

Office of Financial Research

Congressional Justification for  
Appropriations and  
Annual Performance  
Report and Plan

FY 2018

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## Section I – Budget Request

### A – Mission Statement

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

### B – Summary of the Request

The Office of Financial Research (OFR) is estimating an FY 2018 funding level of \$76.056 million, which is 25 percent below its Fiscal Year (FY) 2017 operating level. To align with the Administration’s initiative to improve government efficiency and effectiveness, OFR is implementing a staffing streamlining effort to ensure appropriate levels for maximum efficiency.

#### 1.1 – Resource Detail Table

Dollars in Thousands

Office of Financial Research Budgetary Resources	FY 2016		FY 2017		FY 2018		FY 2017 to FY 2018			
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
<b>Revenue/Offsetting Collections</b>										
Assessments <sup>1</sup>		\$91,926		\$75,935		\$54,560		(\$21,375)	NA	-28.15%
Interest		\$169		\$189		\$176		(\$13)	NA	-6.88%
Recovery of Prior Year Paid Obligations		\$231		\$220		\$132		(\$88)	NA	-40.00%
Recovery of Prior Year Unpaid Obligations		\$4,638		\$6,380		\$3,740		(\$2,640)	NA	-41.38%
Restoration of Sequestration Rescission		\$5,945		\$6,262		\$5,253		(\$1,009)	NA	-16.11%
Unobligated Balances from Prior Years <sup>2</sup>		\$70,175		\$71,947		\$54,274		(\$17,673)	NA	-24.56%
<b>Total Revenue/Offsetting Collections</b>		<b>\$173,084</b>		<b>\$160,933</b>		<b>\$118,135</b>		<b>(\$42,798)</b>	<b>NA</b>	<b>-26.59%</b>
<b>Expenses/Obligations</b>										
Data Center	37	\$16,477	45	\$19,157	43	\$16,865	(2)	(\$2,292)	-4.44%	-11.96%
Technology Center	61	\$32,132	65	\$35,562	36	\$27,281	(29)	(\$8,281)	-44.62%	-23.29%
Research and Analysis Center	54	\$14,239	55	\$17,719	38	\$11,573	(17)	(\$6,146)	-30.91%	-34.69%
Operations and Support Services	56	\$32,026	58	\$28,969	22	\$20,337	(36)	(\$8,632)	-62.07%	-29.80%
<b>Total Expenses/Obligations</b>	<b>208</b>	<b>\$94,874</b>	<b>223</b>	<b>\$101,407</b>	<b>139</b>	<b>\$76,056</b>	<b>(84)</b>	<b>(\$25,351)</b>	<b>-37.67%</b>	<b>-25.00%</b>
Sequestration Rescission		<b>(\$6,262)</b>		<b>(\$5,253)</b>		<b>\$0</b>		<b>\$5,253</b>		
<b>Net Results</b>		<b>\$71,948</b>		<b>\$54,273</b>		<b>\$42,079</b>		<b>(\$12,194)</b>		<b>-22.47%</b>

1) The 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](https://financialresearch.gov/strategy-budget/files/final_rule_interim_final_rule.pdf)

2) The funding for the first six months of operating expenses and 12 months of capital expenses are reflected in the unobligated balance line. This is because the first assessment covering the fiscal year beginning October 1 is actually collected on September 15 of the prior fiscal year. This makes it appear as though large amounts of unobligated balances went unused, when in fact very little, if any, of those balances were from under execution. For instance: the entire \$71,947M carried forward from FY 2016 was to cover the estimated need of \$73,718M for the first assessment period of FY 2017. The remaining need was covered by the return of the FY 2016 sequestration reduction.

## **C – Vision, Priorities, and Context**

The Office of Financial Research (OFR or Office) resides 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 may have previously been 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.<sup>1</sup> The plan will continue to guide the Office's work through 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.

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<sup>1</sup> 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>.

- OFR research is widely cited and used to improve policy making, risk management, financial stability, and the scope and quality of financial data.

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.

## 1.2 – Budget Adjustments Table

Dollars in Thousands

Office of Financial Research	FTE	Amount
<b>FY 2017 Estimated</b>	<b>223</b>	<b>\$101,407</b>
Changes to Base:		
<b>Total FY 2018 Base</b>	<b>223</b>	<b>\$101,407</b>
Program Changes:		
Program Decreases	(84)	(\$25,351)
Personnel	(84)	(\$17,824)
Non-Personnel	0	(\$7,527)
<b>Total FY 2018 Estimated</b>	<b>139</b>	<b>\$76,056</b>

## D – Budget Increases and Decreases Description

**Program Decreases.....-\$25,351,000**

Personnel -\$17,824,000 / -84 FTE

To align with the Administration’s initiative to improve Government efficiency and effectiveness, the Office of Financial Research is implementing a staffing streamlining effort to ensure appropriate levels for maximum efficiency.

Non-Personnel -\$7,527,000 / 0 FTE

The office proposes to decrease administrative costs, reduce supplies and equipment purchases, and re-organize management functions.

### 1.3 – Operating Levels Table

Dollars in Thousands

Office of Financial Research Object Classification	FY 2016 Actual	FY 2017 Estimated	FY 2018 Estimated
11.1 - Full-time permanent	31,622	34,371	21,760
11.3 - Other than full-time permanent	497	535	495
11.5 - Other personnel compensation	366	775	450
<b>11.9 - Total personnel compensation</b>	<b>32,485</b>	<b>35,681</b>	<b>22,705</b>
12.0 - Personnel benefits	11,322	11,849	7,001
<b>Total Personnel and Compensation Benefits</b>	<b>\$43,807</b>	<b>\$47,530</b>	<b>\$29,706</b>
21.0 - Travel and transportation of persons	556	623	246
23.1 - Rental payments to GSA	59	0	0
23.3 - Communication, utilities, and misc charges	3	3	5
24.0 - Printing and reproduction	26	24	25
25.1 - Advisory and assistance services	10,338	17,541	12,887
25.2 - Other services from non-Federal sources	967	1,235	1,212
25.3 - Other goods and services from Federal sources	24,489	18,185	18,265
26.0 - Supplies and materials	8,312	7,513	7,135
31.0 - Equipment	5,997	8,753	6,575
41.0 - Grants, subsidies, and contributions	320	0	0
<b>Total Non-Personnel</b>	<b>\$51,067</b>	<b>\$53,877</b>	<b>\$46,350</b>
<b>New Budgetary Resources</b>	<b>\$94,874</b>	<b>\$101,407</b>	<b>\$76,056</b>
<b>FTE</b>	<b>208</b>	<b>223</b>	<b>139</b>

1) 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.

### E – Appropriations Language and Explanation of Changes

The OFR receives no appropriations from Congress.

### F – Legislative Proposals

The OFR has no legislative proposals.

## **Section II – Annual Performance Plan and Report**

The Department of the Treasury’s FY 2018 - 2022 Strategic Plan, in which the OFR is included, is currently under development. The Annual Performance Plan will be updated in the FY 2019 budget to reflect the new priorities.

### **A – Data Center**

*(\$16,865,000 from Assessments):*

As required by statute, the Data Center, on behalf of the Council, collects, validates, and maintains all data necessary to carry out the Center’s duties. Under this mandate, the Data Center works 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 data collection costs. 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 in 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.

### **2.1.1 – Data Center Budget and Performance Plan**

Dollars in Thousands

Resource Level	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Estimated	FY 2018 Estimated
Expense/Obligations	\$19,303	\$37,619	\$46,940	\$17,240	\$16,477	\$19,157	\$16,865
<b>Budget Activity Total</b>	<b>\$19,303</b>	<b>\$37,619</b>	<b>\$46,940</b>	<b>\$17,240</b>	<b>\$16,477</b>	<b>\$19,157</b>	<b>\$16,865</b>
<b>FTE</b>	<b>24</b>	<b>66</b>	<b>90</b>	<b>51</b>	<b>37</b>	<b>45</b>	<b>43</b>

Measure	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2016 Target	FY 2017 Target	FY 2018 Target	FY 2012 - FY 2018 Trend
Number of LEIs Issued Cumulatively in the United States and Internationally	N/A	N/A	N/A	395,861	464,412	I	I	I	—
Number of Times That Financial Data Standards Related are Incorporated in Rules and Regulations	N/A	N/A	N/A	2	9	I	I	I	—

Key: DISC - Discontinued; B - Baseline, I - Indicator

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.



## B – Technology Center

(\$27,281,000 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 research and analysis activities. 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.

### 2.1.2 – Technology Center Budget and Performance Plan

Dollars in Thousands

Resource Level	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Estimated	FY 2018 Estimated
Expense/Obligations	\$0	\$0	\$0	\$30,970	\$32,132	\$35,562	\$27,281
Budget Activity Total	\$0	\$0	\$0	\$30,970	\$32,132	\$35,562	\$27,281
FTE	0	0	0	51	61	65	36

## C – Research and Analysis Center

(\$11,573,000 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.

### 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.

### 2.1.3 – Research and Analysis Center Budget and Performance Plan

Dollars in Thousands

Resource Level	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Estimated	FY 2018 Estimated
Expense/Obligations	\$3,398	\$4,733	\$7,700	\$10,396	\$14,239	\$17,719	\$11,573
Budget Activity Total	\$3,398	\$4,733	\$7,700	\$10,396	\$14,239	\$17,719	\$11,573
FTE	11	26	33	43	54	55	38

Measure	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2016 Target	FY 2017 Target	FY 2018 Target	FY 2012 - FY 2016 Trend
Number of Research and Analysis Publications Made Public Year-to-Date	N/A	10	15	34	24	25	28	35	
Number of monitors editions, policy analysis, and dashboards produced for monitoring threats to financial stability	N/A	N/A	N/A	21	34	12	34	TBD	

Key: DISC - Discontinued; B – Baseline, I - Indicator

1) 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 and Technology Centers.

### D – Operations and Support Services

(\$20,337,000 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.

### 2.1.4 – Operations and Support Services Budget and Performance Plan

Dollars in Thousands

Resource Level	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Estimated	FY 2018 Estimated
Expense/Obligations	\$16,873	\$22,953	\$28,626	\$26,110	\$32,026	\$28,969	\$20,337
Budget Activity Total	\$16,873	\$22,953	\$28,626	\$26,110	\$32,026	\$28,969	\$20,337
FTE	9	35	43	49	56	58	22

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

<http://www.treasury.gov/about/budget-performance/Pages/summary-of-capital-investments.aspx>

This website contains a digital copy of this document.