

Department of the Treasury
Office of Financial Research

Congressional Budget
Justification and Annual
Performance Report and Plan

FY 2020

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Section I - Budget Request

A – Mission Statement

Promote financial stability by delivering high-quality financial data, standards, and analysis for the Financial Stability Oversight Council (FSOC or Council) and public.

B – Summary of the Request

The Office of Financial Research (OFR) is estimating a fiscal year (FY) 2020 funding level of \$75.271 million, which is flat with its FY 2019 estimated funding level. To align with the Administration’s initiative to improve government efficiency and effectiveness, the OFR implemented an organizational realignment effort to ensure appropriate structure for maximum efficiency. In addition, the Budget reflects continued reductions in OFR non-labor spending commensurate with the renewed fiscal discipline being applied across the Federal Government. The Budget also proposes to impose appropriate Congressional oversight of OFR functions by subjecting its activities to the annual appropriations process beginning in FY 2021.

1.1 – Resource Detail Table

Dollars in Thousands

Office of Financial Research Budgetary Resources	FY 2018		FY 2019		FY 2020		FY 2019 to FY 2020			
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
Revenue/Offsetting Collections										
Assessments ¹		\$49,444		\$62,995		\$59,748		(\$3,247)		-5%
Interest		\$823		\$1,175		\$1,254		\$79		7%
Recovery of Prior Year Paid Obligations		\$22		\$31		\$31		\$0		0%
Recovery of Prior Year Unpaid Obligations		\$6,243		\$3,727		\$3,428		(\$299)		-8%
Restoration of Sequestration Rescission		\$5,394		\$3,418		\$3,979		\$561		16%
Unobligated Balances from Prior Years		\$65,134		\$47,728		\$39,824		(\$7,904)		-17%
Offsetting Collections		\$111		\$0		\$0		\$0		NA
Total Revenue/Offsetting Collections		\$127,171		\$119,074		\$108,264		(\$10,810)		-9%
Expenses/Obligations										
Data Center	42	\$15,967	10	\$6,010	12	\$6,796	2	\$786	20.00%	13%
Technology Center	52	\$23,530	61	\$34,162	63	\$32,218	2	(\$1,944)	3.28%	-6%
Research and Analysis Center	42	\$12,302	29	\$13,180	36	\$14,274	7	\$1,094	24.14%	8%
Operations and Support Services	49	\$24,226	30	\$21,919	34	\$21,983	4	\$64	13.33%	0%
Total Expenses/Obligations	185	\$76,025	130	\$75,271	145	\$75,271	15	\$0	11.54%	0%
Sequestration Reduction		(\$3,418)		(\$3,979)		\$0		\$3,979		
Net Results		\$47,728		\$39,824		\$32,993		(\$6,831)		-17%

1) The OFR is financed through assessments on certain bank holding companies and nonbank financial companies. See Treasury’s final rule and interim final rule governing the Assessments process: https://www.financialresearch.gov/strategy-budget/files/final_rule_interim_final_rule.pdf

2) The funding for the first six months of operating expenses and 12 months of capital expenses are reflected in Unobligated Balances from Prior Years. This is because the first assessment covering the fiscal year beginning October 1 is collected on September 15 of the prior fiscal year. This makes it appear as though large amounts of unobligated balances went unused, when in fact very little, if any, of those balances were from under execution.

C – Vision, Priorities, and Context

The OFR, or Office, resides within the Department of the Treasury (Treasury). In carrying out its mission, the OFR seeks to support achievement of a transparent, efficient, and stable financial system. The OFR’s work contributes to the efforts of the regulatory community, the Treasury, and the Congress to make informed and comprehensive policies and take actions that will strengthen the financial system. This work is dependent on data, which the OFR obtains from member agencies, commercial data providers, publicly available data sources, and financial

companies in support, and at the direction, of the Council. The OFR obtains data from the financial regulators and financial companies either voluntarily, or, where necessary, using its rulemaking authority. It may also subpoena data. For example, the OFR has scores of agreements with other regulators to obtain, among other things, information about bank stress testing and information about risks in private funds. In addition, the OFR obtains information from specific firms under consideration by the Council for heightened supervision. Finally, the OFR recently promulgated a rule that will collect information about transactions in the securities repurchase agreements market. In addition, the OFR is authorized to, and does, provide certain data to the regulatory community, the Treasury, financial industry participants, and the general public to increase market transparency and facilitate monitoring of and research on the financial system.

Using this data, the Office monitors the financial environment for the emergence of new vulnerabilities and migration of financial activity that could threaten financial stability. The Office takes an objective position to evaluate macroprudential policies and assess financial stability risks and sources of resilience, advocate for needed data standards, help the regulatory community enhance its peripheral vision, and produce work that may have previously been beyond the reach of individual regulatory agencies and other important stakeholders. In addition to developing standards for data collection, the Office facilitates the development of standards for financial data so that a common language and way of describing institutions and activities in our markets are used globally. By law the OFR is required to create a legal entity identifier database, and has done so by establishing a global system that currently identifies over 1.4 million firms. We are also working with Council member agencies and global coordinating bodies to develop standards for transaction identification, instrument classification, and critical data elements in the derivatives markets.

In the OFR Strategic Plan for FY 2015-2019, the OFR established three strategic goals that reflect its primary functions in data and analysis, data standardization, and research.¹ The plan will continue to guide the Office's work and will support the decisions made about resources needed to implement those strategies while a new OFR Strategic Plan for FY 2020-2024 is drafted with a targeted publication date of FY 2019 Q4. The three goals in the current OFR Strategic Plan are:

1. The OFR is an essential source of data and analysis for monitoring threats to financial stability.

Key objectives of this goal include:

- The OFR's monitoring tools and analyses are widely used and critical to assessing financial stability.
- Data used to monitor financial stability are comprehensive, reliable, and accessible to policy makers and the public through the OFR.

¹ See the OFR Strategic Plan for FY 2015-2019: <http://financialresearch.gov/strategy-budget/files/Office-of-Financial-Research-Strategic-Plan-2015-2019.pdf>.

- Data providers and the public trust, acknowledge, and recognize that OFR data are protected and secure.

2. Standards that improve the quality and utility of financial data are identified and adopted.

Key objectives of this goal include:

- Recognition of the need for standards by policy makers and industry.
- The OFR is the source of expert knowledge needed to develop and implement types and formats of data reported and collected.
- Financial data standards that create efficiencies and facilitate analysis are widely used.

3. Leading edge research improves financial stability monitoring and the scope and quality of financial data, and informs policy and risk management.

Key objectives of this goal include:

- The OFR is the recognized center for objective, innovative research on financial stability.
- OFR research is widely cited and used to improve policy making, risk management, financial stability, and the scope and quality of financial data.

Specific OFR priorities for FY 2019 and FY 2020 that support the three strategic goals include:

1. Collecting data on centrally-cleared funding transactions in the U.S. repurchase agreement (repo) market to support expanded monitoring of this market and calculation of certain reference rates, particularly the Secured Overnight Financing Rate which is planned as an alternative to LIBOR (USD London Interbank Offered Rate).
2. Developing and launching a short-term funding monitor, which will display the data referenced above along with other data on the repo market, to provide the OFR, FSOC member agencies, and the public with essential insight into this market, which is critical to the provision of liquidity and was at the center of the financial crisis.
3. Publishing the OFR Annual Report, including the assessment of risks to financial stability and key findings from the OFR's research and analysis.
4. Continuing to expand and enhance the OFR's support of the FSOC.
5. Advancing the development and use of industry-wide data standards.

1.2 – Budget Adjustments Table

Dollars in Thousands

Office of Financial Research	FTE	Amount
FY 2019 President's Budget	140	\$75,271
Changes to Base:		
Program Decrease	(10)	\$0
FTE Adjustment	(10)	\$0
Revised FY 2019 Estimated	130	\$75,271
Initiative Annualization	15	\$1,633
Staff Restructuring	15	\$1,633
Efficiency Savings	0	(\$1,633)
Administrative Cost Savings	0	(\$1,633)
Subtotal Changes to Base	15	\$0
FY 2020 Estimated	145	\$75,271

D – Budget Increases and Decreases Description

Program Increases..... +\$1,633,000 / +15 FTE

Staff Restructuring +\$1,633,000 / +15 FTE

The OFR anticipates it may take 12 to 18 months to backfill critical positions left vacant due to a hiring freeze and a recently completed Reduction in Force. Such positions should be backfilled by late FY 2019 or early FY 2020, resulting in an increase of 15 FTE from FY 2019 to FY 2020. The OFR anticipates near-term steady-state FTE of 145 as a result of the organizational realignment.

Program Efficiencies..... -\$1,633,000 / -0 FTE

Administrative Cost Savings -\$1,633,000 / -0 FTE

With the completion of the organizational realignment, the Office will continue to realize savings from lower administrative costs, and reduced supplies and equipment purchases. In FY 2020, reduced non-labor costs will enable the OFR to backfill critical positions. See Program Increases.

1.3 – Operating Levels Table

Dollars in Thousands

Office of Financial Research Object Classification	FY 2018 Actual	FY 2019 Estimated	FY 2020 Estimated
11.1 - Full-time permanent	31,136	20,036	21,965
11.3 - Other than full-time permanent	299	208	379
11.5 - Other personnel compensation	421	213	403
11.8 - Special personal services payments	229	120	5
11.9 - Personnel Compensation (Total)	32,085	20,577	22,752
12.0 - Personnel benefits	10,908	7,795	8,559
13.0 - Benefits for former personnel	65	1,306	0
Total Personnel and Compensation Benefits	\$43,058	\$29,678	\$31,311
21.0 - Travel and transportation of persons	147	245	265
23.3 - Communication, utilities, and misc charges	131	135	141
24.0 - Printing and reproduction	8	24	25
25.1 - Advisory and assistance services	16,964	19,725	18,875
25.2 - Other services from non-Federal sources	735	785	755
25.3 - Other goods and services from Federal sources	5,433	9,785	8,795
25.7 - Operation and maintenance of equip	3,220	3,701	3,705
26.0 - Supplies and materials	5,649	7,458	7,535
31.0 - Equipment	680	3,735	3,864
Total Non-Personnel	32,967	45,593	43,960
New Budgetary Resources	\$76,025	\$75,271	\$75,271
FTE	185	130	145

1) Personnel compensation and benefits include direct OFR staff members only. Object Classification 25.3, "Other goods and services from Federal sources," and expenditures of "Operations and Support Services" include reimbursable support received from Treasury's Departmental Offices; personnel benefits services from the Office of the Comptroller of the Currency; and services from Treasury's Bureau of the Fiscal Service Administrative Resource Center, including human resource, procurement, travel, and financial management services.

E – Appropriations Language and Explanation of Changes

The OFR receives no appropriations from Congress.

F – Legislative Proposals

The Budget proposes to impose appropriate Congressional oversight of OFR functions by subjecting its activities to the annual appropriations process beginning in FY 2021.

Section II – Annual Performance Plan and Report

A – Strategic Alignment

The OFR seeks to promote financial stability by delivering high-quality financial data standards, research, and analysis to the FSOC and the public. This mission is in direct alignment with Treasury’s Strategic Plan for FY 2018-2022 under the following goals and objectives:

- Goal 1 - Boost U.S. Economic Growth
 - Objective 1.2 – Strong Economic Fundamentals
- Goal 2 - Promote Financial Stability
 - Objective 2.4 – Financial Sector Critical Infrastructure and Cybersecurity

With the publication of the Treasury Strategic Plan for FY 2018-2022, the Treasury will work in FY 2019 to baseline its performance against the new strategic objectives. This could result in additional changes to performance measures in the 2021 Budget.

The OFR reviews its performance measures annually and revises them, if appropriate, to ensure their continued usefulness for management decision-making and improved results.

The OFR’s efforts, working with the FSOC, the Treasury, and other important stakeholders, will help drive toward the vision of a stable, transparent, and efficient financial system.

Key areas of focus will be in monitoring risks to financial stability and in developing and introducing new tools for the OFR, FSOC members, and the public to use in monitoring those risks.

Other focus areas include research and policy analysis that promote informed decision-making for policies that balance the need of stability with the need for efficient and effective regulation, supporting the Treasury’s objective of Strong Economic Fundamentals. In all of these areas, high quality data and strong research expertise, supported by strong information technology (IT), are essential. The OFR will continue its efforts to promote, identify, and implement financial data standards to improve the quality, scope, and accessibility of financial data. Two important initiatives will be the ongoing data collection covering centrally-cleared repo agreements and support for the Secured Overnight Financing Rate planned as an alternative to LIBOR.

Finally, the OFR will continue to publish its statutorily-mandated Annual Report that assesses the state of the U.S. financial system and presents key findings from the OFR’s research.

B – Data Center

(\$6,796,000 from Assessments):

Following reshaping, the Data Center seeks new ways to promote and share the OFR’s data and data analytic products with external stakeholders and promotes the development and use of data standards to improve upon the acquisition and sharing of data across the regulatory system.

Data Standards

One of the OFR’s strategic goals is to identify and adopt standards that improve the quality and utility of financial data. Standards for financial data will benefit regulators and financial market

participants by making data aggregation easier, improving analysis, and reducing data collection costs. The OFR monitors progress through the following key performance indicators. Note that these are not measures but indicators because the OFR, through mechanisms such as its leadership in standards and regulatory oversight bodies and providing technical guidance to other regulators, can influence these metrics but cannot directly control them.

- Number of Legal Entity Identifiers (LEIs) Issued Cumulatively in the United States and Internationally – This indicator tracks the progress over time in industry’s use of the LEI.
- Number of Times That Financial Data Standards are Incorporated in Rules and Regulations – This data point serves as an indicator of regulators’ awareness of the importance of data standards and the extent to which data standards are being adopted in rules and regulations.

2.1.1 – Data Center Resources and Measures

Dollars in Thousands

Resource Level	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
	Actual	Actual	Actual	Actual	Actual	Estimated	Estimated
Expenses/Obligations	\$46,940	\$17,240	\$16,477	\$17,833	\$15,967	\$6,010	\$6,796
Budget Activity Total	\$46,940	\$17,240	\$16,477	\$17,833	\$15,967	\$6,010	\$6,796
FTE	90	51	37	44	42	10	12

Measure	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
	Actual	Actual	Actual	Actual	Actual	Target	Target
Number of LEIs Issued Cumulatively in the United States and Internationally	N/A	395,861	395,861	587,941	1,300,832		
Number of Times That Financial Data Standards are Incorporated in Rules and Regulations	N/A	2	9	4	1		

C – Technology Center

(\$32,218,000 from Assessments):

The Technology Center provides mission-critical analytic services to support the OFR’s work with complex, sensitive financial data and the Office’s research and analysis activities. A result of the restructuring is that the Technology Center is now also responsible for collecting, validating, maintaining, and disseminating all data necessary to achieve the OFR mission. In addition, the Technology Center is responsible for safeguarding data and systems, and managing all IT capabilities within the OFR. These responsibilities include computing and analytic platforms, software, telecommunications, client applications, and office automation solutions.

The OFR has internal performance measures for this activity, however they are not public because the measures contain sensitive information.

2.1.2 – Technology Center Resources and Measures

Dollars in Thousands

Resource Level	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
	Actual	Actual	Actual	Actual	Actual	Estimated	Estimated
Expenses/Obligations	0	\$30,970	\$32,132	\$29,235	\$23,530	\$34,162	\$32,218
Budget Activity Total	0	\$30,970	\$32,132	\$29,235	\$23,530	\$34,162	\$32,218
FTE	0	51	61	63	52	61	63

D – Research and Analysis Center

(\$14,274,000 from Assessments):

The Research and Analysis Center conducts research and analysis on systemic risk, macroprudential policy, and financial stability. Working closely with the FSOC, the Treasury, other key stakeholders, the Financial Research Advisory Council, and experts from around the globe, the OFR collaboratively identifies important issues that need to be addressed and focuses its resources on delivering impactful results in areas such as a LIBOR alternative and a multi-factor approach for determining bank regulatory thresholds.

Leading Edge Research and Monitoring Threats to Financial Stability

The Research and Analysis Center contributes to the achievement of two of the OFR’s three strategic goals: (1) Leading edge research improves financial stability monitoring and the scope and quality of financial data, and informs policy and risk management; and (2) The OFR is an essential source of data and analysis for monitoring threats to financial stability. Historically, the OFR has reported output measures, such as the numbers of publications and monitoring tools. However, these measures did not reflect the OFR’s progress in meeting stakeholder needs for research and analysis work, which is a top priority. As such, moving forward, the OFR will discontinue public reporting of such output metrics in recognition that producing greater quantity does not always further the agency’s goals. The OFR has begun its next five-year strategic planning effort, targeted for completion in FY 2019 Q4. A key part of the planning process is establishing strategic goals and objectives that are both meaningful and measurable. The OFR is currently reviewing measurement approaches such as more sophisticated website monitoring of product usage and direct outreach to external stakeholders in the financial community. The OFR is targeting FY 2020 to introduce new measures, concurrent with the implementation of its new five-year strategic plan

2.1.3 – Research and Analysis Center Resources and Measures

Dollars in Thousands

Resource Level	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
	Actual	Actual	Actual	Actual	Actual	Estimated	Estimated
Expenses/Obligations	\$7,700	\$10,396	\$14,239	\$15,605	\$12,302	\$13,180	\$14,274
Budget Activity Total	\$7,700	\$10,396	\$14,239	\$15,605	\$12,302	\$13,180	\$14,274
FTE	33	43	54	53	42	29	36

E – Operations and Support Services

(\$21,983,000 from Assessments):

The category “Operations and Support Services” contains the activities of the Director’s Office, Operations, External Affairs, and Chief Counsel. The category includes support provided

through a shared services model and reimbursable arrangements with Treasury’s Departmental Offices; personnel benefits services from the Office of the Comptroller of the Currency; and services from Treasury’s Bureau of the Fiscal Service Administrative Resource Center, including services related to human resources, procurement, travel, and financial management.

2.1.4 – Operations and Support Services Resources and Measures

Dollars in Thousands

Resource Level	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
	Actual	Actual	Actual	Actual	Actual	Estimated	Estimated
Expenses/Obligations	\$26,626	\$26,110	\$32,026	\$26,533	\$24,226	\$21,919	\$21,983
Budget Activity Total	\$26,626	\$26,110	\$32,026	\$26,533	\$24,226	\$21,919	\$21,983
FTE	43	49	56	59	49	30	34

The OFR has no capital investments. Capital investments that support OFR are included in the Departmental Offices plan. A summary of capital investment resources, including major IT and non-IT investments can be found at:

<http://www.treasury.gov/about/budget-performance/Pages/summary-of-capital-investments.aspx>

This website contains a digital copy of this document.