



**OFFICE OF  
FINANCIAL RESEARCH**  
U.S. DEPARTMENT OF THE TREASURY



# **FINANCIAL RESEARCH ADVISORY COMMITTEE INAUGURAL MEETING**

December 5, 2012

---

Amias Gerety

*Deputy Assistant Secretary*

*for the Financial Stability Oversight Council*

## COUNCIL OVERVIEW

- ◆ A collaborative body established by the Dodd-Frank Act to identify risks to financial stability, respond to emerging threats, and promote market discipline.
  - Chaired by the Secretary of the Treasury, the Council contains eight federal financial regulatory agencies, an insurance expert appointed by the President, and state regulators and other nonvoting members, including the Director of the OFR.
  - The Council has authority to designate nonbank financial companies; Financial Market Utilities (FMU); and payment, clearing, or settlement activities for heightened prudential and risk management standards.
  - The Council facilitates regulatory coordination, information sharing, and information collection.
  - The Council meets regularly and reports annually to Congress.
  - Council Committees include: Deputies; Systemic Risk (subcommittees on Markets and Institutions); Nonbank Designation; FMU Designation; Heightened Prudential Standards; Orderly Liquidation Authority and Resolution Plans; and Data.

Richard Berner

*Counselor to the Secretary*

## OFR OVERVIEW

The financial crisis revealed deficiencies in:

- ◆ Our understanding of the financial system.
  - Extent of leverage, maturity, credit, and liquidity transformation.
  - Migration of financial activities to unregulated or lightly regulated markets and entities.
  - Potential for disruptions to spread across interconnected companies and markets.
  
- ◆ Data available to monitor the financial system.
  - Too aggregated.
  - Too limited in scope.
  - Too out of date.
  - Otherwise incomplete.

## **Mission**

Serve the Financial Stability Oversight Council, its member agencies, and the public by improving the quality, transparency, and accessibility of financial data and information; by conducting and sponsoring research related to financial stability; and by promoting best practices in risk management.

## 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.

- ◆ *Analyzing threats to financial stability* – The OFR is developing metrics to assess threats to financial stability, and tools for risk measurement and monitoring.
- ◆ *Conducting research on financial stability* – The OFR is conducting research to evaluate stress tests or other stability-related evaluations of financial entities, reporting on market disruptions, and providing analyses of policy tools and responses.
- ◆ *Addressing gaps in financial data and helping to fill them* – The OFR is promoting data integrity, accuracy, and transparency by collecting and publishing data for the benefit of market participants, regulators, and research communities.
- ◆ *Promoting data standards* – The OFR is collaborating with policymakers, regulators, multilateral organizations, and industry to establish global information standards, e.g., for a global legal entity identifier (LEI).

- ◆ Mandate to look across the financial system.
- ◆ Provide connective tissue: fill gaps in knowledge and data—do not overlap.
- ◆ Has no supervisory or policy-making authority.
- ◆ The OFR is a new organization.

Matthew Reed

*Chief Counsel*

# STATUTORY FRAMEWORK

## Dodd-Frank Act Sections 151-156

- Sets out OFR's mandate, authorities, and limitations.
- Authorities structured to support the mission of the Financial Stability Oversight Council.
- Two broad themes:
  - Confidentiality of data and security.
  - Coordination with authorities and consultation with the Council.

## General OFR Purposes and Duties (DFA §§ 112; 153)

- Collect data on behalf of the Council.
- Standardize the types and formats of certain data.
- Perform applied and long-term research.
- Develop risk measurement and monitoring tools.
- Perform other related services.
- Make OFR outputs available to regulators.
- Assist other agencies with respect to data collection.

## OFR Organization (From DFA §§ 152; 154-155)

- Office within Treasury.
- Director serves a six-year term.
- Funded by assessments.
- Flexibilities allow for engagement with outside experts, e.g., fellowship program and advisory committees.
- Two Centers:
  - Data Center
  - Research and Analysis Center

## OFR Tools (From DFA §154)

- Gather data from other agencies (coordinate and consult).
- Gather data from firms where there are gaps.
- Issue rules respecting scope and standards for collections.
- Set standards or facilitate standardization.
- Issue reports to Congress, provide research to Council, publish select non-confidential information.
- The Council provides direction to, and gathers data through, the OFR.  
(§112)

**The Research and Analysis Center, on behalf of the Council, shall develop and maintain independent analytical capabilities and computing resources (DFA §154)**

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

## The Data Center has the following responsibilities (summarized) (DFA § 154)

1. General duties:
  - On behalf of the Council, collect, validate, and maintain all data necessary to carry out the Data Center duties;
  - Support the OFR's efforts to promulgate rules regarding the type and scope of data to be collected;
2. Publish certain databases to the public:
  - Financial company reference database;
  - Financial instrument reference database;
  - Formats and standards for OFR data, including reporting standards;
3. Maintain a catalog of financial entities and instruments;
4. Make certain data available to the Council;
5. Make certain data available to the public to improve transparency and research.

Jonathan Sokobin

*Acting Deputy Director of the Research and Analysis Center  
and Chief of Analytical Strategy*

**RESEARCH AND ANALYSIS CENTER**

---

## Research and Analysis Center

---

***Promote financial stability by serving the needs of the Financial Stability Oversight Council, performing essential research, and developing new tools for measuring and monitoring risk in the financial system.***

### What is Financial Stability?

*'Financial stability' simply means that the financial system is sufficiently functioning to provide those six basic tasks\* for the economy even under stress; in short, the system is resilient to the inevitable shocks and breakdowns in market confidence. – OFR Annual Report, July 2012*

\* The six are: (1) credit allocation and leverage, (2) maturity transformation, (3) risk transfer, (4) price discovery, (5) liquidity provision, and (6) facilitation of payments

OFR research seeks to identify threats to financial stability and evaluate potential mitigants.

Understand the Financial System	Assess Risk and Vulnerabilities	Evaluate Mitigants
<ul style="list-style-type: none"> <li>• How is the financial system performing its six basic tasks?</li> <li>• How is the financial system changing – particularly with respect to new products and markets?</li> </ul>	<ul style="list-style-type: none"> <li>• Where are risks accumulating?</li> <li>• What are the forces driving risk-taking activities and what is the interplay among them?</li> <li>• What are the gaps in analytics and data?</li> </ul>	<ul style="list-style-type: none"> <li>• How can risk management, policy, or supervision address these risks?</li> <li>• Do policymakers and companies have sufficient data and information?</li> </ul>

Achieving our goals depends on collaboration with Council member agencies. Although regulators are key partners on various issues, the OFR's unique area of focus relates to issues that cut across the financial system. For example:

## **1. Areas of macroprudential or systemic concern**

- Financial stability monitoring and metrics
- Network analysis
- Risk management
- Data gaps as threats to financial stability

## **2. Financial activities that are relatively unregulated**

- Shadow banking activities

## **3. Financial activities that cut across supervisory authorities**

- Housing and housing finance

## *Implementation*

The OFR takes the following approaches to implementing its research strategies:

- ◆ Working in cross-functional teams within the OFR, across Council member agencies, and in cooperation with international bodies.
- ◆ Bringing researchers into the OFR
  - Outside researchers and consultants
  - Fellowships
- ◆ Facilitating researchers
  - Joint research initiatives
  - Support for financial research outside the OFR
- ◆ Providing thought leadership and opportunities for dialogue
  - Publishing staff work products
  - Workshops and conferences

## *Analysis and Publications*

- ◆ OFR Annual Report
- ◆ Current analysis for the Council
- ◆ Policy evaluation (as it relates to financial stability)
- ◆ Support the Council in its Annual Report and other projects
- ◆ Working Paper Series and other research
  - *A Survey of Systemic Risk Analytics* (Bisias and others)
  - *Forging Best Practices in Risk Management* (Flannery and others)
  - *Additional working papers forthcoming*

Dessa Glasser

*Deputy Director of the Data Center*

**DATA CENTER**

## Data Center

*Provide data, standards, and tools to advance the analysis of threats to financial stability*

The Data Center has three core functions:

### Data Services

Delivers high-quality data and consulting services to support the OFR mission, its drive for quality, and its effort to create efficiencies. Works with Council member agencies to improve data collection.

### Information Standards

Leads and supports domestic and global efforts to standardize the types and formats of information reported to, and collected by, the OFR and Council member agencies to improve efficiencies and reduce operational risk.

### Technology Infrastructure

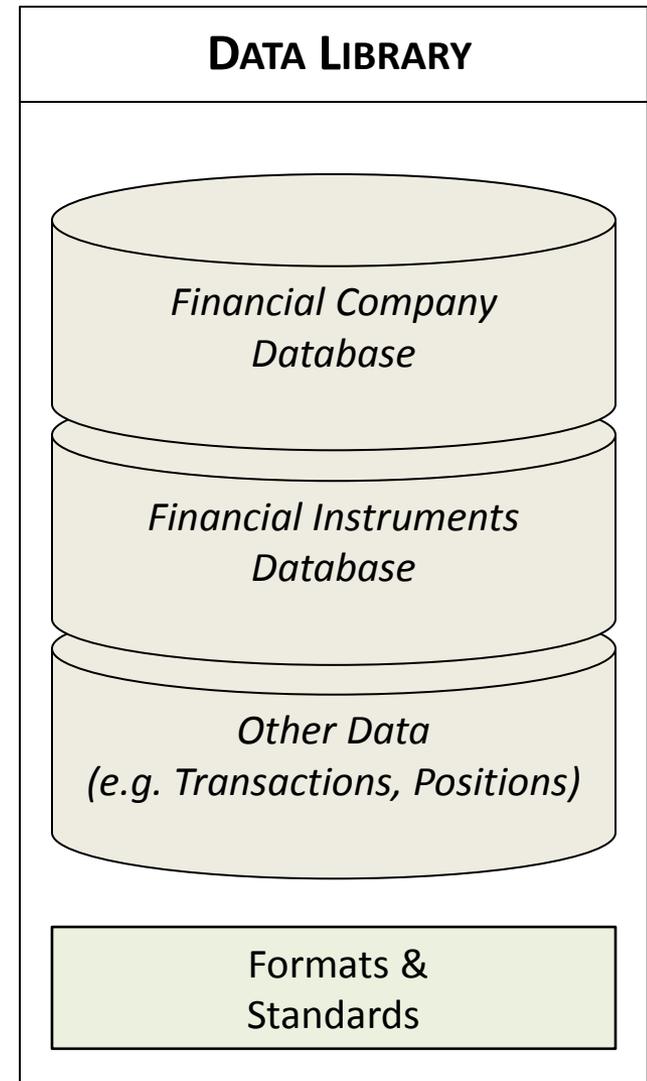
Builds and maintains the secure infrastructure of hardware and software, and provides other support services to the OFR.

The Data Center acquires, catalogues, and validates data relevant to OFR's mission, creating a secure data library.

The Data Center works with its partners at Council member agencies and other regulatory agencies to determine:

- ♦ the gaps in financial data across the financial regulatory system, and
- ♦ the most efficient mechanisms to fill those gaps.

The Data Center also provides tools and services to OFR researchers and the Council to assist in the analysis of these data.



Data Services	Information Standards	Technology Infrastructure
<ul style="list-style-type: none"><li>• Data Acquisition and Validation</li><li>• Mapping Across Datasets for Analysis</li><li>• Interagency Data Inventory</li><li>• Library: Reference Catalog and Metadata</li><li>• Charts and Reports</li></ul>	<p><u>Public:</u></p> <ul style="list-style-type: none"><li>• Legal Entities (LEI)</li><li>• Instruments</li><li>• Hierarchies</li></ul> <p><u>Intergovernmental:</u></p> <ul style="list-style-type: none"><li>• Data Sharing Protocols</li><li>• Data Security Classification</li></ul>	<ul style="list-style-type: none"><li>• Secure Databases</li><li>• Analytic Environment</li><li>• Data Analysis Tools</li><li>• Access Controls</li></ul>