# Financial Stability Oversight Council

# FY 2017
# President's Budget

February 9, 2016

# Table of Contents

## 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 Budgetary Resources | FY 2015 Actual | | FY 2016 Estimated | | FY 2017 Estimated | | FY 2016 to FY 2017 $ Change | | FY 2016 to FY 2017 % Change | |
|---|---|---|---|---|---|---|---|---|---|---|
| | FTE | Amount | FTE | Amount | FTE | Amount | FTE | Amount | FTE | Amount |
| **Revenue/Offsetting Collections** | | | | | | | | | | |
| Assessments | | 12,953 | | 15,025 | | 19,401 | | 4,376 | | 2.91% |
| Unobligated Balances from Prior Years | | 11,524 | | 11,099 | | 11,801 | | 702 | | 6.32% |
| Recoveries | | 359 | | 450 | | 450 | | 0 | | 0% |
| Interest on Investments | | 3 | | 6 | | 7 | | 1 | | 16.67% |
| Restoration of Sequestration Rescission | | 1,071 | | 946 | | 1,022 | | 76 | | 8.03% |
| **Total Revenue/Offsetting Collections** | | **25,909** | | **27,526** | | **32,681** | | **5,155** | | **18.73%** |
| **Other Resources:** | | | | | | | | | | |
| FSOC | 22 | 6,236 | 34 | 8,133 | 36 | 8,519 | 2 | 386 | 5.88% | **4.75%** |
| FDIC Payments | | 7,628 | | 6,570 | | 9,500 | | 2,930 | | **44.60%** |
| **Total Expenses** | **22** | **13,864** | **34** | **14,703** | **36** | **18,019** | **2** | **3,316** | **5.88%** | **22.55%** |
| **Sequestration Rescission** | | (946) | | (1,022) | | 0 | | 1,022 | | N/A |
| **Net Results** | | **11,099** | | **11,801** | | **14,662** | | **2,861** | | **24.24%** |

### 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 10 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 the 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. The Council 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. In addition, 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, including looking at potential risks related to cybersecurity, market structure, and central counterparties. The Council also continued to analyze whether and how asset management products and activities could pose risks to U.S. financial stability, including by seeking public comment on potential risks. Finally, the Council fulfilled explicit statutory requirements, including the completion of its fifth annual report to Congress; and served as a forum for discussion and coordination among the member agencies implementing the Dodd-Frank Act. For example, in May, the Council established a new interagency Regulation and Resolution Committee to facilitate information sharing and coordination regarding heightened prudential standards, resolution, and other areas of financial services policy development.

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. The Council continues to be committed to providing transparency regarding its decisions and has provided a significant amount of information about its activities to the public. As part of its effort, the Council conducts regular open meetings, publicly releases meeting agendas and minutes, issues annual reports that detail the Council's views on potential risks in the financial system, and solicits public input on both the rules governing how the Council conducts its business and the substantive issues it considers.

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 (FDIC) 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, the Council supports —

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

## Section 2 – Budget Adjustments and Appropriations Language

### 2.1 – Budget Adjustments Table

Dollars in Thousands

| Financial Stability Oversight Council | FTE | Amount |
|---|---|---|
| **FY 2016 Estimated** | **34** | **$14,703** |
| Changes to Base: | | |
| **Total FY 2016 Base** | **34** | **$14,703** |
| Program Changes | | |
| Program Increases: | 2 | $3,346 |
| *Personnel* | *2* | *$416* |
| *FDIC Payments* | | *$2,930* |
| Program Decreases: | 0 | ($30) |
| *Non-Personnel* | | *($30)* |
| **Total FY 2017 Estimated** | **36** | **$18,019** |

### 2A – Budget Increases and Decreases Description

**Program Increases ..........................................................................+$3,346,000 / +2 FTE**

*Hiring Plan Adjustment +$416,000 / +2 FTE*

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

*FDIC Payment Adjustment +$2,930,000 / + 0 FTE*

Due to unfilled vacancies in authorized positions that will be filled in FY 2016, and certain planned projects that were deferred to FY 2016, the FDIC is projecting expenses to be billed in FY 2017 of approximately $9.5 million.

**Program Decreases ..............................................................................-$30,000 / +0 FTE**

*Support Adjustment - $30,000 / -0 FTE*

A small downward adjustment will be realized in FY 2017 due to lower support costs.

## 2.2 – Operating Levels Table

Dollars in Thousands

| | Financial Stability Oversight Council<br>Object Classification | FY 2015<br>Actual | FY 2016<br>Estimated | FY 2017<br>Estimated |
|---|---|---|---|---|
| 11.0 | Personnel compensation | 2,967 | 3,439 | 3,751 |
| 12.0 | Personnel benefits | 776 | 1,146 | 1,250 |
| **Total Personnel Compensation and Benefits** | | **3,743** | **4,585** | **5,001** |
| 21.0 | Travel and transportation of persons | 35 | 132 | 135 |
| 23.1 | Rental payments to GSA | 137 | 152 | 154 |
| 23.3 | Communication, utilities, and misc charges | 1 | 9 | 16 |
| 24.0 | Printing and reproduction | 14 | 15 | 17 |
| 25.1 | Advisory and assistance services | 244 | 300 | 315 |
| 25.2 | Other services from non-Federal sources | 16 | 18 | 21 |
| 25.3 | Other goods and services from Federal sources[1] | 9,309 | 8,932 | 11,789 |
| 26.0 | Supplies and materials | 332 | 485 | 490 |
| 31.0 | Equipment | 33 | 75 | 81 |
| **Total Non-Personnel** | | **10,121** | **10,118** | **13,018** |
| **Total Budgetary Resources** | | **$13,864** | **$14,703** | **$18,019** |
| **Budget Activities:** | | | | |
| FSOC | | 6,236 | 8,133 | 8,519 |
| FDIC Payments | | 7,628 | 6,570 | 9,500 |
| **Total Budgetary Resources** | | **$13,864** | **$14,703** | **$18,019** |
| **FTE** | | **22** | **34** | **36** |

[1] Includes FDIC Payments

## 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

*($8,519,000 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.

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

| 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 | $2,921 | $5,428 | $5,628 | $7,660 | $6,236 | $8,133 | $8,519 |
| **Budget Activity Total** | **$2,921** | **$5,428** | **$5,628** | **$7,660** | **$6,236** | **$8,133** | **$8,159** |

## 3B – Federal Deposit Insurance Corporation Payments

*($9,500,000 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 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

| 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 | $4,716 | $6,327 | $11,592 | $7,628 | $6,570 | $9,500 |
| **Budget Activity Total** | **$0** | **$4,716** | **$6,327** | **$11,592** | **$7,628** | **$6,570** | **$9,500** |