

Office of Financial Research

FY 2017

President's Budget

February 9, 2016

Table of Contents

Section 1 – Purpose	3
1A – Mission Statement.....	3
1.1– Resource Detail Table.....	3
1B – Vision, Priorities, and Context	3
Section 2 – Budget Adjustments and Appropriations Language	6
2.1 – Budget Adjustments Table.....	6
2A – Budget Increases and Decreases Description.....	6
2.2 – Operating Levels Table.....	7
2B – Appropriations Language and Explanation of Changes.....	7
2C – Legislative Proposals.....	7
Section 3 – Budget and Performance Plan	8
3A – Data Center	8
3.1.1 – Data Center Budget and Performance Plan	8
3B – Technology Center	8
3.1.2 – Technology Center Budget and Performance Plan.....	9
3C – Research and Analysis Center.....	9
3.1.3 – Research and Analysis Center Budget and Performance Plan.....	10
3D – Operations and Support Services	10
3.1.4 – Operations and Support Services Budget and Performance Plan	10

Section 1 – Purpose

1A – Mission Statement

Promote financial stability by delivering high-quality financial data, standards, and analysis for the Financial Stability Oversight Council (FSOC or Council) and the public.

1.1 – Resource Detail Table

Dollars in thousands

Office of Financial Research Budgetary Resources	FY 2015		FY 2016		FY 2017		FY 2016 to FY 2017			
	Actuals		Estimated		Estimated		\$ Change		% Change	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Revenue/Offsetting Collections										
Assessments ¹		79,566		99,355		103,336		3,981		4%
Unobligated Balances from Prior Years		70,794		68,644		70,339		1,695		2%
Recoveries		2,205		2,550		2,550		0		0%
Interest		19		34		35		1		3%
Offsetting Collections		7		9		11		2		22%
Restoration of Sequestration Rescission		6,579		5,811		6,758		948		16%
Total Revenue/Offsetting Collections		159,171		176,403		183,030		6,627		4%
Other Resources:										
Data Center	51	17,240	46	24,933	53	26,039	7	1,106	15%	4%
Technology Center	51	30,970	73	28,964	75	35,391	2	6,427	3%	22%
Research and Analysis Center	43	10,396	54	15,446	59	17,156	5	1,710	9%	11%
Operations and Support Services	49	26,110	57	29,962	68	26,184	11	(3,778)	19%	-13%
Total Expenses	194	84,716	230	99,305	255	104,770	25	5,465	11%	6%
Sequestration Rescission		(5,811)		(6,758)		0		6,758		N/A
Net Results		68,644		70,339		78,260		7,920		11%

¹The OFR is 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://financialresearch.gov/strategy-budget/files/final_rule_interim_final_rule.pdf.

1B – Vision, Priorities, and Context

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the Dodd-Frank Act) established the Office of Financial Research (OFR or Office) within the Department of the Treasury. In carrying out its mission, the OFR seeks to achieve its vision of a transparent, efficient, and stable financial system. The OFR's work contributes to making informed and comprehensive policies and taking actions that will strengthen the financial system. The Office monitors the financial environment for the emergence of new vulnerabilities and migration of financial activity that could threaten financial stability. Although the OFR was created within Treasury, the work of the OFR is independent from the Council and the Treasury. This independence provides the Office with an objective position to evaluate macroprudential policies, advocate for needed data initiatives, help the regulatory community enhance its peripheral vision, and produce work that was previously beyond the reach of individual regulatory agencies.

In the OFR *Strategic Plan for Fiscal Years 2015–2019*, the OFR established three strategic goals that reflect its primary functions in data and analysis, data standardization, and research.¹ The plan will guide the Office’s work through Fiscal Year (FY) 2019 and will support the decisions made about resources needed to implement those strategies. The three goals are:

1. The OFR is an essential source of data and analysis for monitoring threats to financial stability.

Key objectives of this goal include:

- The OFR’s monitoring tools and analyses are widely used and critical to assessing financial stability.
- Data used to monitor financial stability are comprehensive, reliable, and accessible to policy makers and the public through the OFR.
- Data providers and the public trust, acknowledge, and recognize that OFR data are protected and secure.

2. Standards that improve the quality and utility of financial data are identified and adopted.

Key objectives of this goal include:

- Recognition of the need for standards by policy makers and industry.
- The OFR is the source of expert knowledge needed to develop and implement types and formats of data reported and collected.
- Financial data standards that create efficiencies and facilitate analysis are widely used.

3. Leading edge research improves financial stability monitoring and the scope and quality of financial data, and informs policy and risk management.

Key objectives of this goal include:

- The OFR is the recognized center for objective, innovative research on financial stability.
- OFR research is widely cited and used to improve policy making, risk management, financial stability, and the scope and quality of financial data.

The strategic goals also drive the OFR’s research-and-data agenda for FY 2016 and beyond.² The OFR activities and priorities outlined below also support the following Goals and Objectives in the Treasury Department’s *FY 2014–2017 Strategic Plan*:

- Goal 1: Promote domestic economic growth and stability while continuing reforms of the financial system
 - Objective 1.3: Complete implementation of financial regulatory reform initiatives, continue monitoring capital markets, and address threats to stability
- Goal 5: Create a 21st-century approach to government by improving efficiency, effectiveness, and customer interaction

¹ See the OFR *Strategic Plan for Fiscal Years 2015–2019*:

<http://financialresearch.gov/strategy-budget/files/Office-of-Financial-Research-Strategic-Plan-2015-2019.pdf>.

² For more information on the 2016 OFR research-and-data agenda, see the OFR 2015 Annual Report to Congress: <https://financialresearch.gov/annual-reports/files/office-of-financial-research-annual-report-2015.pdf>.

- Objective 5.2: Support effective, data-driven decision-making and encourage transparency through intelligent gathering, analysis, sharing, use and dissemination of information.”³

OFR research priorities include:

- Broadening the market monitoring framework, including continued publication of a Financial Markets Monitor;
- Developing a suite of additional monitors and dashboards to assess and monitor risks in money market funds, hedge funds, and credit default swap markets;
- Publishing descriptions of the methodology behind the Financial Stability Monitor and Financial Stress Index, as well as other publications on significant threats to financial stability;
- Understanding and analyzing the conflicts and complementarities among macroprudential policy tools;
- Developing and executing a research program to examine factors behind market liquidity;
- Developing and executing a research and data program to examine risks in central counterparty clearinghouses;
- Expanding the evaluation of stress tests and other macroprudential policy tools; and
- Publishing research on financial stability, risk management, and related topics.

OFR data priorities include:

- Advocating for continued global implementation of the Legal Entity Identifier (LEI) in regulation and market practice;
- Promoting the use of data standards in derivatives markets, in collaboration with the Commodity Futures Trading Commission;
- Leading or contributing to the development and implementation of new standards for financial data;
- Filling data gaps, particularly in secured funding markets and asset management;
- Collecting data on the repo market, in collaboration with the Federal Reserve;
- Promoting and developing protocols for secure data sharing among regulatory agencies; and
- Creating a prototype financial instrument reference database to promote market transparency.

³ See the Department of the Treasury’s *FY 2014–2017 Strategic Plan* (Goal 1, Objective 1.3 and Goal 5, Objective 5.2): http://www.treasury.gov/about/budget-performance/strategic-plan/Documents/2014-2017_US_TreasuryStrategicPlan.pdf.

Section 2 – Budget Adjustments and Appropriations Language

2.1 – Budget Adjustments Table

Dollars in thousands

Office of Financial Research	FTE	Amount
FY 2016 Estimated	230	\$99,305
Changes to Base:		
Total FY 2016 Base	230	\$99,305
Program Changes		
Program Increases:	25	\$5,465
Personnel	25	\$3,523
Non-Personnel		\$1,942
Total FY 2017 Estimated	255	\$104,770

2A – Budget Increases and Decreases Description

Program Increases.....+ \$5,465,000

Personnel +\$3,523,000 / +25 FTE

The OFR will continue to grow to an anticipated head-count of 275 by the end of FY 2017, translating to 255 FTE that fiscal year.

Non-Personnel +\$1,942,000 / +0 FTE

Routine operational, recurring network, and periodic one-time costs for information technology (IT) and systems are increasing to support the OFR’s growth in research, analysis, and work with sensitive or confidential financial data. Additional investments in IT infrastructure, including cybersecurity, will help the Office safeguard its expanded data holdings and provide additional analytic space to support research and analysis.

2.2 – Operating Levels Table

Dollars in thousands

Office of Financial Research		FY 2015	FY 2016	FY 2017
Object Classification		Actual	Estimated	Estimated
11.0	Personnel compensation	29,036	32,082	34,667
12.0	Personnel benefits	9,507	10,565	11,503
Total Personnel Compensation and Benefits		38,543	42,647	46,170
21.0	Travel and transportation of persons	453	829	925
23.1	Rental payments to GSA	3,809	4,375	4,412
23.3	Communication, utilities, and misc charges	2	5	5
24.0	Printing and reproduction	31	35	37
25.1	Advisory and assistance services	8,416	12,695	11,835
25.2	Other services from non-Federal sources	600	1,525	1,750
25.3	Other services from Federal sources	16,017	14,975	15,000
26.0	Supplies and materials	8,060	5,550	5,700
31.0	Equipment	8,785	16,669	18,936
Total Non-Personnel		46,173	56,658	58,600
Total Budgetary Resources		\$84,716	\$99,305	\$104,770
Budget Activities:				
	Data Center	17,240	24,933	26,039
	Technology Center	30,970	28,964	35,391
	Research and Analysis Center	10,396	15,446	17,156
	Operations and Support Services	26,110	29,962	26,184
Total Budgetary Resources		\$84,716	\$99,305	\$104,770
FTE		194	230	255

^A Personnel compensation and benefits include direct OFR staff members only. Object Classification 25, “Other contractual services,” and expenditures of “Operations and Support Services” include reimbursable support received from Treasury’s Departmental Offices; personnel benefits services from the Office of the Comptroller of the Currency; and services from Treasury’s Bureau of the Fiscal Service Administrative Resource Center, including human resource services, procurement services, travel, and financial management services.

2B – Appropriations Language and Explanation of Changes

The OFR receives no appropriations from Congress.

2C – Legislative Proposals

The OFR has no legislative proposals.

Section 3 – Budget and Performance Plan

3A – Data Center

(\$26,039,000 from Assessments):

The Dodd-Frank Act requires the Data Center, on behalf of the Council, to collect, validate, and maintain all data necessary to carry out the duties of the OFR. Under this mandate, the Data Center provides data services to the Research and Analysis Center, Council member agencies, and others to increase efficiency in data acquisition and management; reduce redundant reporting requirements across the regulatory system (including through more effective data-sharing arrangements); and to ensure the security of sensitive data.

Data Standards

One of the OFR’s strategic goals is to identify and adopt standards that improve the quality and utility of financial data. Standards for financial data will benefit regulators and financial market participants by making data aggregation easier, improving analysis, and reducing costs associated with data collection. The OFR monitors progress through the following key performance indicators:

- Number of LEIs issued cumulatively in the United States and internationally – This indicator tracks the progress over time in the industry use of the LEI.
- Number of times that financial data standards are incorporated into rules and regulations – This data point serves as an indicator of regulators’ awareness of the importance of data standards and the extent to which data standards are being adopted in rules and regulations.

3.1.1 – Data Center Budget and Performance Plan

Dollars in thousands

Resource Level	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Estimated	FY 2017 Estimated
Expenses/Obligations	\$5,260	\$19,303	\$37,619	\$46,940	\$27,584	\$24,933	\$26,039
Budget Activity Total	\$5,260	\$19,303	\$37,619	\$46,940	\$27,584	\$24,933	\$26,039

Measure	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Target	FY 2017 Target
Number of LEIs Issued Cumulatively in the United States and Internationally	N/A	N/A	N/A	N/A	395,861	I	I
Number of Times that Financial Data Standards are Incorporated in Rules and Regulations	N/A	N/A	N/A	N/A	2	I	I

Key: DISC - Discontinued

I – Indicator: a metric that has no established target and is used for contextual purposes only; a direction for improvement may be associated with an indicator, but not a specific target;

3B – Technology Center

(\$35,391,000 from Assessments):

The Technology Center provides mission-critical analytic services to support the OFR’s work with complex, sensitive financial data and the Office’s expanding research and analysis activity. In addition, the Technology Center is responsible for safeguarding data and systems, and managing all IT capabilities within the OFR.

These responsibilities include computing and analytic platforms, software, telecommunications, client applications, and office automation solutions.

3.1.2 – Technology Center Budget and Performance Plan

Dollars in thousands

Resource Level	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Estimated	FY 2017 Estimated
Expenses/Obligations	\$0	\$0	\$0	\$0	\$30,970	\$28,964	\$35,391
Budget Activity Total	\$0	\$0	\$0	\$0	\$30,407	\$28,964	\$35,391

3C – Research and Analysis Center

(\$17,156,000 from Assessments):

Through its Working Paper Series, Brief Series, Staff Discussion Papers Series, and OFR annual reports, the OFR publishes results of its analysis to be transparent in its operations and promote public understanding of threats to financial stability. In addition, the OFR’s Research Seminar Series allows the OFR’s research staff opportunities to collaborate with external experts and seek feedback from them. The OFR is establishing forums and networks to bring together experts from within and outside the regulatory system. Additionally, the OFR partners with the National Science Foundation to fund grants that support innovative research on approaches to computing and information processing to identify and analyze risks to the financial system.

Leading Edge Research and Monitoring Threats to Financial Stability

The Research and Analysis Center contributes to the achievement of two of the OFR’s three strategic goals: (1) Leading edge research improves financial stability monitoring and the scope and quality of financial data, and informs policy and risk management; and (2) The OFR is an essential source of data and analysis for monitoring threats to financial stability. The OFR has one measure linked to the achievement of each of these two goals:

- Number of research and analysis publications (working papers, briefs, staff discussion papers, and reports) made public – This measure tracks the OFR’s progress in increasing the size of its research portfolio available to policy makers, regulators, industry, academics, and the public. The measure includes a wide range of published research products, from the OFR’s comprehensive annual reports to the more frequently issued working papers. This measure was formerly called, “Number of research and analysis products made public.”
- Number of monitor editions, policy analyses, and dashboards produced for monitoring threats to financial stability – This measure tracks the OFR’s output of monitoring tools and other analyses of threats to financial stability. It includes tools and information made available to the general public, as well as those produced for the Council or Council member agencies.

3.1.3 – Research and Analysis Center Budget and Performance Plan

Dollars in thousands

Resource level	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Estimated	FY 2017 Estimated
Expenses/Obligations	\$1,069	\$3,398	\$4,733	\$7,700	\$10,396	\$15,446	\$17,156
Budget Activity Total	\$1,069	\$3,398	\$4,733	\$7,700	\$10,396	\$15,446	\$17,156

Measure	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Target	FY 2017 Target
Number of Research and Analysis Publications (working papers, briefs, staff discussion papers, and reports) Made Public	N/A	N/A	10	11	34	25	35
Number of Monitor Editions, Policy Analyses, and Dashboards Produced for Monitoring Threats to Financial Stability	N/A	N/A	N/A	N/A	21	12	15

Key: DISC – Discontinued

“Research and Analysis Center” includes only staffing, outside work arrangements, and contracting related to annual report production. Costs associated with data, information systems, and analytical tools are under the Data Center.

3D – Operations and Support Services

(\$26,184,000 from Assessments):

The category “Operations and Support Services” contains the activities of the Director’s Office, Operations, External Affairs, and Chief Counsel. The category includes support provided through a shared services model and reimbursable arrangements with Treasury’s Departmental Offices; personnel benefits services from the Office of the Comptroller of the Currency; and services from Treasury’s Bureau of the Fiscal Service Administrative Resource Center, including services related to human resources, procurement, travel, and financial management.

3.1.4 – Operations and Support Services Budget and Performance Plan

Dollars in thousands

Resource Level	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Estimated	FY 2017 Estimated
Expenses/Obligations	\$4,700	\$16,873	\$22,953	\$28,626	\$26,110	\$29,962	\$26,184
Budget Activity Total	\$4,700	\$16,873	\$22,953	\$28,626	\$26,110	\$29,962	\$26,184

The OFR assesses its performance measures annually and revises them, if appropriate, to ensure their continued usefulness for management decision-making and improved results.