

# Financial Stability Oversight Council

FY 2015  
President's Budget

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## **Section 1 – Purpose**

### **1A – Mission Statement**

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 has important new authorities under the Dodd-Frank Act to:

Collect information across the financial system: The Council has a duty to collect information across the financial system and to direct the OFR to collect additional information if necessary to assess risks to the financial system. The collection and analysis of that information aids the Council and OFR in their shared goal of filling gaps in our knowledge so that regulators will be better equipped to identify risks and emerging threats across the financial system.

- Designate nonbank financial companies for consolidated supervision: Before the financial crisis, some of the firms which posed the greatest risk to the financial system were not subject to adequate consolidated supervision. The Dodd-Frank Act gives the Council the authority to require consolidated supervision of nonbank financial companies, regardless of their corporate form.
- Designate financial market utilities and payment, clearing, or settlement activities as systemically important: The Dodd-Frank Act authorizes the Council to designate certain financial market utilities and payment, clearing, or settlement activities as systemically important, requiring them to meet prescribed risk management standards and submit to heightened oversight by the Federal Reserve, the Securities and Exchange Commission, or the Commodity Futures Trading Commission.
- Recommend stricter standards: The Council has the authority to recommend stricter standards for large, interconnected bank holding companies and nonbank financial companies designated by the Council for consolidated supervision. Moreover, if the Council determines that certain financial practices or activities create risks for U.S. financial markets, the Council may make recommendations to the relevant primary financial regulatory agencies to apply new or heightened standards and safeguards.
- Limit the activities of firms that pose a “grave threat” to financial stability: The Council has a significant role in determining whether action should be taken to break up a firm that poses a “grave threat” to the financial stability of the United States.

- Facilitate regulatory coordination: 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. Through this role, the Council helps eliminate gaps and weaknesses within the regulatory structure, to promote a safer and more stable financial system.

The Council is an executive agency of government and is not an office or bureau 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.

### ***Federal Deposit Insurance Corporation Payments***

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 rulewriting and resolution planning consistent with the FDIC's implementation of its responsibilities under Title II of the Dodd-Frank Act.

## **1.1 Appropriations Detail Table**

Dollars in thousands

Financial Stability Oversight Council	FY 2013		FY 2014		FY 2015		Change		% Change	
Budgetary Resources	Actual		Estimated		Estimated		FY 2014 to FY 2015		FY 2014 to FY 2015	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
<b>Revenue/Offsetting Collections:</b>										
Assessments		16,000		21,733		20,899		(834)		-4%
Interest		1		5		5		0		0%
Restoration of sequestration reduction		0		816		0		(816)		-100%
Recoveries		291		0		0		0		0%
Unobligated Balances from Prior Years <sup>A</sup>		11,303		14,773		16,490		1,717		12%
<b>Total Revenue/Offsetting Collections</b>		<b>27,595</b>		<b>37,328</b>		<b>37,394</b>		<b>67</b>		<b>0%</b>
<b>Other Resources:</b>										
FSOC Secretariat	23	5,679	25	7,673	26	7,872	1	200	4%	3%
FDIC Payment		6,327		11,600		12,500		900		8%
<b>Total Expenses/Obligations</b>	<b>23</b>	<b>12,006</b>	<b>25</b>	<b>19,273</b>	<b>26</b>	<b>20,372</b>	<b>1</b>	<b>1,100</b>	<b>4%</b>	<b>6%</b>
Sequestration Reduction		(816)		(1,565)		0		1,565		-100%
<b>Net Results</b>		<b>14,773</b>		<b>16,490</b>		<b>17,022</b>		<b>532</b>		<b>3%</b>

<sup>A</sup>The FY 2015 unobligated balance brought forward total differs from the President's Budget Appendix due to the restoration of sequestered funds from FY 2013 collections that were not included in the Appendix calculation.

## **1B –Vision, Priorities and Context**

The Council's three primary purposes under the Dodd-Frank 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 make progress in fulfilling its mandate. It made final determinations that three nonbank financial companies will be subject to Federal Reserve supervision and enhanced prudential standards. The Council continued to monitor the eight financial market utilities (FMUs) that were designated as systemically important by the Council in 2012. In November 2012, the Council issued for public comment proposed recommendations regarding reforms to money market mutual funds that would improve the stability of the industry and reduce these funds' susceptibility to runs. The Council also continued to identify and monitor potential risks to U.S. financial stability; fulfilled explicit statutory requirements, including the completion of its third 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 emerging risks; and facilitate interagency cooperation to identify and analyze potential emerging threats. The financial reforms in the Dodd-Frank Act are designed to create a more resilient financial system that is better able to absorb a wide range of shocks, whether they originate within the financial system (as with the subprime crisis of 2007), outside it (for instance in the event of an oil price shock), or a combination of the two (as was the case with the problems in the Euro area). Regulators are making progress in implementing the Dodd-Frank Act in a consistent and coordinated manner, and the reform effort has proceeded along four broad dimensions: strengthening the safety and soundness of core financial institutions; making financial markets more resilient and transparent; implementing new authorities to resolve large, complex financial institutions; and enhancing investor and consumer protections. The Council will 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 in practice 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. The Council will continue to remain focused on both identifying near-term threats and addressing structural vulnerabilities in the financial system. Transparency into Council decisions will be provided through an annual report to Congress and the public and testimony by the Chairperson on Council activities and emerging threats to financial stability.

## Section 2 – Budget Adjustments Table

### 2.1—Budget Adjustments Table

Dollars in Thousands

Financial Stability Oversight Council <sup>1</sup>	FTE	Amount
<b>FY 2014 Estimated Budget</b>	<b>25</b>	<b>\$19,273</b>
Changes to Base:		
Other Adjustments	1	\$1,100
Hiring Plan Adjustment	1	\$200
FDIC Payment Adjustment		\$900
<b>Total FY 2015 Base</b>	<b>26</b>	<b>\$20,372</b>
<b>Total FY 2015 Estimated Budget</b>	<b>26</b>	<b>\$20,372</b>

<sup>1</sup>Includes FDIC reimbursements

### 2A – Budget Increases and Decreases Description

**Other Adjustments ..... +\$1,100,000**

*Hiring Plan Adjustment +\$200,000/+1FTE*

Adjustment for Hiring Plan.

*FDIC Payment Adjustment +\$900,000/+0 FTE*

Adjustment to reflect remaining anticipated ramp-up of activities performed by the FDIC that are eligible for reimbursement.

### 2B – Appropriations Language and Explanation of Changes

The Financial Research Fund receives no appropriations from Congress.

### 2C – Legislative Proposals

The Financial Research Fund has no legislative proposals.

## 2.2— Resources Summary by Budget Activity

Dollars in Thousands

Financial Stability Oversight Council		FY 2013	FY 2014	FY 2015
Object Classification <sup>1</sup>		Actual	Estimated	Estimated
11	Full-time permanent	2,954	2,813	2,969
12	Personnel benefits	744	823	867
<b>Total Personnel and Benefits Compensation</b>		<b>3,697</b>	<b>3,636</b>	<b>3,836</b>
21	Travel and transportation of persons	40	105	105
22	Transportation of Things	5	0	0
23.1	Rental payments to GSA	123	150	150
23.3	Communication, utilities, and misc charges	21	50	50
24	Printing and reproduction	40	35	35
25.1	Advisory and Assistance Services	520	825	825
25.2	Other Services from Non-Federal Sources	20	67	67
25.3	Other Goods and Services from Federal Sources	7,299	13,870	14,770
26	Supplies and materials	232	490	490
31	Equipment	11	45	45
<b>Total Non-Personnel</b>		<b>8,309</b>	<b>15,637</b>	<b>16,537</b>
<b>Total Budgetary Resources</b>		<b>\$12,006</b>	<b>\$19,273</b>	<b>\$20,372</b>
<b>Budget Activities:</b>				
Financial Stability Oversight Council		5,679	7,673	7,872
FDIC Payment		6,327	11,600	12,500
<b>Total Budgetary Resources</b>		<b>\$12,006</b>	<b>\$19,273</b>	<b>\$20,372</b>
<b>FTE</b>		<b>23</b>	<b>25</b>	<b>26</b>

<sup>1</sup> Includes FDIC reimbursements

## Section 3 – Budget and Performance Plan Report

### 3A – Financial Stability Oversight Council

*(\$7,872,000 from assessments):*

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 chaired by the Secretary of the Treasury and consists of ten voting members, including the heads of eight federal financial regulatory agencies and an independent member with insurance expertise, and five non-voting members. The Council is an executive agency of the Federal Government and is not a bureau or office of the Department of the Treasury.

There are no measures specified for managing Council performance at this time. 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.

#### 3.1.1 - Financial Stability Oversight Council Budget and Performance Report and Plan

Dollars in Thousands

Financial Stability Oversight Council						
Resource Level	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
	Actual	Actual	Actual	Actual	Estimated	Estimated
Expenses/Obligations	\$0	\$2,921	\$5,428	\$5,679	\$7,673	\$7,872
Budget Activity Total	\$0	\$2,921	\$5,428	\$5,679	\$7,673	\$7,872

### 3B – Federal Deposit Insurance Corporation Payments

*(12,500,000 from assessments):*

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 rulewriting and resolution planning consistent with the FDIC's implementation of its responsibilities under Title II of the Dodd-Frank Act.

#### 3.1.2 - FDIC Payment Budget and Performance Report and Plan

Dollars in Thousands

FDIC Payment						
Resource Level	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
	Actual	Actual	Actual	Actual	Estimated	Estimated
Expenses/Obligations	\$0	\$0	\$4,716	\$6,327	\$11,600	\$12,500
Budget Activity Total	\$0	\$0	\$4,716	\$6,327	\$11,600	\$12,500