Financial Stability Oversight Council

FY 2016
President's Budget

February 2, 2015

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Section 1 – Purpose

1A – 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.

1.1 – Resource Detail Table

Dollars in Thousands

Financial Stability Oversight Council	FY 2014		FY 2015		FY 2016		FY 2015 to FY 2016			
Budgetary Resources	Actual		Estimated		Estimated		$ Change		% Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
Revenue/Offsetting Collections										
Assessments	0	18,527	0	18,831	0	19,641	0	810	.00	4.30%
Interest	0	6	0	5	0	6	0	1	.00	20.00%
Restoration of Sequestration Rescission	0	821	0	974	0	1,375	0	401	.00	41.17%
Recovery from Prior Years	0	419	0	210	0	263	0	53	.00	25.24%
Unobligated Balances from Prior Years	0	14,757	0	9,304	0	11,631	0	2,328	.00	25.01%
Total Revenue/Offsetting Collections		**29,530**		**29,324**		**32,916**		**3,592**		**12.25%**
Expenses/Obligations										
Financial Stability Oversight Council	23	7,660	27	8,690	31	9,816	4	1,126	14.81%	12.96%
Federal Deposit Insurance Corporation Payments	0	11,592	0	7,628	0	9,500	0	1,872	N/A	24.54%
Total Expenses/Obligations	**23**	**19,252**	**27**	**16,318**	**31**	**19,316**	**4**	**2,998**	**14.81%**	**18.37%**
Rescissions/Cancellations										
Sequestration Rescission	0	(974)	0	(1,375)	0	0	0	1,375	.00	-100.00%
Total Rescissions/Cancellations		**(974)**		**(1,358)**		**0**		**1,358**		**-100.00%**
Net Results		**9,304**		**11,631**		**13,600**		**1,969**		**16.76%**

[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.

1B – Vision, Priorities and Context

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 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.

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 Office of Financial Research (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.

Over the last year, the Council has continued to make progress in fulfilling its mandate. It 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 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, outside it, or a combination of the two. 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.

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

The Council's activities support the Treasury Department's FY 2014-2017 Strategic Plan Goal 1: Promote domestic economic growth and stability while continuing reforms of the financial system. Within Goal 1 it supports-

- Objective *1.3: Complete implementation of financial regulatory reform initiatives and continue monitoring the markets for threats to stability*.

Section 2 – Budget Adjustments and Appropriation Language

2.1 – Budget Adjustments Table

Dollars in Thousands

Financial Stability Oversight Council	FTE	Amount
FY 2015 Estimated	**27**	**$16,318**
Total FY 2016 Base	**28**	**$16,318**
Program Changes:		
Program Increases:	4	$2,998
Hiring Plan Adjustment	4	$618
Support Adjustment	-	$508
FDIC Payment Adjustment	-	$1,872
Total FY 2016 Estimated	**32**	**$19,316**

2A – Budget Increases and Decreases Description

Program Increases .... +$2,998,000 / +4 FTE

Hiring Plan Adjustment +$618,000 / +4 FTE

Five additional on-boards will be brought on in both FY 2015 and FY 2016. Steady state of 36 on-boards should be achieved by the end of FY 2016.

Support Adjustment +$508,000 / +0 FTE

The Adjustment reflects anticipated increases in support activities for standard operations and increase of FTE.

FDIC Payment Adjustment +$1,872,000 / +0 FTE

The Adjustment reflects anticipated activities performed by the FDIC that are eligible for reimbursement.

2.2 – Operating Levels Table

Dollars in Thousands

Financial Stability Oversight Council Object Classification	FY 2014 Actual	FY 2015 Estimated	FY 2016 Estimated
11.1 - Full-time permanent	2,973	3,403	4,131
11.9 - Personnel Compensation (Total)	**2,973**	**3,403**	**4,131**
12.0 - Personnel benefits	778	1,138	1,392
Total Personnel and Compensation Benefits	**$3,751**	**$4,541**	**$5,523**
21.0 - Travel and transportation of persons	12	130	130
23.1 - Rental payments to GSA	123	150	150
23.3 - Communication, utilities, and misc charges	27	19	20
24.0 - Printing and reproduction	14	14	15
25.1 - Advisory and assistance services	319	300	325
25.3 - Other purchases of goods & serv frm Govt accounts	14,754	10,602	12,600
26.0 - Supplies and materials	235	480	480
31.0 - Equipment	17	82	73
Total Non-Personnel	**15,501**	**11,777**	**13,793**
Total Budgetary Resources	**$19,252**	**$16,318**	**$19,316**
Budget Activities:			
Financial Stability Oversight Council	7,660	8,690	9,816
Federal Deposit Insurance Corporation Payments	11,592	7,628	9,500
Total Budgetary Resources	**$19,252**	**$16,318**	**$19,316**
FTE	**23**	**27**	**31**

[1] Includes FDIC Reimbursement

[2] 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.

2B – Appropriations Language and Explanation of Changes

The FSOC receives no appropriations from Congress.

2C – Legislative Proposals

The FSOC has no legislative proposals.

Section 3 – Budget and Performance Plan

3A – Financial Stability Oversight Council

($9,816,000 from expenses/obligations):
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.

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.

3.1.1 – Financial Stability Oversight Council Budget and Performance Plan

Dollars in Thousands

Financial Stability Oversight Council Budget Activity						
Resource Level	**FY 2011 Actual**	**FY 2012 Actual**	**FY 2013 Actual**	**FY 2014 Actual**	**FY 2015 Estimated**	**FY 2016 Estimated**
Expenses/Obligations	$2,921	$5,428	$5,628	$7,660	$8,690	$9,816
Budget Activity Total	**$2,921**	**$5,428**	**$5,628**	**$7,660**	**$8,690**	**$9,816**

[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.

3B – Federal Deposit Insurance Corporation Payments

($9,500,000 from expenses/obligations):
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.

3.1.2 – Federal Deposit Insurance Corporation Payments Budget and Performance Plan

Dollars in Thousands

Federal Deposit Insurance Corporation Payments Budget Activity						
Resource Level	**FY 2011 Actual**	**FY 2012 Actual**	**FY 2013 Actual**	**FY 2014 Actual**	**FY 2015 Estimated**	**FY 2016 Estimated**
Expenses/Obligations	$0	$4,716	$6,327	$11,592	$7,628	$9,500
Budget Activity Total	**$0**	**$4,716**	**$6,327**	**$11,592**	**$7,628**	**$9,500**