

**BUDGET HEARING—THE OFFICE  
OF FINANCIAL RESEARCH**

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**HEARING**  
BEFORE THE  
SUBCOMMITTEE ON  
OVERSIGHT AND INVESTIGATIONS  
OF THE  
COMMITTEE ON FINANCIAL SERVICES  
U.S. HOUSE OF REPRESENTATIVES  
ONE HUNDRED TWELFTH CONGRESS  
SECOND SESSION

APRIL 19, 2012

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## BUDGET HEARING—THE OFFICE OF FINANCIAL RESEARCH

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Thursday, April 19, 2012

U.S. HOUSE OF REPRESENTATIVES,  
SUBCOMMITTEE ON OVERSIGHT  
AND INVESTIGATIONS,  
COMMITTEE ON FINANCIAL SERVICES,  
*Washington, D.C.*

The subcommittee met, pursuant to notice, at 10:01 a.m., in room 2128, Rayburn House Office Building, Hon. Randy Neugebauer [chairman of the subcommittee] presiding.

Members present: Representatives Neugebauer, Fitzpatrick, Pearce, Posey, Renacci, Canseco, Fincher; Capuano, Waters, Ellison, and Carney.

Ex officio present: Representative Bachus.

Also present: Representative Green.

Chairman NEUGEBAUER. Good morning. This subcommittee will come to order. Today's hearing is on the Office of Financial Research (OFR).

We will have opening statements by each side, as previously agreed, for 10 minutes per side, and I ask unanimous consent that the members of the Committee on Financial Services who are not members of the Subcommittee on Oversight and Investigations be permitted to sit with us for the purposes of delivering a statement, hearing testimony, and questioning witnesses today.

We think we are going to have votes here shortly, so what we are going to try to do is get through the opening statements and maybe even Ms. Shannon's statement. As soon as the votes are over, we will reconvene the hearing.

I want to start off by saying we are extremely disappointed that Dr. Berner was not allowed to come and testify this morning. We appreciate Ms. Shannon being here, but we think it was very appropriate for the person who has headed this agency for over a year to have been here, and this is extremely disappointing. I think this is somewhat contrary to what Dr. Berner said when he was here before, and I quote, "to make sure this committee in particular understands that OFR wants to be accountable to Congress and that OFR wants to be completely transparent." I think the fact that Dr. Berner is not here today is contrary to that statement.

One of the other things that we rolled out in our committee this week was the Dodd-Frank burden tracker, the purpose of which is to identify what it is going to cost to implement the Dodd-Frank Act. Certainly, one of the things we were hoping that many of the agencies were doing was some more detailed cost-benefit analysis.

But one of the things we learned through this process is the fact that there are about 400 rulemaking requirements in Dodd-Frank, and we are about 185 of those rules into the process. We learned something that I think is disturbing, and it is a trend that I think has pretty big consequences, which is, we learned that 24 million manhours will be required to comply with the 185 rules that have been promulgated up to this point.

You know, I had to kind of put that in perspective—what does that mean? Well, what we learned is it only took 20 million manhours to build the Panama Canal, and so one of the things that somebody said was that instead of joining two bodies of water, what Dodd-Frank is doing is joining lawyers with billable hours. There is a cost and there is a burden to these regulations, and certainly that is just one part, one aspect of it. I think the CBO has estimated it is going to take about \$27 billion of additional expense over 10 years to implement Dodd-Frank. So it is with consequence.

Today, we are talking about the OFR, which is another agency created by Dodd-Frank, and quite honestly there is a trend here. We have seen two agencies created by Dodd-Frank that basically don't seem to have a lot of accountability, agencies that basically can either get money from the Treasury, or agencies that can get money from the Treasury and create fees and assessments without anybody really having to approve it. I think we find that troubling.

I think some of the events that we have seen in the last few weeks of trips to Las Vegas bring to light that there needs to be accountability in government. The American people are demanding that kind of accountability. And so today, hopefully in this hearing, we are going to hear more about the internal structure of OFR, the goals and directives.

We are still waiting to see a strategic plan for this organization, but what we do know is they are spending money and not small sums of money. We think obviously one of the requirements of this Oversight Subcommittee is to make sure that we shed light on those different areas.

But, again, I have to close by saying I am extremely disappointed. I think when Secretary Geithner said we were going to start this process of Dodd-Frank, he said we are going to start it with a lot of transparency and openness. I guess transparency and openness to Secretary Geithner is not allowing the person who has been nominated and is currently heading up this very important agency to come and share his testimony with us today.

So with that, I will yield to my good friend, the ranking member of the subcommittee, Mr. Capuano.

Mr. CAPUANO. Thank you, Mr. Chairman. Ms. Shannon, I am looking forward to your testimony. I totally agree that accountability of all agencies, even those that are off budget, is our responsibility. Actually, this is why I wanted this subcommittee; I actually played a role in creating this subcommittee, and I am glad that I did. I think we have a responsibility, I think we are doing it, and I think we should continue to do it. I think the chairman has done a good job of making sure that this subcommittee fulfills that obligation.

At the same time, I also do think that we have a responsibility to see both sides. When we have one side constantly saying we



have to get a Dodd-Frank burden factor, that is a fair point, I agree with that, but I think we have to see what the non-Dodd-Frank burden factor was. We talk about hundreds of millions or billions of dollars it is costing us to do these things, but we continue to ignore the fact that it almost cost the entire economy many trillions of dollars because we didn't do these things previously.

So as we do this, there are two sides of the ledger, and I would like to—I just think it is important to point that out on a regular basis. But that doesn't mean that we should just be throwing money away. That is the accountability factor.

I will tell you that, honestly—I am going to hear this for the next 6 months, and I know it, and it is appropriate—I was probably one of the most angered people in America when I saw this GSA story last week, because I hate waste more than most people, believe it or not, and I hate it for two reasons. First, I hate it because I am a taxpayer, and I hate it for the exact same reason everybody else hates it. Second, I hate it because I think there is a responsibility and a good part of government that gets broad painted when you have one agency that goes rogue and does something incredibly stupid, probably—certainly unethical in my opinion, immoral, and possibly illegal.

So, honestly, for those of us who actually think government has a positive role to play, believe it or not, I think we get more angry when we see a government agency go crazy than those people who never liked government in the first place, and therefore, if anyone at OFR or the Treasury or the Fed or anybody else you talk to on a regular basis is taking vacations in Vegas, maybe that should not happen.

But be that as it may, on the presumption that no one at OFR has been out partying in Vegas lately—I guess I should ask that and maybe you will put that in your testimony—I still think that you have an important role to play, and that is what I am here to talk about today and going forward. I know that I am going to hear the GSA thing on every committee I serve on for the next 6 months. Honestly, if I was on the other side, I would be doing it, too, so I don't blame you, have some fun, and you are right. But when it comes time to line up the GSA guys and kind of take care of business, count me in. I will be at the front of that line.

I am looking forward to seeing Dr. Berner when he finally does get confirmed. It is my understanding that the policy, which I don't like in the first place, but at least it is my understanding that it is not a new policy, it has been a long-term policy followed by several Administrations, including the Bush Administration. I didn't like it then, I don't like it now, but at least I understand it. So although I join with my chairman in not appreciating the policy, I want to be clear that the policy is not new, it is not Mr. Geithner's policy; it is a policy that he is simply extending from previous Administrations. I guess that is a typical Administration versus Legislative Branch difference of opinion, but there will come a time when Dr. Berner hopefully will be confirmed, and when he does, I am sure he expects to be called here, and I look forward to that day. With that, I yield back.

Chairman NEUGEBAUER. I thank the gentleman. I have a letter that I sent yesterday to Treasury Secretary Geithner expressing

my disappointment about Dr. Berner's failure to testify here today, and I ask unanimous consent that the letter be made a part of the record.

Without objection, it is so ordered.

I also want to say that without objection, all Members' opening statements will be made a part of the record, and at this particular point in time, I recognize the chairman of the full Financial Services Committee, Chairman Bachus, for 2 minutes.

Chairman BACHUS. Thank you, Chairman Neugebauer, for convening this important hearing to examine the budget of the Office of Financial Research. The Oversight and Investigations Subcommittee held its first hearing on the OFR last July when we discussed concerns about how the Office will secure the vast amounts of personal and corporate financial data it will collect. If the OFR is going to stockpile sensitive financial information, then it needs to make sure the data stays out of the hands of hackers, criminals, and those who would do this country harm.

Last July, we also examined whether the OFR's data collection efforts would burden American businesses. Our hearing today examines the OFR's budget. For the first 2 years after Dodd-Frank enactment, OFR is funded by the Federal Reserve. That 2-year period is about to end. Starting in July, the OFR will fund itself by leveling assessments on financial institutions, a process that is entirely removed from the appropriations process. In light of the fact that the OFR will impose direct costs on American businesses, and especially because the OFR has virtually complete autonomy in setting its yearly budget, it is critical that this committee examine whether the OFR is spending money in a way that promotes its mission in a cost-effective manner.

In examining the OFR's budget, I especially look forward to hearing more about how the Office will fund itself by leveling assessments on financial institutions, how the OFR is going to collect data in a way that will minimize the burden on businesses and individuals, and the systems the OFR is putting in place to safeguard that data and prevent its unauthorized disclosure or use.

It is very disappointing, however, that Treasury refused to make Dr. Berner available today to address these questions. They are important questions that need to be addressed, and it is especially troubling and amplifies the concerns that many of us already have that the OFR lacks accountability and transparency. I do thank Ms. Shannon for being here today as our witness, and I thank you, Chairman Neugebauer, for holding this hearing.

Chairman NEUGEBAUER. I thank the gentleman. Now, the vice chairman of the subcommittee, Mr. Fitzpatrick, is recognized for 1½ minutes.

Mr. FITZPATRICK. Thank you, Mr. Chairman. We are here today to discuss the unprecedented powers of the Office of Financial Research. When this agency was created by the Dodd-Frank Act, a majority of the American public was unaware of the far-reaching access that the Federal Government would be granted in matters of personal and corporate finance. The OFR, charged with collecting information for regulators, was given the power to demand all data necessary, including sensitive, private information, information from banks, hedge funds, brokerages, and other financial

companies, as well as information about individual loans. The vast amount of information would be a gold mine for anyone able to access it for nefarious purpose. As someone who is concerned with financial security and also personal privacy, the OFR approach to gathering and storing information is a major concern.

I believe, Mr. Chairman, that there are also some serious questions regarding to the accountability and transparency at the OFR, two characteristics of vital importance for any government agency. For example, its budget is set by the agency itself, and the Office is not funded through the regular appropriations process, so that there is a lack of meaningful congressional oversight, and the American people are left without much of a say at all in its operations. The American people deserve to know that their information is protected and that this agency is acting in the best interests of the public trust.

The most reasonable thing we can expect are clearly defined budgets, strategic plans, goals, and fully vetted policies and procedures. These are standard practices in the private sector, and they hold more importance when agencies are operating in the public sector. Thank you, Mr. Chairman.

Chairman NEUGEBAUER. I thank the gentleman. The gentleman from Texas, Mr. Canseco, is recognized for 2½ minutes.

Mr. CANSECO. Thank you, Mr. Chairman. This past Saturday marked the 100th anniversary of the sinking of the Titanic. In the aftermath of that disaster, government hearings on both sides of the Atlantic found plenty of blame to go around: an irresponsible captain; a faulty design; or an attitude of arrogance that the ship was unsinkable. All throughout it, though, very little blame was assigned to the iceberg itself, which at the end of the day is what sank the Titanic.

In a similar vein, our economy in 2008 was sunk by its own iceberg, but unlike the Titanic, we had plenty of warning. For years, Congress and regulators heard warning after warning that government housing policies and the risks being built up by Fannie Mae and Freddie Mac were going to sink our economy. Way back in 2000 at the end of the Clinton Administration, Peter Wallison told Congress, "If Fannie and Freddie are not restrained, it is no exaggeration to say that this is a threat to the private sector to the same degree it is a threat to the taxpayers."

In 2005, former Fed Chairman Alan Greenspan said, "If Freddie and Fannie continue to grow, they potentially create ever-growing potential systemic risks down the road."

These weren't the only voices, but all of them were ignored by regulators and Members of Congress who continued to push for government intervention in the housing market. Of course, the house of cards came crashing down, and we are left today trying to dig ourselves out of it.

Taking its cue from the post-Titanic inquiries, the last Congress gave us Dodd-Frank. This bill included the formation of the Office of Financial Research. I am profoundly confused by the logic behind all of this when the threats to our economy leading up to 2008 were so clear and so transparent. You didn't need an army of Ph.D.s to tell you that Fannie and Freddie were out of control or that even a meager drop in home prices would wipe out their capital and the

capital of hundreds of other financial institutions, and I remain deeply concerned about this agency with its threat to sensitive information and its misguided mission. That is why I have introduced a bill to repeal it, which was adopted in amendment form by voice vote in this committee yesterday.

We know what our iceberg was and what caused it to get so big, and we know more than ever that all the information in the world can't compete with a lack of will on behalf of politicians and regulators alike. I yield back.

Chairman NEUGEBAUER. I thank the gentleman, and now the gentlewoman from California, Ms. Waters, is recognized for 2 minutes.

Ms. WATERS. Thank you very much, Mr. Chairman, for organizing this very important hearing to discuss the Office of Financial Research. I believe that OFR will serve as a vital role in supplying our regulators with critical data and analysis that will help them monitor systemic risk and ensure that our financial markets are sound.

The OFR was created by Title 1 of Dodd-Frank for the purpose of collecting information for the Financial Stability Oversight Council (FSOC), developing tools for risk management, and monitoring and conducting research using complex data to inform how we can make our financial system more resilient and robust. Essentially, the Office of Financial Research is just like the National Oceanic and Atmospheric Administration (NOAA): monitoring gathering storms; assessing threats; and trying to coordinate actions that would minimize any collateral damage.

Likewise, it is similar to the intelligence gathering agencies which attempt to aggregate and analyze data for the purpose of protecting the country. I think the OFR was a critical accomplishment under Dodd-Frank, and I hope that all my colleagues agree that consolidating and understanding this complex financial data will be a key to preventing another systemic risk like the one we experienced 4 years ago. Having this data is all the more important, in fact, given the lingering economic instability in the euro zone.

So with that said, I was frankly dismayed by some of the activity in our budget reconciliation markup yesterday, including an amendment to repeal the Office of Financial Research. While I understand that congressional oversight of OFR is appropriate, I think that efforts to undermine it are extremely dangerous. I thank you, and I yield back the balance of my time.

Chairman BACHUS. Would the gentlelady—I am hard of hearing, you know. I have problems.

Ms. WATERS. Me, too.

Chairman BACHUS. But did you say that the Office of Financial Research, you compared them collecting private data of individual Americans that they have to file with institutions when they get a loan or their stock portfolios, that that is analogous to the Weather Bureau collecting temperature and rainfall data?

Ms. WATERS. I guess you do have a problem hearing. No, I did not say that.

Chairman BACHUS. Oh, okay.

Ms. WATERS. What I said was essentially the Office of Financial Research is just like the National Oceanic and Atmospheric Administration: monitoring gathering storms; assessing threats; and trying to coordinate actions that would minimize any collateral damage, and further, likewise, it is similar to the intelligence gathering agencies we have in national security which attempt to aggregate and analyze data for the purpose of protecting the country. That statement you interjected, collecting private data on individuals, etc., no, I did not say that.

Chairman BACHUS. So it is necessary to collect all this private financial information on American citizens to protect the country?

Ms. WATERS. You are making that up. I didn't say that.

Chairman BACHUS. Okay. All right. I don't want to mischaracterize what you said.

Ms. WATERS. Do you want me to read it again?

Chairman NEUGEBAUER. I thank the gentlewoman. At this time, I am going to recess the subcommittee until after votes, at which time we will hear Ms. Shannon's opening statement and begin our question period. So we are standing in recess.

[recess]

Chairman NEUGEBAUER. The hearing is called back to order. Ms. Shannon, without objection, your written testimony will be made a part of the record, and you will now be recognized for 5 minutes to summarize your testimony.

**STATEMENT OF MICHELE SHANNON, CHIEF OPERATING OFFICER, OFFICE OF FINANCIAL RESEARCH, U.S. DEPARTMENT OF THE TREASURY**

Ms. SHANNON. Chairman Neugebauer, Ranking Member Capuano, and other members of this subcommittee, thank you for the opportunity to be here today. Since this subcommittee's hearing on the OFR 9 months ago, the Office has made substantial progress in carrying out its statutory responsibilities. As we move through Fiscal Year 2012 and look toward Fiscal Year 2013, that progress is accelerating. My written testimony reports on steps we have taken to achieve our goals and provides details about the OFR's budget and financing. In my statement this morning, I will give some examples of the headway we have made.

Last month, the OFR published the strategic framework that will guide our way forward. This framework establishes five goals. First, one of the primary responsibilities of the Office of Financial Research is to serve the Financial Stability Oversight Council and its member agencies. We have begun to provide data and analytical input to the Council and are implementing an inventory of data held by Council member agencies. We are also collaborating on data-related issues through the Council's data committee.

A second important goal is to promote stronger data-related standards. The early centerpiece of this effort is our ongoing work with policymakers, regulators, and the private sector to establish a unique global standard for identifying parties to financial transactions. This legal entity identifier, or LEI, will allow for better understanding of true exposures and counterparty risks across the financial system. It will also create efficiencies for transactions and reporting.

A third focus involves work to create a collaborative environment for research and analysis on risks to financial stability and best practices and risk management. Results of this initiative include publication of the first two entries in the OFR's working paper series, announcement of the establishment of a financial research advisory committee, and, looking forward, publication of the OFR's first annual report this summer.

Under the fourth goal of the OFR, we are required not only to make nonsensitive data and information available to the public, but also to protect sensitive information. The OFR is committed to collecting data securely, safeguarding the data it holds, and being very thoughtful and judicious in fulfilling its data-related mandate. The OFR will collect data only when necessary to assess threats to financial stability and only when the data are not otherwise available.

Under our final goal, we are making substantial progress in establishing the OFR as an efficient organization. We now have 69 employees and plan to reach a steady state staffing level of 275 to 300 employees in the next 2 to 3 years. To support good stewardship of our resources, we are installing sound planning and review protocols as well as rigorous controls. As we stand up the OFR, a key objective is to put in place the information technology and business systems needed to support the secure delivery of our data and research mandates. The OFR has established a foundational infrastructure to support the short-term needs of researchers and analysts. We are taking all the time needed for robust planning and testing to determine the most secure, efficient, and cost-effective solutions for the longer term.

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. We also recognize the importance of moving forward as expeditiously as possible.

As my written testimony details, the pace of our spending is projected to increase in the second half of this year, and next year we will continue to ramp up our efforts. Thank you again for the opportunity to be here today. I would be happy to answer your questions.

[The prepared statement of Ms. Shannon can be found on page 43 of the appendix.]

Chairman NEUGEBAUER. Thank you, Ms. Shannon. We will now go to questions from Members. Ms. Shannon, I want to better understand your role at OFR. OFR's Fiscal Year 2013 budget is \$157 million. Are you in charge of finalizing and approving that budget?

Ms. SHANNON. Congressman, my role as the Chief Operating Officer is to oversee the resources of the Office, both the financial resources and the human capital resources of the Office. I am responsible for the work to prepare the budget, and ultimately, that budget is reviewed by the other parts of the Treasury, including the management team in financial management in Treasury, and ultimately approved by the Secretary of the Treasury, currently. When we have a confirmed Director of the OFR, it would also be approved by the Director.

Chairman NEUGEBAUER. I didn't hear you use Dr. Berner's name. So he is currently not required to—he didn't have anything to do with this budget?

Ms. SHANNON. Congressman, as you know, we do not have a confirmed Director of the OFR currently. Dr. Berner is the Counselor to the Secretary of the Treasury, and in that role has been asked by the Secretary to help support the stand-up of the OFR. In that context, we worked with him and other members of the Treasury to establish the budget and prepare the budget for the approval.

Chairman NEUGEBAUER. So you prepared the budget?

Ms. SHANNON. I have responsibilities for helping to prepare the budget. That process involves other members, other Treasury officials, but ultimately is approved by the Secretary.

Chairman NEUGEBAUER. And the Secretary of the Treasury approved it?

Ms. SHANNON. That is correct.

Chairman NEUGEBAUER. So Dr. Berner is just kind of on the sidelines right now until he is confirmed? He was not involved in that process?

Ms. SHANNON. Mr. Chairman, again, without a confirmed Director, the authorities of that Office sit with the Secretary of the Treasury, and the Counselor, Dr. Berner, is supporting the day-to-day stand-up of the Office, and in that context, he has been involved in the budgeting process.

Chairman NEUGEBAUER. I also noticed that you expect to have 284 FTEs by next fall. Did you decide that was how many people the agency needed?

Ms. SHANNON. Congressman, in order to prepare our budget and our strategic plan, looking at issues such as the level of staffing that we would need, we, working with, again, members of Treasury's financial management team, looked at the specific mission of the OFR, what the specific needs would be to meet both the research mission and the data-related mission. We worked with managers that we brought into the OFR to look at what the specific needs would be and the particular functions, and from that basis, built up to the—

Chairman NEUGEBAUER. Okay. So who is hiring a number of senior members? Somebody hired you. Who is making those decisions?

Ms. SHANNON. Congressman, again, the OFR doesn't currently have a confirmed Director.

Chairman NEUGEBAUER. Okay, I see where we are going with that answer. So, you mentioned the strategic framework.

Ms. SHANNON. Yes.

Chairman NEUGEBAUER. I have reviewed that, and I didn't see anything to lead me to believe that there was anything strategic about the framework. It was pretty general. And yet you are going to have a budget of \$157 million, you are going to have 284 full-time employees, but it really didn't give a lot of indication of the direction the agency was headed and how it was going to operate.

When I look at some of the other documents that other agencies—this is the CFTC's and this is the SEC's submissions of their plans and budgets, and then I look at the budget for your agency, and obviously when you look at the difference between, these agencies have gone into much more detail about being strategic about

how they are going to spend money, what these people are going to do. Would you say yours is adequate?

Ms. SHANNON. Congressman, as you know, the budget of the OFR was published as part of the President's budget. We are a start-up. We are—we did prepare information consistent with this stage of our stand-up. Of course, over time, as the institution continues to grow, we are going to be elaborating further details in the preparation of our budget and the publication of our budget.

One thing I would emphasize, and I think it is a very important point that you raise, is that we do need to be very transparent about our operations. We are starting to do that, with the publication of our strategic framework, with the publication of our budget as part of the President's budget, and we are going to continue to do that, we are going to continue to be transparent about what we are doing. We want to be accountable for the way that we are spending money, and we are going to continue to elaborate those plans going forward.

Chairman NEUGEBAUER. My last question is, you are an independent agency, and so your budget for 2013 was projected to be at \$157 million, 284 full-time employment units. Could that number have been \$350 million?

Ms. SHANNON. Congressman, we, in preparing the budget, look to the needs of the organization as relates to—

Chairman NEUGEBAUER. This is a very simple question. Yes or no, could the budget have been \$350 million?

Ms. SHANNON. Congressman, in preparing the budget—

Chairman NEUGEBAUER. Ms. Shannon, I know that they have coached you very well, and you are doing a great job, but we are here to get facts, and so the question is, could that budget have been \$350 million, yes or no?

Ms. SHANNON. Congressman, I would like to give you a full answer to your question.

Chairman NEUGEBAUER. No. I want a yes-or-no answer because my time has expired. So it is yes, it could have been, or no, it couldn't have been. It is either one or the other. Could that budget have been \$350 million?

Ms. SHANNON. Congressman, in preparing the budget—

Chairman NEUGEBAUER. Ms. Shannon, I want a yes-or-no answer, please. It is either yes, it could have been \$350 million, or no, it couldn't have. Does the agency have the authority to have a \$350 million budget?

Ms. SHANNON. Congressman—

Chairman NEUGEBAUER. Ms. Shannon, I want a yes-or-no answer, please, ma'am. Yes, it could, or no, it couldn't. This is not rocket science.

Mr. ELLISON. Mr. Chairman, I have an objection.

Ms. WATERS. Regular order, please.

Mr. ELLISON. I think the witness is entitled to be treated with respect.

Chairman NEUGEBAUER. I am treating her with—

Mr. ELLISON. No, I believe this hearing is not proper respect.

Chairman NEUGEBAUER. I have the time, please.

Ms. WATERS. Regular order.



Mr. ELLISON. I want to interpose an objection to the manner in which you are conducting this hearing with this witness. This is disrespectful.

Chairman NEUGEBAUER. Ms. Shannon, I am looking for a yes-or-no answer.

Ms. WATERS. Regular order, please. Regular order, please.

Chairman NEUGEBAUER. Ms. Shannon, yes or no?

Mr. ELLISON. Also, the red light is on; I think the chairman is beyond his time.

Chairman NEUGEBAUER. I am not yielding my time until Ms. Shannon answers my question. Ms. Shannon?

Mr. ELLISON. And I want to register an objection to the abusive nature of this hearing.

Chairman NEUGEBAUER. So noted.

Ms. WATERS. Regular order. The questioning time has passed.

Chairman NEUGEBAUER. So, Ms. Shannon, we are going to get back to the question. Could that budget have been \$350 million?

Ms. SHANNON. Congressman, I fear—I want to be very responsive to your question.

Chairman NEUGEBAUER. You are not being responsive. I have asked for a yes-or-no answer.

Ms. WATERS. Mr. Chairman, Mr. Chairman, I think you have made your point, and I don't think that you can badger the witness into saying yes or no. Let's move on.

Chairman NEUGEBAUER. I am not trying to badger anybody. I am just trying to get an answer. With that, I yield back.

Mr. CAPUANO. Mr. Chairman, if you would yield for just a question or comment. Pursuant to the law itself, it does say that they can collect assessments equal to the total expenses of the Office, that is all the law says. So they could collect it to the total expenses of the Office, and it may or may not be a yes-or-no answer, but that is the legislative requirement regardless of whether Ms. Shannon knows that or not.

Chairman NEUGEBAUER. And so, it could be \$350 million if they decide to spend \$350 million.

Mr. CAPUANO. The expenses of the Office is the legislation.

Chairman NEUGEBAUER. With that, I yield to the gentleman from Massachusetts, Mr. Capuano.

Mr. CAPUANO. I yield to Ms. Waters.

Ms. WATERS. Thank you very much. Ms. Shannon, earlier today one of my colleagues on the opposite side of the aisle I think attempted to ask me a question about whether or not information that is collected is protected, or whether or not this information could be used against some of the entities that I suppose you are doing research on or individuals, and I, even though he did not frame the question quite that way, I think that is what he was trying to get at, and I would like you to help us to understand, given the nature of what you will be doing and the research that you will be doing, how can you assure us that all of these entities that you will be interacting with and doing research on will be protected?

Ms. SHANNON. Congresswoman, thank you, this is a very important question. This is something that we are very focused on across the organization, protecting the data that we take in-house and

making sure that it is available only to those who absolutely need to have it.

First, the OFR has been established within the Treasury, and therefore, it inherits the security structures within the Treasury, the IT infrastructure of the Treasury, but also the security protocols and policies of the Treasury Department, and these are policies to which we are adhering closely.

At the same time, we recognize that the OFR has a particular mission, and that in the context of that mission, we need to look at what additional policies and procedures we need to put in place within the OFR itself to make sure that we are protecting data, and so we are looking at that now. We are looking at how our data gathering mandate, what additional protections are required in that context, and also in the context of data sharing between agencies, what we need to do.

One thing, again, that I want to emphasize is that we are only going to be collecting the data that we absolutely need to fulfill our mission. We are trying to fill data gaps. We are not going to be collecting for collections sake. We are going to be making sure that only those people who absolutely need to have access to sensitive data have that access through access control, both systems and in policies.

Ms. WATERS. But what concerns me a bit is that you will be collecting data and interacting with two other newly-established entities, the Orderly Liquidation Authority you will be working with also; is that correct?

Ms. SHANNON. Congresswoman, we will be working with the—

Mr. PEARCE. Mr. Chairman, could you have the witness kind of pull the microphone over, she is talking to this side, and the microphone is on the other side.

Ms. SHANNON. Sure. Is this better?

Congresswoman, we will be working with members across the Financial Stability Oversight Council.

Ms. WATERS. Oh, I see, so you don't have any direct interaction with the Orderly Liquidation Authority, either? You will not be supplying research at all for the Orderly Liquidation Authority?

Ms. SHANNON. Congresswoman, we will be working with regulators across the FSOC, and so in that context, we will be responding to requests from various parts of the system.

Ms. WATERS. I see. But there are no regulations that have been established for these particular new interactions that you will be having? You talk about the Treasury, of course. We know that there are established rules and regs, laws that relate to confidentiality and other kinds of things. Do there need to be new regs developed, new laws developed that would make sure that the data you are collecting that will be available to these new entities will be protected?

Ms. SHANNON. Congresswoman, thank you, this is also an important question in terms of how we go about sharing data that we may have and also how we go about the process of data dissemination that we may take in-house, and this is an issue that we are working on with other members of the regulatory community to set in place the kind of procedures and protocols, controls that you are mentioning, and one of the aspects of this that we are working on

right now is looking at how to classify data within the OFR, obviously building upon systems that already exist for data classification, and how we can mount that classification that we have in-house at the OFR with the systems of other regulators so that we can make sure we are talking the same language and that we are protecting the data appropriately.

Ms. WATERS. So what is the timeframe? How long is it going to take you to put these protocols together?

Ms. SHANNON. Congresswoman, we already do have a set of protocols in place, again, as part of the Treasury infrastructure. We are working to expand those protocols. We are working on the classification system, that I mentioned, is going to be in place in the coming months, and other aspects of these enhancements should be coming online over the coming months as well.

Ms. WATERS. Thank you very much. I was just reminded by the staff that we are talking about process with the Orderly Liquidation Authority rather than an agency. Thank you.

Chairman NEUGEBAUER. Thank you. Now, I recognize the vice chairman of the subcommittee, Mr. Fitzpatrick for 5 minutes.

Mr. FITZPATRICK. Thank you, Mr. Chairman. Ms. Shannon, I appreciate your testimony. Dr. Berner was here before the subcommittee on July 14th, over 9 months ago. At that point, I requested a strategic plan with specific goals and metrics for OFR's Fiscal Year 2012 be submitted to the subcommittee by fall of 2011, and Dr. Berner agreed at that time, that it would be a reasonable timeframe to submit it.

Looking at the testimony from July 14th, I said it would be more comforting to hear a specific strategy plan with specific goals and metrics. So when might we see that plan? Berner said, "That is a good question, we are in the process of developing that." I asked, "Will we see the plan perhaps by the fall of this year, 2011?" He said, "Perhaps by then; that seems like a reasonable date."

Thus far, Ms. Shannon, all we have received is a 9-page Fiscal Year 2013 financial research fund. I think it was released in February. As the chairman pointed out, we get documents over 200 pages from organizations like the CFTC, they are line-by-line budgets, they are specific, they have goals, they have objectives, they have metrics. So we were promised we would see something by the fall by Dr. Berner. When might we see a comprehensive strategic plan forthcoming from your agency?

Ms. SHANNON. Congressman, thank you for your question. As I mentioned, the OFR—

Mr. PEARCE. Ma'am, I hate to keep saying it, but you keep talking away from the microphone.

Ms. SHANNON. Better?

Mr. PEARCE. Yes. I am trying to read and listen, too, and that makes it much better.

Ms. SHANNON. Absolutely. Congressman, we published the strategic plan of the OFR in March of this year. Again, as I mentioned, the OFR is a start-up organization. That is the initial plan of the organization. We also have published our budget as part of the President's budget, and we are expecting over time, as the organization grows, as we bring on more staff, that these—that we will be expanding this kind of documentation.

The other thing I would mention is that we are currently working on performance measures that we would include as part of the Fiscal Year 2014 budget to help us better measure how we are doing, how we are meeting our mission. Within the strategic framework that we recently published, we did establish specific goals for the organization, the work that we are doing to support the FSOC, the work that we are doing to strengthen data standards, to establish a research center and begin to publish research and analysis, also to make data available to the public, and to establish the organization as an effective—

Mr. FITZPATRICK. Ms. Shannon, would you agree that this document you are referring to, the March document, contains no strategic—there are goals, but there are no deadlines, there are no performance measures at all in this document?

Ms. SHANNON. Congressman—

Mr. FITZPATRICK. We are just wondering, how do you take a document like this and budget to an aspiration as opposed to a specific measurable outcome?

Ms. SHANNON. Congressman, we prepared that as our initial strategic plan to establish the goals of the organization, to establish the mission of the organization. We also established within that plan implementation priorities for the OFR, laying out in those implementation priorities the priorities that we saw for the current fiscal year as well as priorities looking out into the future. Again, we will be establishing performance measures, as we mentioned, in that strategic plan during the current period, and plan to have them in place for the next budgeting cycle.

Mr. FITZPATRICK. We understand that the agency has goals, but we are just wondering about the measurable outcomes. I have worked with chambers and small businesses in my private practice. Small banks for small start-ups require greater measures, more specific measurable outcomes than we are seeing in a document for an agency that is spending over a hundred, a couple hundred million dollars.

Ms. SHANNON. Congressman, we published our budget. It is part of the President's budget. And, again, we are working to establish exactly the kind of measures that you are talking about. We fully agree on the importance of accountability, the importance of linking how we are spending money to achievement of our mission and fulfilling our statutory requirements, so I absolutely agree with you on the importance of this. This is something that we are working on right now, and we expect to have it in the next fiscal year cycle.

Mr. FITZPATRICK. So we won't receive that before September 30th of this year, is that what you are saying?

Ms. SHANNON. Congressman, we are working on it right now.

Mr. FITZPATRICK. When might we receive it?

Ms. SHANNON. It is our intention to include those measures in the next year's budget, and they would be published as part of the President's budget.

Mr. FITZPATRICK. Thank you, Mr. Chairman.

Chairman NEUGEBAUER. Mr. Ellison is recognized for 5 minutes.

Mr. ELLISON. Thank you, Mr. Chairman, I also thank the ranking member. Yesterday, I believe action was taken in this committee that would potentially defund OFR. Are you aware of that?

Ms. SHANNON. Yes, sir.

Mr. ELLISON. If that were to happen, would the FSOC, which is tasked with monitoring the financial stability of the United States financial industry, be able to discharge its duty?

Ms. SHANNON. Congressman, the OFR has a specific mission to support the FSOC in the discharge of its duty. In particular, related to the data and research analysis that it might need to conduct its operations. And so that is the purpose of the OFR, and we are working to fulfill that mission.

Mr. ELLISON. So could the FSOC discharge its responsibility without financial information and analysis?

Ms. SHANNON. Congressman, I think in establishing the OFR there was a recognition that this kind of data, this kind of research would be important for understanding threats to financial stability, and that the data gaps that existed during the financial crisis had profound effects, and therefore that an organization like the OFR, with the mission of the OFR to collect data, to make that data available to the FSOC and its member agencies served a critical purpose in ensuring that they could carry out their function.

Mr. ELLISON. You are using terms like “important” and “critical purpose” when the truth is that the OFR is essential to the FSOC functioning; isn’t that right?

Ms. SHANNON. We do think that we have a very important mission and that it is a critical mission to ensure that that data and analysis is happening.

Mr. ELLISON. Okay, fair enough. So since 1930, has there ever been a financial crisis quite as bad as the one we just went through a few years ago?

Ms. SHANNON. Congressman, this obviously has been a very profound crisis, and it has had an effect obviously within the financial system and across the economy.

Mr. ELLISON. But I am asking for you to rank it in terms of other financial crises. We have had recessions and stuff in the last, since the 1930s. Has there been one as damaging to the U.S. economy since the Great Depression?

Ms. SHANNON. Congressman, the profound effects of this crisis, as you note, the effect—

Mr. ELLISON. To your knowledge, has there been a worse one?

Ms. SHANNON. No, sir.

Mr. ELLISON. Okay. So we saw giants of the financial services industry like Bear Stearns fall, Lehman Brothers fall, Merrill Lynch had to be bought. We saw catastrophic harm, and as a result, we did something to protect our economy from systemic damage, and what just happened yesterday is this committee voted to deprive the committee that is charged with watching systemic risks be deprived of their eyes basically. Can you respond to that if you choose?

Ms. SHANNON. Congressman, the OFR has an important mission to fill these data gaps, to perform the research and analysis functions that were established under statute. We are continuing to work to build the organization to fulfill that mission. We think it is an important mission, and we are going to continue to work to move forward.

Mr. ELLISON. There has been some focus today on your submission, and I think some might have expressed their personal opinion that it could be a little bit more robust, a little bit more detailed. In comparison, there has been some lavish praise heaped on the CFTC structure. However, the Majority underfunded this agency and ignored the warning of the impending fiscal crisis of former Commissioner Brooksley Born and slashed a number of the examiners.

So I just find it quite remarkable that today CFTC is being looked upon as some sort of model agency when this very committee has underfunded that very agency.

Do you feel that at the stage the OFR is at in its evolution since its founding, that the submission your office has provided to this committee is adequate to the moment under the conditions that you are in?

Ms. SHANNON. Congressman, we absolutely are doing our best to be transparent. We are dedicated to making sure that this committee and the public has the information that they need, that we can be held accountable for what we are doing, and that there is a good understanding of how we see our mission, and we think that initial strategic framework—

Mr. ELLISON. I just have to ask you a quick question about my own district if I have time. Minneapolis, my town, is a magnet for immigrants who actively participate and contribute to our local economy, and the vitality and security of other nations' financial markets is of deep concern to us. Could you tell me how the OFR effort to establish the global legal entity identifier, that is the LEI, for parties in financial transactions, what is the status on the proposals you hope to deliver to the G20 at the June 2012 summit?

Ms. SHANNON. Congressman, again, as I mentioned in my opening statement, this legal entity identifier is a very important initiative of the OFR and part of our broader mission to support better data standards. The LEI itself would create a specific identifier for every financial entity, and what this does is it lets us understand and lets data be collected to understand the position of institutions, the exposures of institutions. It will give us better understanding of counterparty risk, it will increase the ability of analysts, both regulators and in academia and in the markets themselves, to understand the interconnections within the system and better assess risks.

It also is going to create important efficiencies for market participants, and having this identifier, it will improve data management, improve efficiencies in trading and in operations, and we think it is going to lead to important cost savings.

Mr. ELLISON. Thank you, ma'am. I yield back the balance of my time, and I thank the chairman.

Chairman NEUGEBAUER. I thank you. And now, we recognize the gentleman from Florida, Mr. Posey, for 5 minutes.

Mr. POSEY. Thank you, Mr. Chairman. Just as an edification of a question you asked a little while ago to Ms. Shannon, you asked about their budget. And I think you asked that same question in July to her boss, Dr. Berner, and he said, "I am not aware that there is a statutory limit in the statute itself." So just for the

record, your boss knows that there is not or apparently thinks there is not.

Ms. SHANNON, you seem like a very nice person, and I certainly hope you don't take personally the frustration expressed by members of this committee, and there is a lot of frustration over a lot of wrongdoing that has resulted in no consequences and no accountability. It says that one of the top five goals of your agency is to build a world-class workplace. Can you give me an example of an existing world-class workplace that you would like to emulate?

Ms. SHANNON. Congressman, what we are trying to do is make sure that we have in place the kind of HR policies, the kind of communication infrastructure—

Mr. POSEY. I know, but is there a model? We want to build—are we going to reinvent the wheel or is there already another world-class workplace you could just emulate?

Ms. SHANNON. Congressman, we are trying to look at best practices across government and other organizations.

Mr. POSEY. Do you know that another one exists? Is there another one that you consider a world-class workplace that exists now?

Ms. SHANNON. Congressman, I am happy to get back to you on this. I don't have one currently.

Mr. POSEY. Okay. It sounds like we are going to build a world-class waste of taxpayers' money, quite frankly. What concerns a lot of us is that so many agencies now have just turned into lobbyist manufacturing machines, and with the information that your employees are going to have, the power that they are going to have to do good and do bad, we are really concerned about that. I have read the rules that you have laid out for your employees, that they shouldn't do this because it would be improper, but there are no consequences or accountability for that behavior, and that kind of concerns us.

We know with Madoff, the SEC, hey, they did a great job, they had great intel, and they knew what Madoff was doing wrong for 10 years; they just refused to take any action. So, of course, we wonder, your agency, which seems to think it can outsmart Wall Street if they have enough extra people and enough software that they can see where the next problem is going to be, but everyone with half a brain in this country saw the last problem way before it burst.

We knew there was a subprime crisis. It was just a matter of how long it would be before it burst. It was identified years in advance. But nobody took any action, just like Madoff—identified for 10 years, but nobody took any action. So I don't think we really have a problem finding out what goes wrong. The problem we have is holding people accountable for it. Madoff basically had to almost turn himself in. I don't know if he was scared of the other people that he scammed and felt he was safer in prison. So far, I am told Corzine hasn't even been interviewed yet by the Justice Department. Maybe he has since the last time I got an update. But we don't see anybody going to jail for this bad behavior, and that is the only thing that is going to fix the bad behavior.

I just don't think we are ever going to have anybody who is smart enough to dream up the next wave of criminal behavior and prevent it from happening if there are not consequences for that bad behavior, and that is the frustration we all have.

Can you identify what you might be able to point out to be the next type of crisis, give us an example of what that might look like?

Ms. SHANNON. Congressman, what we are trying to do is to gather data to fill gaps that existed in things like the shadow banking market in order to help regulators across the system to analyze what threats may exist. Now, this is a very complex mission, this is an issue that requires a certain amount of humility. It is a mission that requires that we continue to look forward because this is a dynamic market, and it is a dynamic system, and so what we are trying to do is to build the tools to allow for that analysis to happen, to build the process that will allow for both better analysis to help reduce the risk of a crisis but also—

Mr. POSEY. Okay. A lot of people are concerned with the proprietary information you will have, even the trade secrets to which you will have access. They are concerned about the security of it. We know some of our national defense agencies have been hacked, and I wonder whether or not you will be able to have a safer process than some of them did. We have people who are concerned. They knew people who had Chrysler dealerships that the government took away and gave it to somebody else that they liked better.

We know people who had Jeep dealerships that the government took away and gave to somebody else that they liked better. And so virtually, you are empowering a bunch of bureaucrats with the absolute confidential total information of every business in the United States of America, and I think some of them are concerned with the ability to abuse that power, again notwithstanding the fact you have some guidelines set up for your employees of how they must behave, but there is absolutely no penalty, no prescription for what happens if they violate the law, like so many other people have. Again, our biggest fear it that it is going to be another lobbyist manufacturing machine. Thank you, Mr. Chairman.

Chairman NEUGEBAUER. I thank the gentleman. The gentleman from Delaware, Mr. Carney, is recognized for 5 minutes.

Mr. CARNEY. Thank you, Mr. Chairman, for holding this hearing today, and thank you, Ms. Shannon, for coming in. I just really want to try to understand how you are going to achieve the objectives, which I think having an arm like yours, an agency like yours is an important thing. Clearly, there were things that were missed in the lead-up to 2008. I disagree a little bit with my colleague from the other side of the aisle that everybody saw this coming. I think if people saw it coming, there would have been a lot more people shorting the market, and that didn't happen to the extent that you would have expected.

So tell me how you, as the Chief Operating Officer of this new agency, are going about putting together a work plan in terms of identifying data needs? You mentioned establishing data standards. What kind of data are we talking about and how are you going to use that to help identify these risks?



And then, I would like to have you talk about what you might have done with some of the mortgage data and information and the concentration of risk at AIG and the derivatives markets, CDSs in particular. So tell me how you are going to approach this problem, what you are doing now, maybe what data you will be collecting this year and next, just so I have a better idea of how you are going to accomplish the charge that you have been given?

Ms. SHANNON. Congressman, thank you very much. Again, the purpose of the OFR, the mission of the OFR is to collect data and conduct research, and in that data collection, only the data that is necessary to assess threats to financial stability, only the data that is necessary to fill gaps—

Mr. CARNEY. So what does that look like for me, who doesn't know the particulars that you are dealing with every day?

Ms. SHANNON. So going to the example that you mentioned, in the crisis there was not a very good understanding of some of the interconnections within the market, some of the risks in the market that were created through the securitization and through the use of CDS. The data that were available at the time to assess these risks and to see how those risks may be transmitted through different markets, from one financial institution to another, that data was not available in a form that was most effectively useful to policymakers, to market participants themselves to truly understand their own exposures and the exposures of their counterparties, and the work of the OFR, the work of the FSOC to try and better understand risks across the entire system. Individual regulators are looking at one part of the system. The FSOC is charged with making sure they are looking across the entire system, and the OFR has been established to help in that mission.

Mr. CARNEY. My time is ticking off, so what are the top two or three priorities with respect to what you need to do between now and next year?

Ms. SHANNON. Congressman, let me point to two initiatives that we have under way. Right now, we are working with other FSOC agencies to conduct an inventory of the data that they have already. So, again, we see our mission only as filling gaps. We don't intend to collect data for data's sake. The first thing that we need—

Mr. CARNEY. Does that mean you don't know what the gaps are yet or you are just identifying them?

Ms. SHANNON. We are working to find out what those gaps are, and the data inventory is going to help us do that. If we understand what information already exists within the regulatory community, make that information available to others within the regulatory community, within the FSOC, we are going to be better able to utilize the data that already exists, and we are also going to be able to understand where the data gaps exist that need to be addressed.

Mr. CARNEY. So are you doing anything or have you done anything with respect to the risk associated with European sovereign debt issues?

Ms. SHANNON. Congressman, we are working with the FSOC, and this is obviously a very important issue in terms of the financial system. The OFR is supporting the FSOC on this and other issues. One issue or one example I would just point to, the OFR

has money market fund data, and is looking at that data to look at the exposures of U.S. entities to Europe. So that is one way that we are helping the FSOC in its analysis of those threats.

Mr. CARNEY. Those principal agencies, I guess, are the ones that transmit those findings or make those findings and then share them with us?

Ms. SHANNON. The analysis that might be conducted by the FSOC using those data—

Mr. CARNEY. Would be done by you, but then the agencies themselves would issue those findings?

Ms. SHANNON. We would support the FSOC and the member agencies. We also are working to publish some of our research. That research is obviously informed by the work that we are doing to support the FSOC. Let me just point to one example.

Mr. CARNEY. I see my time has expired, so unless I am given the okay from the Chair, you probably should—

Chairman NEUGEBAUER. I thank the gentleman. And now, someone who is doing a lot of good work on this issue of the OFR, Mr. Canseco from Texas. Thank you for the work you are doing.

Mr. CANSECO. Thank you, Mr. Chairman. Ms. Shannon, thank you for being here today. The Office of Financial Research was created by Dodd-Frank more than 20 months ago. Has the OFR helped to prevent a financial crisis since that time? And, if so, what was the nature of that potential crisis?

Ms. SHANNON. Congressman, we are working to stand up the OFR, and the mission of the OFR obviously is to help assess threats to financial stability.

Mr. CANSECO. But let me interrupt you a second, please. Has it prevented any crisis or any potential crisis in those 20 months?

Ms. SHANNON. Congressman, it is very hard for me to answer the counterfactual. I think what we are doing is putting in place the tools that we need to achieve our mission, and we are already—

Mr. CANSECO. So then, your answer is no?

Let me ask you this, how will the OFR know and, more importantly, how will the public know when the agency has played a hand in the prevention of an ongoing crisis? In other words, what is the measure of success for this agency?

Ms. SHANNON. Congressman, we have established the mission of the OFR to support the FSOC and to provide research and analysis on threats to financial stability. Our function is to provide information, to provide data, to provide analysis to support policymakers, to support market participants in understanding and addressing the public—

Mr. CANSECO. In other words, forgive me for interrupting you, but in other words, you are only a data-gathering institution, is that what I am hearing?

Ms. SHANNON. The mission of the OFR is to—

Mr. CANSECO. Gather data.

Ms. SHANNON. Gather data, provide that data to FSOC agencies, also to publish data and to perform research and analysis. So we are a research organization. We provide data services. Those are the key functions of the OFR.

Mr. CANSECO. Dr. Berner is not here with us today. So do you know if Dr. Berner has created any kind of performance goals for the OFR?

Ms. SHANNON. Congressman, we are working right now on establishing performance measures. As we mentioned in the strategic framework that was published last month, the OFR, in that strategic framework, established goals, established implementation priorities for the organization for this year and for the period ahead, and one of the things that we mentioned in that strategic framework that we are working on right now is performance measures.

Mr. CANSECO. Good.

Ms. SHANNON. We plan to have—

Mr. CANSECO. Would you please ask if you and Dr. Berner can directly report to my office—1339 Longworth—on how the OFR plans to measure its success, and if you could provide it to us in writing, please. And I would also like to offer it as part of the record, if I may, once it is provided.

Chairman NEUGEBAUER. Without objection, it is so ordered.

Mr. CANSECO. Thank you. Ms. Shannon, at the last hearing, I asked Dr. Berner about what the OFR is doing to implement a robust cost-benefit analysis on their proposed methods for collecting data. Unfortunately, he did not provide specifics, and as we have noted, the Treasury Department has refused to provide him as a witness today for me to question him further. So can you please elaborate on what specific methods are being implemented for data collection to ensure cost-effectiveness?

Ms. SHANNON. Congressman, I think the first priority is that the OFR will only collect data when it is absolutely necessary. The OFR recognizes and fully agrees with the principle that we need to focus that data collection on our mission. The only data that are necessary to assess threats to financial stability and only the data that is not otherwise available. And, again, I mentioned earlier that we are currently focused on establishing a data inventory of data available in FSOC agencies, purchased data, we have already completed this portion, collected data, and also derived data.

And the intention there is to make sure that we don't collect data that is not absolutely necessary. We are also very focused on ensuring that whatever data we collect is tied to the analytical needs related to threats to financial stability. So I would just note that we agree fully with the notion that we have to be very parsimonious in our data collection and that that data collection needs to have a high benefit.

Mr. CANSECO. What kind of benefits have you identified as a result of these things that you just mentioned?

Ms. SHANNON. Congressman, we are still in the process of putting together the data inventory. What we are doing is making sure that we know what data exists. Another benefit of this is that it is allowing us to work with other FSOC member agencies so that they also are aware of what data is available. I would mention that in the FSOC's data committee, the OFR has been very actively working with other FSOC member agencies on what data needs they have.

Mr. CANSECO. I have one more question. My time is about to run out, Mr. Chairman.

Chairman NEUGEBAUER. Okay.

Mr. CANSECO. I want to know if the OFR has issued any subpoenas to compel a financial institution to give data to the OFR?

Ms. SHANNON. I don't believe so.

Mr. CANSECO. Thank you very much. I yield back my time.

Chairman NEUGEBAUER. I now recognize the ranking member, Mr. Capuano, for 5 minutes.

Mr. CAPUANO. Thank you, Mr. Chairman. Ms. Shannon, do you drive a car? Do you drive?

Ms. SHANNON. Yes, sir.

Mr. CAPUANO. The last time you drove, did you put your seat belt on?

Ms. SHANNON. Yes, sir.

Mr. CAPUANO. Did it prevent you from having an accident? Did it prevent you from dying that day?

Ms. SHANNON. I can't answer that.

Mr. CAPUANO. You don't know, right? But you put the seat belt on?

Ms. SHANNON. Yes.

Mr. CAPUANO. Because you weren't sure you were going to get in an accident? The last time you flew, did you go through those metal detectors?

Ms. SHANNON. Yes, sir.

Mr. CAPUANO. Did everybody go through those metal detectors on that flight? Did it absolutely stop a terrorist attack on that flight that day? You don't know, do you?

Ms. SHANNON. That is correct.

Mr. CAPUANO. So what you do, you may never know. No one may ever know if you actually prevent a bad occurrence. No one can ever know if anybody ever prevents a bad occurrence; no police officer, no firefighter, no emergency technician. When you get asked an impossible question, it is impossible to answer it except with ridiculous analogies like I just did.

I also wanted to submit for the record the strategic framework of the Office of Financial Research that is online. I know everybody has it, it has been referred to a bunch of times, but I would like to put it in the official record, without objection.

Chairman NEUGEBAUER. Without objection, it is so ordered.

Mr. CAPUANO. I have read it—well, I didn't read it; I looked through it. It was very nice. I don't know, Ms. Shannon, next time you do one of these updates, maybe you would be better off putting more pages in, making it thicker, and putting a glossy cover on it. Maybe that would make some people satisfied. Maybe not. You would probably then get criticized for spending too much time and wasting too much paper, I am not sure of that, either.

I will tell you, though, I agree with one of my colleagues when he said people who commit bad behavior should be jailed, and that I actually think in this instance I totally agree with his assessment, that not enough people have paid enough consequences for the actions that they participated in in 2008 and other years. Do you have the authority under the statute to place anybody in jail?

Ms. SHANNON. Congressman, the OFR does not have that authority.

Mr. CAPUANO. No, I didn't think so. That is the Justice Department that does that and others, and I would agree, I totally agree, that I don't think that they have been strong enough on their actions. I totally agree with that, but you are not the right agency to ask that question. I would hope that as you find, if you find wrongdoing, that you would submit it to the appropriate agencies for their review. Is that a fair assessment? Would that be in your responsibilities?

Ms. SHANNON. Congressman, absolutely, the OFR, as I said, we are very dedicated to the objective of protecting data, we think this is essential to achieving our mission, and we will do whatever it takes to—

Mr. CAPUANO. So if you uncovered wrongdoing, you would send it along to the appropriate investigative agency?

Ms. SHANNON. Absolutely.

Mr. CAPUANO. That is what I thought. I will tell you that—look, you are a new agency, you are just getting started, I share the frustration of some that a lot of the things from Dodd-Frank have taken so long to get going, I share that frustration. Yet at the same time, it is impossible to blame you specifically because I actually think it is along the line and I would like to be further down the road as well. I am looking forward to you being up and running. I happen to think the collection and analysis of data is an important thing that we should be doing. I really don't care if it is OFR or somebody else doing it, but I do care deeply about the potential for excessive data collection.

I think that is a very reasonable concern. I think that many—I think everybody here shares that. I would like to know from you, are you working on—do you already have a process if some business gets a thousand requests for information from you and more requests, the same requests from the Fed, and the same requests from the OCC, and the same requests from OFR, again, I think that is a very fair thing. I would like to know for a minute, are you working together with other agencies to make sure that the same questions, the same information is not gathered by each of you independently, thereby causing excessive cost and time to the private companies?

Ms. SHANNON. Congressman, thank you for asking. This is an important question, and I am glad to have the opportunity to address it. We do see an important part of our mission is to help to support greater efficiencies in data collection across FSOC agencies, including of the type that you mentioned. If we do find in the data inventory that there are overlaps, duplication of effort, this is something that we would work to address.

Our work on data standards, I think, also is relevant to this point. If there are specific data standards about how certain items of data are reported, that would create efficiencies, both for the regulatory community and also for those reporting, and we are very focused on this, and we do think that mission of helping to create efficiencies for regulators, for financial market participants, is a crucial part of what the OFR was set up to do.

Mr. CAPUANO. I thank you. As time goes on, I will tell you that I think a lot of us will be keeping a close eye on that, and we will be keeping a close eye on your budget, even though we don't tech-

nically have any role in the matter. Let's be very clear about it. But if you get to the point where we think you are excessive, we will say so, and I will join them if I agree with them even though I think your mission is important.

We are not there yet, obviously. I know you know that, but I wanted to say it because so many people have been commenting on the lack of some budgetary magic number, and I understand that, but if you exceed some number that upsets us, that we think is excessive, we will call you on it. If I am one of them, I will join my colleagues in doing that. I know you know that.

The same thing with the data collection. I guess I would like to know, assuming I am a major company for which you are seeking information, is there a process that I could follow to say, hey, I just gave the same exact information to this other agency, didn't you know that? And, by the way, I would like to make a complaint because you are killing me on this data request. Is there a process to follow by the companies or is it simply left up to your judgment that you have asked too many questions?

Ms. SHANNON. Congressman, this, again, is an important question. It is something that we are working to build within our organizational structure, resources within the OFR that are dedicated to working with all of our stakeholders, with the regulatory community, but also with the financial market participants who are providing data to the FSOC and to the OFR to help ensure that we understand their concerns, their needs, and that the way that we are going about data collection is as efficient as possible, and I think this is critical to what the OFR was set up to do.

Mr. CAPUANO. I appreciate it, Ms. Shannon. When the time comes, when you finalize this, I would really appreciate an education, an update on it because I actually think it is critically important. It is going to happen, there is no question that somebody is going to say, we provided too much data to too many people, the same data, and they are going to come to us, and I would like to know that there is a process whereby they should be following internally before they come to us, and when that gets settled, not just your agency, it will be other agencies as well, I would like to be updated on that when it happens. Thank you very much, and thank you, Mr. Chairman, for being reasonable on time.

Chairman NEUGEBAUER. I thank the gentleman. The gentleman from Ohio, Mr. Renacci, is recognized for 5 minutes.

Mr. RENACCI. Thank you, Mr. Chairman, and thank you, Ms. Shannon, for being here today. I have been listening to you. I know you have said a couple things, and I am going to repeat them. You said that the OFR's role is—you have an important and critical mission. I have heard you say that 5 or 6 times. The other thing I heard you say was there is an importance of linking spending money to meet our goals, which are your goals, and the strategic plan. You mentioned that to Mr. Fitzpatrick.

So I have a question for you, especially when it comes to that, because I think when it comes to spending money, when it is not your money it is a little easier, and one of our jobs up here is really oversight of money being spent, and I think that has to be a key to what we are talking about today. So you would admit, though,

that if you were giving somebody money, you would want to know what it was being spent for, correct?

Ms. SHANNON. Congressman, it is absolutely essential that the OFR is accountable for how it is spending money. We completely agree with that.

Mr. RENACCI. Okay. I have an email that is dated November 15th from Dr. Berner, and I wish he was here, although you were copied on it, and you may have a copy of it, but it is where your organization was asking for \$29 million, and you basically say that these amounts include a payment for the period July 10th through July 30th, we will continue to work with the board to provide them detail. So you are asking for money. There is not very much detail in that email.

Then I have another email dated November 23rd which says, "Here is your \$29 million." Now, it is kind of interesting because as a taxpayer, which I am, you are, and everybody in this room is, isn't it more important—shouldn't we know what that \$29 million is being spent for? And can you give me some answers as to what—are we just asking for \$29 million? Could it be a trip to Vegas, what could it be? What are the things that could be in that \$29 million, and wouldn't it be better to have the detail for that? Can you kind of give me some details on that?

Ms. SHANNON. Congressman, thank you. The emails that you reference were part of the materials, or a discussion between the Treasury and the Federal Reserve about the transfer of funds from the Fed. As you know, under the statute, the OFR is financed through the Federal Reserve for—

Mr. RENACCI. I understand. I don't want to go into the details. I understand that. What are the details of the \$29 million? That is what I want to know. And are they expenditures you already made? Are they expenditures you are planning? Are they contractual obligations? Just tell me what the details are and how the process works to get \$29 million because this seems—if I am a taxpayer, I am not very happy with just the process of asking without the details.

Ms. SHANNON. That is right, Congressman, and I absolutely agree, we need to have clear documentation on these requests, and we do. These emails are part of a discussion, but there is other documentation related to that request. There were also meetings between the Treasury and the Federal Reserve about these requests.

Mr. RENACCI. My time is running out. Is there any detail that supports the \$29 million request?

Ms. SHANNON. There are details.

Mr. RENACCI. Specifically in writing?

Ms. SHANNON. There are details, and we would be happy to work with your office to provide you the information you need. We also did provide in the testimony some background details on this.

Mr. RENACCI. Would you be willing to send me in the next—as soon as possible, the details of the \$29 million and something that shows what the request was for?

Ms. SHANNON. Absolutely. And I should mention that the transfers are linked to the budget of the OFR, the published budget of the OFR and—

Mr. RENACCI. Look, I have been a business guy for 28 years, I understand what you are saying, but really, if you are going to ask for \$29 million, that is not a drop in the bucket. We need to know what it is, and that is what this oversight panel is all about. We are trying to figure out what you are asking for. The concern I have is you asked—you told Mr. Fitzpatrick that you didn't even have a strategic plan. I understand you have goals and missions, but you have to have a plan, and then after you have a plan, you have a request for dollars to implement that plan. I hear you don't have the plan to implement, but yet you are asking for the dollars. It is problematic.

Ms. SHANNON. I just want to note that we do have a budget in place, and that is the basis for this request. We do have a strategic framework in place, and we are continuing to work to elaborate on that further.

Mr. RENACCI. All right. A number of us up here have talked about this financial research fund report that was put out. You are showing on October 1, 2012, that you are going to have 94 million, 374 dollars of unobligated balances, so the start of the new year. Can you tell me a couple of answers to that? Where is that coming from? I also know that 2 years after the enactment of Dodd-Frank, you were supposed to refund the Fed and fund yourself through assessments. So let's talk a little bit about that. Where is the \$94 million coming from in the report? Is it going to be refunded to the Fed? Did it come from assessments? There are a couple of questions there, if you could answer.

Ms. SHANNON. Congressman, I am happy to explain the process and how those numbers relate to the process. The OFR is funded by the Federal Reserve.

Mr. RENACCI. I understand the process. I am talking about the \$94 million, where did it come from? It is a document. Is it Fed money that you are going to refund or is it assessments? These are pretty simple questions.

Ms. SHANNON. Congressman, we are collecting money from the Fed. We will utilize the funding that we have requested. Any funding that is not utilized by July will be returned to the Fed. Beginning in July we will be financed through assessments—

Mr. RENACCI. I understand that. How about the \$94 million? The question is really simple, what are you going to do with the \$94 million of, as you call it, unobligated balances?

Ms. SHANNON. At the end of this fiscal year?

Mr. RENACCI. End of this year, start of next year.

Ms. SHANNON. One important point I should make is that the fiscal year, the budget for the fiscal year does not align with the period for the assessments. The assessment period will begin in July of this year and cover a period—

Mr. RENACCI. I understand that. I do understand the process. I am just asking a really simple question about \$94 million and what are you going to do with the \$94 million. Are there contractual obligations for it? You have not answered one of those questions. Is there a contractual obligation? Is it an amount you are going to refund? These are pretty simple questions.

Ms. SHANNON. The money that we collect through assessments that is not obligated in Fiscal Year 2012 will be going towards



funding expenditures in Fiscal Year 2013. In that assessment period, if we don't utilize any of those resources, they would go to reduce the assessment in the period that follows. So in each period, we are collecting the funding that we think we need to cover, that we estimate we need to cover the expenses for that assessment period, and if we—

Mr. RENACCI. I have run so much out of time, and you are going in—it would have been a really simple answer to say, we know we have \$94 million, we anticipate that so much is going to be given back to the Fed. Those are the kind of answers I think we are looking for. This is an oversight hearing. Tell us where you are spending the money. The taxpayers in this country want to hear those answers. They don't want to hear all the policy and issues you are talking about. Thank you. I yield back.

Chairman NEUGEBAUER. I thank the gentleman. And now the gentleman from New Mexico, Mr. Pearce, is recognized for 5 minutes.

Mr. PEARCE. Thank you, Mr. Chairman. Ms. Shannon, I know you feel like we are all kind of a little scratchy, and maybe we are. Some of that scratchiness comes—I am reading an email from Scott Alvarez. Do you know Scott Alvarez? It doesn't matter if you know him or not. To George Madison from Scott Alvarez: "George, as we discussed the other day I have authorized our payment folks to transfer \$29 million to OFR to cover expenses OFR and FSOC incur with the next quarter, so in response to your request—it goes on down later—I appreciate and will take you up on your offer to assemble the OFR folks next week or so to help us get a better handle on it."

Mr. CAPUANO. Will the gentleman yield for one second? I apologize for interrupting.

Mr. PEARCE. No, I won't yield. I appreciate and will take you up on your offer to assemble OFR folks in the next week or so to help us get a better handle on what amount—

Mr. CAPUANO. Mr. Chairman, if the gentleman won't yield, I would like to have a point of order.

Mr. PEARCE. No, I won't yield.

Mr. CAPUANO. I am just curious as to what has shown up on the screen here. Is this something, is this a headline? It has nothing to do with Mr. Pearce's time.

Mr. PEARCE. This is a document that I have that I just want it to be advertised that the Treasury has refused to make Dr. Berner available. They refused to make him available. He is the one who ought to be at this hearing today.

Mr. CAPUANO. So this is a commentary we can—

Mr. PEARCE. Mr. Chairman, it is my time. I feel if the gentleman will stand down, he can ask for his own time.

Mr. CAPUANO. This is a point of information. This is not—this is a point of information. I am trying to figure out how we use this.

Mr. PEARCE. No, I am asking for that document to be up here. It is one I had prepared, so I thank the gentleman, and I will take my time back.

Mr. CAPUANO. This is a statement.

Mr. PEARCE. Mr. Chairman, if it is his time, let him speak. If it is not his time, then I would ask you to—

Mr. CAPUANO. Point of information, Mr. Chairman. I am just curious about the rules of the committee.

Chairman NEUGEBAUER. I would ask both gentlemen to suspend a minute. This is an exhibit that Mr. Pearce has. The rules of the committee require that we distribute that.

Mr. CAPUANO. And it has not been distributed.

Chairman NEUGEBAUER. It has not been distributed, but it is being displayed for the members of the committee via obviously the two screens there. So I guess in the spirit that we—

Mr. CAPUANO. I don't mind, Mr. Chairman, that is all I was asking. I don't mind the gentleman making a point. I do mind, when I see something on the screen and I have no idea what it is, I do mind not having notice of it. I think that is fair and reasonable. That is all. Actually, I think the gentleman has—

Mr. PEARCE. I have no control of the screen.

Mr. CAPUANO. I know you don't.

Mr. PEARCE. We asked for it to be displayed. I have no control of the screen.

Mr. CAPUANO. That is why this wasn't directed at you.

Mr. PEARCE. If you are going to run an instant replay, we should put 4:07 back on the clock, that is when the gentleman's objection started.

Chairman NEUGEBAUER. I will give the gentleman time.

Mr. PEARCE. All right. If I may resume, I appreciate and will take you up on your offer to assemble the OFR folks in the next week or so to help us get a better handle on what the amount of those expenses are expected to be.

So we have this nice little buddy relationship between George and Scott. By the way, enjoy the Thanksgiving holiday. We have George and Scott just talking over an email, and we are shifting taxpayer money around, you are able to tax corporations without any oversight by the U.S. Congress. Our Constitution is pretty clear, and so if we are a little scratchy on our side, just understand it is because you are conducting things that we feel like are completely unconstitutional, I feel like they are completely unconstitutional, and with a guy who has been parading around, GSA all around the world the last few years, taking his wife along at taxpayer expense, our constituents, you don't have to answer those questions, ma'am, because you don't run for office. You are sitting up here in this kind of isolated little space requesting 29 million bucks for the next quarter, and, yes, we will get everybody together and we will kind of run those expenses up here some day, and we are going to want to look at the way our Founding Fathers intended this to occur is this body to appropriate, and they would bring you in here and they would grill you across, and you would have to really prove up on those.

Instead, we get about a quarter of a page email to transfer 29 million bucks, and that is offensive to the American people because they see our Secret Service, GSA, they see the waste of the taxpayer dollars; they see it.

So you ran a \$122 million budget last year and then your budget is roughly \$60 million for contract services. What if we are going to look at those, Ms. Shannon, what are those for? What are you contracting \$60 million out for?

Ms. SHANNON. Congressman, thank you. First, we absolutely agree on the importance of accountability.

Mr. PEARCE. Can you pull the microphone up a little closer? We have a lot of people who would like to hear.

Ms. SHANNON. Absolutely. Can you hear me?

Mr. PEARCE. I just want to make sure everyone can hear you.

Ms. SHANNON. Absolutely. We absolutely agree on the importance of accountability.

Mr. PEARCE. So that is \$60 million?

Ms. SHANNON. And just to clarify, the email exchange that you pointed to—

Mr. PEARCE. No, no, I am not asking about the email exchange, you can come back next week and talk about the email. I am asking about the \$60 million that is in your budget for contract services.

Ms. SHANNON. And I am happy to answer that. The contracting that we are doing right now falls into two categories, two main categories. First, the OFR receives certain services from the Treasury, from the Bureau of Public Debt, and also from the OCC.

Mr. PEARCE. What kind of services?

Ms. SHANNON. On the implementation of our operational activities, human resources, financial management, procurement. These are obviously crucial issues for our stand-up. These are things that we expect to continue. We are using the efficiency of operations that are—

Mr. PEARCE. So you are contracting back with the government?

Ms. SHANNON. So we are contracting—

Mr. PEARCE. I really do need to move on if you don't mind. So you are assessing, you had said in your document in your presentation, that you are trying to assess the threats to financial stability. If you were going to give me the greatest threat to financial security, stability, I am sorry, what would you—you are the COO. What would you say the greatest threat is?

Ms. SHANNON. So, Congressman—

Mr. PEARCE. Yes, to the financial stability. You are the COO, you are the one who calls the plays. What is the greatest threat to financial stability that we face?

Ms. SHANNON. Congressman, in my position as COO, just to clarify, I am in charge of—

Mr. PEARCE. No, just give me a one-word answer. What is the greatest threat we face?

Ms. SHANNON. Congressman, I don't—I think it—

Mr. PEARCE. Okay, so we hired a COO who can't put it into one word. I think one of the greatest threats, for instance, if you had me drawing your salary and pulling your job, I think one of the greatest threats is that we have allowed some of the financial institutions to build up a 40-to-1 leverage ratio. That sunk Lehman Brothers, and it should have sunk several others. But we have a COO who can't call the plays.

You can't tell me in one word what you think the greatest financial risk is, and you are hiring all the people who are supposed to be putting this in place. So you spent \$122 million last year with no performance measure in place, and you are assembling a team without knowing exactly what the goal is. If a coach wants to have

a team that is a passing team, he obviously needs a passer and some people to catch the ball. And if he hires all running backs, then he probably isn't going to do that, and you have—you can't tell me where the goal line is.

I will guarantee you one of the greatest threats is that leverage ratio, and I wonder how we are building a team without a COO who can state in one word what she believes is the greatest risk to financial stability that we face.

If you find a little bit of testiness coming from this side of the committee, understand it is because we think you are walking past the Constitution, whistling past the graveyard, and you are also putting a team in place without any understanding of where you want to go and without any performance measures in place, and you also, in your own words, you can't state, in your view, what the greatest risk to financial stability in the country is, and you are tasked with that job. That maybe is why some of us are just a little bit testy on this side. I yield back, Mr. Chairman.

Chairman NEUGEBAUER. I thank the gentleman, and now the gentleman from Tennessee, Mr. Fincher, is recognized for 5 minutes.

Mr. FINCHER. Thank you, Mr. Chairman, and thank you, Ms. Shannon, for being here today. How long have you worked for the OFR? How long have you been with the Office?

Ms. SHANNON. I have been with the Office since July of last year.

Mr. FINCHER. Okay. What is your salary?

Ms. SHANNON. Congressman, I am paid within the pay bands of the OFR, I am in a management position within the OFR. I am paid within the pay band 8 of the OFR.

Mr. FINCHER. And what is that?

Ms. SHANNON. The band extends from \$136,000 to \$247,000. The bands in the OFR were established consistent with the statute to be FIRREA comparable, and so the way that the OFR set up its salary structure was to look at the salary structures within other organizations that are part of the FIRREA, the OCC specifically, and we worked on establishing bands that were consistent with the legislative requirements.

Mr. FINCHER. So it was \$136,000 to \$247,000. Would you be on the lower end or the higher end of that scale?

Ms. SHANNON. I am within that band, and, again, this is consistent with what the statute establishes for the way that the OFR is required to set its pay.

Mr. FINCHER. Okay. During the July 14th hearing of last year, I asked whether there is a cap on salaries within the OFR. Dr. Berner testified that OFR has set a salary guideline, a set of salary guidelines that are consistent with the pay scale for other Federal financial regulators, and he would provide the salary cap to the subcommittee. We haven't received that yet. And so, do you have the cap for the employees?

Ms. SHANNON. Congressman, we are happy to make that information available about the pay bands within the OFR and the pay scales within the OFR. I had understood that we had provided that information, but we would be happy to provide that information if you don't have it.

Mr. FINCHER. Okay. Following up with my colleague Mr. Pearce, when he was talking about the contractual services, have the contracts been subject to competitive bidding?

Ms. SHANNON. Congressman, we do follow Federal regulation, and in general, yes, the contracts have been subject to competitive bidding.

Mr. FINCHER. All of them?

Ms. SHANNON. There has been, I think, and I can check this, I think on some of the data procurement, we have done some sole source contracting, and in all cases, have been doing so consistent with Federal regulations for that kind of contracting.

Mr. FINCHER. Okay. Can you get us a detailed copy, the subcommittee, on all the contracts that have been bid, if all of them have?

Ms. SHANNON. Congressman, we are happy to provide you the information you need.

Mr. FINCHER. Thank you. And then another question: Have you ever owned your own business?

Ms. SHANNON. Congressman, no, I haven't.

Mr. FINCHER. Okay, all right. That is all. I yield back, Mr. Chairman. Thank you.

Chairman NEUGEBAUER. I thank the gentleman. Are there any other Members who would like a follow-up? Just Mr. Posey?

Mr. POSEY. Thank you, Mr. Chairman, just momentarily. Ms. Shannon, I am a little bit chagrined that when the Congressman asked you what your salary was, you refused to tell him.

Ms. SHANNON. Congressman, I didn't refuse. I am paid within the OFR salary band.

Mr. POSEY. He didn't ask you what your salary range or band was, he asked you how much you made. It is no big deal. It ought to be a matter of public record. I just think you would be straightforward enough to tell him exactly what it is.

Ms. SHANNON. Congressman, I am within the bands of the OFR, the band-aid of the OFR.

Mr. POSEY. I can understand dodging a lot of questions, but I don't see what the harm is in telling a Member of Congress who asks you how much you are paid just a straight answer. Do you not know how much you are paid?

Ms. SHANNON. Congressman, I am paid within that band, and—

Mr. POSEY. That is like the Fifth Amendment.

Chairman NEUGEBAUER. Ms. Shannon, would you be prepared to furnish that to—rather than doing it in a public space here—Mr. Posey?

Mr. POSEY. Mr. Chairman, I don't even care about it. I just care that she refused to answer the gentleman's question.

Ms. SHANNON. Congressman, I believe I have answered the question. I am happy to provide any additional information about how we set salary structures within the OFR.

Chairman NEUGEBAUER. I think he asked you a direct question, and I think the pinch is that you didn't answer the question.

Mr. ELLISON?

Mr. ELLISON. Thank you, Mr. Chairman. I had a follow-up on the point raised by the gentleman from Florida, Mr. Posey, not this last round but the one before, and I agree that there must be con-

sequences for bad behavior, and some people should go to jail if that rises to the level of criminal conduct for the subprime fraudulent activity. Today, there are about 325 FBI agents pursuing almost 100,000 cases of mortgage fraud, and that is why I am sort of wondering why—I am actually at a loss to see how the OFR can be defunded by this committee. It can be seen as just creating, I guess the term “lobbying machine” was used in connection with OFR. I can’t really see that if our goal is to protect people.

Here is my question: To assess the risk gaps you identified, do you have the appropriate level of independence to achieve your goals?

Ms. SHANNON. Congressman, under the statute, the OFR has certain authorities and certain responsibilities, a confirmed Director of the OFR will have certain authorities to conduct the mission of the Office. We are working very hard to build the operations of the Office, and we think that we have the tools we need to meet that mission, and we are continuing to make progress in doing so.

Mr. ELLISON. Just a quick follow-up. And I also just want to say that I can’t escape the fact that our Nation was brought to the brink of financial collapse in October 2008. That is what brought us to the moment where we had to legislate to create your agency, and the fact that so much of the questioning has to do with how much you are paid, I am curious to know, I was waiting for somebody to ask you what kind of car you drive or what kind of seats you have on your bathroom toilets.

It gets crazy after a point. The real issue is, how are we going to protect the American financial system and does the FSOC need accurate data or not, and is your agency positioning itself to provide the data and the analysis that is needed? That is the issue for me. I guess that is not really a question, it is just my reaction to some of the things that were offered in the hearing today.

Chairman NEUGEBAUER. Mr. Fincher?

Mr. FINCHER. Yes, let me just say something in response to my colleague, Mr. Ellison. I don’t mean to offend you, Ms. Shannon, or my colleagues on the other side of the aisle, but this is taxpayer money, and when people back home see that this is happening and see that, with all due respect, you won’t answer the question about how much money you make, specifically. When is the last time you had a pay raise, would you answer that?

Ms. SHANNON. Congressman, I have been in the OFR for 9 months, and I haven’t received a pay raise since I have been in the OFR.

Mr. FINCHER. Okay. The perception from the general public when they see this, it just upsets them, and with all due respect, I don’t work for the President, for the Speaker, or for the Chairman. I work for my district back home, and they are really sick and tired of this, and so it is just frustrating. I don’t understand why you won’t just tell me how much money you make, but at the same time you see, no offense to my colleagues on the other side of the aisle, but this is their money, it is not ours. I yield back.

Mr. POSEY. Mr. Chairman?

Chairman NEUGEBAUER. Just a minute, I think Mr. Pearce—

Mr. PEARCE. Thank you, Mr. Chairman. If I could kind of follow along on that. The Treasury Secretary claims there is going to be

transparency in accountability and transparency and says that we post all the salaries—you are government workers, aren't you? Are you a government agency?

Ms. SHANNON. Yes, Congressman.

Mr. PEARCE. That is what it comes down to. It has little to do with what you actually make; it has to do with the transparency. I know my friend from Minnesota really doesn't think that is a part of transparency, but maybe we do, and maybe it is just a different point of view there. Are you familiar with—let me go to another question. I will come to the familiarity with—

So you said that you want to fill in the gaps of information. Isn't that kind of what you said, gaps of data?

Ms. SHANNON. Data gaps related to assessing—

Mr. PEARCE. Yes, data gaps related, that is your function, right? You have some data available and some gaps in the data. So what—can you identify those gaps in the data, what is not available?

Ms. SHANNON. Congressman, we are working now to—

Mr. PEARCE. So, again, you tell me the answer is no. It says in your first paragraph, we are beginning to deliver on our data- and research-related mandates, and yet you can't give me one specific. You can't tell me what the risks to financial security are, and you can't tell me what the gaps are, and you are building a team to measure stuff that you can't tell either component of, and we just sit up here and say we have no control, it is supposed to come through an appropriating committee who could defund you if you can't provide these things. So it does get a little bit scratchy.

Are you familiar with long-term capital?

Ms. SHANNON. Congressman, to answer your question, we are beginning to deliver on our—

Mr. PEARCE. No, no, but you can't give me any of those specifics today. Could you provide them sometime in the next week or so?

Ms. SHANNON. Congressman, we are happy to answer your questions. I would be happy to answer your question as well if you would permit me.

Mr. PEARCE. So just itemize the data gaps that you see that we ought to be filling up. I don't want to hear that we are getting around to it, and I don't want to hear that because I have already heard that in every other answer, but if you have 1, 2, 3, these are the data gaps that we are trying to figure out how to assess, that would be something I would consider significant, but if you can't answer 1, 2, 3, and fill in the blanks, then I am not much interested in hearing the circuitous discussion that you are having on every other question, ma'am. So if you have the 1, 2, 3, go. If you don't, then don't go.

Ms. SHANNON. Congressman, we are inventorying the data that is in the FSOC now, we are going to be looking at that data, and we are going to be looking at what additional data we need to assess threats to financial stability.

Mr. PEARCE. But I don't hear any gaps there, I don't hear you identifying any gaps. So thank you very much on that.

Now I will go back to my other question, the last question is are you familiar with long-term capital?

Ms. SHANNON. Congressman, I am familiar with—

Mr. PEARCE. So long-term capital—Mr. Ellison says that we are trying to fill a gap that was created by 2008. Long-term capital almost broke our financial system about 5 years before, and so we didn't respond to long-term capital at all. We just bailed them out. Mr. Greenspan went and took a billion dollars from several of the different corporations and bought the assets up. So it is not like the government didn't know we were in deep distress long before 2008.

And so, again, part of the friction from this side is that we see a bureaucracy that is created out of thin air to do something that really can't tell us much about what it is doing, it spent \$122 million last year building a team without any performance specifics and without any taxpayer control and without any transparency, and people get a little frustrated with it. That is all that is going on here today.

From my point, I am watching that seething anger toward the GSA people and towards the people who are running agencies who won't answer questions in front of committees, and I want that seething anger to continue because they are getting frustrated with agencies that are totally unresponsive and are killing businesses that are close to them, and they see no purpose in it. And so that is the reason I ask questions. I don't think I am going to get an answer when I come here, but I ask it so that the people out there watching feed that understanding of just how convoluted Washington has become. I will yield back, Mr. Chairman.

Chairman NEUGEBAUER. I thank the gentleman. Mr. Capuano is recognized.

Mr. CAPUANO. Thank you, Mr. Chairman. I believe I have something I want to put up on the screen. There it is. That is my political statement for the week, Mr. Chairman. I only put that up because, look, I want to be very clear. I believe that our offices have worked very cooperatively together for the last year and a half, and I enjoy working with you. I think today's hearing asks some serious questions. I think most of the questions that have been asked are reasonable and fair, some tough, some not. I think some of them are kind of ridiculous, but in general, I think it is a good thing that we are having this hearing and keeping an eye on what they are doing.

However—whoever is the technology can take that nonsense down because the truth is I only did it to make the point. The point is when you put something up on the screen that is unattributed, it looks like official policy of this committee, and all I want is if somebody wants to make a statement and publicize it, go ahead and do it, put your name on it so everybody knows it is your opinion, not the opinion of this committee. So that is point number one.

Point number two, as far as your salary, Ms. Shannon, look, I don't really mind one way or the other. What I do mind is the, and I don't think it happened until later on, whenever we talk about our salaries in public life, nobody likes whatever we get paid, if you get paid 30 cents, some people think it is too much. If you don't—I hope you do provide the information later on, the specific detail because, fine, if somebody wants to publicize your information, they can get it anyway, they can get mine. I don't like putting mine out there, either. I file a document every year to tell them my whole



family's income, more stuff about me than my proctologist knows, but so be it.

I chose to be here. It is public rule, and here we are. You have to do the same thing. At the same time in a public hearing, I do think it is inappropriate to necessarily ask that question.

I guess what I am saying is, I want to be clear, the differences I have had with today's hearing are not a general thing. I actually think it is good. I share 95 percent of the questions that are here and the concerns about them. I do share the concerns about how much money you are spending, I do share the concerns about public disclosure of them, and I do think that that time will come, and if it is appropriate I may join my colleagues in saying it is too much.

I might join them if I knew your salary saying you get paid too much. I don't know. But the bottom line is here, we are here today, and I think most of us have done it, to be responsible to our constituents, and our job in Congress is to oversee the things we have created. OFR is one of them. And I think that today has been a good opportunity to ask questions. There will be more as you go along, and you know that, I know that, we all know that, and I am looking forward to having a more thoughtful discussion in the future when we have more to ask, when Dr. Berner is confirmed, when you file the first annual report, when you have a more thorough strategic plan, and, again, I don't mind differences of opinion. I know some people don't like the creation of your agency, and as I said from the beginning, I don't think the creation of your agency was good, bad or indifferent, but somebody had to do it. If it wasn't going to be you, it could have been somebody else, but the way Congress decided in our convoluted way, and it is not newly convoluted, it has been convoluted since day one, so in our convoluted way, we came up with a new agency because whatever the thousand reasons were. So be it.

You have an important job to do, you know it. I hope that your agency does it. I believe, I hope that you will take the job seriously, and as time goes forward, we will have you or Dr. Berner or whoever back at a later time to ask more detailed, thoughtful information, and I thank you for today, and I thank the chairman for his indulgences.

Mr. POSEY. Mr. Chairman?

Chairman NEUGEBAUER. One minute.

Mr. POSEY. Thank you, Mr. Chairman. When I got here, a senior Member told me, "The thing that is going to frustrate you the most in committee is when the bureaucrats come in here and they will prove that they are smarter than you are and that they run this institution and you don't, they will refuse to give you a yes-or-no answer, they will dodge." And, you know, it is absolutely true; that has been my biggest disappointment.

When the gentleman from Massachusetts asked the 10 biggest bankers in this country how much they made a year and what their bonuses were, they didn't have to tell him.

Mr. CAPUANO. I didn't ask that question.

Mr. POSEY. But they did. They weren't under oath. They didn't have to tell him, but they did. A condescending attitude of evasiveness and arrogance and defiance is what fuels the public distrust

in this process. Sure, Congress does a lot of things to prove they shouldn't be trusted, and so do others, but a blatant, arrogant, defiant, evasive attitude makes it even worse, and given the times that we are in, when we are seeing the excesses of the GSA, we are seeing the taxpayers' money squandered, I just don't think it is wise to refuse to answer the gentleman's simple question when the agency flag-waving statement is, "We recognize the need for transparency."

The President said something to the effect of on a YouTube video I saw recently that the only people who don't want transparency are people who have something to hide, and so when you refuse to answer a simple question, everybody up here has to immediately wonder why. We will have constituents say, why wouldn't that lady tell you how much she made? She is a Federal employee. We know how much you make, we know how much the President makes. Why would somebody refuse to answer the gentleman's simple question? We know how much members of the private sector who come in here make, and they are not that defiant, that arrogant, and that evasive, and so I am kind of at a loss as to what to tell them, and if any of the Members have any advice on how you would respond to something like that, I would kind of like to know it. Thank you, Mr. Chairman.

Chairman NEUGEBAUER. I thank the gentleman. I just have a quick follow-up. Ms. Shannon, you and I had a dialogue when I was asking questions, and then I believe Mr. Posey pointed out that Dr. Berner said when he testified in July, "I am not aware that there is a statutory limit." Do you believe there is a statutory limit on how much the agency can spend? Dr. Berner said there wasn't. Do you agree with his statement?

Ms. SHANNON. Congressman, I understand there are controls established within the statute for the spending of the OFR. We are—under the budget of the OFR, it must be tied to achieving the mission, it has to be, we are accountable to oversight.

Chairman NEUGEBAUER. But basically, Dr. Berner said that there is no statutory limit. Do you agree with that statement, yes or no?

Ms. SHANNON. Congressman, again, I think there are controls within the statute.

Chairman NEUGEBAUER. Ms. Shannon, I want to say that your answer is no, that you don't agree with Dr. Berner's statement, then, all right? That is my assumption. I am going to assume that you disagree with Dr. Berner, that you don't believe there is, because obviously you are not answering the question, so I am going to assume it is no.

I know you are going to be disappointed, but we are going to close out the hearing. We very much appreciate you coming and testifying. Again, I think we were extremely disappointed, obviously, that Dr. Berner did not come.

The Chair notes that some Members may have additional questions for this witness, which they may wish to submit in writing. Without objection, the hearing record will remain open for 30 days for Members to submit written questions to this witness and to place her responses in the record.

With that, the hearing is adjourned.

[Whereupon, at 12:38 p.m., the hearing was adjourned.]



# **A P P E N D I X**

April 19, 2012

Chairman Randy Neugebauer  
Opening Statement  
“Budget Hearing – The Office of Financial Research”  
April 19, 2012

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Thank you for attending this important hearing on the Office of Financial Research. This will be our second hearing that will focus on the initial stand-up of the OFR - yet another governmental agency created by the Dodd-Frank Act.

What we learned in our hearing last July was not encouraging: The OFR has the authority to raise its own money, set its own budget, and fund long-term research projects at will. It can hire without limit, and OFR employees are not subject to ordinary government salary limits. It has subpoena power to compel financial companies to provide information to the massive database OFR is charged with creating. In short, the scope, mission, and cost of the OFR are limited only by the imagination of its Director.

In that July hearing our members also raised specific concerns to Dick Berner - the person in charge of standing up the OFR - about the incoherence of the Agency's budget and its lack of a detailed strategic plan. The OFR's budget and strategic planning will be the subject of today's hearing. We were hoping to hear from Dr. Berner about what, if any, progress he has made in addressing our members' concerns. Regretfully, Treasury has refused to make Mr. Berner available to this Committee.

Given Mr. Berner's role as head of the OFR, there is no doubt that he is the most appropriate witness for this hearing. I believe that his failure to testify today is in tension with his prior testimony to this Subcommittee. Dr. Berner stated at our July

hearing that he wanted “to make sure . . . this committee, in particular, understands that [OFR] wants to be accountable to Congress” and that “[The OFR] wants to be completely transparent in what we do.” Moreover, Dr. Berner’s pledge is on top of Secretary Geithner’s promise of “full transparency and disclosure” in the financial reform process.

I ask my colleagues to consider how it is possible for the OFR to be accountable for and transparent with its budget and strategic plan if Treasury withholds the testimony of OFR’s most senior leader?

Perhaps my concerns would be lessened if the OFR were making meaningful progress in its start-up phase. But the OFR’s accomplishments so far appear to be few. For example, what has the OFR done to date to be a responsible steward of the information that it collects? What policies has it put in place to make sure that businesses are not saddled with duplicative information requests? And what work has it done to determine whether it is even realistic to expect to be able to reduce duplicative data requests? Finally, to the extent that the OFR has done work in these areas at all, is the progress of their work satisfactory considering that we are approaching the two-year anniversary of the Dodd-Frank Act?

We are now at 20 months after the OFR’s creation, and—by its own admission—the OFR does not have any measures in place by which to measure its performance. In March of this year, the OFR published a “strategic framework,” but even then the OFR didn’t specify how it defined success and failure. It merely recounted a number of very broad aspirational goals.

I believe that this is unacceptable. The OFR appears to be more big government with little accountability. Whatever the shortcomings in the law that created the OFR, I want to be clear about one very important point: we are here today to demonstrate that Congress, and this Subcommittee, is watching.

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**Michele Shannon**  
**Chief Operating Officer**  
**Office of Financial Research, U.S. Department of the Treasury**  
**Written Testimony Before the House Financial Services Subcommittee on**  
**Oversight and Investigations**  
**“Budget Hearing – Office of Financial Research”**

**April 19, 2012**

**Introduction**

Chairman Neugebauer, Ranking Member Capuano, and other members of the subcommittee, thank you for the opportunity to be here today and to testify about the progress that the OFR is making to fulfill its mission and carry out its statutory responsibilities.

The OFR has made substantial progress since this subcommittee’s oversight hearing on the Office nine months ago. In my testimony today, I will discuss the mission of the OFR, explain our strategic goals and the steps we are taking to achieve them, and review the OFR budget and funding.

**Mission**

The Dodd-Frank Act established the OFR to serve the Financial Stability Oversight Council (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.

Although there will always be a fundamental uncertainty about the source of threats to financial stability, the basic idea underlying the OFR’s mandate is that better data and analysis can support the design of stronger financial shock absorbers and guardrails to reduce the risk of crises. They can also support earlier warning and effective responses to reduce the effects of crises when they occur, and help draw lessons for the future.

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**Strategic Goals and Work to Achieve Them**

The OFR has made substantial progress over the last nine months in its stand-up. A Strategic Framework is now in place to guide our way forward, we are seeing accelerated progress in building the OFR's staff and institutional infrastructure, and we are beginning to deliver on our data and research related mandates.

The Strategic Framework, published on March 15, 2012, establishes five goals for the OFR:

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 standards and best practices.
3. Establish a center for excellence for research on financial stability and promoting best practices for 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.

These goals tie to our mission, and the work we have done in the last nine months focuses on accomplishing the goals in support of that mission.

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

The OFR has begun to support the Council and its member agencies by providing analyses and data-related services. For example, the OFR is providing data for use by the Council in developing its Annual Report on financial stability, as well as broader data-related procurement and support. The Office is also providing analytic input for the Council's analysis, such as data and analysis related to designation of nonbank financial companies for consolidated supervision by the Federal Reserve Board. The OFR is also actively working with Council member agencies and staff to develop and maintain an initial "dashboard" of metrics and indicators related to financial stability, initially drawn from previous academic research and the Council's 2011 Annual Report.

The OFR fully recognizes the need to be thoughtful and judicious in fulfilling its data-related mandate. The OFR will not duplicate existing efforts. Rather, it will collect data only when necessary to assess threats to financial stability and only when the data are not otherwise available. At the same time, the OFR will seek to create new efficiencies through collaboration with other Council member agencies to eliminate redundant reporting requirements across the regulatory system.

As a first step, the OFR is establishing an inventory of data held by Council member agencies. A first phase—an inventory of purchased data—has been completed, and a second phase on collected data has been initiated. The OFR has also begun work to improve data quality and processing efficiency and to broaden data availability among the Council and member agencies.

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A key vehicle to support collaboration on data-related issues is the Council's Data Committee, which the Council established to support data collection and information sharing, as well as to provide direction to, and request data from, the OFR. The committee also supports working teams on topics relevant to the Council, such as data classification among Council members and input on the "dashboard" noted above.

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

The OFR is promoting stronger data-related standards to improve the quality and scope of financial data, which in turn should help regulators and market participants mitigate risks to the financial system. Such standards will also help firms link and aggregate information more easily and allow them to use the same basic data for reporting to regulators and for managing their businesses—providing important efficiencies and cost-savings.

A key early initiative of the OFR is its ongoing work with policymakers, regulators, and the private sector to establish a unique, global standard for identifying parties to financial transactions. This Legal Entity Identifier (LEI) will allow for better understanding of true exposures and counterparty risks across the system—to the benefit of both market participants and regulators. The OFR is taking an active role in the process led by the international Financial Stability Board, which will deliver concrete proposals on the implementation of an LEI system to the G-20 at its Summit meeting in June 2012. The OFR is also working with Council member agencies to ensure readiness for the LEI and to support its adoption.

Looking forward, the OFR will broaden its agenda to promote other global data-related standards when those standards enhance the ability to identify and mitigate threats to financial stability, and assist Council member agencies in defining standards and best practices for their own data collection and management.

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

The OFR is working to create a collaborative environment for conducting, coordinating, and sponsoring research and analysis on risks to financial stability and best practices for risk management. This effort is already producing results:

- The OFR released the first paper of its Working Paper Series in January 2012—*A Survey of Systemic Risk Analytics*—focusing on quantitative tools for assessing threats to financial stability. Last month, the Office issued the second paper in the series—*Forging Best Practices in Risk Management*—providing a broad assessment of risk management practices and how risk management can be improved. The OFR is inviting researchers and other interested parties to review this work.
- In December, the OFR teamed with the Council to host a conference entitled, "The Macroprudential Toolkit: Measurement and Analysis" in Washington, D.C. The conference brought together thought leaders from the financial regulatory community, academia, public interest groups, and the financial services industry to discuss issues related to data,

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technology, and analytical approaches for assessing, monitoring, and mitigating threats to financial stability.

- Last fall, the OFR launched a Research Seminar Series, inviting researchers in academia, government, and the private sector to present findings on a range of topics related to the OFR's mission. As of April 9, the Office has hosted 17 widely attended meetings.
- On March 22, 2012, the OFR announced plans to create the Financial Research Advisory Committee of distinguished academics, researchers, industry leaders, government officials, and experts in the fields of data and technology. The committee will serve as a valuable resource for broadening the OFR's analytical perspective and provide a critical link to diverse knowledge, experience, and perspectives.

During the remainder of FY 2012, the Office will conduct studies—in conjunction with the staffs of Council member agencies and on its own—and provide advice on the market impact of policies related to threats to financial stability, e.g., on funding markets and interconnections across the financial system. Over time, the OFR will also develop and disseminate analyses of risk management tools on topics such as stress testing, contingent capital, robust risk measurement, methods for quantifying counterparty risk in derivatives markets, and models of the propagation of risk through financial linkages.

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

The Office is required under Dodd-Frank to make non-sensitive data and information available to the public, and to protect sensitive information. Both are essential for the OFR to fulfill its mission.

As noted above, the Office has taken initial steps in fulfilling its publication mandate by issuing its first two working papers, making accessible the OFR's in-depth work to analyze and measure threats to financial stability. The OFR also publicly released presentations, copies of remarks, and other materials associated with its "Macroprudential Toolkit" conference in December. In addition, the Office will make original research and analysis public through its first Annual Report to Congress in July. The report will discuss the Office's strategy for filling gaps in the research and data needed to identify, assess, and monitor threats to financial stability.

OFR recognizes that secure data collection and storage are essential to fulfilling its mission, and has emphasized data protection throughout its organizational development activities. As an office within the Treasury, the OFR inherits the benefits of the Treasury Department's secure information technology infrastructure. The OFR is also adhering to the security policies of the Treasury's Chief Information Officer. The OFR plans to expand its security controls as necessary for OFR-specific systems and data, as well as for information sharing across Council member agencies.

The OFR will grant and administer access based on pre-defined roles and will monitor usage to confirm that proper controls are in place based on the identified and assigned classification of data. In addition, OFR employees who are handling highly sensitive, confidential data will need

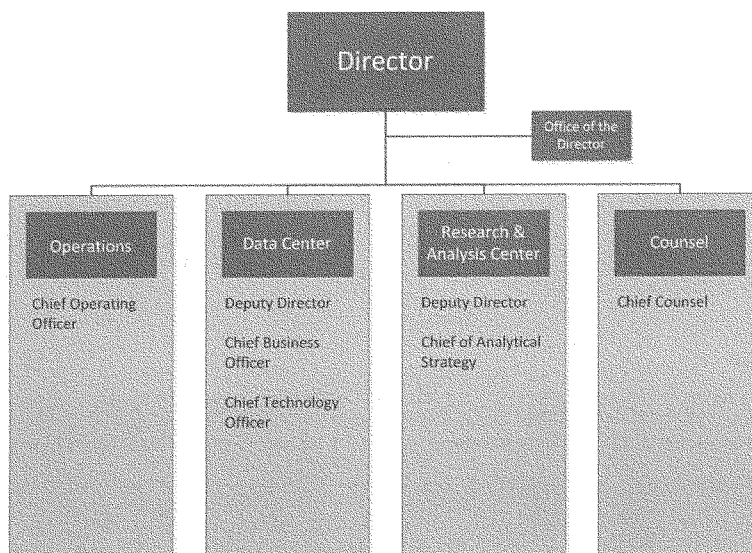
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to sign an acknowledgement that they will be subject to a one-year post-employment restriction from working for a financial services entity, unless a waiver is granted as detailed in the interim rule published in the Federal Register on Sept. 30, 2011.

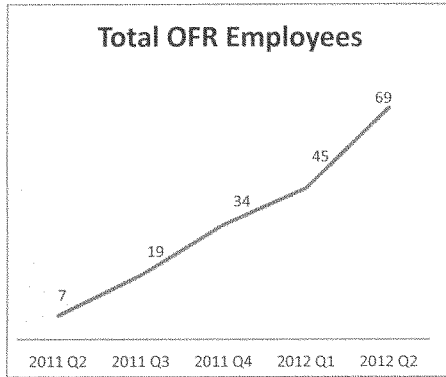
**5. Establish the OFR as an efficient organization and world-class workplace**

*Human Resources*

The OFR is committed to building an effective workforce environment, engaging its workforce to achieve organizational success, and supporting its mission in a cost-effective way. The Dodd-Frank Act established the organizational structure of the OFR with a Director heading the Office and overseeing two core centers—the Research & Analysis Center and the Data Center. The OFR also has support offices for Operations and Chief Counsel.

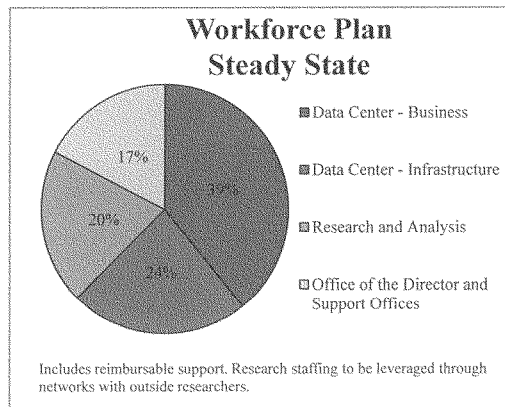


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The Office has made strong progress in establishing its leadership team, with five of eight senior positions filled: a Chief Business Officer of the Data Center (also acting as Deputy Director), the Chief Counsel, Chief Operating Officer, Chief of Analytic Strategy, and acting Chief Technology Officer. As of April 9, the OFR had a staff of 69, including seven employees on detail from other agencies, and the commitment of resources from the Treasury in the areas of budget, financial management, information technology, human resources, procurement, and facilities planning.

The OFR plans to build to steady state staffing levels of 275-300 FTEs within the next 24 to 36 months. More than 60 percent of these employees will be in the Data Center. The Research & Analysis Center will constitute about 20 percent of the OFR's staff and will leverage a broader network of resources through work arrangements with outside researchers and collaboration with Council member agencies. The Office of the Director, Counsel, and Operations will make up the remaining staff.



*Financial Management*

The OFR's financial activities are subject to general Treasury financial management controls and protocols and are reviewed as part of the broader audit of Departmental Offices within the Treasury. The OFR's budget is published with the President's Budget. The OFR has also developed expanded internal policies and procedures to support sound and efficient operations, and rigorous internal controls, including through a program management office. In addition, the Office of the Inspector General and the Government Accountability Office periodically audit the OFR's activities and the Director of the OFR will testify to Congress annually on these issues.

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*Information Management*

As we stand up the OFR, a key focus is building the infrastructure for information technology and business systems to provide for: (1) data acquisition, management, and dissemination under strict protocols for security and data sharing; (2) a robust research and analytical environment capable of handling large amounts of data to support complex financial models, computations, and analysis; and (3) a secure platform for collaboration and communications with Council member agencies and outside researchers, as well as for broader communication with the public on OFR activities.

As a first stage, the OFR has established a foundational analytics environment to support the short-term needs of researchers and analysts. The OFR is also pursuing pilot projects as part of its broader planning process for systems to meet longer-term needs. Consistent with the OFR's commitment to a careful and prudent approach to its expenditures, this planning includes measures to refine and validate estimates for costs and timing. This planning is well advanced, and implementation is expected as soon as the end of the year.

**Budget and Funding**

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 correctly, the Office is tightly linking its expenditures to its mission, ensuring that we are good stewards of the funds entrusted to us. Our careful approach contributed to the fact that the OFR spent less in FY 2011 than budgeted, with obligations totaling \$11.3 million.

	FY2011	FY2012 Q1 and Q2	Total Spending through 3/31/12	FY2012	FY2013
Personnel	\$2.2	\$4.4	\$6.6	\$28.2	\$45.7
Salaries and Benefits of Direct Hires	\$0.7	\$2.7	\$3.4	\$24.7	\$41.4
Other Personnel (i.e. Reimbursable and Detail Contracts)	\$1.5	\$1.6	\$3.1	\$3.5	\$4.3
Other Expenses					
Research & Analysis	\$0.5	\$0.3	\$0.8	\$3.0	\$3.2
Data Center	\$4.1	\$5.3	\$9.4	\$47.5	\$67.0
Office of the Director and Support Offices	\$4.5	\$10.4	\$14.9	\$31.0	\$22.4
<b>Total OFR Obligations</b>	<b>\$11.3</b>	<b>\$20.4</b>	<b>\$31.7</b>	<b>\$109.7</b>	<b>\$138.2</b>

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The pace of spending is projected to pick up significantly in the second half of FY 2012 and FY 2013. In the FY 2013 President's Budget, OFR spending is projected at \$109.7 million for FY 2012 and \$138.2 million for FY 2013. Table 1 details the main budgeted expenditures of the OFR:<sup>1</sup>

- *Personnel* – Salaries and benefits of employees, reimbursable support, as well as reimbursement costs for employees detailed to the OFR;
- *Research & Analysis* – Contracts and other work arrangements with outside researchers;
- *Data Center* – The build-out of the information technology infrastructure and processes to support analysis and collaboration; includes establishing a robust security framework to protect the integrity of financial data; also includes procurement of commercially available financial data;
- *Office of the Director and Support Offices* – Administrative support, travel, supply, equipment costs, rent, and renovation of permanent office space.

The Dodd-Frank Act mandates that the Board of Governors of the Federal Reserve System funds the OFR for the first two years following enactment. Beginning on July 21, 2012, the OFR (along with the Financial Stability Oversight Council and certain expenses of the Federal Deposit Insurance Corporation) is to be funded through assessments on bank holding companies with total consolidated assets of \$50 billion or greater and nonbank financial companies designated by the Council for supervision by the Board. In a Notice of Proposed Rulemaking issued on January 3, 2012, Treasury proposed to establish that assessment schedule. The comment period on the proposed rule has closed; publication of the final rule is expected in May.

<sup>1</sup> This table differs from data referenced in the Congressional Justification (CJ) for the Financial Research Fund in support of the FY 2013 President's Budget in two key respects. First, the CJ presentation of obligations by object classification includes consolidated figures for expenses under the Financial Research Fund for the OFR and FSOC, as well as certain covered expenses of the FDIC, whereas this table covers the OFR only. Second, the presentation in the CJ uses standard object class categories, whereas this presentation uses a functional breakdown by OFR office. The three largest line items in the presentation in the CJ are: (1) "Other Contractual Services" (\$60.7 million for FY2012, including \$52.7 million for the OFR; and \$72.3 million in FY2013, including \$58.3 million for the OFR); this object class includes consulting services, interagency agreements, training, and O&M costs; (2) "Supplies and Materials" (\$5.2 million in FY2012, including \$5.1 million for the OFR; and \$10.2 million in FY2013, including \$10.1 million for the OFR); this object class includes office supplies, publications, and data subscriptions; and (3) "Equipment" (\$21.6 million in FY2012, including \$21.3 million for the OFR; and \$22.4 million in FY2013, including \$22.1 million for the OFR); this object class includes office equipment, telecommunications, and IT equipment.



## EMBARGOED UNTIL DELIVERY

As of March 31, 2012, the OFR has received \$39.3 million in transfers from the Federal Reserve, with obligations of \$31.7 million at the end of the second quarter of FY 2012 (Table 2).

	FY2011				FY2012		Total Through Q2 FY2012*
	Q1	Q2	Q3	Q4	Q1	Q2	
Transfers from FRB	\$2.1	\$0.0	\$11.0	\$0.0	\$26.2	\$0.0	\$39.3
Quarterly Spending	\$0.0	(\$0.3)	(\$2.5)	(\$8.4)	(\$3.3)	(\$17.1)	(\$31.7)
End of Quarter Balance	\$2.0	\$1.6	\$10.2	\$1.8	\$24.3	\$7.6	--

\*An additional transfer request for \$37 million was made on April 13, 2012.

### Conclusion

Chairman Neugebauer and members of the Committee, the OFR has made significant progress since your hearing last July and the pace of progress is accelerating.

Thank you again for the opportunity to be here today. I would be happy to answer your questions.

SPENCER BACHUS, AL. CHAIRMAN

United States House of Representatives  
Committee on Financial Services  
Washington, D.C. 20515

BARNEY FRANK, MA. RANKING MEMBER

April 18, 2012

The Honorable Timothy F. Geithner  
Secretary, Department of the Treasury  
1500 Pennsylvania Avenue, NW  
Washington, D.C. 20220

Dear Mr. Secretary:

I am writing to express my disappointment that the Department of Treasury ("Treasury") refuses to make Counselor to the Secretary, Richard Berner available for the Subcommittee on Oversight and Investigation's ("Subcommittee") April 19, 2012 hearing entitled, "Budget Hearing – the Office of Financial Research." The hearing will serve as a follow-up to the Subcommittee's July 14, 2011 hearing entitled, "Oversight of the Office of Financial Research and Financial Stability Oversight Council."

At the July 2011 hearing, Dr. Berner testified on your behalf, as he was chosen to oversee the standup of the Office of Financial Research ("OFR"). On December 16, 2011, Dr. Berner was nominated by the President to be the first Director of OFR. The position is six years in term. Should Dr. Berner be confirmed, he will not only be responsible for OFR's standup, but for overseeing its long-term success. This vital current and future role makes Dr. Berner the most important and appropriate witness for the Subcommittee's April 19 hearing to examine OFR's budget, its ongoing activities, and its strategic plan.

Unfortunately, despite the Subcommittee's verbal requests dating back to late March and an April 11 formal invitation, Treasury has declined to provide Dr. Berner as a witness for the April 19 hearing. The Subcommittee was informed it is against Administration policy to allow unconfirmed nominees to testify.

I find Treasury's response problematic for several reasons. On July 14, 2011, Dr. Berner testified OFR wanted "to make sure . . . this committee, in particular, understands that we want to be accountable to Congress. We want to be completely transparent in what we do . . . [and] provide all the information that you require in order to look at our activities." Regardless of Dr. Berner's official title, he has acted in a director's capacity for OFR since its inception. In that capacity, he made promises on behalf of OFR to be accountable to and transparent with the Subcommittee regarding OFR's functions.

Dr. Berner's failure to appear only heightens my uneasiness regarding the secrecy surrounding OFR's operations. How can Treasury's substitute witness – one of Dr. Berner's subordinates – responsibly answer questions that require the discretion and specific expertise of the individual who is in charge of OFR's activities? I further question how it is possible for OFR to be accountable for and transparent with its budget and strategic plan if Treasury withholds the testimony of OFR's most senior leader.

Accordingly, this letter serves as the Subcommittee's formal request that, should he be confirmed, Dr. Berner be made immediately available to the Subcommittee, so that he may honor his July 14, 2011 pledge, made under oath, of accountability and transparency regarding OFR's activities.

Sincerely,

A handwritten signature in black ink that reads "Randy Neugebauer". The signature is written in a cursive, flowing style.

RANDY NEUGEBAUER

Chairman

Subcommittee on Oversight and Investigations

cc:

The Honorable Spencer Bachus  
The Honorable Barney Frank  
The Honorable Michael Capuano

*Strategic Framework  
Office of Financial Research*

FY2012 - FY2014

*March 2012*

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## *Introduction*

In establishing the Office of Financial Research (OFR or Office), the framers of the Dodd-Frank Wall Street Reform and Consumer Protection Act, Public Law 111-203 (Dodd-Frank Act) recognized the need for better data and better analysis to help the Financial Stability Oversight Council (Council) and market participants assess and respond to threats to financial stability.

Of course, there will always be a fundamental uncertainty about the source of such threats. But better data and analysis can support the design of stronger financial shock absorbers and guardrails to reduce the risk of crises. They can also support earlier warning and effective responses to mitigate the effects of crises when they do occur and help draw lessons for the future.

This strategic framework takes as its foundation the statutory mandates from the Dodd-Frank Act. It outlines a mission, goals, objectives and implementation priorities that will help to ensure that the OFR's efforts and investments are well targeted. It 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.

An effective strategic framework involves adapting to changing circumstances, and the OFR must be nimble to achieve its mandate. The financial environment will continue to change rapidly, partly in response to an evolving regulatory architecture in the

United States and around the globe. The OFR will confront uncertainties inherent to new organizations undergoing rapid growth and change. Thus, this first articulation of the OFR strategic framework covers a shorter horizon than would be expected for a mature organization and frequent reviews and validation will be appropriate. The OFR will adapt this framework as necessary and undertake a first review in no later than two years.

### *Purpose and Duties*

As set forth in Section 153(a) of the Dodd-Frank Act, the OFR is to support the Council and member agencies by:

- (1) collecting data on behalf of the Council, and providing such data to the Council and member agencies;
- (2) standardizing the types and formats of data reported and collected;
- (3) performing applied research and essential long-term research;
- (4) developing tools for risk measurement and monitoring;
- (5) performing other related services;
- (6) making the results of the activities of the Office available to financial regulatory agencies; and
- (7) assisting such member agencies in determining the types and formats of data authorized by this Act to be collected by such member agencies.



### *Establishing the OFR*

The Dodd-Frank Act established the OFR within the Treasury Department as part of a broader financial reform effort to address weaknesses that the financial crisis laid bare.

The OFR's mission recognizes its mandate to provide the Financial Stability Oversight Council, its agencies, and the public with more and better data and analysis to help identify, monitor, and evaluate threats to financial stability.

#### *Mission*

Serve the 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.

### *Goals and Objectives*

Consistent with the Dodd-Frank Act, the OFR has established five strategic goals that together would strengthen understanding by OFR stakeholders of a rapidly changing financial landscape:

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

#### *OFR Stakeholders*

- *Council members, their agencies, and staff*
- *The Congress and the public*
- *Other financial authorities, both foreign and domestic*
- *Market participants, both as providers of data and beneficiaries of the OFR's data and analysis*
- *Research communities, including academics and think tanks in the US and abroad*
- *OFR staff for opportunities to contribute and grow in an environment that supports excellence*



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

Specific objectives under this goal are to:

- Provide research and analytical support to Council members, their agencies and staff to:
  - ❖ Monitor and interpret how financial market developments affect financial stability; and
  - ❖ Help them improve regulation of financial entities and markets.
- Serve as a secure Council-wide data utility.
  - ❖ Collect data on behalf of the Council and provide it to Council members, their agencies and staff where such data are essential to monitoring threats to financial stability and where they are not otherwise collected. Consistent with statute, this will include collecting, in coordination with the primary financial regulatory agency and in consultation with the Council, financial transaction and position data.
  - ❖ Provide Council members, their agencies and staff with timely access to financial data and metrics under rigorous data sharing and security protocols.
  - ❖ Reduce the reporting burden on financial institutions:
    - Coordinate data requests among Council member agencies with increasing reliance on standard identifiers and definitions, where possible; and
    - Sponsor shared data procurement and data management among Council member agencies to reduce duplication.
  - ❖ Enhance the quality and consistency of financial data available to Council member agencies:
    - Validate collected financial data; and
    - Assist Council members, their agencies and staff through direct data services and technical support.
  - ❖ Establish and maintain a catalog of the financial entities and instruments reported to the OFR.

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

Specific objectives under this goal are to:

- Facilitate, in collaboration with a broad range of stakeholders, the establishment of global data-related standards to improve data quality and scope, while also reducing costs of reporting for both financial market participants and Council member agencies.
- Assist Council member agencies in defining standards and best practices for data collection and management.





*Goal 3 – Establish a center of excellence for research and analysis on financial stability and promote best practices in risk management*

Specific objectives under this goal are to:

- Conduct and sponsor research to identify, monitor, and evaluate threats to financial stability, analyze disruptions as they occur, and to identify lessons learned thereafter.
- Evaluate and report on stress tests or other stability-related evaluations and provide advice on the impact of policies related to systemic risk.
- Promote best practices in financial risk management through evaluation of existing methods and governance, as well as development and promulgation of new methods.
- Establish forums for collaboration with outside stakeholders on these initiatives.

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

Specific objectives under this goal are to:

- Increase the transparency and distribution of research on the financial system, while safeguarding sensitive information, by publishing financial analysis, data and information. Publications will include:
  - ❖ Analytical reports, including an Annual Report to Congress and working paper series;
  - ❖ A financial company reference database;
  - ❖ A financial instrument reference database; and
  - ❖ Formats and standards for data required by the OFR.
- Testify on OFR activities and the OFR’s assessment of significant financial market developments and potential emerging threats to financial stability.

*Goal 5 – Establish the Office of Financial Research as an efficient organization and world-class workplace*

The key objectives under this goal are to:

- Build an effective workforce environment;
- Engage the workforce to achieve organizational success; and
- Support the OFR’s mission in a cost-effective manner.



### *Implementation Priorities*

Building from progress to date and consistent with a core set of operating principles, the OFR is:

- Ramping up its services to Council members, their agencies and staff;
- Beginning to publish OFR data and analysis;
- Accelerating work to establish the secure information technology platforms and business systems critical to achieving its mission; and
- Continuing to reinforce its institutional infrastructure.

Progress to date and priorities for the coming period are detailed below, including the specific priorities for the Data Center and Research & Analysis Center.

### *Data Center*

The Dodd-Frank Act established the Data Center within the OFR to collect, validate, and maintain data from Council member agencies, publically available data sources, and financial entities. Working together with the Research & Analysis Center, the Data Center has begun to provide analytical and data-related services to the Council and its member agencies, for example, through support for the Council's Annual Report on financial stability, as well as data and analysis related to designation of nonbank financial companies for consolidated supervision by the Federal Reserve Board. The OFR has also supported the establishment of the Council Data Committee as a forum to discuss data-related issues among member agencies and is creating an inventory of Council data to support better coordination and reduced redundancies in data collection efforts.

### *OFR Operating Principles*

This core set of principles defines the characteristics the OFR strives to achieve:

- *Striving for excellence*: establish a reputation for world-class quality, objectivity, integrity, and impact related to research, data standards and data management practices;
- *Innovative*: expand boundaries of knowledge and technique to enhance understanding, identification, measurement, and management of threats to financial stability;
- *Transparent*: support and encourage publication of data, tools and research while ensuring sensitive data is strictly protected, and partner with regulatory, industry and academic experts, both domestically and internationally, to serve the needs of the Council and the public;
- *Efficient*: serve the needs of OFR stakeholders in a cost-effective manner and support efficiencies in data collection by only requesting data not already available; and
- *Multidisciplinary*: draw upon a full range of methodologies from the social sciences, technical disciplines, and industry practices to apply the best technique to a given task.



A key early initiative of the OFR has been its work with policymakers, regulators, and the private sector on establishing a global Legal Entity Identifier (LEI)—work that contributed to the November 2011 G-20 Leaders endorsement in Cannes of a Group of Experts to establish the governance for an LEI. The initiative—driving toward one global standard to uniquely identify parties to financial transactions—will support better understanding of true exposures and interconnections among and across financial institutions and markets. This should improve the ability of both regulators and market participants to mitigate threats to the financial system.

An early priority for the Data Center has been to build the informational infrastructure needed to deliver on the OFR's data-related and analytical mandates. This requires 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 recognizes both the importance of rapid progress and 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 is establishing a secure short-term data and analytical IT environment to meet immediate needs, while initiating the design and planning of medium-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.

For the remainder of FY2012, the focus of OFR efforts is to:

- Develop and begin to implement a secure database and analytical computing environment.
  - ❖ Finalize work on a short-term, secure computing environment that will be leveraged for data storage and sharing and near-term analytical needs. This environment will also serve as the foundation for a robust analytical platform to serve longer-term needs.
  - ❖ Complete pilot projects on data security and high-performance computing (utilizing appropriate best-practice expertise) to provide input into the OFR's medium-term data and analytical infrastructure, while also supporting near-term outputs.
  - ❖ Taking these pilots on board, complete the initial design of a secure computing and data storage architecture and initiate implementation as soon as late 2012. Additional validation—including from information technology and data experts, as well as from data end-users—will be critical both prior to implementation and at multiple stages of the implementation process.
  - ❖ Establish access, initially for Council members, their agencies and staff, to a preliminary set of selected financial data and metrics.
  - ❖ As a first step in supporting data coordination among Council member agencies, inventory financial data held by these stakeholders.



- ❖ Continue to acquire the data necessary to support the Council’s designations process and other needs of Council members, their agencies and staff, and initiate secure data provision for the OFR Research & Analysis Center.
- ❖ Continue to support the Data Committee of the Council as a forum for collaboration on data-related issues, including assistance on prioritizing OFR data initiatives and establishment of data sharing protocols.
- Promote and strengthen standards for financial data.
  - ❖ Continue to play an active role in building consensus for and facilitating adoption of a global LEI, including through the support of a Financial Stability Board experts group established in December 2011 to move the LEI forward and continued work with U.S. financial regulators—such as the Securities and Exchange Commission and Commodity Futures Trading Commission—on incorporation of the LEI into their rulemaking.
  - ❖ Work with public and private partners, both domestically and internationally, to identify and prioritize gaps in financial data standards beyond LEI where standardization would improve data quality, the ability to aggregate, risk management standards, and the exchange of data among Council members.

#### *Research & Analysis Center*

The Research & Analysis Center was established within the OFR by the Dodd-Frank Act to develop and maintain independent analytical capabilities and computing resources to monitor, investigate, and report on risks to financial stability. As noted above, the OFR has begun to provide analytical support to the Council and its member agencies. In addition, it launched a Research Seminar Series last fall and a Working Paper Series in January, with its first Annual Report to Congress to be provided this summer. The OFR has also begun to build a virtual community of researchers, academics, and practitioners that can collaborate on its research.

Achieving the OFR’s mission will ultimately require new methods for measuring, analyzing, and representing conditions in the financial system, with special emphasis on leverage, maturity, liquidity, credit transformation, and linkages within and between the financial system and economic activity. Advancing research in the areas highlighted below will be an iterative process as the OFR’s analytical infrastructure is developed, data are collected, and requirements are refined, with activities focused on:

- For the benefit of the Council and broader stakeholders, proactive monitoring and reporting on the system-wide risk levels and patterns, through, for example, recurring narrative reports that explain the state of and threats to the financial system (including the OFR’s annual report), and related studies examining particular risks to financial stability, risk management methods and tools, and relationships between financial and other economic activities;
- Contributions to rapid response analytics on significant financial events;



- Forensic analyses of significant events affecting financial stability;
- Evaluations of stability-related assessments and advice on the impact of policies aimed at promoting financial stability, looking across the entire financial system. Examples might include stress-testing and related capital and liquidity planning exercises, tools that influence funding and market liquidity and the connections between them, and tools to limit leverage and maturity mismatches;
- Promotion of best practices in risk management through the development and promulgation of methods to measure risks, including liquidity risk, counterparty risk, market risk and credit risk; the evaluation of methods in current use, considering their effectiveness at the individual firm and systemic level and their potential effects on the broader financial system; and collaboration with regulators, industry participants, and academics to highlight and advance good governance of the risk management function in financial firms;
- Conferences, colloquia, and seminars on issues related to financial stability and risk management; and
- An online resource for researchers, including OFR Working Papers and tools for risk analytics.

During FY2012, key priorities include work to:

- Develop the capacity to conduct, coordinate, and sponsor initial research including by:
  - ❖ Collaborating with the Council to develop and maintain a “dashboard” of metrics and indicators related to financial stability initially drawn from previous academic research and supported by the Data Center;
  - ❖ Responding to research requests on regulatory impact from member agencies; and
  - ❖ Conducting broader studies and providing advice on the impact of policies related to threats to financial stability (e.g., on funding markets and interconnections across the financial system).
- Develop and disseminate analyses of risk management tools that may include such topics as stress testing, contingent capital, robust risk measurement, methods for quantifying counterparty risk in derivatives markets, and models of risk propagation through financial linkages.
- With the OFR Data Center, launch vehicles for collaboration and publication of data and analysis on financial stability:
  - ❖ Publish the OFR’s first Annual Report on or before July 2012;
  - ❖ Publish additional research and data on issues related to threats to financial stability, including through the OFR Working Paper Series;
  - ❖ Building from the December 2011 OFR-Council Conference, “The Macroprudential Toolkit: Measurement and Analysis,” support public-private dialogue on issues relevant to the OFR’s mandate; and



- ❖ Expand the Research Seminar Series.

#### *Building the OFR*

The OFR has made substantial progress in building the initial institutional functions to support its core missions. A key upfront objective was to define the scope of the OFR's mission, starting from the foundation established in the legislation and building through outreach and broad-based consultations. Establishing an initial organizational and workforce plan, as well as operational processes and controls, have also been priorities. 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 OFR has made substantial progress in filling key management positions, made early inroads in broader staffing, and begun to build working relationships with outside thought leaders. In September, the Department of the Treasury, with the concurrence of the Office of Government Ethics, issued an interim rule establishing post-employment restrictions for OFR employees with access to sensitive data, as required by the Dodd-Frank Act. Work on the OFR's Washington facility is also well advanced.

The OFR is continuing to build the organizational structures, processes, and controls needed to support strategic decision-making, ensure efficient use of resources, and support transparent performance measurement and responsiveness to external review. Priorities for FY2012 include:

- Attract and retain the highly trained, experienced staff needed to fulfill the OFR's mission.
  - ❖ Further elaborate OFR human resource plans for recruitment and retention (including through an OFR Fellowship Program), training and workforce development, and workforce flexibility. Report on progress to Congress, consistent with requirements under the Dodd-Frank Act.
  - ❖ Continue active recruitment to build expertise across the range of needed competencies.
- Create an advisory committee of leading researchers, academics, data managers and IT experts to help the OFR identify issues, evaluate work product, and recruit talent.
- Establish a sound strategic and operational framework.
  - ❖ Expand initial policies and procedures to support sound and efficient operations and rigorous internal controls.
  - ❖ Link programmatic, human resources, and budgetary decision-making to the OFR's strategic framework, including through an OFR program management function.
  - ❖ Develop performance measurement and risk management systems appropriate to a maturing organization.
- Continue to address OFR facilities requirements.
- Ensure that the OFR operates on a sound financial footing.
  - ❖ Assist in preparations for a Treasury rule to establish a permanent financing source for the OFR through assessments on certain financial institutions.



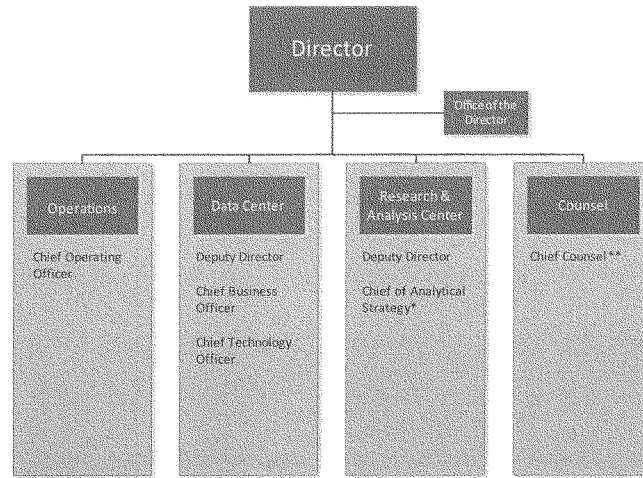
Table Summary of Level of Funding		FY2012 Implementation Priorities
<b>Goals</b>	<b>Objectives</b>	
<b>Council Support</b>	<ul style="list-style-type: none"> <li>Analytic Support</li> <li>Council-wide Data Utility                             <ul style="list-style-type: none"> <li>Collect necessary data</li> <li>Promote efficiency and security in data acquisition</li> <li>Enhance data quality and consistency</li> <li>Catalog financial entities and instruments</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Respond to Council research requests focusing initially on designation issues</li> <li>Develop and begin to implement a secure analytical environment</li> <li>Establish timely access to initial financial data and metrics                             <ul style="list-style-type: none"> <li>Deliver initial Council-wide data inventory</li> <li>Maintain "dashboard" of metrics/flexible graphics</li> <li>Undertake initial data acquisition</li> <li>Support Council Data Committee</li> </ul> </li> </ul>
<b>Promotion of Data-Related Standards</b>	<ul style="list-style-type: none"> <li>Facilitate establishment of data-related standards</li> <li>Assist Council in defining standards and best practices for data collection</li> </ul>	<ul style="list-style-type: none"> <li>Facilitate adoption of a global LEI</li> <li>Identify additional standards to enhance data processing efficiencies</li> </ul>
<b>Center for Research</b>	<ul style="list-style-type: none"> <li>Conduct and sponsor research on financial stability</li> <li>Promote best practices in risk management</li> <li>Facilitate coordination and joint research</li> </ul>	<ul style="list-style-type: none"> <li>Conduct studies on impact of policies related to financial stability</li> <li>Develop and disseminate analyses of risk management tools</li> <li>OFR-Council Conference: <i>The Macroprudential Toolkit: Measurement and Analysis</i></li> <li>Research Seminar Series</li> </ul>
<b>Public Information</b>	<ul style="list-style-type: none"> <li>Publication of analytical reports, data and related information including reference databases and formats/standards for data</li> <li>Annual Testimony</li> </ul>	<ul style="list-style-type: none"> <li>OFR Annual Report</li> <li>OFR Working Paper Series</li> </ul>
<b>Building the OFR</b>	<ul style="list-style-type: none"> <li>Effective management of human and financial capital</li> </ul>	<ul style="list-style-type: none"> <li>Elaborate strategies to attract and retain talent, including through OFR Fellowship Program</li> <li>Create Advisory Committee of leading researchers academics, data managers and IT experts</li> <li>Continue to build a sound strategic and operational framework</li> <li>Address OFR facility requirements</li> <li>Assist in rulemaking to establish permanent financial source</li> </ul>



*Appendix One: OFR Organization and Workforce Plan*

*Roles and Responsibilities*

The OFR’s organizational structure takes as its starting point the requirements set out in the Dodd-Frank Act, including with respect to the role of the Director and the mission of the Data Center and Research & Analysis Center. The organization also recognizes the importance of a “one-organization” approach—with close coordination in the work of the Data and Research & Analysis Centers.



\*Reports to OFR Director  
 \*\*Reports to Treasury General Counsel

Director

The OFR Director, appointed by the President, with the advice and consent of the Senate, provides overall leadership, direction, and representation for the OFR. The Director also serves as a non-voting member of the Council. Key duties, as stipulated under the Dodd-Frank Act, include:

- In consultation with the Chairperson of the Council, establishing the OFR’s budget, as well as the size of and compensation for OFR staff.
- Reporting to and testifying before the Committee on Banking, Housing, and Urban Affairs of the Senate and 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 by the Office of significant financial market developments and potential emerging threats to the financial stability of the United States. The OFR Director's testimony is not subject to prior review by any office or agency and shall state that the views expressed are those of the Director.

- Requiring from a financial company, by subpoena, the production of data not elsewhere available, where necessary to carry out the functions of the OFR, after coordinating with the relevant primary financial regulatory agency.
- Ensuring that data collected and maintained by the Data Center are kept secure and protected against unauthorized disclosure.
- Ensuring that all other requirements for the OFR under the Dodd-Frank Act are fulfilled.

#### **Data Center**

##### Deputy Director, Data Center:

The Deputy Director of the Data Center reports to and advises the Director of the OFR, liaises with stakeholders, and directs the full range of operations of the OFR's Data Center, covering business operations, information technology, as well as OFR-wide program management. In this context, the Deputy Director provides strategic guidance to prioritization of activities and investments required to fulfill the OFR's mission as it relates to secure data collection and management, data standards, and data services to the Council and broader stakeholders.

##### Chief Business Officer:

The Chief Business Officer (CBO) reports to and advises the Deputy Director of the Data Center, liaises with stakeholders, and manages the Data Center business groups on data management and analytical operations. In this context, the CBO coordinates closely with the Deputy Director of Research & Analysis, the Chief Technology Officer and the Chief Operating Officer.

The CBO directs data identification, acquisition, management and distribution to the Council and broader stakeholders, as appropriate. The CBO assists in the identification and development of data-related standards required to analyze threats to financial stability.



Chief Technology Officer:

Reporting to the Deputy Director of the Data Center, the Chief Technology Officer (CTO) provides leadership and advice to senior management of the OFR on the use and management of information technology to support achievement of the OFR's mission. This function directs and manages the technical build of the Data Center and the maintenance of information security policies and control mechanisms.

The CTO function includes the governance and management of IT services through a sound, secure, and integrated information technology architecture and roadmap for the OFR. The roadmap ensures that systems architecture, standards and protocols provide an efficient, innovative, and secure environment to house and disseminate the OFR's information assets as appropriate to support the OFR mission.

**Research & Analysis Center**Deputy Director, Research & Analysis:

The Deputy Director of Research & Analysis reports to and advises the Director of the OFR, liaises with stakeholders, and directs the full range of operations of the OFR's Research and Analysis Center.

The Deputy Director of Research & Analysis sets out the strategic priorities and overall direction for the Research and Analysis Center, in close consultation with the Director. The Deputy Director is also responsible for oversight of research staff and of programs for collaboration with the outside research community.

Chief of Analytical Strategy:

The Chief of Analytical Strategy (CAS) reports to and advises the Director of the OFR and supports a broad range of analytical and operational functions related to the OFR's research function, in coordination with the Deputy Director of Research & Analysis and the Deputy Director of the Data Center.

The CAS directs the design, development and delivery of comprehensive, integrated analytical strategies and implementation plans on critical issues having broad impact on research programs and activities. The CAS also supports, in close collaboration with the Deputy Director of Research & Analysis, the management of the OFR's research functions, including definition of strategic analytical priorities and resulting data acquisition requirements, as well as plans for recruitment, outreach and collaboration with outside experts.



**Support Offices**

Chief Operating Officer

The Chief Operating Officer (COO), reporting to and advising the Director of the OFR, is responsible for overall allocation, management, and oversight of resources to achieve the OFR’s mission and, in collaboration with OFR senior management, for the establishment of programs supporting the stand-up of the OFR.

The COO oversees OFR-wide communications, strategic planning and performance measurement and has broad responsibilities for establishing and overseeing implementation of the OFR’s governance framework, including internal OFR operational policies, procedures, and controls. The COO oversees, in collaboration with the Treasury Department’s Assistant Secretary for Management, the human resources, procurement, facilities, and financial management of the OFR.

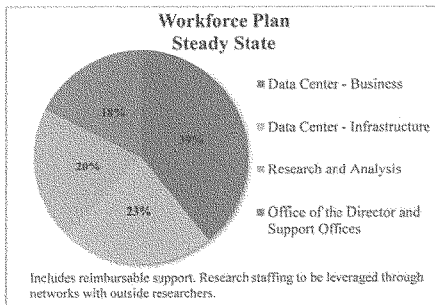
Chief Counsel

The Chief Counsel serves as chief legal advisor to the Director of the OFR and directs all legal activities of the OFR, reporting to Treasury’s Office of the General Counsel. In this capacity, the Chief Counsel coordinates legal issues with the legal counsel for the Council as related to the OFR’s work and data collection performed for the Council.

*Workforce Plan*

The OFR has put in place an initial workforce plan to build the capabilities needed to achieve its mission. The plan recognizes the broad range of core competencies required by the office, including data management and analytics, data standardization and best practices, information technology, macroeconomics, financial market and institution analysis, statistics

and risk management, and applied sciences, as well as program management, legal services, communications, strategy, 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. The OFR has put in place an ambitious but achievable plan to build to steady state staffing levels (approximately 275-300 staff) within the next twenty-four to thirty-six months.



*Appendix Two: Governance, Transparency, and Oversight*

The OFR was established within the Department of the Treasury, Departmental Offices. In this context, Treasury's Assistant Secretary for Management supports the OFR through operational controls and procedures related to, *inter alia*, financial management, procurement, and human resources.

The OFR consults closely with the Treasury Secretary, including in his role as Council Chairperson, and other senior Treasury officials on strategic issues related to the OFR stand-up, including through participation in regular meetings on the Dodd-Frank Act's implementation chaired by the Deputy Secretary of the Treasury. The OFR also consults closely with the Council, as detailed below.

*The OFR and the Council*

The primary function of the OFR is to support the FSOC and its member agencies in fulfilling their duty to promote financial stability and enhance market discipline. To do so, the Director of the OFR will work closely with the Chairperson of the FSOC (the Secretary of the Treasury).

The OFR serves as a data and research resource for the FSOC and its member agencies and works with those agencies to reduce reporting burdens and increase market transparency. In this context, the OFR serves as a shared resource for Council members, their agencies and staff. It is unique among those agencies because its primary mission is to analyze threats to the stability of the overall financial system, and because it has the authority to collect information, where needed, from any U.S. financial company. The OFR has a responsibility to evaluate and report on stress tests and other stability-related assessments of financial entities overseen by member agencies, provide advice to member agencies on the impact of their policies as they relate to financial stability, investigate disruptions and failures in the financial markets, and provide its analysis to the Council, Congress, and the public.

The OFR works closely with Council staff, who support policy discussions among and recommendations by the Council, e.g., at Council Committee meetings, through Council work streams, and in the Council's annual report. The OFR provides data and analysis to support that work, either as a participant or in response to requests from Council members, their agencies and staff. The OFR will have the capacity to provide in-depth, long-term research as well as rapid analyses of significant financial events to inform the policy debate that Council staff will coordinate.



### **Financial Management and Human Resources**

The OFR budget is set by the Director, in consultation with the Chairperson of the Council. OFR financial management follows Treasury protocols, and the OFR's financial activities and controls are reviewed as part of the broader audit of Departmental Offices within the Treasury. Information on the OFR budget is published as part of the President's Budget. The OFR is also assisted in the preparation of a Treasury rule to establish a permanent financing source for the OFR through assessments on certain financial institutions.

Internal OFR budget formulation, execution and control procedures, including regular reporting and review, have been established and are being further refined to reinforce sound fiscal management and to control costs. Specific policies and procedures relevant to resource allocation (e.g., training) are being further elaborated, building from existing Treasury guidance, where appropriate.

Initial human resources policies have been established for the OFR, building from existing Treasury guidance, as amended to reflect statutory requirements for the OFR. Treasury-based controls for OFR hiring are being executed to support sound implementation, and tracking systems for hiring and staffing (based on the OFR's workforce plan) have been established and are being further refined to support internal OFR monitoring.

### **Program Management**

The OFR is committed to establishing and maintaining strict and transparent processes for ensuring its resources are effectively assigned and its activities are well directed to support achievement of its strategic goals and requirements under the Dodd-Frank Act. An initial framework for project-related decision making, tracking and review has been established, which will help to maintain strong links between OFR investments and activities and its strategic goals and Dodd-Frank Act requirements.

The OFR Program Management Office (PMO) administers the project management function. To facilitate project tracking through all stages of implementation, the PMO is building and maintaining a comprehensive inventory of programs, projects, and activities.

During FY2012, the OFR will also create initial operational metrics to measure the organization's performance.

### **Information Security**

Effective execution of the OFR's mission depends on the development and implementation of best-practice information and data management systems, including strong security controls and well-defined data distribution protocols. Establishment of



robust access control systems and policies, as well as data-sharing protocols with Council members and other OFR stakeholders, are priorities for FY2012.

#### **Transparency & External Evaluations**

The OFR recognizes the need for transparency in its operations and financing. As noted, information on the OFR budget is published as part of the President's Budget, and information regarding the OFR's strategic framework and performance monitoring will also be published. Publications related to the OFR's core operations, including the OFR Annual Report and required reports to Congress on OFR human resources, will provide additional visibility into the OFR's operations.

The OFR is also subject to external oversight and receives external input on its programs and procedures through three distinct channels:

- *Office of the Inspector General (OIG)*: The OIG conducts reviews of OFR operations, providing valuable input into the OFR strategic management process. A first engagement was initiated in June 2011.
- *Government Accountability Office (GAO)*: The GAO will conduct periodic reviews of the OFR. A first review covering the OFR's stand-up was initiated in November 2011.
- *Annual Testimony*: Under the Dodd-Frank Act, the OFR Director testifies before Congress annually on the activities of the Office.

