

Department of the Treasury  
Financial Stability Oversight  
Council

Congressional Budget  
Justification and Annual  
Performance Report and Plan

FY 2020

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## Section I – Budget Request

### A – Mission Statement

To identify risks to the financial stability of the United States, to promote market discipline, and to respond to emerging threats to the stability of the U.S. financial system.

### B – Summary of the Request

The Financial Stability Oversight Council (FSOC or Council) is estimating a fiscal year (FY) 2020 funding level of \$10.487 million, which is flat with its FY 2019 estimated funding level. This request includes \$6.186 million for the FSOC Secretariat and the Office of the Independent Member with Insurance Expertise, and \$4.301 million to reimburse the Federal Deposit Insurance Corporation (FDIC) for certain expenses as required by law. On March 6, 2019, the Council approved a notice of proposed interpretive guidance and request for public comment regarding nonbank financial company determinations. The proposal includes changes to make FSOC decision-making procedures more transparent, efficient, and effective. The Budget also proposes to impose appropriate Congressional oversight of Council functions by subjecting its activities to the annual appropriations process beginning in FY 2021.

### 1.1 – Resource Detail Table

Dollars in Thousands

Financial Stability Oversight Council Budgetary Resources	FY 2018		FY 2019		FY 2020		FY 2019 to FY 2020			
	Actual		Estimated		Estimated		\$ Change		% Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
<b>Revenue/Offsetting Collections</b>										
Assessments <sup>1</sup>		\$6,742		\$8,590		\$8,147		(\$443)		-5%
Interest		\$112		\$160		\$171		\$11		7%
Recovery of Prior Year Paid Obligations		\$3		\$4		\$4		\$0		0%
Recovery of Prior Year Unpaid Obligations		\$851		\$508		\$467		(\$41)		-8%
Restoration of Sequestration Rescission		\$735		\$466		\$543		\$77		17%
Unobligated Balances from Prior Years		\$8,882		\$7,731		\$6,429		(\$1,302)		-17%
<b>Total Revenue/Offsetting Collections</b>		<b>\$17,325</b>		<b>\$17,459</b>		<b>\$15,761</b>		<b>(\$1,698)</b>		<b>-10%</b>
<b>Expenses/Obligations</b>										
FSOC	13	\$4,966	18	\$6,186	18	\$6,186	0	\$0	NA	NA
FDIC	0	\$4,162	0	\$4,301	0	\$4,301	0	\$0	NA	NA
<b>Total Expenses/Obligations</b>	<b>13</b>	<b>\$9,128</b>	<b>18</b>	<b>\$10,487</b>	<b>18</b>	<b>\$10,487</b>	<b>0</b>	<b>\$0</b>	<b>NA</b>	<b>NA</b>
Sequestration Reduction		(\$466)		(\$543)		\$0		\$543		
<b>Net Results</b>		<b>\$7,731</b>		<b>\$6,429</b>		<b>\$5,274</b>		<b>(\$1,155)</b>		<b>-18%</b>

1) The FSOC and FDIC reimbursements are 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](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 the 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 Council is chaired by the Secretary of the Treasury and consists of 10 voting members and five nonvoting members who serve in an advisory capacity. The Council brings together the expertise of the federal financial regulators, an insurance expert appointed by the President, and state regulators.

The Council's three statutory purposes are to:

- 1) 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) promote market discipline, by eliminating expectations on the part of shareholders, creditors, and counterparties of such companies that the Government will shield them from losses in the event of failure; and
- 3) respond to emerging threats to the stability of the U.S. financial system.

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.

Over the next year, the Council will continue to: monitor the financial system for emerging risks; facilitate interagency cooperation to identify and analyze emerging threats; facilitate information sharing and interagency coordination with respect to various regulatory initiatives; and consider comments it receives on its notice of proposed interpretive guidance regarding nonbank financial company determinations.

Over the last year, the Council continued to identify and monitor potential risks to U.S. financial stability; fulfilled its statutory requirements, including transmission of its eighth annual report to Congress; and served as a forum for coordination among member agencies. In FY 2018, the Council rescinded its one remaining nonbank financial company determination.

By law, the Council is required to convene no less than quarterly, but the Council has convened on a more frequent basis to share information on key financial developments, coordinate regulatory implementation, and monitor progress on recommendations from the Council's annual reports. In FY 2018, the Council convened seven times. The Council will continue to remain focused on identifying near-term threats and addressing structural vulnerabilities in the financial system. Transparency into Council work has routinely been provided through an annual report to Congress, periodic Congressional testimony on Council activities and emerging threats to financial stability, and regular communications with the public about Council activities and decisions.

The Council is an executive agency and is not an office or bureau of the Department of the Treasury (Treasury). However, by law, the Council's expenses (and, indirectly, FDIC reimbursements) are considered expenses of the Office of Financial Research, an office within Treasury.

### ***FDIC Reimbursement***

By law, the Council's expenses include reimbursement of certain reasonable implementation expenses incurred by the FDIC in implementing Orderly Liquidation Authority. The FDIC must periodically submit requests for reimbursement to the Chairperson of the Council, who shall arrange for prompt reimbursement to the FDIC. FDIC expenses are for rule writing and resolution planning.

## 1.2 – Budget Adjustments Table

Dollars in Thousands

Financial Stability Oversight Council	FTE	Amount
<b>FY 2019 Estimated</b>	<b>18</b>	<b>\$11,054</b>
<b>Changes to Base:</b>		
Program Decrease:	0	(\$567)
Labor Adjustment	0	(\$279)
Non-labor Adjustment	0	(\$288)
<b>Revised FY 2019 Estimate</b>	<b>18</b>	<b>\$10,487</b>
<b>Total FY 2020 Estimated</b>	<b>18</b>	<b>\$10,487</b>

## D – Budget Increases and Decreases Description

The FSOC does not anticipate any program changes in FY 2020.

## 1.2 – Operating Levels Table

Dollars in Thousands

Financial Stability Oversight Council Object Classification	FY 2018 Actual	FY 2019 Estimated	FY 2020 Estimated
11.1 - Full-time permanent	1,773	2,165	2,165
11.3 - Other than full-time permanent	173	175	175
11.5 - Other personnel compensation	33	37	37
<b>11.9 - Personnel Compensation (Total)</b>	<b>1,979</b>	<b>2,377</b>	<b>2,377</b>
12.0 - Personnel benefits	630	739	739
<b>Total Personnel and Compensation Benefits</b>	<b>\$2,609</b>	<b>\$3,116</b>	<b>\$3,116</b>
21.0 - Travel and transportation of persons	33	55	55
25.1 - Advisory and assistance services	1,998	2,332	2,332
25.2 - Other services from non-Federal sources	14	17	17
25.3 - Other goods and services from Federal sources	4,162	4,635	4,635
25.7 - Operation and maintenance of equip	0	0	0
26.0 - Supplies and materials	156	179	179
31.0 - Equipment	141	153	153
32.0 - Land and structures	10	0	0
43.0 - Interest and dividends	5	0	0
<b>Total Non-Personnel</b>	<b>6,519</b>	<b>7,371</b>	<b>7,371</b>
<b>New Budgetary Resources</b>	<b>\$9,128</b>	<b>\$10,487</b>	<b>\$10,487</b>
<b>FTE</b>	<b>13</b>	<b>18</b>	<b>18</b>

<sup>1</sup> Object Class 25.3 includes FDIC reimbursement.

## E – Appropriations Language and Explanation of Changes

The FSOC receives no appropriations from Congress.

## F – Legislative Proposals

The Budget proposes to impose appropriate Congressional oversight of Council 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 FSOC supports the Department of the Treasury’s Strategic Plan for FY 2018-2022 as follows:

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

### **B – Financial Stability Oversight Council**

*(\$6,186,000 from Assessments):*

There are no measures specified for managing Council performance. The FSOC’s annual reports and other public documents, as well as individual Council member agencies’ performance documents, provide information to the public relevant to the Council’s performance.

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.

#### **2.1.1 – Financial Stability Oversight Council 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	\$7,660	\$6,236	\$7,157	\$5,655	\$4,966	\$6,186	\$6,186
Budget Activity Total	\$7,660	\$6,236	\$7,157	\$5,655	\$4,966	\$6,186	\$6,186
FTE	23	22	22	17	13	18	18

### **C – FDIC Reimbursement**

*(\$4,301,000 from Assessments):*

Certain FDIC expenses are treated as expenses of the Council. For additional detail, see above.

#### **2.1.2 – FDIC Reimbursement 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	\$11,592	\$7,628	\$6,571	\$5,126	\$4,162	\$4,301	\$4,301
Budget Activity Total	\$11,592	\$7,628	\$6,571	\$5,126	\$4,162	\$4,301	\$4,301
FTE	0	0	0	0	0	0	0