilled, experienced staff. • Monitor and regularly update comprehensive implementation plan to ensure effective prioritization and resource utilization. • Establish performance measures and begin quarterly internal strategy reviews. • Launch participation in OPM-led Employee Viewpoint Survey.

The OFR has made significant and accelerating progress toward meeting its implementation priorities. The following are examples of that progress:

Council Support

The OFR is providing data for use by the Council in developing its Annual Report on financial stability, as well as data and analysis relating to the designation of nonbank financial companies for consolidated supervision by the Federal Reserve Board. The OFR is also continuing to enhance its Financial Stability Monitor—a dashboard of metrics and indicators related to financial stability—in collaboration with staff from Council member agencies.

Consistent with its objectives to avoid duplicating existing efforts and to create new efficiencies by collaborating with Council member agencies, the OFR is establishing an inventory of data held by Council member agencies. The OFR has completed an inventory of purchased-and-collected data and has a final phase under way on derived data. The inventory, which is searchable, will help the OFR and Council member agencies identify whether specific data have already been collected before seeking data from financial institutions or others. The OFR has developed, and is currently piloting, a “collaborative workspace” for agencies to access this information, search the catalogue, and avoid unnecessary requests for data.

To support data sharing, the OFR has established successful sharing arrangements with a number of Council member agencies and is working to establish new ones. For example, the Office is collecting money market fund data from the Securities and Exchange Commission (SEC). The OFR organizes and “normalizes” the data of any coding or definitional inconsistencies, and then produces analysis based upon these data. The OFR expects to expand its ability to provide such data management services and analysis over time.

The OFR also supports the Council’s Data Committee. The Data Committee promotes improvements in data collection and information sharing among Council members, and also provides direction to the OFR and requests data from the OFR. For example, the Data Committee provided input on the Financial Stability Monitor and the data inventory projects noted above. The Data Committee also plays an integral role in mapping the OFR’s security classification system to those used by other Council members, as part of the broader effort to facilitate the secure sharing of information by the OFR.

Critical to the OFR’s support for the Council (and for broader stakeholders) is building the information technology infrastructure and business systems for: (1) data acquisition, management, and dissemination (under strict protocols for security and data sharing); (2) a robust research and analytical environment for handling large amounts of data to support complex financial models, computations, and analysis; and (3) a secure platform for collaboration and communication with Council member agencies and outside researchers, as well as for broader communication with the public about OFR activities.

During FY 2012, the OFR established a secure short-term analytical environment to support the near-term needs of researchers and analysts, and undertook planning and design for systems to meet longer-term needs. Consistent with the OFR’s commitment to a careful and prudent

approach to its expenditures, this planning includes measures to refine and validate estimates for costs and timing. Implementation of the longer term environment began in the last quarter of FY 2012 and is expected to accelerate in FY 2013. Although some uncertainty exists about precise timing as the OFR continues to learn from early experiences and to validate its initial infrastructure design, the Office expects these foundational infrastructure investments to begin to wind down by FY 2014-2015.

The OFR has also emphasized data security and protection throughout its start-up activities. As an office within the Treasury, the OFR inherits the benefits of the Treasury Department's secure information technology infrastructure. The OFR is also adhering to the security policies of the Treasury's Chief Information Officer. The OFR is expanding its security controls as necessary for OFR-specific systems and data, as well as for information sharing across Council member agencies. In this context, the OFR has established protocols based on classifications of data and systems for access control and monitoring. In addition, OFR employees who handle highly sensitive, confidential data are required to sign an acknowledgement that they will be subject to a one-year post-employment restriction from working for a financial services entity, unless a waiver is granted, as detailed in the interim rule published in the Federal Register on September 30, 2011.³

Data Standards

A key early initiative of the OFR is its ongoing work with policymakers, regulators, and the private sector to establish a unique, global standard for identifying parties to financial transactions. This Legal Entity Identifier (LEI) will allow for better understanding of true exposures and counterparty risks across the system—to the benefit of both market participants and regulators. According to recent financial industry estimates, adoption and implementation of an LEI system would yield hundreds of millions of dollars in cost savings every year for financial market participants from efficiencies in aggregating data and reconciling inconsistent information from multiple sources.⁴ In June 2012, the G-20 endorsed recommendations from the international Financial Stability Board for implementation of an LEI system. That endorsement paved the way for LEI implementation, with a planned launch of the global system in March 2013. To support achievement of this ambitious target, the OFR is serving as the US Vice Chair of a 50-member international LEI implementation group and providing senior level expertise to that effort. The OFR is also working with Council member agencies on the implementation of interim solutions, including the CFTC Interim Compliant Identifier (CICI) and on readiness for adoption of the LEI.

More broadly, the OFR will seek to promote the development and use of information standards that enhance the ability to identify and mitigate threats to financial stability. Further, the OFR will assist Council member agencies in the development and application of standards and best practices to improve the sharing, exchange, use, and quality of their financial data. In its 2012 Annual Report, the OFR provided an analytic overview of prospects for further progress in

³ See, <https://www.federalregister.gov/articles/2012/05/21/2012-12047/assessment-of-fees-on-large-bank-holding-companies-and-nonbank-financial-companies-supervised-by-the>

⁴ See, for example, <http://www.sec.gov/comments/s7-34-10/s73410-57.pdf>, page 11.

promoting financial data standards that will define its work in this area.⁵ The Council-wide data security classification initiative noted above is another important part of the OFR's information standards agenda. During FY 2013, the OFR also plans to establish interagency working groups focusing on key issues related to data standards (including approaches to mapping the ownership and control relationships among financial entities), actively participate in issue-specific working groups sponsored by others organizations (such as a Consumer Financial Protection Bureau (CFPB)-sponsored effort related to mortgage standards), and produce—in collaboration with other Council members—analysis on related topics, such as asset classification or the need for additional financial data identifiers.

The OFR also sponsors, along with the Federal Reserve and the Federal Deposit Insurance Corporation (FDIC), an annual regulatory data workshop. In past years the OFR has assisted with the planning and coordination phases of this two-day regulators' workshop and in 2013 will expand its role as a lead sponsor of the workshop. In addition, the OFR is actively engaged in private sector standard-setting activities in order to maintain a clear understanding of industry and investor priorities. For example, the OFR sits on the board as the US member for financial services of the International Standards Organization, and is also involved in other industry coordination activities such as the Enterprise Data Management Council.

Center of Excellence for Research

Establishing strong research networks with outside experts is critical to the effectiveness of the OFR in fulfilling its research and analytical mandate. The OFR made substantial initial progress in this regard during FY 2012. The OFR launched a Research Seminar Series, inviting researchers in academia, government, and the private sector to present findings on a range of topics related to the OFR's mission; in all, the Office hosted 17 widely attended seminars during FY 2012. The OFR also launched its Working Paper Series during the year and published two papers: *A Survey of Systemic Risk Analytics* in January 2012, focusing on quantitative tools for assessing threats to financial stability, and *Forging Best Practices in Risk Management* in March 2012, providing a broad assessment of risk management practices and how risk management can be improved.⁶ This series will continue and expand in FY 2013—and the OFR will continue to invite comments from outside researchers on its work.

In July 2012, the OFR published its inaugural Annual Report to Congress under Section 154(d) of the Dodd-Frank Act. As required in the statute, this report included the OFR's analysis of threats to the financial stability of the United States; the status of the efforts of the Office in meeting its mission; and key findings from the research and analysis of the financial system by the Office. The report also outlined the Office's agenda to collaborate with Council member agencies, outside researchers, and other experts to monitor the financial system and conduct research on sources of vulnerability; to identify gaps and other deficiencies in the data needed for this research and monitoring; and to promote data standards. The OFR agenda includes further

⁵ See Chapter 5, "Promoting Data Standards" at <http://www.treasury.gov/initiatives/wsr/ofr/Documents/Promoting-Data-Standards.pdf>

⁶ <http://www.treasury.gov/initiatives/wsr/ofr/Pages/ofr-working-papers.aspx>

research on financial stability measurement, stress testing, and risk management, and new research applying network analysis to the study of the financial system. In November 2012, the OFR announced the selection of members for its Financial Research Advisory Committee, made up of distinguished academics, researchers, industry leaders, government officials, and experts in risk management, data, and technology to broaden the OFR's analytical perspective and to provide a critical link to diverse knowledge and experience.⁷ The OFR hosted the inaugural meeting of the Financial Research Advisory Committee on December 5, 2012. The committee will provide advice to the OFR, bringing diverse perspectives to inform the OFR's agendas for research and data, and to help OFR fulfill its mission.

On December 6, 2012, the Office of Financial Research and the Financial Stability Oversight Council co-hosted their second annual conference, entitled *Assessing Financial Intermediation: Measurement and Analysis*. The conference brought together thought leaders from the research and regulatory communities, public interest groups and the financial services industry to discuss challenges to financial stability posed by evolving financial activities. This year's conference examined recent changes in financial institutions, markets, and activities, and explored the future implications for financial stability, risk management, and policy. The first Office of Financial Research and Financial Stability Oversight Council conference was held in December 2011. The title of the conference *The Macprudential Toolkit: Measurement and Analysis* was hosted in Washington D.C., which focused on issues related to data, technology, and analytical approaches for assessing, monitoring, and mitigating threats to financial stability.

In August 2012, the OFR also conducted a workshop on stress tests, one of several research areas identified in the OFR's statute. The workshop brought together participants from academia, the regulatory community, and industry to discuss regulatory stress testing, and share practices and experiences related to stress testing. The goal of the workshop was to generate a research agenda on the subject and point to areas where stress testing could be improved.

Public Information

During FY 2012, the OFR began to publish its research, including the Working Paper Series and the Annual Report; information on its data-related agenda, including blog posts about progress and information on the LEI initiative; and background information on key events, including materials associated with OFR conferences and the Financial Research Advisory Committee. The Office also published core operational documents, including its Strategic Framework and information about its funding through assessments.

During FY 2013, the OFR is further extending its communications efforts by enhancing its web presence,⁸ continuing key publications, and expanding its dissemination of information about its operations and the work of its core research and data centers. Consistent with its commitment to transparency and accountability, the OFR has also put in place a small team to manage public

⁷ For more information, see the Federal Register at <https://www.federalregister.gov/articles/2012/03/22/2012-6941/financial-research-advisory-committee>

⁸ The OFR website can be found at <http://www.treasury.gov/initiatives/wsr/ofr/Pages/default.aspx>.

communication, timely Congressional response and outreach, as well as communications with other external parties, such as industry and academia.

Building the OFR

During FY 2012, the OFR continued the rapid build-out of its core operational systems and procedures, guided by the need for cost-effective, transparent, and accountable structures that reflect best practices. Reflecting these principles and the complex nature of its mission, the OFR has recognized the value of balancing speed with prudence—building its core functions through an iterative process that provides for ongoing review and improvements, based on lessons from early experience and as the organization continues to mature.

- *Strategic and Performance Management:*

In standing up the organization, the OFR is following the principles and practices of the Government Performance Results Modernization Act of 2010. The OFR has established, and is continuing to enhance, a comprehensive planning system that ties together strategic planning, operational planning (budget, performance, and human resources), execution, monitoring, and review, including through formal internal reviews of projects, programs, and strategies. In addition, the OFR has established a foundational set of performance measures, tied to its strategic goals, that will set a baseline for the organization's continued stand-up; these measures are expected to evolve further as the organization matures and gains additional experience (see Section 3, below).

- *Financial Management and Operational Controls:*

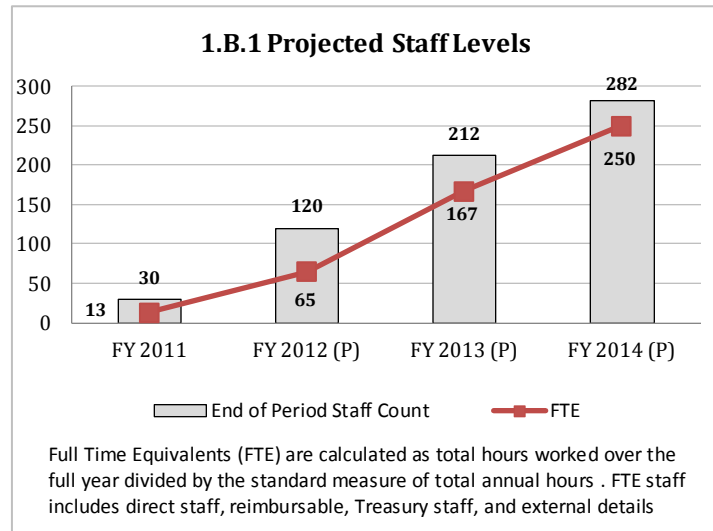
The OFR's financial activities are subject to general Treasury financial management controls and protocols, and are reviewed as part of the consolidated audit of Departmental Offices within the Treasury. The OFR has developed expanded internal policies and procedures to support sound and efficient operations, and rigorous internal controls. The Office has also established internal protocols to ensure timely responses to Treasury's Office of the Inspector General, the Council of Inspectors General, and the Government Accountability Office in their oversight of the OFR's activities.

- *Advisory Committee:*

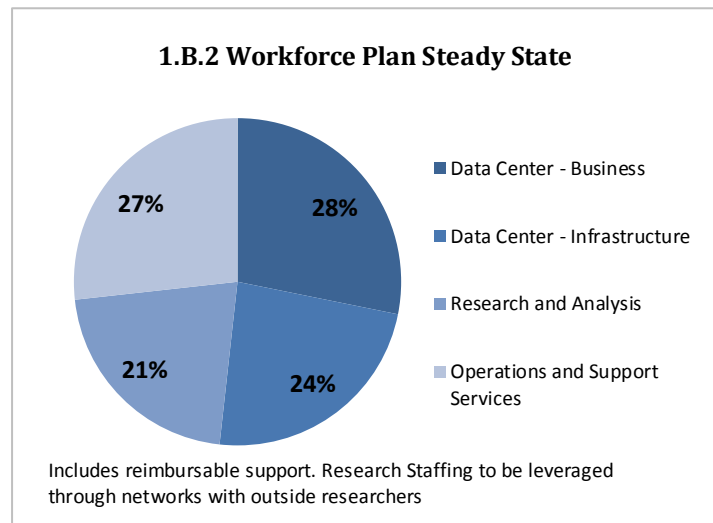
As noted above, the OFR during FY 2012 established an advisory committee under Federal Advisory Committee Act (FACA) procedures and plans to initiate formal meetings under FACA procedures in FY 2013. This committee will provide the OFR with insights and expertise, will support transparency and accountability in Office operations, and will offer an effective forum for input and dialogue among a broad-range of OFR stakeholders.

- *Human Resources:*

As detailed in the OFR’s FY 2012 Human Capital Report to Congress, the Office has made substantial progress in building its core staff and establishing the frameworks and processes required for effective and efficient human resource management. During FY 2013, the OFR will initiate formal participation in the OPM Federal Employee Viewpoint Survey for additional input about its progress on its human capital plans.



A critical priority for the OFR stand-up is the recruitment of the specialized and highly trained staff necessary to fulfill its mission. By the end of FY 2012, the Office made significant progress: five of eight senior leadership positions and 11 of 17 broader management positions filled, and a staff of 120, including 22 employees through reimbursable arrangements with Treasury and another eight through detail arrangements from outside organizations.



The OFR plans to build to steady state staffing levels of 275 to 300 FTEs by FY 2015. More than 50 percent of these employees will be in the Data Center. The Research and Analysis Center will constitute about 20 percent of the OFR’s staff and will leverage a broader network of resources through work arrangements with outside researchers and collaboration with Council member agencies. The Office of the Director, Counsel, and Operations will make up the remaining staff.

Section 2 – Budget Adjustments and Appropriation Language

2.1 – Budget Adjustments Table

Dollars in Thousands

Office of Financial Research	FTE	Amount
FY 2012 Actual	65	\$39,574
FY 2013 Estimated Budget	167	\$78,186
Total FY 2014 Base	167	\$78,186
Program Changes:		
Program Adjustment*	83	\$10,799
<i>Personnel Steady State</i>	83	\$12,531
<i>Non-Personnel Steady State</i>		(\$1,732)
Total FY 2014 Estimated Budget	250	\$88,985

*Total FTE includes Reimbursable/Detail staff

*The adjustment includes the impacts of inflation and the proposed one percent pay increase

2A – Budget Increases and Decreases Description

Program Adjustments +\$10,800,000/+83 FTE (Direct and Reimbursable/Detail)

Personnel Steady State 83 FTE (Direct and Reimbursable/Detail) +\$12,532,000

OFR will continue its growth toward full staffing with steady-state staffing levels expected by FY 2014-2015.

Non-Personnel Steady State -\$1,731,000

Although substantial uncertainty remains—particularly regarding medium-term IT needs to support secure delivery of the OFR’s data-related and analytical mandate—the need for funding for initial investments in IT infrastructure are expected to wind down beginning in FY 2014-2015. However, regular maintenance costs and periodic one-time costs for IT and systems are expected to continue over time (for example, to meet data storage growth needs as more data sources are identified).

2B – Appropriations Language and Explanation of Changes

The OFR receives no appropriations from Congress.

2C – Legislative Proposals

The OFR has no legislative proposals.

2.2 – Operating Levels Table

Dollars in Thousands

Office of Financial Research		FY 2012	FY 2013	FY 2014
Object Classification ^A		Actual	Estimated	Estimated
11.1	Full-time permanent	6,251	18,253	27,893
12.0	Personnel benefits	1,643	5,476	8,368
Total Personnel and Benefits Compensation		7,893	23,729	36,261
21.0	Travel and transportation of persons	365	600	700
23.1	Rental payments to GSA	2,392	4,382	4,380
23.3	Communication, utilities, and misc charges	317	4,424	1,733
24.0	Printing and reproduction	6	118	223
25.0	Contractual Services	21,324	24,117	21,246
26.0	Supplies and materials	2,674	5,052	8,072
31.0	Equipment	4,603	15,762	16,370
Total Non-Personnel		31,681	54,455	52,724
Total Budgetary Resources		\$39,574	\$78,186	\$88,985
		FY 2012	FY 2013	FY 2014
Budget Activities		FTE	Estimated	Estimated
Budget Activities:				
	Data Center	30	41,245	47,987
	<i>Direct FTE</i>	24		
	<i>Reimbursable/Detail FTE</i>	6		
	Research Center	14	8,618	12,432
	<i>Direct FTE</i>	11		
	<i>Reimbursable/Detail FTE</i>	3		
	Operations and Support Services ^B	21	28,323	28,566
	<i>Direct FTE</i>	9		
	<i>Reimbursable/Detail FTE</i>	12		
Total Budgetary Resources		65	\$78,186	\$88,985
FTE - Direct and Reimbursable/Detail		65	167	250

^A Salary and benefits include direct OFR staff only. 25.0 Contractual Services and expenditures of “Operations and Support Services” include substantial reimbursable support received from Treasury’s Departmental Offices; personnel benefits services through the Office of the Comptroller of the Currency; and services from the Bureau of Public Debt Administrative Resource Center including Human Resource services, procurement services, and financial management services.

^B Effective January 2013, Operations and Support Services will include two offices formerly located in the Data Center. The FTE and estimated budget amounts for FY 2013 and FY 2014 reflect this organizational realignment.

Section 3 – Budget and Performance Plan

(\$88,985,000 from assessments):

As noted in Section 1, the complex, highly specialized mission of the OFR and the scope of the task to establish the Office from the ground up both dictate that the OFR take a careful, prudent approach to its budget and funding. To stand up the OFR effectively, the Office is tightly linking its expenditures to its mission, ensuring that it is a good steward of the funds entrusted to the Office.

FY 2012 Expenditures

Given these considerations, OFR expenditures in FY 2012 were considerably less than the amount estimated in the FY 2013 President's Budget. The expenditures were concentrated on staffing and infrastructure development. As noted in Section 1, OFR staffing grew substantially, from 25 employees at the end of FY 2011 to 120 by the end of FY 2012. Although substantial, the growth of the OFR workforce was less than projected in the FY 2013 President's Budget, reflecting additional time for staff planning, slower than projected recruitment of prospective employees with the requisite skills to meet OFR requirements, and related lags to ensure appropriate sequencing in hiring of OFR management and broader staff positions.

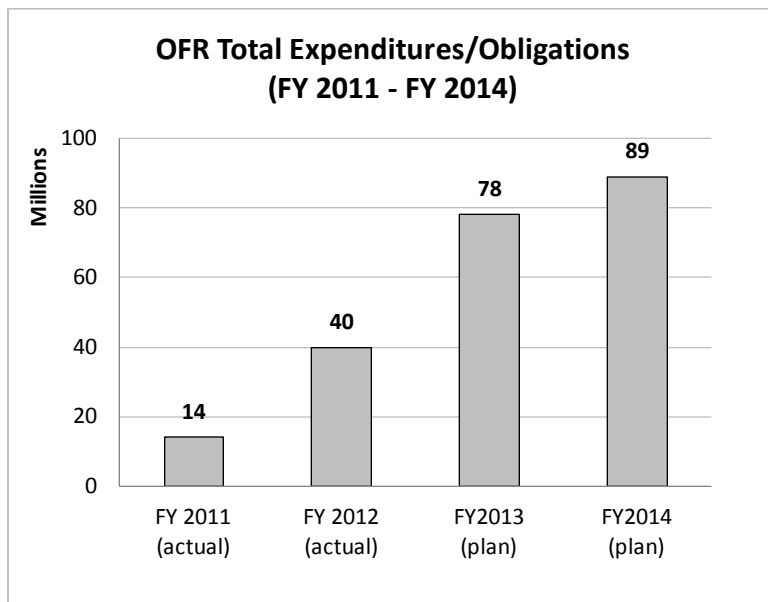
Specific FY 2012 expenditures by budget activity include:

- *Data Center* expenditures were below original projections, due to savings from review and validation of needs over the course of FY 2012, as well as deferrals of expenditures to FY 2013 and FY 2014 to allow additional time for planning and validation. Specific expenditures focused on: (1) establishing a secure, short-term infrastructure for IT and business systems to support the OFR's initial data and analytical functions, (2) launching the OFR's intranet and collaboration platform, which also supports the secure sharing of information with the Council and its member agencies, (3) developing a design and support strategy for the OFR's long-term IT infrastructure, including those related to information security programs (with related implementation expenditures expected to ramp up in FY 2013), (4) making payments to the Treasury OCIO for commodity IT services provided to all users within Treasury Departmental offices (5) building out of the OFR's project management systems, (6) defining the OFR's data management model, and (7) conducting initial data acquisitions and creating an inventory of Council information.
- With the costs associated with infrastructure, analytical tools and data for research covered under the Data Center, *Research and Analysis* costs include salaries and benefits as well as work arrangements with outside researchers. FY 2012 expenditures also included costs associated with publishing the OFR's Annual Report.
- *Operations and Support Services* costs were below projections in the FY 2013 President's Budget due to savings across the full range of operational activities. These activities include (1) administrative support services, travel, supply, and equipment costs, and (2) costs for the rent and renovation of long-term permanent office space in Washington, D.C. The relatively high cost of contracts (Table 2.2, Object Classification 25.0) reflects the OFR's business

model to leverage existing administrative resources in Treasury and other agencies. Specifically, administrative support services include expenses related to reimbursable support from Treasury’s Departmental Offices; personnel benefits services through the Office of the Comptroller of the Currency; and services from the Bureau of Public Debt Administrative Resource Center including human resource services, procurement services, and financial management services.

FY 2013 and 2014 Expenditures

The OFR will continue its prudent approach to expenditures as it grows in FY 2013 and FY 2014, with these expenditures closely tied to the goals and implementation priorities outlined in Section 1. The primary source of expenditure growth in FY 2013 and FY 2014 will be salary and benefits as the size of the OFR workforce grows. The OFR has lowered its estimate for the pace of staff growth, reflecting the experience in FY 2012. The Office now projects its staff to expand from 120 at the end of FY 2012 to about 212 by the end of FY 2013 (including reimbursable support and external detailees). The OFR anticipates reaching steady-state staffing levels of 275-300 by the end of FY 2015.



- Data Center:* The work in FY 2012 to refine and validate needs substantially reduced the estimated costs for FY 2013 Data Center spending versus the projections in the FY 2013 President’s Budget. Additional hardware, software, and analytic tools for the secure build-out of the OFR’s initial IT and business system infrastructure (including network upgrades) will ramp up substantially in FY 2013 and FY 2014, before beginning to decline thereafter, with an increased focus on maintenance. Expenses for data subscriptions are expected to rise steadily over this period as the OFR staff grows and as the OFR’s data and analytical capacity continues to expand.

- *Research and Analysis:* Work arrangements with outside academics to support ad hoc and on-going research projects are expected to increase modestly in FY 2014. Costs associated with the OFR's Annual Report, such as data validation and publishing support, are projected to decline, as staff levels grow.
- *Operations and Support Services:* The OFR will continue to utilize existing Treasury infrastructure to minimize administrative costs. During FY 2013 and FY 2014, the OFR will undertake the build-out of a small satellite office in New York City to support interaction with New York-based market participants, researchers, regulators, and data providers.

*Assessments*⁹

Pursuant to the Dodd-Frank Act, the Board of Governors of the Federal Reserve (Federal Reserve Board) provided funding to support the OFR for two years through the Financial Research Fund (FRF). The Act directed the Department of the Treasury to establish by regulation (with the approval of the Council) a schedule to collect assessments from bank holding companies and certain nonbank financial companies to cover the expenses of the OFR and the Council, plus certain expenses for implementing the orderly liquidation activities of the Federal Deposit Insurance Corporation (FDIC), beginning two years after the passage of the Act.

On May 21, 2012, Treasury, with the approval of the Council, issued a final rule for collecting assessments from bank holding companies with total consolidated assets of \$50 billion or greater and an internal final rule for collecting assessments from nonbank financial companies supervised by the Federal Reserve Board. The initial assessment occurred on July 20, 2012, was based on a fee rate of 0.0007659412 percent (or about \$7,700 per \$1 billion of assets for the assessed companies). For the initial assessment, the OFR was funded at a level of \$128 million, or the sum of:

- Budgeted capital expenses of \$43 million for the first seven months of FY 2013 (October 1, 2012, to April 30, 2013);¹⁰
- Budgeted operating expenses of \$29 million for the first six months of FY 2013 (October 1, 2012, to March 31, 2013); and
- The OFR's budgeted expenses of \$56 million for the remainder of FY 2012 (July 21 to September 30, 2012), as calculated in June 2012, including obligations incurred prior to July 20, but not yet expensed or accrued.

Following the initial assessment, the fee rate for each period will be set based on projected total resources required to *replenish* the FRF to a level equivalent to the sum of:

- The next six months of budgeted operating expenses of the OFR and the Council;
- The next 12 months of budgeted capital expenses of the OFR and the Council, because of the variability in the timing of such expenses; and
- The amount necessary to reimburse the FDIC for certain implementation expenses.

⁹ See <http://www.treasury.gov/initiatives/wsr/ofr/Pages/tap.aspx> for further information.

¹⁰ Collection based on 12 months of budgeted capital expenses will begin with the second assessment.

As such, any resources remaining in the FRF at the end of one assessment period (carryover) reduce the amount needed to be collected to replenish the FRF to this level in the next period.

Due to lower-than-projected FY 2012 expenditures resulting in an available positive balance and revised projected spending under the FY 2013 and FY 2014 budget, Treasury will not need to replenish resources in the FRF until September 2013. As such, no assessment will be made on March 15, 2013.

Performance Measurement

To further reinforce transparency and accountability in its operations, the OFR has developed foundational performance measures tied to the strategic goals highlighted in Section 1 and will begin collecting data for these measures in FY 2013. These measures will establish a foundation for the organization's continued stand-up, with evolution in these measures expected as the organization continues to mature and gain experience. Similarly, as data is collected, that information will better inform the target-setting process in FY 2014 and beyond.

The sections that follow discuss each of these foundational measures, organized by lead budget activity (Data Center; Research and Analysis Center; and Operations and Support Services) and by goal. This presentation recognizes the responsibilities of the Data Center and the Research and Analysis Center defined in the Dodd-Frank Act. Of course, the effectiveness of the organization depends on close collaboration and coordination among all units in achieving each of these measures and in particular strong integration between the OFR's data and research functions. Given this close integration of activities, several core outputs—and the related performance measures—cut across the budget activities of the Data Center and Research and Analysis Center. In these cases, a “lead” budget activity has been identified to simplify the presentation. At the same time, several measures relate to OFR-wide performance; these measures have been assigned to the Operations and Support Services budget activity.

Table 3.1 OFR Foundational Performance Measures		
Goal	Performance Measures	Budget Activity*
Council Support	<ul style="list-style-type: none"> • Percent of responses to Council data and research requests that meet delivery targets • Percent of project milestones met for establishment of an interagency data inventory program 	<ul style="list-style-type: none"> • Data Center • Data Center
Data Standards	<ul style="list-style-type: none"> • Percent of milestones met in information standards strategy 	<ul style="list-style-type: none"> • Data Center
Center of Excellence for Research	<ul style="list-style-type: none"> • Number of R&A products published • Number of R&A products coauthored or pursued in collaboration with outside researchers, government agencies, or others 	<ul style="list-style-type: none"> • Research & Analysis • Research & Analysis
Public Information	<ul style="list-style-type: none"> • Percent increase in the number of OFR web page visitors 	<ul style="list-style-type: none"> • Operations and Support Services
Building the OFR	<ul style="list-style-type: none"> • Percent of OFR implementation priorities completed • Cost of the OFR relative to total assessed assets, per \$billion assessed • Total staff hired compared to targets 	<ul style="list-style-type: none"> • Operations and Support Services • Operations and Support Services • Operations and Support Services

*As noted, a lead budget activity has been assigned for measures that cut across multiple business units.

3A – Data Center

(\$47,987,000 from assessments):

The Dodd-Frank Act provided that the Data Center, on behalf of the Council, collect, validate, and maintain all data necessary to carry out the duties of the Office. As part of this mandate, the Data Center provides data services to federal financial regulators to increase efficiency in data acquisition and management, to promote the reduction of redundant reporting requirements across the regulatory system (including through more effective data sharing arrangements), and to ensure the security of sensitive data. In addition, the promotion of standards for financial data will provide benefits to regulators and financial market participants by making data aggregation easier, improving analysis, and reducing costs associated with data collection. To support transparency in its operations and better public understanding of risks to financial stability, the Data Center also publishes data and data-related information, as well as information on its activities.

3.1.1 – Data Center Budget and Performance Report and Plan

Dollars in thousands

Data Center					
Resource Level	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Estimated	FY 2014 Estimated
Expenses/Obligations		\$5,260	\$19,303	\$41,245	\$47,987
Budget Activity Total	\$0	\$5,260	\$19,303	\$41,245	\$47,987

Measure	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Target	FY 2014 Target
Percent of responses to Council data and research requests that meet delivery targets				80%	85%
Percent of project milestones met for establishment of an interagency data inventory program				85%	N/A
Percent of milestones met in information standards strategy				80%	80%

Key: N/A - Not in Effect; DISC - Discontinued; B - Baseline

3A.1 Support for the Council

The OFR has established two performance measures linked to achieving its goal to support the Council through the secure provision of high-quality financial data and analysis needed to monitor threats to financial stability:

- *Percent of responses to Council data and research requests that meet delivery targets* provides an indicator of the OFR’s effectiveness, in terms of timeliness in fulfilling this core aspect of its mission to support the Council. A clear focus on the efficiency and quality of its

operations is particularly important in the early stages of establishing the OFR's delivery of data services. In fulfilling this measure, the Data Center will work in collaboration with the Research and Analysis Center, which has primary responsibility for delivering analytical outputs.

- *Percent of project milestones met for establishment of an interagency data inventory program* measures the degree to which the OFR is meeting a second key early priority—the data inventory project—based on the targeted finalization of the third and final phase of the initial inventory in FY 2013 and initiation of efforts to utilize this information and regularize updates.

3A.2 Data Standards

The OFR has established one performance measure linked to achieving its goal to develop and promote data-related standards and best practices:

- *Percent of milestones met in information standards strategy* is an indicator of progress (1) in support of the final launch of the LEI (through the Fall 2012 endorsement of the Regulatory Oversight Committee charter, the December 2012 creation of the legal framework for the Central Operating Unit, and the March 2013 launch of the global system) and (2) in support of the OFR's broader agenda to promote data standards.

3B – Research and Analysis

(\$12,432,000 from assessments):

The Dodd-Frank Act provided that the Research and Analysis Center, on behalf of the Council, develop and maintain independent analytical capabilities and computing resources:

- To develop and maintain metrics and reporting systems for risks to the financial stability of the United States;
- To monitor, investigate, and report on changes in system-wide risk levels and patterns to the Council and to Congress;
- To conduct, coordinate, and sponsor research to support and improve regulation of financial entities and markets;
- To evaluate and report on stress tests or other stability-related evaluations of financial entities overseen by Council member agencies;
- To maintain the expertise necessary to support specific requests for advice and assistance from financial regulators;
- To investigate disruptions and failures in the financial markets, report findings, and make recommendations to the Council based on those findings;
- To conduct studies and provide advice on the impact of policies related to systemic risk; and,
- To promote best practices for financial risk management.

To support effective achievement of these objectives, the OFR is also establishing forums and networks to bring together experts from within and outside the regulatory system. In addition, the OFR is publishing key results of its analysis to support transparency in its operations and promote public understanding of threats to financial stability.

3.1.2 – Research and Analysis Budget and Performance Report and Plan

Dollars in thousands

Research and Analysis					
Resource Level	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Estimated	FY 2014 Estimated
Expenses/Obligations ^A		\$1,069	\$3,398	\$8,618	\$12,432
Budget Activity Total	\$0	\$1,069	\$3,398	\$8,618	\$12,432

Measure	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Target	FY 2014 Target
Number of R&A products published				8	15
Number of R&A products co-authored or pursued in collaboration with outside researchers, government agencies, or others				5	10

Key: N/A - Not in Effect; DISC - Discontinued; B - Baseline

^AResearch and Analysis includes only staffing, outside work arrangements and contracting related to annual report production. Costs associated with data, information systems, and analytical tools are captured under Data Center.

3B.1 Center of Excellence for Research

The OFR has established two performance measures linked to achievement of its goal to establish a Center of Excellence for Research on financial stability and promote best practices for financial risk management:

- *Number of R&A products published* provides a straightforward indicator of OFR research output, providing a baseline to measure growth following launch of its working paper series in FY 2012.
- *Number of R&A products coauthored or pursued in collaboration with outside researchers, government agencies, or others.* This measure provides an indication of the degree to which the OFR is working to ensure its analysis is informed by outside perspectives—a critical objective as the OFR works to build a culture that supports the open exchange of views and cutting-edge research.

3C – Operations and Support Services

(\$28,566,000 from assessments):

These activities cover all operational, legal, and administrative functions that support the effective, transparent, and well-monitored delivery of the OFR’s core outputs related to data, research, and analysis. This includes support provided through reimbursable arrangements with other activities in Treasury Departmental Offices, as well as outside service providers.

3.1.3 – Operations and Support Services Budget and Performance Report and Plan

Dollars in thousands

Operations and Front Office ^A					
Resource Level	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Estimated	FY 2014 Estimated
Expenses/Obligations		\$4,700	\$16,873	\$28,323	\$28,566
Budget Activity Total	\$0	\$4,700	\$16,873	\$28,323	\$28,566

Measure	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Target	FY 2014 Target
Percent increase in the number of OFR web page visitors				25%	15%
Percent of OFR implementation priorities completed				94%	94%
Cost of the OFR relative to total assessed assets, per \$billion assessed				\$7,700	\$7,700 (to be based on a 4-year rolling average)
Total staff hired compared to targets				85%	95%

Key: N/A - Not in Effect; DISC - Discontinued; B - Baseline

^A Effective January 2013, Operations and Support Services will include two offices formerly located in the Data Center. The FTE and estimated budget amounts for FY 2013 and FY 2014 reflect this organizational realignment.

3C.1 Public Information

The OFR has established two performance measures linked to achievement of its goal to provide the public with key data and analysis, while protecting sensitive information:

- *Percent increase in the number of OFR web page visitors* provides an indicator of progress in increasing awareness of the OFR and its work, recognizing that it is difficult to estimate this measure given the rapid pace of change for this new organization.

3C.2 Building the OFR

The OFR has established three performance measures linked to achieving its goal to establish the OFR as an efficient organization and world-class workplace:

- *Percent of OFR implementation priorities completed* provides an indicator of OFR's progress in implementing its priorities based on the goals and objectives set out in its strategic plan. As such, it provides an important broad-based measure of accountability.
- *Cost of the OFR relative to total assessed assets, per \$billion assessed* is an indicator of the cost efficiency of the organization. Over time, the OFR will move to a four-year moving average to smooth out short-term fluctuations and highlight longer-term trends or cycles.
- *Total staff hired compared to targets* provides an important check on how effectively the OFR is advancing toward steady-state staffing levels—a key objective during the OFR's stand-up.