Office of Financial Research

FY 2015
President’s Budget
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Section 1 – Purpose

1A – Mission Statement
The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act) established the Office of Financial Research (OFR or Office) within the Department of the Treasury (Treasury). The OFR serves the Financial Stability Oversight Council (Council), its member agencies, and the public by improving the quality, transparency, and accessibility of financial data and information; conducting and sponsoring research related to financial stability; and promoting best practices in risk management.

1.1 – Appropriations Detail Table
Dollars in thousands

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues/Offsetting Collections:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assessments ^</td>
<td>19,000</td>
<td>87,148</td>
<td>93,829</td>
<td>6,681</td>
<td>8%</td>
</tr>
<tr>
<td>Interest</td>
<td>4</td>
<td>37</td>
<td>37</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Restoration of sequestration reduction</td>
<td>0</td>
<td>969</td>
<td>0</td>
<td>-969</td>
<td>-100%</td>
</tr>
<tr>
<td>Recoveries</td>
<td>576</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>NA</td>
</tr>
<tr>
<td>Unobligated Balances from Prior</td>
<td>113,904</td>
<td>67,210</td>
<td>63,114</td>
<td>(4,096)</td>
<td>-6%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Revenue/Offsetting Collections</td>
<td>133,484</td>
<td>155,364</td>
<td>156,980</td>
<td>1,616</td>
<td>1%</td>
</tr>
</tbody>
</table>

Other Resources:
Data Center | 66 | 37,619 | 115 | 46,489 | 131 | 49,315 | 16 | 2,826 | 14% | 6% |
Research Center  | 26 | 4,733 | 41 | 7,712 | 49 | 9,948 | 8 | 2,236 | 20% | 29% |
Operations and Support Services d | 35 | 22,953 | 53 | 31,774 | 64 | 32,486 | 11 | 712 | 21% | 2% |
Total Expenses/Obligations | 127 | 65,305 | 209 | 85,975 | 244 | 91,749 | 35 | 5,774 | 17% | 7% |

Sequestration Reduction | (969) | (6,275) | 0 | 6,275 | -100% |
Net Results | 67,210 | 63,114 | 65,231 | 11,548 | 18% |

^ The OFR is financed through assessments on certain financial companies (see Section 3, Assessments).
^ The FY 2015 unobligated balance brought forward total differs from the President’s Budget Appendix due to the restoration of sequestered funds from FY 2013 collections that were not included in the Appendix calculation.
Research and Analysis” includes only staffing, outside work arrangements, and contracting related to annual report production. Costs associated with data, information systems, and analytical tools are captured under “Data Center.”
d Effective FY 2013, “Operations and Support Services” includes two offices formerly located in the Data Center. FTEs and estimated budget amounts reflect this organizational change.

1B – Vision, Priorities and Context
Goals and Objectives
The OFR, as an office within the Treasury Department, is aligned with the Treasury strategic goal of “Promoting domestic economic growth and stability while continuing reforms of the financial system,” and the associated objective of “Complete implementation of financial regulatory reform initiatives and continue monitoring the markets for threats to stability.” The OFR also is aligned with the Treasury objective of “Support effective, data-driven decision making and encourage transparency through intelligent gathering, analysis, sharing, use and dissemination of information” to help create a 21st century approach to government. Aligning to
these Treasury goals and objectives, and consistent with the Dodd-Frank Act, the OFR has established five strategic goals to help achieve its mission.¹

1. **Support the Council through the secure provision of high-quality financial data and analysis needed to monitor threats to financial stability.**

   Key objectives of this goal include:
   - providing research and analytical support to the Council on developments in the financial system and potential threats to financial stability;
   - collecting and securely providing data to the Council and its member agencies if such data are essential to monitoring threats to financial stability and not otherwise available;
   - seeking to reduce reporting burdens for financial companies by coordinating data requests; and
   - enhancing the quality and consistency of financial data available to Council member agencies through direct data services, including shared procurement, data validation, and data management.

2. **Develop and promote data-related standards and best practices.**

   Key objectives of this goal include:
   - help establish global data-related standards to improve the quality and scope of data related to financial stability, while also reducing the cost of reporting for financial market participants, and
   - assist Council members in defining standards and best practices for data collection and management to increase efficiencies.

3. **Establish a center of excellence for research on financial stability and promote best practices for financial risk management.**

   Key objectives of this goal include:
   - conducting and sponsoring research (including collaborating with outside researchers) to identify, monitor, and evaluate threats to financial stability and to analyze disruptions when and after they occur;
   - evaluating and reporting on stress tests or other stability-related evaluations;
   - providing advice on the effects of policies related to systemic risk; and
   - promoting best practices in financial risk management.

4. **Provide the public with key data and analysis, while protecting sensitive information.**

   - The key objective of this goal is to increase the transparency and distribution of research on the financial system by publishing financial analysis, data, and information, while

safeguarding sensitive information. The OFR’s primary publications include its Annual Report, which highlights the agency’s analysis and information about its activities; working papers that highlight OFR research; and reference databases of nonbank financial companies.

5. **Establish the OFR as an efficient organization and world-class workplace.**

- Key objectives of this goal are to recruit, retain, and develop talented people and to fully engage them in the effort to accomplish the organization’s mission. These employees will manage Office information securely and efficiently; produce products and services useful to the Council and other key stakeholders; and administer the OFR’s finances in a cost-effective, transparent, and accountable manner.

*Progress Against Mission*

The OFR has made significant progress toward its mission, as the following examples show:

1. **Analyzing Threats to Financial Stability**

   The OFR has a mandate to assess risks to the financial stability of the United States and to monitor, investigate, and report to Congress and the Council on changes in those risks.

   To fulfill that mandate, we report regularly to the Council on developments in the financial system and on tools and metrics for detecting and measuring potential threats to financial stability. Financial stability occurs when the financial system, even under stress, operates sufficiently to provide its six basic functions for the economy — credit allocation and leverage, maturity transformation, risk transfer, price discovery, liquidity provision, and facilitation of payments.

   In December 2013, the OFR published its 2013 Annual Report under Section 154(d) of the Dodd-Frank Act. As the statute requires, this second annual report of the Office included the OFR’s analysis of threats to the financial stability of the United States, the status of the Office’s work to meet its mission, and key findings of the Office’s research on and analysis of the financial system. The Annual Report also documents the meaningful progress the Office has made in meeting our statutory mandates and mission since we published our first annual report in July 2012.

   The OFR also provides data for the Council to use to develop its *Annual Report* on financial stability, as well as data and analysis relating to the designation of nonbank financial companies for consolidated supervision by the Federal Reserve Board. In collaboration with staff from Council member agencies, the OFR continues to develop the dashboard of metrics and indicators related to financial stability, known as the Financial Stability Monitor, and has developed a Financial Markets Monitor.

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2. Addressing Data Gaps
The OFR identifies data needs through our research and monitoring and close collaboration with the Council and its member agencies. To take stock of available data to meet those needs, the Office compiled and maintains an inventory describing the data that Council member agencies purchase or collect. Comparing data needs with this inventory can help identify gaps, avoid duplication, reduce costs, minimize regulatory burden, and take advantage of existing data sources to the extent possible. To fill the gaps, we collaborate across the Council to develop priorities and then look to alternative ways to expand the scope of data, such as better organizing existing data, promoting data standards, and collecting new data.

The OFR is reviewing the derived data templates collected from member agencies by the Council’s Data Committee. The searchable inventory will help the OFR and Council member agencies identify whether specific data have already been collected before requesting it. The OFR has developed an online collaboration workspace for agencies to access this information, search the inventory, and avoid unnecessary requests for data. In addition, the OFR launched a revised version of the public website to make its work in support of the Council more transparent.

The OFR has successful data sharing arrangements with a number of Council member agencies and is working to establish new ones. For example, the Office is collaborating with Federal Reserve staff to improve the quality and scope of data in repo markets. In addition, the OFR is considering a request from the Payments Risk Committee (sponsored by the Federal Reserve Bank of New York) to collaborate with the FRBNY to collect and analyze data on intraday cash flows.

The OFR also leads the Council’s Data Committee. The Data Committee promotes improvements in data collection and information sharing among Council members. The Committee also provides direction to and requests data from the OFR.

The Data Committee also plays an integral role in the broader initiative to facilitate the secure sharing of information by the OFR. For example, the Committee has completed a proposed framework for mapping the OFR’s information security categorizations to the ones used by other Council members, as encouraged by the Council of Inspectors General on Financial Oversight.  

3. Data Standards
The Office supports the Council and its member agencies by standardizing the types and formats of data reported and collected. The Office’s process for promoting data standards includes: (1) evaluating whether standards are needed for a particular set of data, and whether developing them fits the Office’s mission; (2) determining whether the data in question are good candidates for standardization, and (3) determining the Office’s strategy.

Legal Entity Identifier System
The Office continues to be a leader in the initiative to establish a Legal Entity Identifier (LEI), a unique, global standard for identifying parties to financial transactions. The LEI will help market participants and government regulators aggregate, compare, and analyze data for greater insights. The Office also recently published a working paper, with collaboration from certain Council member agencies, describing the need for and strategy to develop a universal mortgage loan identifier.

In June 2012, the G-20\(^4\) endorsed the international Financial Stability Board’s recommendation to implement an LEI system. That endorsement paved the way for LEI implementation. The OFR’s Chief Counsel serves as the first chair of the 50-member Regulatory Oversight Committee, formed in January 2013. The OFR is also working with Council member agencies on interim solutions to prepare for adoption of the LEI.

In addition, the Office assists Council member agencies with data standards initiatives. For example, we are working with the Commodity Futures Trading Commission and global regulators to align and standardize derivatives reporting. Additionally, for the LEI integration in the mortgage industry, the Office worked with the Mortgage Industry Standards Maintenance Organization (MISMO), a data standards body for the mortgage industry, to add the LEI data record to the industry’s standard for data exchange.

Interagency Working Groups
During FY 2015, the OFR plans to establish additional interagency working groups on key issues related to data standards (including assisting Council member agencies with derivatives reporting standards) and participate in issue-specific working groups sponsored by other organizations (such as work related to mortgage standards sponsored by the Consumer Financial Protection Bureau). The OFR also plans to produce analysis in collaboration with other Council members on related topics, such as asset classification or the need for additional financial data identifiers.

Annual Workshops
The OFR also sponsors an annual regulatory data workshop, along with the Federal Reserve and the Federal Deposit Insurance Corporation. In FY 2013, the OFR expanded its role as a lead sponsor of this two-day regulators’ workshop and held a separate workshop on the topic of legal entity hierarchies.

The OFR expects to continue this role and expand the year-round participation of regulators in targeted workshops. In addition, the OFR is working on private sector standard-setting activities to understand industry and investor priorities. For example, the OFR sits on the board of the U.S. representative for financial services to the International Standards Organization and also is involved in other industry coordination activities, such as the Enterprise Data Management Council.

\(^4\) The G-20 (Group of Twenty) is a forum of finance ministers and central bank governors from 19 countries and the European Union, which begun in 1999 to encourage international cooperation on global economic issues.
4. Conducting and Sponsoring Research Related to Financial Stability

The Office is required by statute to perform research on risks to financial stability and to evaluate attempts to mitigate those risks.

We distribute the results of such research in the OFR Working Paper Series. To date, we have published 12 working papers. The research is diverse, with the strong common theme of improving our collective understanding of the causes and consequences of financial instability. Examples include examining the interconnected nature of financial institutions and markets, the roles that market participants play in creating and amplifying financial distortions, and the effects of regulations and risk management policies. Recent policy-related topics include analyses of proposed contingent capital rules, the historical use of macroprudential policy in the United States to moderate the credit cycle, and scenario design in regulatory stress testing.

We also conduct and publish research to support our mandate to improve the quality of financial data. For example, an OFR working paper explained how modern cryptography techniques may allow financial regulators and supervisors to mask identifying information and share data without compromising confidentiality.

Interagency Partnership

In May 2013, the OFR announced a partnership with the National Science Foundation (NSF) to promote and support research related to financial stability.\(^5\) The OFR and NSF’s Directorate for Computer and Information Science and Engineering are collaborating to fund innovative research on approaches to computing and information processing to identify and analyze risks to the financial system.

Working Paper Series

In FY 2013, the OFR also published nine working papers through its OFR Working Paper Series. The Office coauthored some of the working papers with external experts.\(^6\) The Research Seminar Series and the OFR Working Paper Series are continuing in FY 2014 as OFR’s Research and Analysis team explores new ways to expand collaboration with outside researchers to fulfill its mandate of assessing threats to financial stability.

5. Promoting Best Practices in Risk Management

As part of our research function, we are required to analyze the impact of policies related to financial stability. We conduct, coordinate, and sponsor research to help improve regulation of financial entities and markets. We also conduct studies and advise on policies related to systemic risk. In addition, the Office is required to promote best practices for financial risk management, and evaluate and report on stress tests and other stability-related evaluations of financial entities.

\(^5\) [http://www.treasury.gov/initiatives/ofr/research/Pages/GrantsProgram.aspx](http://www.treasury.gov/initiatives/ofr/research/Pages/GrantsProgram.aspx)

\(^6\) [http://www.treasury.gov/initiatives/ofr/research/Pages/Working-Paper-Series.aspx](http://www.treasury.gov/initiatives/ofr/research/Pages/Working-Paper-Series.aspx)
Publications

Six of the 12 working papers the OFR published focused on key risk methodologies and practices, including:

- *A Survey of Systemic Risk Analytics* (January 2012)
- *Forging Best Practices in Risk Management* (March 2012)
- *CoCos, Bail-In, and Tail Risk* (January 2013)
- *Systematic Scenario Selection* (February 2013)
- *Stress Scenario Selection by Empirical Likelihood* (April 2013)
- *Stress Tests to Promote Financial Stability: Assessing Progress and Looking to the Future* (July 2013)

6. Building Critical Information Technology Infrastructure

Building information technology infrastructure and business systems is critical to the OFR’s support for the Council (and for broader stakeholders). The OFR needs systems for:

- data acquisition, management, and dissemination (under strict protocols for security and data sharing);
- a robust research and analytical environment for handling large amounts of data to support complex financial models, computations, and analysis; and
- a secure platform for collaboration and communication with Council member agencies and outside researchers, as well as for public communication about OFR activities.

During FY 2014, procurement and installation of the OFR Analytic Environment for the primary computing center was completed in November 2013. FY 2014 procurements center around the standing-up of the disaster recovery computing center and expanding the capabilities deployed in previous years.

The agency leveraged commodity shared-service provided by the Treasury, Office of the Chief Information Officer (OCIO) to the fullest reasonable extent, and did not recreate those services within the analytic environment.

Since its inception, the OFR has emphasized data security and protection of sensitive information. During FY 2013, the OFR installed a wide-range of security tools and components that serve to strengthen the already high security protections afforded as being a part of the Department of the Treasury. Additional security components will be added in FY 2014.

7. Outreach and Collaboration

OFR Outreach

During FY 2013, the OFR realigned and expanded its team to manage communications, Congressional relations, and outreach to industry, academia, and other government entities. The OFR also expanded its public outreach on key activities and initiatives. For example, the Office realigned the Division of External Affairs to coordinate engagement with external stakeholders and partners in government, academia, and elsewhere. The Office named a Chief of External Affairs, added staff members, defined roles for communications and Congressional relations, and incorporated the outreach function for industry and academia.
In addition, the Office improved its website, making it more user-friendly and expanding available content. About 4,000 subscribers now receive notifications when the Office posts new Web content. During FY 2014, the OFR is continuing a project to enhance its website, issuing key publications, and disseminating information about the important work of its core research and data centers.

**Research-Related Events**

Establishing strong relationships with outside experts is critical to the OFR’s effectiveness in fulfilling its research and analysis mandate.

During FY 2013, the Office held 58 seminars through its Research Seminar Series. The OFR invited researchers in academia, government, and the private sector to present findings on a range of topics related to the OFR’s mission.

On December 6, 2012, the OFR and the Council cohosted, “Assessing Financial Intermediation: Measurement and Analysis,” the second annual joint conference for leaders from the research and regulatory communities, public interest groups, and the financial services industry. The conference examined recent changes in financial companies, markets, and activities, and explored the future implications for financial stability, risk management, and policy.

In May 2013, the OFR and the Federal Reserve Bank of Cleveland sponsored a workshop, “Financial Stability Analysis: Using the Tools, Finding the Data.” The workshop brought together participants from academia, the regulatory community, and industry to discuss the data and tools needed for measuring potential threats to financial stability.

In addition, the OFR and the Federal Reserve Bank of New York co-sponsored a conference in September 2013 about financial stability and short-term funding markets.

**Public Appearances by Senior Leaders**

The OFR senior managers presented remarks at several financial stability and risk management forums during FY 2013. For example, in May 2013 at the OFR’s joint conference with the Federal Reserve Bank of Cleveland, OFR senior researchers addressed several topics relating to the transparency and modeling of systemic risk. The OFR Director Richard Berner opened the event with “Financial Stability: Using the Tools, Finding the Data.”

Remarks at other events included:

- Global Association of Risk Professionals (14th Annual Risk Management Convention, March 2013)
- Richard Berner, Director, Keynote Speaker
- Jonathan Sokobin, past Acting Deputy Director for Research and Analysis
- SIFMA Tech conference in July 2013
- Matthew Reed, Chief Counsel

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7 The OFR website can be found at [http://www.treasury.gov/initiatives/wsr/ofr/Pages/default.aspx](http://www.treasury.gov/initiatives/wsr/ofr/Pages/default.aspx).
In addition, Director Berner participated in the Federal Reserve Bank of NY/GARP Risk Forum in New York in November 2013.

Throughout FY 2013, the OFR was involved in discussions of several risk management topics with members of the Financial Services and Risk Management Subcommittee of the Financial Research Advisory Committee. The subcommittee made recommendations on specific risk management topics to consider undertaking in the near term.

Financial Research Advisory Committee
In November 2012, the OFR established the Financial Research Advisory Committee, made up of 30 distinguished professionals in economics, data management, risk management, information technology, and other fields to broaden the OFR’s analytical perspective and help the agency meet its mission. The members include two Nobel laureates in economics, leaders in business and nonprofit fields, and prominent researchers at major universities and think tanks.

The committee first met in December 2012 in Washington, D.C. At the second committee meeting in New York City in August 2013, OFR Director Berner cited the Office’s five strategic priorities for the coming year and noted that the advisory committee’s three subcommittees had been meeting since December to develop substantive recommendations to help the Office fulfill its mandate. The full committee adopted the recommendations during the meeting and presented them to the OFR.

8. Building the OFR
During FY 2013, the OFR continued to build core operational systems and procedures, guided by the need to have cost-effective, transparent, and accountable structures that reflect best practices. The Office recognizes the value of balancing speed with prudence as the organization continues to mature—building core functions with ongoing review and improvements based on early experience.

Strategic and Performance Management
The OFR follows the principles and practices of the Government Performance Results Modernization Act of 2010. The OFR has implemented a comprehensive planning system that ties together strategic planning, operational planning (budget, performance, and human resources), execution, monitoring, and review, including internal reviews of projects, programs, priorities, and strategies. In addition, the OFR is collecting data on its performance measures, which are tied to strategic goals (see Section 3).

We are now developing a new strategic plan for FY 2015-19. In this long-term strategic planning process, we are assessing the organization internally and externally to devise a plan that will more fully articulate the vision and mission of the Office, as well as its goals and strategies for the next four years. We anticipate releasing the new plan in early calendar year 2014.

Financial Management and Operational Controls

8 http://www.treasury.gov/initiatives/ofr/about/Pages/Financial-Research-Advisory-Committee.aspx
The OFR’s financial activities are subject to general Treasury financial management controls and protocols and are reviewed as part of the consolidated audit of Departmental Offices within the Treasury. The OFR has internal policies and procedures to support sound and efficient operations and rigorous internal controls. We have also developed additional controls, project review mechanisms, and decision-making protocols to ensure that spending is well targeted and effectively monitored. The Office also has established internal protocols to help ensure prompt responses to Treasury’s Office of the Inspector General, the Council of Inspectors General, and the Government Accountability Office.

Human Capital Planning
As detailed in the OFR’s FY 2013 Annual Report to Congress on Human Capital Planning, the Office has made progress in building its core staff and defining the frameworks and processes required for effective and efficient human resource management. By using multiple recruitment methods, the OFR is making strong progress in building a talented staff dedicated to strengthening understanding of risks to financial stability. Strides have been made toward ensuring that employees are provided with training and development opportunities to enhance existing skill sets, as well as to acquire new ones for professional growth. The OFR is also using workforce flexibilities to promote employee satisfaction, engagement, and work/life balance.

The OFR will continue to review and elaborate its human capital strategies as part of its strategic planning framework to make sure they align with the Office’s mission, vision, goals, and objectives.

1.B.2 Workforce Plan Steady State

Staff Recruitment
The Dodd-Frank Wall Street Reform and Consumer Protection Act, which established the Office, emphasized the use of efficient and innovative tools to attract and retain a talented workforce, including fellowships and internships. Using multiple recruitment methods, we have built a talented staff dedicated to strengthening the understanding of risks to financial stability.

A critical priority for the Office as we work to achieve full staffing levels is recruiting specialized and highly trained employees necessary to fulfill our mission.

The Office’s senior management team currently comprises the Director, a Deputy Director for each of the two centers (Data Center, and Research and Analysis Center), and six Chiefs (Chief Data Officer, Chief Technology Officer, Chief of Analytical Strategy, Chief of External Affairs, Chief Operations and Support Services).

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Chief Operating Officer, and Chief Counsel). OFR Deputy Directors and Chiefs oversee 18 sections led by 17 Associate Directors.

About half of our staff will ultimately be in the Data Center, split between its data and technology groups. The Research and Analysis Center will constitute approximately 22 percent of the staff. The Office of the Director and support functions (Counsel, External Affairs, and Operations) will make up the remaining 27 percent.
Section 2 – Budget Adjustments and Appropriation Language

2.1 – Budget Adjustments Table
Dollars in Thousands

<table>
<thead>
<tr>
<th>Office of Financial Research</th>
<th>FTE</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2014 Estimated Budget</td>
<td>209</td>
<td>85,975</td>
</tr>
<tr>
<td>Total FY 2015 Base</td>
<td>209</td>
<td>85,975</td>
</tr>
</tbody>
</table>

Program Changes:

- **Program Adjustment**
  - Personnel Steady State
  - Non-Personnel Steady State

<table>
<thead>
<tr>
<th>Program Changes</th>
<th>FTE</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program Adjustment</td>
<td>35</td>
<td>5,774</td>
</tr>
<tr>
<td>Personnel Steady State</td>
<td>35</td>
<td>6,400</td>
</tr>
<tr>
<td>Non-Personnel Steady State</td>
<td></td>
<td>(626)</td>
</tr>
</tbody>
</table>

| Total FY 2015 Estimated Budget         | 244 |  91,749|

2A – Budget Increases and Decreases Description

**Program Adjustments**

- **+$5,774,000/+35 FTE (Direct)**
  - Personnel Steady State **+$6,400,000/+35 FTE**

OFR will continue its growth toward full staffing by FY 2014-2015.

**Non-personnel Steady State**

- **-$626,000/+0 FTE**

Although uncertainty remains about medium-term IT needs to meet the OFR’s data-related and analytical mandate, the Office expects the need for funding for initial investments in IT infrastructure to decrease beginning in FY 2014-2015. Regular steady state operational costs, recurring network costs, and periodic one-time costs for IT and systems are expected to continue over time (for example, to meet data storage growth needs as more data sources are identified).

2B – Appropriations Language and Explanation of Changes

The OFR receives no appropriations from Congress.

2C – Legislative Proposals

The OFR has no legislative proposals.
## 2.2 – Operating Levels Table

Dollars in Thousands

<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td><strong>Object Classification</strong> A</td>
<td>Actual</td>
<td>Estimated</td>
<td>Estimated</td>
</tr>
<tr>
<td>11 Full-time permanent</td>
<td>15,339</td>
<td>27,141</td>
<td>31,787</td>
</tr>
<tr>
<td>12 Personnel benefits</td>
<td>4,885</td>
<td>7,381</td>
<td>9,135</td>
</tr>
<tr>
<td><strong>Total Personnel and Benefits Compensation</strong></td>
<td><strong>20,224</strong></td>
<td><strong>34,522</strong></td>
<td><strong>40,922</strong></td>
</tr>
<tr>
<td>21 Travel and transportation of persons</td>
<td>246</td>
<td>375</td>
<td>330</td>
</tr>
<tr>
<td>23.1 Rental payments to GSA</td>
<td>3,266</td>
<td>3,700</td>
<td>3,700</td>
</tr>
<tr>
<td>23.3 Communication, utilities, and misc charges</td>
<td>1,451</td>
<td>5,757</td>
<td>6,854</td>
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<tr>
<td>24 Printing and reproduction</td>
<td>24</td>
<td>120</td>
<td>120</td>
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<tr>
<td>25.1 Advisory and Assistance Services</td>
<td>12,455</td>
<td>10,455</td>
<td>5,137</td>
</tr>
<tr>
<td>25.2 Other Services from Non-Federal Sources</td>
<td>766</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>25.3 Other Goods and Services from Federal Sources</td>
<td>9,462</td>
<td>11,050</td>
<td>11,170</td>
</tr>
<tr>
<td>26 Supplies and materials</td>
<td>3,916</td>
<td>6,660</td>
<td>8,150</td>
</tr>
<tr>
<td>31 Equipment</td>
<td>13,495</td>
<td>13,336</td>
<td>15,366</td>
</tr>
<tr>
<td><strong>Total Non-Personnel</strong></td>
<td><strong>45,081</strong></td>
<td><strong>51,453</strong></td>
<td><strong>50,827</strong></td>
</tr>
<tr>
<td><strong>Total Budgetary Resources</strong></td>
<td><strong>$65,305</strong></td>
<td><strong>$85,975</strong></td>
<td><strong>$91,749</strong></td>
</tr>
</tbody>
</table>

### Budget Activities:

- Data Center: 37,619, 46,489, 49,315
- Research Center: 4,733, 7,712, 9,948
- Operations and Support Services B: 22,953, 31,774, 32,486

**Total Budgetary Resources**: $65,305, $85,975, $91,749

### FTE

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
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<tbody>
<tr>
<td></td>
<td>66</td>
<td>26</td>
<td>35</td>
</tr>
</tbody>
</table>

A Salary and benefits include direct OFR staff only. Object Classification 25.0, “Contractual Services,” and expenditures of “Operations and Support Services” include substantial reimbursable support received from Treasury’s Departmental Offices; personnel benefits services through the Office of the Comptroller of the Currency; and services from the Bureau of Fiscal Service Administrative Resource Center including Human Resource services, procurement services, and financial management services.

B Effective FY 2013, Operations and Support Services include two offices formerly located in the Data Center. The FTE totals and estimated budget amounts reflect this organizational change.
Section 3 – Budget and Performance Plan and Report
($91,749,000 from Assessments):

As noted in Section 1, the complex, highly specialized mission of the OFR and the scope of the task to establish the Office from the ground up both dictate that the OFR take a careful, prudent approach to its budget and funding. To stand up the OFR effectively, the Office is tightly linking its expenditures to its mission, ensuring that it is a good steward of the funds entrusted to the Office.

FY 2013 Expenditures
Specific FY 2013 expenditures by budget activity included:

- **Data Center** expenditures focused on: (1) establishing a secure, short-term infrastructure for IT and business systems to support the OFR’s initial data and analytical functions, (2) launching the OFR’s intranet and collaboration platform, which also supports the secure sharing of information with the Council and its member agencies, (3) developing a design and support strategy for the OFR’s long-term IT infrastructure, including those related to information security programs (with related implementation expenditures expected to ramp up in FY 2013), (4) defining the OFR’s data management model, and (5) conducting initial data acquisitions and creating an inventory of Council information.

- With the costs associated with infrastructure, analytical tools and data for research covered under the Data Center, **Research and Analysis** costs include salaries and benefits, as well as work arrangements with outside researchers and the partnership with the National Science Foundation.

- **Operations and Support Services** activities include (1) administrative support services, travel, supply, and equipment costs, and (2) costs for the rent and renovation of long-term permanent office space in Washington, D.C. The relatively high cost of contracts required for the build out the OFR long-term IT infrastructure (Table 2.2, Object Classification 25.3) reflects the OFR’s business model to leverage existing administrative resources in Treasury and other agencies. Specifically, administrative support services include expenses related to reimbursable support from Treasury’s Departmental Offices; personnel benefits services through the Office of the Comptroller of the Currency; and services from the Bureau of Public Debt Administrative Resource Center including human resource services, procurement services, and financial management services.

FY 2014 and FY 2015 Expenditures
The OFR will continue its prudent approach to expenditures as it grows in FY 2014 and FY 2015, with these expenditures closely tied to the goals and implementation priorities outlined in Section 1. The primary source of expenditure growth in FY 2014 and FY 2015 will be salary and benefits as the size of the OFR workforce grows.
3.1 OFR Total Expenditures/Obligations (FY 2011 – FY 2015)

- **Data Center.** Acquisition of hardware, software, and analytic tools for OFR’s business systems infrastructure and analytic environment (including network upgrades) is ramping up in FY 2014 and will continue into FY 2015 before beginning to decline. The OFR will focus in later years on maintenance, growth, and periodic enhancements. Expenses for data subscriptions will continue to rise as the OFR staff grows.

- **Research and Analysis.** Work arrangements with outside academics, and the partnership with the National Science Foundation to support ad hoc and on-going research projects are expected to increase modestly in FY 2014.

- **Operations and Support Services.** The OFR will continue to utilize existing Treasury infrastructure to minimize administrative costs. The build-out of a small satellite office in New York City to support interaction with New York-based market participants, researchers, regulators, and data providers that was undertaken in FY 2013 will continue in FY 2014.

**Assessments**
Section 155 of Public Law 111-203, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act), directs the Secretary of the Treasury to collect assessments equal to the total expenses of the Office of Financial Research (OFR) from bank holding companies with total consolidated assets of $50 billion or greater and nonbank financial companies supervised by the Board of Governors of the Federal Reserve System (the Board). Included in the expenses of the OFR are expenses of the Financial Stability Oversight Council (FSOC) and certain expenses of the Federal Deposit Insurance Corporation (FDIC) under section 210(n) of the Dodd-Frank Act.

The regulation establishing the assessment schedule, as required under the Dodd-Frank Act, was published in the Federal Register on May 21, 2012 and became effective July 20, 2012. Under the rule, each company’s total assessable assets are determined based on data available on
May 31 and November 30 each year, with assessments collected on September 15 (or next business day) and March 15 (or next business day). Companies are authorized under the rule to submit requests for redetermination if they wish to contest their eligibility as an assessable company or their total assessable assets. Assessment fees are collected in the Financial Research Fund (FRF), a fund established under Dodd-Frank Act to pay the expenses of the OFR.

The fee rate for each period will be set based on projected total resources required to replenish the FRF to a level equivalent to the sum of:

- The next six months of budgeted operating expenses of the OFR and the Council;
- The next 12 months of budgeted capital expenses of the OFR and the Council, because of the variability in the timing of such expenses; and
- The amount necessary to reimburse the FDIC for certain implementation expenses.

As such, any resources remaining in the FRF at the end of one assessment period (carryover) reduce the amount needed to be collected to replenish the FRF to this level in the next period.

The initial assessment occurred on July 20, 2012, was based on a fee rate of 0.000007659412. For the initial assessment, the OFR was funded at a level of $128 million. Treasury did not need to replenish resources in the Financial Research Fund until September 2013 because FY 2012 expenditures were lower than projected. Consequently, Treasury did not issue an assessment on March 15, 2013. The September 2013 assessment was based on a fee rate of 0.000002021158.

Performance Measurement
The OFR, as an office within the Treasury Department, is aligned with the Treasury strategic goal of “Promoting domestic economic growth and stability while continuing reforms of the financial system,” and the associated objective of “Complete implementation of financial regulatory reform initiatives and continue monitoring the markets for threats to stability.” The OFR also is aligned with the Treasury objective of “Support effective, data-driven decision making and encourage transparency through intelligent gathering, analysis, sharing, use and dissemination of information” to help create a 21st century approach to government. Aligning to these Treasury goals and objectives, and consistent with the Dodd-Frank Act, the OFR established five strategic goals to help achieve its mission.

In early FY 2013, the OFR established performance measures tied to its strategic goals and collected data on those measures through the fourth quarter.

The OFR met 88 percent of its budget performance measure targets in FY 2013. The OFR is continuing to monitor performance measures in FY 2014. The Office may revise them based on the strategic planning process.

The Office removed the measure, “Percent of OFR implementation priorities completed” from the budget measures in FY 2013 because results lagged a year behind the budget submission. The OFR now measures its progress by quarter. The Office discontinued one other measure in FY 2014 because the activities associated with it were completed in FY 2013. The OFR will continue to review all measures as the organization matures, and revise them as necessary.
Table 3.2 OFR Foundational Performance Measures

<table>
<thead>
<tr>
<th>Goal</th>
<th>Performance Measures</th>
<th>Budget Activity*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Council Support</td>
<td>• Percent of responses to Council data and research requests that meet delivery targets</td>
<td>• Data Center</td>
</tr>
<tr>
<td></td>
<td>• Percent of project milestones met for establishment of an interagency data inventory program. (Discontinued as of FY 2015.)</td>
<td>• Data Center</td>
</tr>
<tr>
<td>Data Standards</td>
<td>• Percent of milestones met in information standards strategy. (Discontinued as of 2015.)</td>
<td>• Data Center</td>
</tr>
<tr>
<td>Center of Excellence for Research</td>
<td>• Number of Research and Analysis products made public</td>
<td>• Research and Analysis</td>
</tr>
<tr>
<td></td>
<td>• Number of Research and Analysis products coauthored or pursued in collaboration with outside researchers, government agencies, or others</td>
<td>• Research and Analysis</td>
</tr>
<tr>
<td>Public Information</td>
<td>• Percent increase in the number of visitors to the OFR website</td>
<td>• Operations and Support Services</td>
</tr>
<tr>
<td>Building the OFR</td>
<td>• Percent of OFR implementation priorities completed. (Discontinued as of FY 2015.)</td>
<td>• Operations and Support Services</td>
</tr>
<tr>
<td></td>
<td>• Cost of the OFR relative to total assessed assets per billion dollars assessed</td>
<td>• Operations and Support Services</td>
</tr>
<tr>
<td></td>
<td>• Total staff hired compared to targets</td>
<td>• Operations and Support Services</td>
</tr>
</tbody>
</table>

* A lead budget activity is assigned for any measures that cut across multiple business units

3A – Data Center
($49,315,000 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
- secure sensitive 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.
3.A.1 – Data Center Budget and Performance Report and Plan

Dollars in thousands

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
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<td>$37,619</td>
<td>$46,489</td>
<td>$49,315</td>
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<td>$19,303</td>
<td>$37,619</td>
<td>$46,489</td>
<td>$49,315</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Measure</th>
<th>FY 2010 Actual</th>
<th>FY 2011 Actual</th>
<th>FY 2012 Actual</th>
<th>FY 2013 Actual</th>
<th>FY 2014 Target</th>
<th>FY 2015 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percent of Responses to Council Data and Research Requests That Meet Delivery Targets</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>94%</td>
<td>85%</td>
<td>85%</td>
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<tr>
<td>Percent of Project Milestones Met for Establishment of an Interagency Data Inventory Program</td>
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<td>N/A</td>
<td>N/A</td>
<td>88%</td>
<td>DISC</td>
<td>DISC</td>
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<tr>
<td>Percent of Milestones Met in Information Standards Strategy</td>
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<td>N/A</td>
<td>N/A</td>
<td>100%</td>
<td>100%</td>
<td>DISC</td>
</tr>
</tbody>
</table>

Key: DISC - Discontinued; B - Baseline

3A.1 Support for the Council

The OFR has established one performance measure in FY 2014 and FY 2015 linked to achieving its goal of supporting the Council by securely providing high-quality financial data and analysis needed to monitor threats to financial stability, as follows:

1. Percent of responses to Council data and research requests that meet delivery targets. This measure is an indicator of the OFR’s effectiveness in terms of timeliness. A clear focus on the efficiency and quality of its operations is particularly important in the early stages of establishing the OFR’s delivery of data services. To meet this measure, the Data Center coordinates with the Research and Analysis Center to respond to requests.

3A.2 Data Standards

The OFR has established one performance measure linked to achieving its goal to develop and promote data-related standards and best practices, as follows:

• Percent of milestones met in information standards strategy. This measure indicates progress toward implementing the LEI (through the late 2012 endorsement of the Regulatory Oversight Committee charter, the December 2012 creation of the legal framework for the Central Operating Unit, and the March 2013 launch of the global system). The measure also refers to the OFR’s broader agenda to promote information standards.

3B – Research and Analysis

($9,948,000 from Assessments):

The Dodd-Frank Act provided that the Research and Analysis Center, on behalf of the Council, develop and maintain independent analytical capabilities and computing resources to:

• develop and maintain metrics and reporting systems for risks to the financial stability of the United States;
• monitor, investigate, and report on changes in system-wide risk levels and patterns to the Council and to Congress;
• conduct, coordinate, and sponsor research to support and improve regulation of financial entities and markets;
• evaluate and report on stress tests or other stability-related evaluations of financial entities overseen by Council member agencies;
• maintain the expertise necessary to support specific requests for advice and assistance from financial regulators;
• investigate disruptions and failures in the financial markets, report findings, and make recommendations to the Council based on the findings;
• conduct studies and provide advice on the effect of policies related to systemic risk; and
• promote best practices for financial risk management.

To support effective achievement of these objectives, the OFR is establishing forums and networks to bring together experts from within and outside the regulatory system. The OFR’s Research Seminar Series allows OFR’s research staff opportunities to collaborate with and seek feedback from external experts. In addition, through its OFR Working Paper Series and the OFR Annual Report, the OFR publishes results of its analysis to be transparent in its operations and promote public understanding of threats to financial stability.

In FY 2013, the OFR announced a partnership with the NSF to promote and support research related to financial stability. This program will fund innovative research on approaches to computing and information processing to identify and analyze risks to the financial system.

3.B.1 – Research and Analysis Budget and Performance Report and Plan

<table>
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</thead>
<tbody>
<tr>
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<td>$4,733</td>
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<td>$1,069</td>
<td>$3,398</td>
<td>$4,733</td>
<td>$7,712</td>
<td>$9,948</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Measure</th>
<th>FY 2010 Actual</th>
<th>FY 2011 Actual</th>
<th>FY 2012 Actual</th>
<th>FY 2013 Actual</th>
<th>FY 2014 Target</th>
<th>FY 2015 Target</th>
</tr>
</thead>
<tbody>
<tr>
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<td>N/A</td>
<td>N/A</td>
<td>10</td>
<td>15</td>
<td>18</td>
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<tr>
<td>Number of R&amp;A Products Co-Authored or Pursued in Collaboration with Outside Researchers, Government Agencies, or Others</td>
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<td>N/A</td>
<td>N/A</td>
<td>8</td>
<td>10</td>
<td>12</td>
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</tbody>
</table>

Key: Discontinued; B – Baseline

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

3B.1 Center of Excellence for Research

The OFR has established two performance measures linked to achievement of its goal to establish a Center of Excellence for Research on financial stability and promote best practices for financial risk management, as follows:

1. Number of Research and Analysis products made public. This measure indicates the OFR’s research output, providing a baseline to measure growth following launch of the Working Paper Series in FY 2012.
2. Number of Research and Analysis products coauthored or pursued in collaboration with outside researchers, government agencies, or others. This measure indicates to what degree outside perspectives inform the OFR’s analysis, a key objective as the OFR builds a culture that supports the open exchange of views and cutting-edge research.

**3C – Operations and Support Services**
($32,486,000 from Assessments):
The category “Operations and Support Services” includes Front Office, Operations, External Affairs, and Counsel activities. These activities cover all operational, legal, and administrative functions that support the effective, transparent, and well-monitored delivery of the OFR’s products related to data, research, and analysis. This includes support provided through reimbursable arrangements with Treasury’s Departmental Offices; personnel benefits services through the Office of the Comptroller of the Currency; and services from the Bureau of Fiscal Service Administrative Resource Center including human resource, procurement, travel, and financial management services.

**3.C.1 – Operations and Support Services Budget and Performance Report and Plan**

Dollars in thousands

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<td>$22,953</td>
<td>$31,774</td>
<td>$32,486</td>
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</thead>
<tbody>
<tr>
<td>Percent Increase in the Number of OFR Web Page Visitors</td>
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<td>N/A</td>
<td>1%</td>
<td>15%</td>
<td>5%</td>
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<tr>
<td>Percent of OFR Implementation Priorities Completed</td>
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<td>N/A</td>
<td>DISC</td>
<td>DISC</td>
<td>DISC.</td>
</tr>
<tr>
<td>Cost of the OFR Relative to Total Assessed Assets, per $Billion Assessed</td>
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<td>N/A</td>
<td>N/A</td>
<td>$3,230</td>
<td>$7,700</td>
<td>$7,700</td>
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</table>

<table>
<thead>
<tr>
<th>Total Staff Hired Compared to Targets</th>
<th>FY 2010</th>
<th>FY 2011</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>85%</td>
<td>95%</td>
<td>95%</td>
</tr>
</tbody>
</table>

Key: DISC - Discontinued; B - Baseline

^Effective FY 2013, “Operations and Support Services” includes two offices formerly located in the Data Center. The FTEs and estimated budget amounts reflect this organizational change.

**3C.1 Public Information**
The OFR has established one performance measure linked to achievement of its goal to provide the public with key data and analysis while protecting sensitive information, as follows:
Percent increase in the number of OFR web page visitors. This measure indicates progress in increasing awareness of the OFR and its work, recognizing that it is difficult to estimate this measure.

3C.2 Building the OFR
The OFR has established two performance measures linked to achieving its goal to establish the OFR as an efficient organization and world-class workplace, as follows:

1. **Cost of the OFR relative to total assessed assets per billion dollars assessed**. This measure indicates cost efficiency of the organization. Over time, the OFR will move to a four-year moving average to smooth out short-term fluctuations and highlight longer-term trends or cycles.

2. **Total staff hired compared to targets**. This measure shows how effectively the OFR is progressing toward target staffing levels.