

# Financial Stability Oversight Council

FY 2014  
President's Budget

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## **Section 1 – Purpose**

### **1A – Mission Statement**

#### ***Financial Stability Oversight Council***

Prior to the 2008 financial crisis, the existing regulatory framework focused narrowly on individual institutions and markets, which allowed supervisory gaps to grow and regulatory inconsistencies to emerge – in turn, allowing arbitrage and weakened standards. The Dodd-Frank Wall Street Reform and Consumer Protection Act (the Act) established the Financial Stability Oversight Council (Council) with a clear statutory mandate that created for the first time collective accountability for identifying and responding to emerging threats to financial stability. The Council is chaired by the Secretary of the Treasury and consists of ten voting members and five nonvoting members. The Council brings together the expertise of the federal financial regulators, an insurance expert appointed by the President, and state regulators.

The Council has important new authorities under the Act to:

- Collect information across the financial system: The Council has a duty to collect information across the financial system, drawing first from its member agencies, and to direct the OFR to collect additional information to assess risks to the financial system. The collection and analysis of that information will aid the Council and OFR in their shared goal of filling gaps in our knowledge so that regulators will be better equipped to identify risks and emerging threats across the financial system.
- Designate nonbank financial companies for consolidated supervision: In the run up to the financial crisis, some of the firms which posed the greatest risk to the financial system were not subject to adequate consolidated supervision. The Act gives the Council the authority to require consolidated supervision of nonbank financial companies, regardless of their corporate form.
- Designate financial market utilities and payment, clearing, or settlement activities as systemically important: The Act authorizes the Council to designate certain financial market utilities and payment, clearing, or settlement activities as systemically important, requiring them to meet prescribed risk management standards and submit to heightened oversight by the Federal Reserve, the Securities and Exchange Commission, or the Commodities Futures Trading Commission.
- Recommend stricter standards: The Council has the authority to recommend stricter standards for the large, interconnected bank holding companies and nonbank financial companies designated for enhanced supervision. Moreover, where the Council determines that certain practices or activities pose a threat to financial stability, the Council may make recommendations to the primary financial regulatory agencies for new or heightened standards.

- Limit the activities of firms that pose a “grave threat” to financial stability: The Council has a significant role in determining whether action should be taken to break up those firms that pose a “grave threat” to the financial stability of the United States.
- Facilitate regulatory coordination: The Council has a statutory duty to facilitate information sharing and coordination among the member agencies regarding domestic financial services policy development, rulemaking, examinations, reporting requirements, and enforcement actions. Through this role, the Council will help eliminate gaps and weaknesses within the regulatory structure, to promote a safer and more stable system.

The Council is an executive agency of government and is not an office or bureau of the Department of the Treasury. However, under the Act the Council’s administrative expenses are considered expenses of the Office of Financial Research, an office within the Department of the Treasury.

### ***Federal Deposit Insurance Corporation Payments***

Section 210(n)(10) of the Act provides that certain reasonable implementation expenses of the FDIC incurred after the date of enactment of the Act shall be treated as expenses of the Council. The FDIC must periodically submit requests for reimbursement for implementation expenses to the Chairperson of the Council, who shall arrange for prompt reimbursement to the FDIC of reasonable implementation expenses. The expenses estimated are for rulewriting and resolution planning consistent with the FDIC's implementation of its responsibilities under Title II of the Act.

## 1.1 Appropriations Detail Table

Dollars in Thousands

Financial Stability Oversight Council	FY 2012		FY 2013		FY 2014		Change		% Change	
Budgetary Resources	Actual		Estimated		Estimated		FY 2012 to FY 2014		FY 2012 to FY 2014	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
<b>New Appropriated Resources:</b>										
Assessments		9,000		14,322		19,455		10,455		116.17%
Transfers In/Out		14,250		0		0		0		0
Transfer In from Federal Reserve Board (FRB)		8,000		0		0				
Transfer In from OFR (FRB Funding)*		6,250		0		0				
Unobligated Balances from Prior Years		4,514		17,620		16,405		11,891		263.41%
<b>Total Revenue/Offsetting Collections</b>		<b>\$27,764</b>		<b>\$31,942</b>		<b>\$35,860</b>		<b>\$22,346</b>		<b>29.16%</b>
<b>Other Resources:</b>										
FSOC Secretariat	16	5,428	26	8,883	29	8,729	13	3,301	81.25%	60.81%
FDIC Payment		4,716		6,653		10,700	0	5,984	NA	126.89%
<b>Total Expenses/Obligations</b>	<b>16</b>	<b>\$10,144</b>	<b>26</b>	<b>\$15,536</b>	<b>29</b>	<b>\$19,429</b>	<b>13</b>	<b>\$9,285</b>	<b>81.25%</b>	<b>91.53%</b>
<b>Net Results</b>	<b>16</b>	<b>\$17,620</b>	<b>26</b>	<b>\$16,405</b>	<b>29</b>	<b>\$16,431</b>	<b>13</b>	<b>\$13,061</b>	<b>81.25%</b>	<b>-6.75%</b>

\* Unobligated FRB balances originally designated for OFR were transferred to FSOC to cover FDIC reimbursement expenses for the period July 1, 2011 through July 20, 2012.

## 1B –Vision, Priorities and Context

### *Financial Stability Oversight Council*

The Council's three primary purposes under the Act are:

1. To identify risks to the financial stability of the United States that could arise from the material financial distress or failure, or ongoing activities, of large, interconnected bank holding companies or nonbank financial companies, or that could arise outside the financial services marketplace.
2. To promote market discipline, by eliminating expectations on the part of shareholders, creditors, and counterparties of such companies that the U.S. government will shield them from losses in the event of failure.
3. To respond to emerging threats to the stability of the U.S. financial system.

Over the last year, Dodd-Frank Act implementation included introducing stronger supervision, risk management, stress testing, and disclosure standards; establishing resolution plans and an orderly liquidation regime for financial companies; regulating the derivatives markets to reduce risk and increase transparency; reforming the securitization markets; enhancing standards and disclosure requirements for hedge fund advisers; and implementing measures to enhance consumer and investor protection.

In addition, the Council has continued to make progress in fulfilling its mandate. It has issued a final rule and guidance relating to the designation of nonbank financial companies for Federal Reserve supervision and enhanced prudential standards, and has finalized the designation of an initial set of eight systemically important financial market utilities that will be subject to enhanced risk-management standards. The Council also continued to monitor potential risks to U.S. financial stability; fulfilled explicit statutory requirements, including the completion of three reports; and served as a forum for discussion and coordination among the member agencies implementing the Act.

Over the next year, the Council will be: considering whether to designate certain nonbank financial companies to be subject to supervision by the Federal Reserve and enhanced prudential standards; considering whether to designate financial market utilities (FMUs) as systemically important; developing and evaluating tools for monitoring the financial system for emerging risks; and facilitating interagency cooperation to identify and analyze potential emerging threats. The financial reforms in the Act are designed to create a more resilient financial system that is better able to absorb a wide range of shocks, whether they originate within the financial system (as with the subprime crisis of 2007), outside it (for instance in the event of an oil price shock), or a combination of the two (as is the case with the problems in the euro area). Regulators are making progress in implementing the Act in a consistent and coordinated manner and the reform effort has proceeded along four broad dimensions: strengthening the safety and soundness of core financial institutions; making financial markets more resilient and transparent; implementing new authorities to resolve large, complex financial institutions; and enhancing investor and consumer protections. The Council will continue to facilitate coordination and information sharing with respect to various regulatory initiatives.

The Council is required by the Act to convene no less than quarterly, but the Council has historically convened on a more frequent basis to share information on key financial developments, coordinate on regulatory implementation, and monitor progress on recommendations from the Council's annual reports. The Council will continue to remain focused on both identifying near-term threats and addressing structural vulnerabilities in the financial system. Transparency on Council decisions will be provided through an annual report to Congress and the public and testimony by the Chairperson on Council activities and emerging threats to financial stability.

## **Section 2 – Budget Adjustments and Appropriation Language**

### **2.1—Budget Adjustments Table**

Dollars in Thousands

<b>Financial Stability Oversight Council</b>	<b>FTE</b>	<b>Amount</b>
<b>FY 2012 Actual</b>	<b>16</b>	<b>\$10,144</b>
<b>FY 2013 Estimated Budget</b>	<b>26</b>	<b>\$15,536</b>
Changes to Base:		
Other Adjustments		\$4,409
Hiring Plan Adjustment	3	\$362
FDIC Payment Adjustment		\$4,047
Subtotal FY 2013 Changes to Base	3	\$4,409
<b>Total FY 2014 Base</b>	<b>29</b>	<b>\$19,945</b>
Other Program Changes	0	(\$516)
Support Adjustment	0	(\$516)
<b>Total FY 2014 Estimated Budget</b>	<b>29</b>	<b>\$19,429</b>

\*Includes FDIC reimbursement

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

### **2A – Budget Increases and Decreases Description**

#### **Support Adjustment – (\$516,000)**

A decrease in contracted support will occur in FY 2014 as a number of FSOC's start-up initiatives will be complete.

### **2B – Appropriations Language and Explanation of Changes**

The Financial Research Fund programs do not receive discretionary appropriation authority from the Congress. Therefore, no appropriations language is proposed.

### **2C – Legislative Proposals**

There are no current proposals for amending the authorizing legislation.

## 2.2—Operating Levels Table

Dollars in Thousands

Financial Stability Oversight Council		FY 2012	FY 2013	FY 2014
Object Classification		Actual	Estimated	Estimated
11.1	Full-time permanent	2,074	3,155	3,601
12.0	Personnel benefits	533	1,108	1,265
<b>Total Personnel and Benefits Compensation</b>		<b>2,607</b>	<b>4,263</b>	<b>4,866</b>
21.0	Travel and transportation of persons	49	240	342
23.1	Rental payments to GSA	108	150	155
24.0	Printing and reproduction	1	85	86
25.2	Other services from non-Federal Sources	1,608	1,595	922
25.3	Other goods and services from Federal Sources <sup>1</sup>	5,612	8,446	12,320
26.0	Supplies and materials	147	467	418
31.0	Equipment	13	290	320
<b>Total Non-Personnel</b>		<b>7,537</b>	<b>11,273</b>	<b>14,563</b>
<b>Total Budgetary Resources</b>		<b>\$10,144</b>	<b>\$15,536</b>	<b>\$19,429</b>
		FY 2012	FY 2013	FY 2014
Budget Activities		Actual	Estimated	Estimated
<b>Budget Activities:</b>				
	Financial Stability Oversight Council	5,428	8,883	8,729
	FDIC Payment	4,716	6,653	10,700
<b>Total Budgetary Resources</b>		<b>\$10,144</b>	<b>\$15,536</b>	<b>\$19,429</b>
<b>FTE</b>		<b>16</b>	<b>26</b>	<b>29</b>

1/ Includes FDIC Reimbursements.

## **Section 3 – Budget and Performance Plan**

### **3A – Financial Stability Oversight Council**

*(\$8,729,000 from assessments):*

The Council has a clear statutory mandate to facilitate coordination among financial regulators and identify risks and respond to emerging threats to financial stability. FSOC has ten voting members, the Secretary of the Treasury as Chair, the heads of eight federal financial regulatory agencies, an independent member with insurance expertise, and five non-voting members. The Council is an executive agency of the Federal Government and is not a bureau or office of the Department of the Treasury.

There are no measures specified for managing Council performance at this time. Information on the Council is provided on [www.treasury.gov](http://www.treasury.gov), [www.fsoc.gov](http://www.fsoc.gov), and member agency websites to provide transparency and accountability.

#### **3.1.1 - Financial Stability Oversight Council Budget and Performance Report and Plan**

Dollars in Thousands

<b>Financial Stability Oversight Council</b>					
<b>Resource Level</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Estimated</b>	<b>Estimated</b>
Expenses/Obligations	\$0	\$2,921	\$5,428	\$8,883	\$8,729
<b>Budget Activity Total</b>	<b>\$0</b>	<b>\$2,921</b>	<b>\$5,428</b>	<b>\$8,883</b>	<b>\$8,729</b>

### **3B – Federal Deposit Insurance Corporation Payments**

*(\$10,700,000 from assessments):*

The Council has a statutory mandate to reimburse certain FDIC expenses related to FDIC's orderly liquidation of non-bank financial institutions as provided in Section 210(n)10 of the Act.

#### **3.1.2 - FDIC Payment Budget and Performance Report and Plan**

Dollars in Thousands

<b>FDIC Payment</b>					
<b>Resource Level</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Estimated</b>	<b>Estimated</b>
Expenses/Obligations	\$0	\$0	\$4,716	\$6,653	\$10,700
<b>Budget Activity Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$4,716</b>	<b>\$6,653</b>	<b>\$10,700</b>