Office of Financial Research Assessments
Final Rule and Interim Final Rule
Fact Sheet

The recent financial crisis revealed the scarcity of timely and accurate information to identify and measure interconnections among financial institutions and markets. These deficiencies severely hampered the ability of regulators and other government officials to monitor potential threats to financial stability and develop tools to mitigate financial disturbances when they arose.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act or the Act) created the Financial Stability Oversight Council (Council) to identify risks to the financial stability of the United States, promote market discipline, and respond to emerging threats to the U.S. financial system. The Dodd-Frank Act also established the Office of Financial Research (OFR) within the Treasury Department to serve the Council, its members, and the public by providing data and analysis on threats to the stability of the financial system.

The OFR's work benefits financial markets, investors, and financial institutions by making available more and better financial data, while minimizing regulatory reporting burdens. One way these benefits are made possible is through data standards fostered by the OFR. Such standards, like the Legal Entity Identifier, will assist firms in streamlining their internal data management, reducing risks, and improving transparency, while minimizing regulatory and administrative costs for those firms and for their regulators. The assessments announced today make this and other work possible.

To cover the cost of the work of the OFR and the Council, the Dodd-Frank Act directs the Treasury Secretary to establish, by regulation, and with the approval of the Council, a schedule for the collection of assessments from bank holding companies with total consolidated assets of $50 billion or greater and from nonbank financial companies supervised by the Federal Reserve Board (Board). Treasury, with the approval of the Council has issued a final rule for such bank holding companies and an interim final rule for such nonbank financial companies. These assessments, which amount to a tiny fraction of these companies' assets, are provided for by the Act to fund the actions of the Council and the OFR, whose work is intended to help mitigate threats to financial stability.

The rules will be published in the Federal Register.

Pursuant to the Act the Treasury will collect assessments for expenses specified by the Dodd-Frank Act.

- The rules allow the Treasury to collect assessments to pay the expenses of:
    - The Office of Financial Research
    - The Financial Stability Oversight Council
    - The Federal Deposit Insurance Corporation (FDIC), in connection with the implementation of its orderly liquidation activities.
        - The expenses are for rule writing and resolution planning consistent with the FDIC's implementation of its responsibilities under Title II of the Dodd-Frank Act.
        - The FDIC shall periodically submit requests for reimbursement to the Chairperson of the Council (the Secretary of the Treasury), who shall arrange for prompt reimbursement of reasonable expenses.
- The Board funds the OFR, the Council, and implementation of the FDIC's orderly liquidation activities until July 20, 2012. The assessments will provide the funding thereafter.

Pursuant to the Act the Treasury has outlined a process for collecting assessments and making available resources for covered expenses.

- The Dodd-Frank Act created the Financial Research Fund (FRF) to hold amounts collected and to make these amounts available to pay the covered expenses.
- Under the rules, domestic bank holding companies with total consolidated assets of $50 billion or greater and nonbank financial companies supervised by the Board will be assessed based on total consolidated assets, and foreign banking organizations and foreign nonbank financial companies supervised by the Board will be assessed based on the total consolidated assets of their combined U.S. operations.
- The determination of the companies that are subject to assessments will be based on data as of fixed determination dates, generally November 30 and May 31 of each year.
    - For the first assessment, the determination date will be December 31, 2011, and will include only bank holding companies with total consolidated assets of $50 billion or greater because the Board was not supervising any nonbank financial companies on that date.
- Each assessment will be calculated by applying a flat percentage rate to the total consolidated assets of the company (or, in the case of a foreign banking organization, the total assets of the organization's combined U.S. operations, as determined by Treasury).
    - Each company will be assessed by the following formula:
      (Total Assessable Assets) x (Rate) = Semiannual Assessment Fee.
- The rate is set based on a total assessment for each period (an estimate of the total covered expenses) that will replenish the FRF to a level equivalent to:
    - the next six months of budgeted operating expenses of the OFR and the Council;
    - the next 12 months of budgeted capital expenses of the OFR and the Council, because of the variability in the timing of such expenditures; and
    - the amount necessary to reimburse the FDIC for implementation of orderly liquidation activities.
- For the initial assessment, the FRF will be funded at a level equivalent to:
    - the OFR's and Council's expenses for the remainder of FY2012 (July 21 to September 30);
    - operating expenses for the first six months of fiscal year 2013 (October 1, 2012, to March 31, 2013);
    - capital expenses for the first seven months of fiscal year 2013 (October 1, 2012, to April 30, 2013); and
    - the amount necessary to reimburse the FDIC for implementation of orderly liquidation activities.
- Collection based on the full 12 months of capital expenses will begin with the second assessment.

What's Next?

In late May, Treasury will notify each company that meets the assessment criteria of the assessable assets to be used in calculating its assessment fee. Each company will have the opportunity to appeal the assessable assets figure.

About one month before payments are due, Treasury will publish a notice showing the assessment rate and publish the total amount to be collected. Two weeks later, Treasury will notify each company directly of the amount due from that company.

Initial payments will be due on July 20, 2012. Thereafter, payments will be due each March 15 and September 15 (or, if a weekend or holiday, the next business day).

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