

Appendix A: Progress in Institution Building

Overview

The OFR has made substantial progress in building the institutional architecture to support its core research and data-related mandates. Key upfront objectives have included defining the OFR's strategic framework—starting from the foundation established in the legislation and building through outreach and broad-based consultations—and building the organizational structures to support sound human resource and financial management.

Establishing a Sound Strategic Framework

The OFR Strategic Framework: FY2012–2014, published in March 2012, outlines the mission, goals, objectives, and implementation priorities that will help to ensure that the OFR's efforts and investments are well targeted. The framework reflects substantial consultations in the period since enactment of the Dodd-Frank Act with a full range of stakeholders, including Council members, their agencies and staff, members of Congress, industry representatives, as well as academics, financial authorities, and other researchers. Under this framework, the OFR has identified a core set of priorities linked to five strategic goals:

1. Support the Council through the secure provision of high-quality financial data and analysis needed to monitor threats to financial stability.
2. Develop and promote data-related standards and best practices.
3. Establish a center of excellence for research on financial stability and promote best practices for financial risk management.
4. Provide the public with key data and analysis, while protecting sensitive information.

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

Operational Framework

The OFR is establishing a secure data and technology infrastructure, ramping up its hiring, and making progress in building its institutional framework—all essential to delivering on its core research and data-related mandates.

Human Resources

The OFR plans to build to steady state staffing levels of 275–300 within the next two to three years. The organization recognizes the broad range of core competencies required by the Office, including macroeconomics, finance, statistics and risk management, and applied sciences; data management, analytic and support services, information standards, information technology, program management, and relationship management; and law, communications, strategy, policy, and resource management.

The Dodd-Frank Act emphasized use of efficient and innovative structures to attract and retain needed talent, including fellowships and partnerships with outside experts. Foundational work on the OFR's human resources strategy was articulated in the OFR's first report to Congress on these issues in September 2011; the second annual report on human resources later this year will provide an update on the OFR's plans for recruitment and retention, training and workforce development, and workforce flexibility.

Policies and Procedures

The OFR's financial management follows Treasury protocols, with the organization's financial activities and controls reviewed as part of the Department's Consolidated Audit and the budget developed in line with Circular A-11

guidance as part of the President's Budget. The Office has also developed additional controls, project review mechanisms, and decision-making protocols to ensure spending is well targeted and effectively monitored.

Through July 20, 2012, the OFR and the Council have been funded through transfers from the Board of Governors of the Federal Reserve System. Thereafter, OFR and Council funding comes from assessments on bank holding companies with total consolidated assets of \$50 billion or more and nonbank financial companies supervised by the Board of Governors. A Treasury rule to establish this assessment schedule was published on May 21, 2012, and a notice of fees was published on June 29, 2012, with the first assessment to be collected on July 20, 2012.

Building on Treasury and Treasury Departmental Offices policies where appropriate, the OFR is also expanding initial policies and procedures to support sound and efficient operations and rigorous internal controls. The Office of the Inspector General and the Government Accountability Office periodically audits the OFR's activities, and the Director of the OFR will testify annually on these issues.

Informational Infrastructure

The OFR's data and analytical mandates require the establishment of secure analytical and database platforms, implementation of sound business systems, and the steady expansion of data acquisition—through both shared procurement and efficient collection from financial institutions, consistent with the need to avoid duplicative and unnecessary requests. The OFR has sought to make rapid progress in systems implementation but also recognizes the need to ensure that investments in information technology and business processes, infrastructure, and security structures are well designed and cost-effective. To meet these twin needs, the OFR has leveraged existing Treasury systems and established a secure short-term data and analytical IT environment to meet immediate needs, while initiating the design and planning of a long-term information and security architecture. As part of these efforts, the OFR is establishing robust controls and best-practice procedures, including strong data and information security protocols.

Appendix B: OFR Activities and Collaboration

Overview

Successful achievement of the OFR's research and data-related mandates requires strong collaboration with a wide range of stakeholders, including Financial Stability Oversight Council members, their agencies and staff, industry representatives, academics, other researchers, and the public.

Collaboration with the Council and its Member Agencies

A key goal for the OFR is to support the Council through research and data-related services. In this context, the OFR is collaborating with researchers at other Council agencies on both data and analytical activities, supported by ongoing work to reinforce secure information sharing technology and protocols. The OFR is also actively supporting the Council Data Committee as a forum for collaboration and input on the OFR's data-related activities, including, for example, informal working groups on information technology and on establishing an inventory of data held by Council member agencies as a first step to strengthen data-sharing and to identify data gaps.

Financial Research Advisory Committee

In April 2012, the OFR announced that it will establish the Financial Research Advisory Committee. Chosen from a highly distinguished pool of more than 150 applicants, the Advisory Committee will include eminent researchers and risk experts, as well as those with noted expertise in the fields of data and technology. Committee members are being selected based on their expertise in economics, financial institutions, and markets, statistical analysis,

financial markets analysis, econometrics, applied sciences, risk management, data management and information standards, technology, and other areas related to OFR's duties and authorities. The committee will serve as an invaluable resource that will broaden the OFR's analytical perspective and provide a critical link to diverse knowledge, experience, and perspectives.

Network for Collaboration

The OFR has emphasized high-level interactions with academics and practitioners in its efforts to build a virtual research community. This collaboration has already been informed by OFR publications and a high-level conference in late 2011. As part of this initiative, the OFR Fellowship Program will also be used to attract expertise to supplement the permanent workforce, keeping OFR on the cutting edge of research and data management.

Working Paper Series and Research Seminar Series

The OFR has developed the Working Paper Series and Research Seminar Series as communication tools for sharing its work with external constituents. Both of the communication outlets have been implemented as a platform for presenting OFR staff research, as well as collaborative research conducted by OFR staff and outside experts.

The OFR launched the Working Paper Series in January of 2012. The Working Paper Series offers staff and outside co-authors an opportunity to disseminate their preliminary research findings in a format intended to generate discussion and critical comments. The goal is to inform and improve the quality of the

analysis conducted by the OFR. To date, two studies have been published:

- *A Survey of Systemic Risk Analytics*, coauthored by Dimitrios Bisias (MIT Operations Research Center), Mark Flood (OFR), Andrew W. Lo (MIT Sloan School of Management), and Stravros Valavanis (MIT Laboratory for Financial Engineering)
- *Forging Best Practices in Risk Management*, coauthored by Mark J. Flannery (University of Florida and OFR), Paul Glasserman (Columbia University and OFR), David K. A. Mordecai (Risk Economics, Inc., and NYU Courant Institute of Mathematical Sciences), and Cliff Rossi (University of Maryland and OFR)

The OFR Research Seminar Series provides a forum for staff of Council member agencies, other financial authorities, academics and other researchers to discuss in depth analysis on topics related to threats to financial stability, and for the OFR to solicit feedback on current and future research initiatives. The OFR has held dozens of widely attended seminars since the fall of 2011.

Conference

On December 1 and 2, 2011, the OFR and the Council hosted a conference, entitled *The Macroprudential Toolkit: Measurement and Analysis*, in Washington, DC, which brought together thought leaders from the financial regulatory community, academia, public interest groups, and the financial services industry to discuss data and technology issues and analytical approaches for assessing, monitoring and mitigating threats to financial stability. The conference also provided an invaluable opportunity to receive broad-based input on strategic priorities for the OFR.