

Financial Stability Oversight Council

Congressional Justification for Appropriations and Annual Performance Report and Plan

FY 2018

Table of Contents

| | |
|---|----------|
| Section I – Budget Request | 3 |
| A – Mission Statement | 3 |
| B – Summary of the Request..... | 3 |
| 1.1 – Resource Detail Table | 3 |
| C – Vision, Priorities, and Context | 3 |
| 1.2 – Budget Adjustments Table | 5 |
| D – Budget Increases and Decreases Description..... | 5 |
| 1.3 – Operating Levels Table | 6 |
| E – Appropriations Language and Explanation of Changes | 6 |
| F – Legislative Proposals | 6 |
| Section II – Annual Performance Plan and Report | 7 |
| A – Financial Stability Oversight Council | 7 |
| 2.1.1 – Financial Stability Oversight Council Annual Performance and Report | 7 |
| B – FDIC Reimbursement..... | 7 |
| 2.1.2 – FDIC Reimbursement Annual Performance Plan and Report | 7 |

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 an FY 2018 operating level of \$12.247 million, which is 7.79 percent below its FY 2017 operating level. This request includes \$7.748 million for the FSOC Secretariat and the Office of the Independent Member with Insurance Expertise, and \$4.499 million to reimburse the Federal Deposit Insurance Corporation (FDIC) for certain expenses as required by law.

1.1 – Resource Detail Table

Dollars in Thousands

| Financial Stability Oversight Council Budgetary Resources | FY 2016 | | FY 2017 | | FY 2018 | | FY 2017 to FY 2018 | | | |
|--|-----------|-----------------|-----------|-----------------|-----------|-----------------|--------------------|------------------|---------------|----------------|
| | Actual | | Estimated | | Estimated | | Change | | % Change | |
| | FTE | AMOUNT | FTE | AMOUNT | FTE | AMOUNT | FTE | AMOUNT | FTE | AMOUNT |
| Revenue/Offsetting Collections | | | | | | | | | | |
| Assessments | | \$12,535 | | \$10,355 | | \$7,440 | | (\$2,915) | NA | -28.15% |
| Interest | | \$23 | | \$26 | | \$24 | | (\$2) | NA | -7.69% |
| Recovery of Prior Year Paid Obligations | | \$31 | | \$30 | | \$18 | | (\$12) | NA | -40.00% |
| Recovery of Prior Year Unpaid Obligations | | \$632 | | \$870 | | \$510 | | (\$360) | NA | -41.38% |
| Restoration of Sequestration Rescission | | \$811 | | \$854 | | \$716 | | (\$138) | NA | -16.16% |
| Unobligated Balances from Prior Years | | \$9,569 | | \$9,020 | | \$7,157 | | (\$1,863) | NA | -20.65% |
| Total Revenue/Offsetting Collections | | \$23,601 | | \$21,155 | | \$15,865 | | (\$5,290) | NA | -25.01% |
| Expenses/Obligations | | | | | | | | | | |
| FSOC | 22 | \$7,157 | 23 | \$8,156 | 21 | \$7,748 | (2) | (\$408) | -8.70% | -5.00% |
| FDIC | 0 | \$6,571 | 0 | \$5,126 | 0 | \$4,499 | 0 | (\$627) | NA | -12.23% |
| Total Expenses/Obligations | 22 | \$13,728 | 23 | \$13,282 | 21 | \$12,247 | (2) | (\$1,035) | -8.70% | -7.79% |
| Sequestration Rescission | | (\$854) | | (\$716) | | \$0 | | \$716 | | |
| Net Results | | \$9,019 | | \$7,157 | | \$3,618 | | (\$3,539) | | -49.45% |

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 balance line. This is because the first assessment covering the fiscal year beginning October 1 is actually 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) 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 Government will shield them from losses in the event of failure; and

3) to 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 and facilitate interagency cooperation to identify and analyze emerging threats. The Council will also continue to facilitate information sharing and interagency coordination with respect to various regulatory initiatives.

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 sixth annual report to Congress; and served as a forum for coordination among member agencies. The Council continues to evaluate its nonbank financial company determinations and financial market utility designations. In FY 2016, the Council rescinded one 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 2016, the Council convened 10 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. However, by law, the Council's expenses (and, indirectly, FDIC reimbursements) are considered expenses of the Office of Financial Research (OFR), an office within the Department of the Treasury.

FDIC Reimbursement

By law, the Council's expenses also 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 |
|---------------------------------------|-----------|-----------------|
| FY 2017 Estimated | 23 | \$13,282 |
| Changes to Base: | | |
| Total FY 2018 Base | 23 | \$13,282 |
| Program Changes: | | |
| Program Decreases | (2) | (\$1,035) |
| Personnel | (2) | (\$222) |
| Non-Personnel | | (\$186) |
| FDIC Reimbursement | | (\$627) |
| Total FY 2018 Estimated | 21 | 12,247 |

D – Budget Increases and Decreases Description

Program Decreases.....-\$1,035,000 / -2 FTE

Personnel -\$222,000 / -2 FTE

To align with the Administration’s initiative to improve Government efficiency and effectiveness, the FSOC is implementing a staffing streamlining effort to ensure appropriate levels for maximum efficiency.

Non-Personnel -\$186,000 / 0 FTE

The Council proposes to reduce administrative costs and eliminate previously-planned construction and renovation costs.

FDIC Reimbursement -\$627,000 / 0 FTE

The FDIC estimates its reimbursable expenses for FY 2018 at \$4,499,000.

1.3 – Operating Levels Table

Dollars in Thousands

| Financial Stability Oversight Council Object Classification | FY 2016 Actual | FY 2017 Estimated | FY 2018 Estimated |
|---|-------------------|----------------------|----------------------|
| 11.1 - Full-time permanent | 2,862 | 3,027 | 2,975 |
| 11.3 - Other than full-time permanent | 233 | 235 | 230 |
| 11.5 - Other personnel compensation | 34 | 35 | 34 |
| 11.9 - Total personnel compensation | 3,129 | 3,297 | 3,239 |
| 12.0 - Personnel benefits | 824 | 1,099 | 935 |
| Total Personnel and Compensation Benefits | \$3,953 | \$4,396 | \$4,174 |
| 21.0 - Travel and transportation of persons | 40 | 50 | 65 |
| 23.1 - Rental payments to GSA | (10) | 0 | 0 |
| 25.1 - Advisory and assistance services | 250 | 350 | 395 |
| 25.2 - Other services from non-Federal sources | 85 | 75 | 80 |
| 25.3 - Other goods and services from Federal sources ¹ | 8,857 | 7,851 | 6,951 |
| 26.0 - Supplies and materials | 521 | 515 | 499 |
| 31.0 - Equipment | 32 | 45 | 83 |
| Total Non-Personnel | \$9,775 | \$8,886 | \$8,073 |
| Subtotal New Budgetary Resources | \$13,728 | \$13,282 | \$12,247 |
| FTE | 22 | 23 | 21 |

¹ Includes FDIC reimbursement.

² Regarding object class 23.1, beginning in FY 2016, rental payments were no longer a direct charge to the Financial Research Fund. In FY 2016, there was a refund of prior-year activity, causing there to be an overall negative for the year.

E – Appropriations Language and Explanation of Changes

The FSOC receives no appropriations from Congress.

F – Legislative Proposals

The FSOC has no legislative proposals.

Section II – Annual Performance Plan and Report

A – Financial Stability Oversight Council

(\$7,748,000 from Assessments):

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.

The FY 2018 - 2022 Strategic Plan is currently under development. The Annual Performance Plan will be updated in the FY 2019 Budget to reflect the new priorities.

2.1.1 – Financial Stability Oversight Council Annual Performance and Report

Dollars in Thousands

| Resource Level | FY 2012 | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2018 |
|------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | Actual | Actual | Actual | Actual | Actual | Estimated | Estimated |
| Expense/Obligations | \$5,428 | \$5,679 | \$7,660 | \$6,236 | \$7,157 | \$8,156 | \$7,748 |
| Budget Activity Total | \$5,428 | \$5,679 | \$7,660 | \$6,236 | \$7,157 | \$8,156 | \$7,748 |
| FTE | 16 | 23 | 23 | 22 | 22 | 23 | 21 |

B – FDIC Reimbursement

(\$4,499,000 from Assessments):

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

2.1.2 – FDIC Reimbursement Annual Performance Plan and Report

Dollars in Thousands

| Resource Level | FY 2012 | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2018 |
|------------------------------|----------------|----------------|-----------------|----------------|----------------|----------------|----------------|
| | Actual | Actual | Actual | Actual | Actual | Estimated | Estimated |
| Expense/Obligations | \$4,716 | \$6,327 | \$11,592 | \$7,628 | \$6,571 | \$5,126 | \$4,499 |
| Budget Activity Total | \$4,716 | \$6,327 | \$11,592 | \$7,628 | \$6,571 | \$5,126 | \$4,499 |