

Financial Stability Oversight Council

Program Summary by Budget Activity

Dollars in Thousands

Budget Activity	FY 2014	FY 2015	FY 2016	FY 2015 TO FY 2016	
	Actual	Estimated	Estimated	\$ Change	% Change
Financial Stability Oversight Council	\$7,660	\$8,690	\$9,816	\$1,126	12.96%
Federal Deposit Insurance Corporation Payments	\$11,592	\$7,628	\$9,500	\$1,872	24.54%
Total Cost of Operations	\$19,252	\$16,318	\$19,316	\$2,998	18.37%
FTE	23	27	31	4	14.81%

¹ FY 2014 Actual includes \$1.5M returned to the Board of Governors of the Federal Reserve System for reimbursement of unobligated interim funding transfers made prior to July 20, 2012, pursuant to Section 155(c) of the Dodd-Frank Act. Expenses recorded in Object Class 25 - Contractual Services.

Summary

Prior to the 2008 financial crisis, the existing financial 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 Dodd-Frank 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'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, the Council has continued to evaluate whether to designate certain nonbank financial companies for Federal Reserve supervision and enhanced prudential standards, and conducted annual reviews for each of the three companies designated in 2013. The Council continued to monitor the eight financial market utilities (FMUs) that were designated as systemically important by the Council in 2012. The Council also continued to identify and monitor potential risks to U.S. financial stability; fulfilled explicit statutory requirements, including the completion of its fourth annual report to Congress; and served as a forum for discussion and coordination among the member agencies implementing the Dodd-Frank Act.

Over the next year, the Council will continue to evaluate nonbank financial companies for potential designation for Federal Reserve supervision and enhanced prudential standards; consider whether to designate additional FMUs as systemically important; monitor the financial system for risks to U.S.

financial stability; and facilitate interagency cooperation to identify and analyze potential emerging threats. The Council will also continue to facilitate interagency coordination and information sharing with respect to various regulatory initiatives.

The Council is required by the Dodd-Frank Act to convene no less than quarterly, but the Council has 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. In 2014, the Council convened 10 times. The Council will continue to remain focused on both identifying near-term threats and addressing structural vulnerabilities in the financial system. Transparency on 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 to the public about Council activities and decisions.

FSOC FY 2016 Budget Highlights

Dollars in Thousands

Financial Stability Oversight Council	FTE	Amount
FY 2015 Estimated	27	\$16,318
Changes to Base:		
Program Changes		
Program Increases	4	\$2,998
Personnel Steady State	4	\$618
Non-Personnel Steady State		\$508
FDIC Payment Adjustment		\$1,872
FY 2016 Base	31	\$19,316
FY 2016 Estimated	31	\$19,316

*Includes FDIC reimbursement

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

Explanation of Budget Activities

Financial Stability Oversight Council (\$9,816,000 from revenue/offsetting collections)

The Council has a clear statutory mandate to facilitate coordination among financial regulators and identify risks and respond to emerging threats to U.S. financial stability. The Council is not a bureau or office of the Department of the Treasury. However, under the Dodd-Frank Act, the Council's expenses are considered expenses of the Office of Financial Research, an office within the Department of the Treasury.

FDIC Payments (\$9,500,000 from revenue/offsetting collections)

Section 210(n)(10) of the Dodd-Frank Act provides that certain reasonable implementation expenses of the FDIC incurred after the enactment of the Dodd-Frank 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 rule writing and resolution planning consistent with the FDIC's implementation of its responsibilities under Title II of the Dodd-Frank Act.

Description of Performance

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