

Financial Stability Oversight Council and Office of Financial Research

Program Summary by Budget Activity

Dollars in Thousands

	FY 2010	FY 2011	FY 2012		
	Actual	Estimated	Estimated	\$ Change	% Change
Financial Stability Oversight Council	\$0	\$7,435	\$7,885	\$450	6%
Office of Financial Research	\$0	\$33,890	\$74,468	\$40,578	120%
Total Resources	\$0	\$41,325	\$82,353	\$41,028	99%
Total FTE	0	50	192	142	284%

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Section 1 – Purpose

1A – Description of Bureau Vision and Priorities

Financial Stability Oversight Council

Prior to the financial crisis of 2008-2009, 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 of 2010* (Dodd-Frank Act) established the Financial Stability Oversight Council (FSOC) with a clear statutory mandate that created for the first time collective accountability for identifying and responding to emerging threats to financial stability. FSOC is a collaborative body chaired by the Secretary of the Treasury that brings together the expertise of the federal financial regulators, an insurance expert appointed by the President, and state regulators.

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

- Collect information across the system: The FSOC has a duty to collect information across the U.S. financial system, drawing first from its member agencies, and to direct the Office of Financial Research (OFR) to collect additional information to assess risks to the financial system. The collection and analysis of that information will aid the FSOC and OFR in their shared goal of removing blind spots in the financial system so that regulators will be better able to see the entire landscape and be better equipped to identify systemic risks and other emerging threats.
- Designate nonbank financial companies for consolidated supervision: In the run-up to the financial crisis, some of the firms that posed the greatest risk to the financial system were not subject to tough consolidated supervision. The Dodd-Frank Act gives the FSOC the authority to require consolidated supervision of nonbank financial companies, regardless of their corporate form.
- Designate systemic financial market utilities and systemic payment, clearing, or settlement activities: The Dodd-Frank Act authorizes the FSOC 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 Commodities Futures Trading Commission.
- Recommend stricter standards: The FSOC has the authority to recommend stricter standards for the largest, most interconnected firms, including nonbank financial institutions designated by the FSOC for Federal Reserve supervision. Moreover, where the FSOC determines that certain practices or activities pose a threat to financial stability, the FSOC may make recommendations to the primary federal financial regulatory agency to establish new or heightened standards.

- Limit the activities of firms that pose a “grave threat” to financial stability: The FSOC has a significant role in determining whether action should be taken to break up those firms that pose a “grave threat” to the financial stability of the United States.
- Facilitate regulatory coordination: The FSOC 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 FSOC will help eliminate gaps and weaknesses within the regulatory structure, to promote a safer and more stable system.

The FSOC 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, FSOC administrative expenses are considered expenses of the OFR and are paid for by the OFR’s Financial Research Fund. The OFR is an office within the Department of the Treasury.

Office of Financial Research

The Office of Financial Research (OFR) was established by the Dodd-Frank Act to support the FSOC and its members in its identification and analysis of risks in the financial system. To accomplish this, OFR will collect and standardize financial data, develop and publish key reference databases, and conduct research on financial market activities to identify potential sources of systemic risk. OFR’s principal tasks are to:

- Standardize the types and formats of data reported and collected by the OFR to assist the FSOC in analyzing systemic risk;
- Develop data collection, processing, and distribution capabilities to ensure that the Federal Government has the information it needs to identify risks in the financial system, being mindful to coordinate with regulators, mitigate reporting burden by utilizing existing data where possible, seek input from industry, and protect confidentiality and privacy rights;
- Develop and publish reference databases of financial companies and instruments, which can be used by regulators, private firms, and academics to assess risk, inform policy, and promote market discipline;
- Conduct analysis for FSOC and its member agencies to help identify concentrations of risk in the financial system and enable appropriate and timely Government response to emerging threats;
- Submit to Congress regular reports on significant market developments and potential emerging threats to financial stability; and
- Provide certain data to financial industry participants and to the general public to increase market transparency and facilitate research on the financial system, being mindful to respect intellectual property rights and to protect business confidential information, privacy rights, and the stability of the U.S. financial system.

OFR has two primary divisions: a Data Center and a Research and Analysis Center. The Data Center will in part set standards for financial reporting and work to improve the quality of financial data that is collected so it can be organized in ways that are more meaningful for identifying vulnerabilities in the system as a whole. The Research and Analysis Center will in part monitor, investigate, and report on systemic risk.

One of the OFR's first priorities is improving data standards. The problem of monitoring systemic risk is closely related to the risk management challenges that individual firms face. To monitor systemic risk, positions in thousands of diverse financial products, involving thousands of individual financial firms, have to be aggregated across the entire financial system. Standardizing the way financial transactions are reported, and the consistent use of robust reference data, can greatly facilitate this process for regulators and individual firms. The OFR will, in consultation with relevant stakeholders, develop standards for financial data and publish reference databases of financial entities and instruments that will be made available to the public. These industry-wide standards will help FSOC monitor systemic risk and improve risk management, reporting and other business functions at individual financial firms.

1B – Program History and Future Outlook

Financial Stability Oversight Council

The FSOC held its first meeting on October 1, 2010, and successive meetings on November 23, 2010 and January 18, 2011. Future meetings will be held on at least a quarterly basis. An integrated roadmap was released following the first meeting combining member agencies internal implementation plans, including timeframes for key deliverables. Over the next year, the FSOC is working to establish processes for designating nonbank financial companies and financial market utilities, to develop recommendations for stricter standards for monitoring and reporting on systemic risk, and to develop tools for monitoring the financial system for emerging risks. In the near term, the staffs of FSOC member agencies are focused on fulfilling its statutory mandate to complete required reports related to the impact of regulatory policy changes. Transparency on FSOC decisions will be provided through annual reports to Congress and the public and testimony by the Chairperson on FSOC activities and emerging threats to financial stability.

Office of Financial Research

The OFR's initial efforts have focused on facilitating development of data standards. OFR published its first policy statement in the Federal Register related to legal entity identifiers on November 30, 2010. The intent of the policy statement was to promote industry to develop by consensus a universal standard for identifying parties to financial contracts. Defining a common legal entity identifier for financial transactions will not only improve financial regulators' ability to track market activity and an individual financial firm's ability to manage market information, but will also provide market participants greater visibility into the risks that individual firms take.

Section 2 – Budget Adjustments and Appropriation Language

2.2 – Operating Levels Table

Dollars in Thousands

	FY 2010 Estimated	FY 2011 Estimated	FY 2012 Estimated
FTE	-	50	192
Object Classification:			
11.1 Full-Time Permanent Positions.....	\$0	\$6,284	\$21,549
12.0 Personnel Benefits.....	0	3,042	11,190
21.0 Travel.....	0	260	773
23.1 Rental Payments to GSA.....	0	4,672	4,772
23.3 Communications, Utilities, & Mi.....	0	1,260	3,262
25.0 Contractual Services.....	0	14,671	25,167
26.0 Supplies and Materials.....	0	7,049	14,111
31.0 Equipment.....	0	4,087	1,529
Total Operating.....	\$0	\$41,325	\$82,353
Budget Activities:			
Financial Stability Oversight Council	0	7,435	7,885
Office of Financial Research	0	33,890	74,468
Total Budget Authority.....	\$0	\$41,325	\$82,353

2.3 – Resource Detail Table

Dollars in Thousands

	FY 2010 Estimated		FY 2011 Estimated		FY 2012 Estimated		% Change FY 2011 to FY 2012	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
Budgetary Resources:								
Revenue / Offsetting Collections								
Assessments		\$0		\$0		\$20,588		N/A
Transfers-in		\$0		\$41,325		\$61,765		49.46%
Total Revenue / Offsetting Collections		\$0		\$41,325		\$82,353		99.28%
Unobligated balances, Start of year		\$0		\$0		\$0		0.00%
Recoveries of prior year obligations		0		0		0		0.00%
Net transfers (includes capital transfers)		0		0		0		0.00%
Total Budgetary Resources Available		\$0		\$41,325		\$82,353		99.28%
Expenses/Obligations								
Financial Stability Oversight Council	0	\$0	17	\$7,435	24	\$7,885	41.18%	6.05%
Office of Financial Research	0	\$0	33	\$33,890	168	\$74,468	409.09%	119.73%
Total Expenses / Obligations	0	\$0	50	\$41,325	192	\$82,353	284.00%	99.28%

Section 3 – Budget and Performance Plan

This table lists FYs 2011-2012 resources by strategic goal, objective and outcome outlined in the FY 2007-2012 Treasury Department Strategic Plan. The Treasury Strategic Plan is a corporate level plan for the Department that provides a description of what the agency intends to accomplish over the next five years.

For detailed information about the FY 2007-2012 Treasury Strategic Plan, please go to:
http://www.treasury.gov/offices/management/budget/strategic_plan.shtml

3.1 – Budget by Strategic Outcome

Dollars in Thousands

Treasury Strategic Goal	FY 2011 Estimated	FY 2012 Estimated	Percent Change
U.S. and World Economies Perform at Full Economic Potential	\$41,325	\$82,353	99.28%
Total	\$41,325	\$82,353	99.28%

3A – Financial Stability Oversight Council (\$7,885,000 from mandatory programs): FSOC has a clear statutory mandate to improve coordination among financial regulators and identify risks and respond to emerging threats to financial stability. FSOC has ten voting members, including nine federal financial regulatory agencies and an independent member with insurance expertise, and five non-voting members. As a coordinative body, FSOC 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 FSOC performance at this time. Information on FSOC is provided on www.treasury.gov, www.financialstability.gov, and member agency websites to provide transparency and accountability.

3B – Office of Financial Research (\$74,468,000 from mandatory programs): The Dodd-Frank Act established OFR within the Treasury Department to support the FSOC and its members by improving the quality of financial data available to policymakers and by facilitating more robust and sophisticated analysis of the financial system. The data and analysis provided by OFR will enhance the FSOC's ability to identify emerging threats in financial markets.

There are no measures specified for managing OFR operations at this time. OFR is currently working on developing a performance plan for office operations.