Financial Stability Oversight Council

Program Summary by Budget Activity

Dollars in Thosands

	FY 2012	FY 2013	FY 2014	FY 2012 to FY 2014	
	Actual	Estimated	Estimated	Change	% Change
FSOC Secretariat	$5,428	$8,883	$8,729	$3,301	60.81%
FDIC Payment	$4,716	$6,653	$10,700	$5,984	126.89%
Total Cost of Operations	**$10,144**	**$15,536**	**$19,429**	**$9,285**	**91.53%**
FTE	**16**	**26**	**29**	**13**	**81.25%**

Summary

Prior to the 2008 financial crisis, the existing 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 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 make progress in fulfilling its mandate. It has issued a final rule and guidance relating to the designation of nonbank financial companies for Federal Reserve supervision and enhanced prudential standards, and has finalized the designation of an initial set of eight systemically important financial market utilities that will be subject to enhanced risk-management standards. The Council also continued to monitor potential risks to U.S. financial stability; fulfilled explicit statutory requirements, including the completion of three reports; and served as a forum for discussion and coordination among the member agencies implementing the Act.

Over the next year, the Council will be: considering whether to designate certain nonbank financial companies to be subject to supervision by the Federal Reserve and enhanced prudential standards; considering whether to designate financial market utilities (FMUs) as systemically important;

developing and evaluating tools for monitoring the financial system for emerging risks; and facilitating interagency cooperation to identify and analyze potential emerging threats. The financial reforms in the 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 is the case with the problems in the euro area). Regulators are making progress in implementing the 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 coordination and information sharing with respect to various regulatory initiatives.

The Council is required by the Act to convene no less than quarterly, but the Council has historically 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 2012, the Council met 12 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 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.

FSOC FY 2014 Budget Highlights

Dollars in Thousands

Financial Stability Oversight Council	FTE	Amount
FY 2012 Actual	**16**	**$10,144**
FY 2013 Estimated Budget	**26**	**$15,536**
Changes to Base:		
Other Adjustments		$4,409
Hiring Plan Adjustment	3	$362
FDIC Payment Adjustment		$4,047
Subtotal FY 2013 Changes to Base	3	$4,409
Total FY 2014 Base	**29**	**$19,945**
Other Program Changes	0	($516)
Support Adjustment	0	($516)
Total FY 2014 Estimated Budget	**29**	**$19,429**

*Includes FDIC reimbursement

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

Explanation of Budget Activities

FSOC Secretariat ($8,729,000 from assessments)

The Council has a clear statutory mandate to facilitate coordination among financial regulators and identify risks and respond to emerging threats to financial stability. FSOC has ten voting members, including the Secretary of the Treasury who serves as Chairman, the heads of eight federal financial regulatory agencies, an independent member with insurance expertise, and five non-voting members. The Council is not a bureau or office of the Department of the Treasury. However, under the Act the Council's administrative expenses are considered expenses of the Office of Financial Research, an office within the Department of the Treasury.

FDIC Payments ($10,700,000 from assessments)

Section 210(n)(10) of the Act provides that certain reasonable implementation expenses of the FDIC incurred after the date of enactment of the 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 Act.

Legislative Proposals

There are no current proposals for amending the authorizing legislation.

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.