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

<table>
<thead>
<tr>
<th>Budgetary Resources</th>
<th>FY 2018</th>
<th>FY 2019</th>
<th>FY 2020</th>
<th>FY 2019 to FY 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue/Offsetting Collections</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assessments 1</td>
<td>$6,742</td>
<td>$8,590</td>
<td>$8,147</td>
<td>($443) -5%</td>
</tr>
<tr>
<td>Interest</td>
<td>$112</td>
<td>$160</td>
<td>$171</td>
<td>$11 7%</td>
</tr>
<tr>
<td>Recovery of Prior Year Paid Obligations</td>
<td>$3</td>
<td>$4</td>
<td>$4</td>
<td>$0 0%</td>
</tr>
<tr>
<td>Recovery of Prior Year Unpaid Obligations</td>
<td>$851</td>
<td>$508</td>
<td>$467</td>
<td>($41) -8%</td>
</tr>
<tr>
<td>Restoration of Sequestration Rescission</td>
<td>$735</td>
<td>$466</td>
<td>$543</td>
<td>$77 17%</td>
</tr>
<tr>
<td>Unobligated Balances from Prior Years</td>
<td>$8,882</td>
<td>$7,731</td>
<td>$6,429</td>
<td>($1,302) -17%</td>
</tr>
<tr>
<td>Total Revenue/Offsetting Collections</td>
<td>$17,325</td>
<td>$17,459</td>
<td>$15,761</td>
<td>($1,698) -10%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>FSOC</td>
<td>13</td>
<td>$4,966</td>
<td>18</td>
<td>$6,186 18</td>
</tr>
<tr>
<td>FDIC</td>
<td>0</td>
<td>$4,162</td>
<td>0</td>
<td>$4,301 0</td>
</tr>
<tr>
<td>Total Expenses/Obligations</td>
<td>13</td>
<td>$9,128</td>
<td>18</td>
<td>$10,487 18</td>
</tr>
</tbody>
</table>

| Sequestration Reduction | ($466) | ($543) | $0 | $543 |
| Net Results            | $7,731 | $6,429 | $5,274 | ($1,155) -18% |

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
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:

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

<table>
<thead>
<tr>
<th>Financial Stability Oversight Council</th>
<th>FTE</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2019 Estimated</td>
<td>18</td>
<td>$11,054</td>
</tr>
</tbody>
</table>

Changes to Base:
- Program Decrease: 0 ($567)
- Labor Adjustment 0 ($279)
- Non-labor Adjustment 0 ($288)

Revised FY 2019 Estimate 18 $10,487

Total FY 2020 Estimated 18 $10,487

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

<table>
<thead>
<tr>
<th>Financial Stability Oversight Council</th>
<th>FY 2018 Actual</th>
<th>FY 2019 Estimated</th>
<th>FY 2020 Estimated</th>
</tr>
</thead>
<tbody>
<tr>
<td>11.1 - Full-time permanent</td>
<td>1,773</td>
<td>2,165</td>
<td>2,165</td>
</tr>
<tr>
<td>11.3 - Other than full-time permanent</td>
<td>173</td>
<td>175</td>
<td>175</td>
</tr>
<tr>
<td>11.5 - Other personnel compensation</td>
<td>33</td>
<td>37</td>
<td>37</td>
</tr>
<tr>
<td>11.9 - Personnel Compensation (Total)</td>
<td>1,979</td>
<td>2,377</td>
<td>2,377</td>
</tr>
<tr>
<td>12.0 - Personnel benefits</td>
<td>630</td>
<td>739</td>
<td>739</td>
</tr>
</tbody>
</table>

Total Personnel and Compensation Benefits $2,609 $3,116 $3,116

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

Total Non-Personnel 6,519 7,371 7,371

New Budgetary Resources $9,128 $10,487 $10,487

FTE 13 18 18

1 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, 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

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenses/Obligations</td>
<td>$7,660</td>
<td>$6,236</td>
<td>$7,157</td>
<td>$5,655</td>
<td>$4,966</td>
<td>$6,186</td>
<td>$6,186</td>
</tr>
<tr>
<td>Budget Activity Total</td>
<td>$7,660</td>
<td>$6,236</td>
<td>$7,157</td>
<td>$5,655</td>
<td>$4,966</td>
<td>$6,186</td>
<td>$6,186</td>
</tr>
<tr>
<td>FTE</td>
<td>23</td>
<td>22</td>
<td>22</td>
<td>17</td>
<td>13</td>
<td>18</td>
<td>18</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenses/Obligations</td>
<td>$11,592</td>
<td>$7,628</td>
<td>$6,571</td>
<td>$5,126</td>
<td>$4,162</td>
<td>$4,301</td>
<td>$4,301</td>
</tr>
<tr>
<td>Budget Activity Total</td>
<td>$11,592</td>
<td>$7,628</td>
<td>$6,571</td>
<td>$5,126</td>
<td>$4,162</td>
<td>$4,301</td>
<td>$4,301</td>
</tr>
<tr>
<td>FTE</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>