

M E M O R A N D U M

To: Members of the Committee on Financial Services  
From: FSC Majority Staff  
Date: January 31, 2014  
Subject: February 5, 2014 Oversight and Investigations Subcommittee Hearing Entitled  
“The Annual Report of the Office of Financial Research”

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The Oversight and Investigations Subcommittee will hold a hearing entitled “The Annual Report of the Office of Financial Research” on February 5, 2014, at 2:00 p.m. in Room 2128 of the Rayburn House Office Building. This will be a one-panel hearing. The sole witness will be the Director of the Office of Financial Research, Richard Berner.

**The Mission and Reporting Requirements of the Office of Financial Research**

Title I, Subtitle B of the Dodd-Frank Wall Street Reform and Consumer Protection Act (P.L. No. 111-203) established the Office of Financial Research (OFR) as an office within the Treasury Department.<sup>1</sup> The Dodd-Frank Act charges the OFR with supporting the Financial Stability Oversight Council (FSOC), a regulatory body that consists of the heads of federal financial regulatory agencies, an insurance expert, and state regulators and that is chaired by the Treasury Secretary.<sup>2</sup> The FSOC’s statutory mandate is to monitor risks and emerging threats to the financial stability of the United States.<sup>3</sup>

As part of that statutory mandate, the Dodd-Frank Act specifically requires the OFR to perform several functions. In particular, the Dodd-Frank Act requires the OFR to collect information about the health of the financial system and its vulnerabilities to shock; to standardize the types and formats of data that the OFR collects on behalf of the FSOC; to perform applied and long-term research; to develop tools for risk measurement and monitoring; and to assist the FSOC’s member agencies in determining the types and formats of data that Dodd-Frank authorizes them to collect.<sup>4</sup> The Dodd-Frank Act established a Data Center within the OFR, which collects, validates, and maintains information about financial instruments and companies on behalf of the FSOC. The Dodd-Frank Act grants the OFR the discretion to issue rules, regulations, and orders to carry out its data collection and standardization efforts. The Dodd-Frank Act also established a Research and Analysis Center within the OFR, which develops and maintains analytical capabilities concerning financial stability on behalf of the FSOC.<sup>5</sup>

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<sup>1</sup> The Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203, §152(a) (2010).

<sup>2</sup> §111(b).

<sup>3</sup> §112(a).

<sup>4</sup> §153(a).

<sup>5</sup> §154(b)-(c).

Section 152 of the Dodd-Frank Act excludes the OFR from the congressional appropriations process, instead authorizing the OFR's director, in consultation with the Treasury Secretary, to set the OFR's budget. The OFR's budget is funded through the "Financial Research Fund," which is capitalized from fees levied against bank holding companies with total consolidated assets of \$50 billion or more and nonbank financial companies supervised by the Federal Reserve Board of Governors.<sup>6 7</sup>

The Dodd-Frank Act requires the OFR's Director to "report to and testify before the . . . Committee on Financial Services of the House of Representatives annually on the activities of the Office, including the work of the Data Center and the Research and Analysis Center and the assessment of the Office of significant financial market developments and potential emerging threats to the financial stability of the United States."<sup>8</sup> In December 2013, the OFR issued its annual report, which covered its activities and operations during the period following the issuance of its report in July 2012.<sup>9</sup> The report discusses the following subjects:

- (1) Methods to analyze threats to the financial system;
- (2) Macroprudential policy;
- (3) Research on financial stability;
- (4) Gaps in data available to governmental authorities;
- (5) Promoting data standards; and
- (6) The OFR's future agenda.

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<sup>6</sup> §§152(c), 155(d).

<sup>7</sup> §153(c)(1).

<sup>8</sup> §153(d)(1).

<sup>9</sup> 2013 Annual Report, Office of Financial Research, available at

[http://www.treasury.gov/initiatives/ofr/about/Documents/OFR\\_AnnualReport2013\\_FINAL\\_12-17-2013\\_Accessible.pdf](http://www.treasury.gov/initiatives/ofr/about/Documents/OFR_AnnualReport2013_FINAL_12-17-2013_Accessible.pdf) (last accessed Jan. 29, 2013).