

Department of the Treasury
Office of Financial Research

Congressional Budget
Justification and Annual
Performance Report and Plan

FY 2021

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Section I - Budget Request

A – Mission and Vision Statement

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

Vision: A transparent, accountable, and resilient financial system.

B – Summary of the Request

The Office of Financial Research (OFR or Office) is estimating a fiscal year (FY) 2021 funding level of \$75.271 million, which is flat with its FY 2020 estimated funding level. The request supports OFR priorities without the need for increased funding. The FY 2021 Budget shifts from Operations and Support to Technology Center, Data Center, and Research and Analysis Center (RAC) will allow the OFR to focus on its legislative mandate under the Dodd-Frank Act. The budget reflects an FTE level of 145, which aligns with the workforce plan that formed the basis for OFR's recent Reduction in Force (RIF) and seeks to ensure appropriate structure for maximum efficiency. The FY 2021 Budget also proposes to impose appropriate Congressional oversight of OFR functions by subjecting its activities to the annual appropriations process beginning in FY 2022.

1.1 – Resource Detail Table

Dollars in Thousands

Budgetary Resources	FY 2019		FY 2020		FY 2021		FY 2020 to FY 2021	
	Actual		Estimate		Estimate		% Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
Revenue/Offsetting Collections								
Assessments	0	\$55,020	0	\$62,386	0	\$65,215	NA	4.5%
Interest	0	\$1,453	0	\$1,254	0	\$1,254	NA	0.0%
Recoveries	0	\$5,549	0	\$5,047	0	\$5,047	NA	0.0%
Restoration of Sequestration Rescission	0	\$3,262	0	\$3,482	0	\$3,755	NA	7.8%
Unobligated Balances from Prior Years	0	\$47,774	0	\$49,715	0	\$42,858	NA	-13.8%
Total Revenue/Offsetting Collections	0	\$113,058	0	\$121,884	0	\$118,129	NA	-3.1%
Expenses/Obligations								
Data Center	9	\$5,849	11	\$3,499	12	\$3,575	9.1%	2.2%
Technology Center	47	\$28,278	57	\$34,450	63	\$35,986	10.5%	4.5%
Research and Analysis Center	24	\$8,238	31	\$14,111	36	\$14,290	16.1%	1.3%
Operations and Support Services	25	\$17,496	29	\$23,211	34	\$21,420	17.2%	-7.7%
Total Expenses/Obligations	105	\$59,861	128	\$75,271	145	\$75,271	13.3%	0.0%
Sequestration Reduction		(\$3,482)		(\$3,755)		\$0		
Net Results	105	\$49,715	128	\$42,858	145	\$42,858	13.3%	0.0%

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.

1.2 – Budget Adjustments Table

Dollars in Thousands

	FTE	Amount
FY 2020 Estimated	128	\$75,271
Changes to Base:		
Program Increases:	17	\$2,155
Increased Staffing	17	\$2,155
Non-Recurring Costs	0	(\$2,155)
Subtotal Changes to Base	17	\$0
FY 2021 Current Services	145	\$75,271
Program Changes:		
Subtotal Changes to Base	0	\$0
FY 2021 Estimate	145	\$75,271

C – Budget Increases and Decreases Description

Program Increases+\$2,155,000 / +17 FTE

Increased Staffing \$+2,155,000 / +17 FTE

In the wake of higher than anticipated attrition rates after the RIF conducted in FY 2019, 17 FTEs are returned in the FY 2021 request relative to FY 2020. OFR will continue to fill positions that OFR identified pre-RIF as critical to the OFR's future state and will fill critical vacancies created by attrition.

Non-Recurring Costs-\$2,155,000 / +0 FTE

Non-Recurring Costs -\$2,155,000 / +0 FTE

One-time costs related to post-RIF contractor staffing and space reconfiguration, as well as certain technology support costs, will non-recur.

1.3 – Object Classification (Schedule O) Obligations

Dollars in Thousands

Object Classification	FY 2019 Actual Obligations	FY 2020 Estimated Obligations	FY 2021 Estimated Obligations
11.1 - Full-time permanent	17,870	21,872	23,381
11.3 - Other than full-time permanent	5	0	0
11.5 - Other personnel compensation	374	0	0
11.9 - Personnel Compensation (Total)	18,249	21,872	23,381
12.0 - Personnel benefits	6,929	9,374	10,020
13.0 - Benefits for former personnel	820	0	0
Total Personnel and Compensation Benefits	\$25,998	\$31,246	\$33,401
21.0 - Travel and transportation of persons	164	386	415
22.0 - Transportation of things	1	0	0
23.3 - Communication, utilities, and misc charges	69	140	80
24.0 - Printing and reproduction	13	0	0
25.1 - Advisory and assistance services	15,810	6,284	6,515
25.2 - Other services	20	9,321	6,918
25.3 - Other purchases of goods & serv frm Govt accounts	6,655	14,686	14,687
25.4 - Operation and maintenance of facilities	0	89	89
25.7 - Operation and maintenance of equip	4,445	1,967	2,007
26.0 - Supplies and materials	6,187	7,704	7,612
31.0 - Equipment	329	3,448	3,547
32.0 - Land and structures	170	0	0
Total Non-Personnel	33,863	44,025	41,870
Total Budgetary Resources	\$59,861	\$75,271	\$75,271

Full-time Equivalents (FTE)	105	128	145
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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.

D – Appropriations Language and Explanation of Changes

The OFR receives no appropriations from Congress.

E – 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 2022.

Section II – Annual Performance Plan and Report

A – Strategic Alignment

The OFR was established by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 to assist the Financial Stability Oversight Council (FSOC) and Congress through research, analytic tools, and data-related support on issues related to financial stability. The OFR's efforts, focused through consultation with the FSOC, the Department of the Treasury, and other important stakeholders, will help drive toward the vision of a stable, transparent, and efficient financial system.

The OFR's mandated work is in direct alignment with Treasury's Strategic Plan for FY 2018-2022 under the following goals:

- Goal 2 - Promote Financial Stability
- Goal 5 - Achieve Operational Excellence

OFR priorities for FY 2020 and FY 2021 that support these strategic goals include:

1. Conducting relevant research and providing timely financial stability analysis and data products to FSOC, Congress, and the Public.
2. Administering highly secure and efficient service-oriented technology, data collection, data management, and data mandate-oriented programs; continuing engagement as an essential source of standards expertise and becoming a source of standardized data necessary for financial stability risk measurement and monitoring.
3. Strengthening management accountability and employee engagement to continuously improve support for the Financial Stability Oversight Council (FSOC) and its member agencies.

OFR's first two priorities for fiscal years 2020 and 2021 contribute to Treasury's Goal 2: Promote Financial Stability. The focus will be in monitoring risks to financial stability and in enhancing and expanding tools for the OFR, FSOC members, and the public to use in monitoring those risks. Another key area of focus for the OFR will be to provide research and policy analysis that informs decision-makers and balances the need for stability with the need for efficient and effective regulation. The OFR will also continue its work to identify and fill financial data gaps; and to develop and implement financial data standards. Data standards underpin the quality and comparability of financial data needed for regulatory oversight work.

Specific examples of this work include the OFR's ongoing data collection of centrally-cleared repo agreements as well as support for the Secured Overnight Financing Rate planned as an alternative to The London Inter-bank Offered Rate. The OFR will also 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 in addition to assisting the FSOC Secretariat with data, analysis, and other resources needed for its annual report to Congress. Across all of the OFR's work, high quality data and strong research expertise, supported by strong information technology (IT), are essential.

The OFR's third priority aligns with Treasury's Goal 5: Achieve Operational Excellence. As a result of an organization-wide reexamination conducted in FY 2018, the OFR completed a

workforce reshaping in FY 2019. At the end of FY 2019, a new Director was appointed to lead the Office. The Director implemented a broad human capital strategy to strengthen management accountability and employee engagement. In recognition that organizational excellence is necessary for the OFR to achieve its mission, work slated for FY 2020 and FY 2021 include initiatives related to the Employee Viewpoint Survey, internal communications, process improvements, and performance management, among others.

The OFR is in the process of finalizing its FY 2020-2024 Strategic Plan and has made additions to its performance measures to better capture progress in some of the areas described above. With the upcoming publication of its strategic plan, the OFR may add or refine performance measures and indicators to the FY 2022 Budget.

B – Budget and Performance by Budget Activity

2.1.1 – Data Center Resources and Measures

Dollars in Thousands

Resource Level	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2020 Estimate	FY 2021 Estimate
Expenses/Obligations	\$17,240	\$16,477	\$17,833	\$15,967	\$5,849	\$3,499	\$3,575
Budget Activity Total	\$17,240	\$16,477	\$17,833	\$15,967	\$5,849	\$3,499	\$3,575
Full-time Equivalents (FTE)	51	37	44	42	9	11	12

Note: In FY 2015 and prior, the Data and Technology Centers jointly referred to as the Data Center.

Measure	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2019 Target	FY 2020 Target	FY 2021 Target
Number of LEIs Issued Cumulatively in the United States and Internationally	395,861	464,412	587,941	1,300,832	1,487,695	I	I	I
Number of Times That Financial Data Standards are Incorporated in Rules and Regulations	2	9	4	1	1	I	I	I

Key: I – Indicator

Data Center

(\$3,575,000 from Assessments):

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 the quality and sharing of data across the regulatory system. As a result of recent restructuring, the Data Center's data operations functions transitioned to the Technology Center, which is now responsible for collecting, validating, safeguarding, and disseminating financial data necessary to achieve OFR's mandate. The Data Center's efforts are divided into two major focus areas, Data Products and Data Standards.

Data Products

The Data Products Team, created during the restructuring, develops new and innovative financial stability monitoring tools. The team also identifies enhancements to existing tools that meet the needs of OFR's stakeholders.

Product managers will oversee a portfolio of data products designed to monitor stability in the financial markets. Stakeholder liaisons will continue the OFR's engagement with the FSOC

Secretariat, FSOC member agencies, the financial services industry, and others to ensure OFR's data products meet stakeholders' needs as well as get a better understanding of unmet or underserved data needs.

The OFR envisions its data products as high-quality monitoring tools to be used by key stakeholders, such as the FSOC and its members, members of Congress, financial industry participants, academics, the news media, and the public. Current tools include four online monitors, described in more detail below in Section D on Evidence-Building Activity. In FY 2020 and FY 2021, the OFR will continue to enhance existing products.

Data Standards

The Data Center leads work on the OFR's priority to continue engagement as an essential source of standards expertise necessary for financial stability risk measurement and monitoring. 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.

Data Center Description of Performance:

- Number of Legal Entity Identifiers (LEIs) Issued Cumulatively in the United States and Internationally – This indicator tracks the progress over time of industry's use of the LEI. The Data Center monitors this indicator with the expectation that it will continue to rise over time. If that trend were to reverse, it would revisit its strategies for promoting the adoption of this important identifier.
- 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. Similar to the indicator above, the Data Center monitors activity in this area to determine whether relevant pending rules and regulations incorporate financial data standards as appropriate.

During FY 2019, the number of LEIs issued continued its upward trend, increasing by approximately 14 percent from the prior year. The Data Center will continue its strategy of engagement with financial data standards-setting organizations.

For FY 2019, the OFR was directly responsible for having a financial data standard incorporated into a rule or regulation: the OFR passed a final rule to collect repurchase agreements (repo) data that includes the reporting of LEIs.

2.1.2 – Technology Center Resources and Measures

Dollars in Thousands

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Resource Level	Actual	Actual	Actual	Actual	Actual	Estimate	Estimate
Expenses/Obligations	\$30,970	\$32,132	\$29,235	\$23,530	\$28,278	\$34,450	\$35,986
Budget Activity Total	\$30,970	\$32,132	\$29,235	\$23,530	\$28,278	\$34,450	\$35,986
Full-time Equivalents (FTE)	51	61	63	52	47	57	63

Note: In FY 2015 and prior the Data and Technology Centers jointly referred to as the Data Center.

Technology Center

(\$35,986,000 from Assessments):

The OFR Technology Center provides mission-critical analytic services that support complex and sensitive financial data research for the FSOC and OFR. As a result of a recent restructuring, the Technology Center is currently responsible for collecting, validating, safeguarding and disseminating financial data necessary to achieve the OFR mission. The Center also acquires and maintains analytic platforms, software, telecommunications, client applications, and office automation solutions as required to meet the Office mission.

U.S. Centrally-Cleared Repurchase Agreement Data Collection

The OFR has begun a phased-in collection of data pursuant to a final rule regarding U.S. centrally-cleared repurchase agreements (repos), which represents the OFR's first daily data collection. The Technology Center will continue to operationalize the daily collection processes that include validation and transformation of the collected data to support business uses. This budget request provides for the needed capacity and capabilities to support this critical daily collection. The OFR intends to develop performance measures related to the data collection and series publication after establishing baseline experience during the coming year.

Cloud Transition

OFR's mission requires the use of vast amounts of data to identify financial risks while reducing the burden of regulation and direct costs to the public. During the most recent technology refresh cycle, the OFR took the opportunity to reevaluate its Information Technology systems and services, taking into account risk management and compliance practices to ensure proper protection of all managed data assets. As a result of this evaluation, an \$800,000 per year cost savings was realized by moving a large quantity of IT equipment and services to a cloud based platform. This funding has been reinvested in other OFR priorities. Future years of services are expected to result in as much as \$12 million in cost savings every four to five years compared to previous information technology refreshes upon migration to the cloud. The OFR has internal performance measures for this activity, however they are not public because the measures contain sensitive information.

2.1.3 – Research and Analysis Center Resources and Measures

Dollars in Thousands

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Resource Level	Actual	Actual	Actual	Actual	Actual	Estimate	Estimate
Expenses/Obligations	\$10,396	\$14,239	\$15,605	\$12,302	\$8,238	\$14,111	\$14,290
Budget Activity Total	\$10,396	\$14,239	\$15,605	\$12,302	\$8,238	\$14,111	\$14,290
Full-time Equivalents (FTE)	43	54	53	42	24	31	36

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2019	FY 2020	FY 2021
Measure	Actual	Actual	Actual	Actual	Actual	Target	Target	Target
Percent of Monitors Updated or Expanded During the Reporting Period (%)	N/A	N/A	N/A	N/A	N/A	N/A	90	95
Timeliness of Responses to FSOC Research and Analysis Requests (%)	N/A	N/A	N/A	N/A	N/A	N/A	90	95

Research and Analysis Center

(\$14,290,000 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, the Financial Research Advisory Council, and other key stakeholders, the OFR collaboratively identifies important issues that need to be addressed and focuses its resources on delivering impactful results.

Supporting the FSOC and Congress with Timely and Relevant Research, Analysis, and Risk monitoring tools.

The Research and Analysis Center contributes to nearly all of the OFR's priorities. In particular, the Center is focused on engaging with FSOC and others to drive its research agenda and to help identify the tools needed for risk monitoring. The Research and Analysis Center will also work on enhancing its existing monitoring tools. Throughout FY 2020 and FY 2021, the Research and Analysis Center will continue its direct work for the FSOC Secretariat, providing support for its annual report to Congress in the form of research, analysis, and other resources. The Center will contribute to the FSOC's transition to an activities-based approach for the non-bank designation process and will continue to respond to specific requests for research and analysis as needed.

The OFR has introduced two new measures which reflect its focus on meeting FSOC's research and analysis needs; and its priority around risk monitoring tools. As noted above, once the OFR has finalized its FY 2020-2024 Strategic Plan, it may identify additional metrics to help track progress toward its strategic goals and objectives.

Research and Analysis Center Description of Performance:

- Percent of Monitors Updated or Expanded during the Reporting Period (new): Percentage is defined as the number of monitors updated or expanded divided by the total number of monitors during the reporting period. This will be reported both quarterly and annually. This measure tracks performance on OFR's priority area related to risk monitoring tools and

also serves as an indicator that update processes are operating without issues. The data will come from internal logs.

- **Timeliness of Responses to FSOC Research and Analysis Requests (new):** Percentage is defined as the number of timely responses divided by the total number of requests, where timely is defined as by the agreed-upon date of delivery. This measure helps track performance on OFR's priority to provide timely service delivery to FSOC as OFR's primary stakeholder. The data is recorded in an excel spreadsheet recording request dates, due dates, and actual delivery dates.

2.1.4 – Operations and Support Services Resources and Measures

Dollars in Thousands

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Resource Level	Actual	Actual	Actual	Actual	Actual	Estimate	Estimate
Expenses/Obligations	\$26,110	\$32,026	\$26,533	\$24,226	\$17,496	\$23,211	\$21,420
Budget Activity Total	\$26,110	\$32,026	\$26,533	\$24,226	\$17,496	\$23,211	\$21,420
Full-time Equivalents (FTE)	49	56	59	49	25	29	34

Operations and Support Services

(\$21,420,000 from Assessments):

The category "Operations and Support Services" contains the activities of the Director's Office, Operations, 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.

Following the significant restructuring of its organization, the OFR has made organizational excellence a critical priority. Initiatives related to the Employee Viewpoint Survey, internal communications, process improvements, and performance management will be led by Operations and guided by the Director's Office and Chief Counsel. As these initiatives are planned and implemented, Operations will identify measures to track progress in these areas. As appropriate, these measures may be included in the FY 2022 request.

C – Changes in Performance Measures

Performance Measure or Indicator	Proposed Change and Justification
1. Percent of Monitors Updated or Expanded during the Reporting Period (new)	Percentage is defined as the number of monitors updated or expanded divided by the total number of monitors during the reporting period. This will be reported both quarterly and annually. This measure tracks performance on OFR's priority area related to risk monitoring tools and also serves as an indicator that update processes are operating without issues. The data will come from internal logs.
2. Timeliness of Responses to FSOC Research and Analysis Requests (new)	<p>Percentage is defined as the number of timely responses divided by the total number of requests, where timely is defined as by the agreed-upon date of delivery.</p> <p>This measure helps track performance on OFR's priority to provide timely service delivery to FSOC as OFR's primary stakeholder. The data is recorded in an excel spreadsheet recording request dates, due dates, and actual delivery dates.</p>

D – Evidence-Building Activity

The OFR's overall function and purpose—on behalf of the FSOC—is to provide high-quality financial data and data-driven research and analysis to inform policymakers, regulators, financial market participants, and the American public about threats to the financial stability of the U.S. In FY 2019, the OFR conducted data-driven research and analysis to deliver a report to Congress covering the following risk areas: macroeconomic, market, credit, solvency and leverage, funding and liquidity, and contagion. Similar work assessing the state of the U.S. financial system will continue during FY 2020 and beyond.

The OFR has also worked to fulfill its data-related mandates through an array of initiatives, including issuing a final rule to collect data on transactions in the \$4 trillion market for repurchase agreements (repos), which provides funding to securities dealers and others. This collection will improve transparency and risk monitoring on the market. Implementation began in FY 2019 and will continue into the next fiscal year.

The OFR has also continued its work to provide data-driven tools for risk measurement and monitoring and make them available to the public.

Current offerings include:

- **Financial Stress Index:**
The daily index supports the monitoring of stress in the financial system. It is constructed from 33 financial market indicators, such as yield spreads, valuation measures, and interest rates.
- **Financial System Vulnerabilities Monitor:**
The quarterly monitor is a heat map of 58 indicators of vulnerabilities in the financial system. It is a starting point for monitoring U.S. financial stability. It is designed to provide early warning signals of potential vulnerabilities that merit further investigation.
- **G-SIB Interactive Chart:**
The interactive online tool shows systemic importance scores and score components for global systemically important banks.
- **U.S. Money Market Fund Monitor:** The monthly monitor converts data from a Security and Exchange Commission reporting form into a user-friendly format. Users can examine individual funds and the industry as a whole.

In FY 2020 and FY 2021, the OFR will continue to produce the monitoring tools described above, and will explore the addition of new ones as appropriate.

Section III – Additional Information

A – Summary of Capital Investments

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:

<https://home.treasury.gov/about/budget-financial-reporting-planning-and-performance/budget-requestannual-performance-plan-and-reports>. This website contains a digital copy of this document.