



OFFICE OF THE DIRECTOR LETTER

It is my pleasure to deliver the Office of Financial Research 2022 Annual Report to Congress.

I began leading the Office of Financial Research (OFR) in February 2022, charged with temporarily performing the duties of the Director. I am incredibly proud of the efforts of our team this year to advance the vital work of meeting the needs and priorities of the Financial Stability Oversight Council (Council).

The last few years have been historically tumultuous, marked by a global pandemic, a slowdown in economic growth, substantial volatility in the investment markets, and increased political tensions abroad. Despite the challenging environment of the past year, the OFR never wavered in executing its critical mission. Our staff demonstrated leadership in the international financial data standards space, built and maintained sophisticated technology systems to facilitate research, and contributed to multiagency groups focused on addressing critical risks to financial stability. We made significant strides in closing financial-data and visibility gaps and informing policymakers via a wide range of monitoring tools and published research.

As noted in this year's report, the information we cover describes our research and analysis as of September 30, the end of the fiscal year (FY) 2022. In an ever-changing environment, however, we recognize that much has continued to evolve since that time. The OFR has and will continue to monitor and analyze risks to financial stability, remaining agile to identify and examine emerging threats as they arise now and in the coming years.

This year, our report found that throughout FY 2022, financial stability risk was elevated. Several factors contributed to this assessment: the financial and economic stress of Russia's war against Ukraine, the Federal Reserve's tightening of monetary policy to reduce elevated inflation, lingering supply disruptions as economies continued grappling with the COVID-19 pandemic, and economic uncertainty based on the slowing of global growth.

Throughout 2022, the OFR proactively attended to the needs and priorities of the Council and its member agencies. Within this report, you will find details of our work, but I'd like to highlight a few examples at the outset—namely, the innovation of an OFR-hosted Data and Analytics Hub and our progress toward closing a critical data gap in the repurchase agreement (repo) market.

OFR-hosted Data and Analytics Hub

As a frontier risk, climate-related financial risk—though difficult to model and forecast within the financial system—presents an increasing threat to financial stability. Being able to assess it accurately is vital to mitigating its effects.

To address this Council priority head-on, the OFR partnered with colleagues at the Federal Reserve in early 2022 to pilot a collaboration space equipped with certain climate data, as well as high-powered computing and analytical tools that give researchers the capacity to integrate their financial data to produce high-quality research on climate-related financial risk.

Although climate-related data served as a test case for this prototype technology environment, the OFR is moving swiftly to build on its success with a greatly expanded scope. Once fully operational, the new Data and Analytics Hub will support comprehensive financial stability research by providing a platform to integrate and analyze a broad spectrum of financial and other relevant data that addresses risks beyond those that are climate related. Looking ahead, we hope to expand this collaboration space for use by other Council member agencies and provide these users with a range of data and analytical services that are responsive to their needs.

Non-centrally Cleared Bilateral Repo Pilot and Collection

Recent stress in Treasury markets and spillover into short-term funding markets have captured the attention of many in the financial services world. For years, regulators have called for greater insight and transparency into the repo market, which is the largest short-term wholesale funding market in the United States. The OFR answered that call and began to close this data gap in 2019 by establishing a daily data collection of centrally cleared repo transactions. We subsequently turned our attention to the non-centrally cleared bilateral repo, and in 2022, we made substantial progress in providing regulators with visibility into this market segment. Over the course of several months, the OFR conducted an outreach-

and-collection pilot with nine financial institutions voluntarily submitting transaction-level data. The pilot allowed us to provide the Council with preliminary insights into the non-centrally cleared bilateral repo market segment while laying the groundwork for a permanent collection. As this report goes to press, we have published a Notice of Proposed Rulemaking to establish an ongoing daily collection. Such a collection will significantly improve the Council's ability to oversee the nation's financial stability.

Like many organizations worldwide, the OFR began its physical return to the office in 2022 amid our new hybrid environment. Despite the challenges posed by the COVID-19 pandemic and the new normal it created, our staff remains responsive, committed, and highly productive. The flexibility created by OFR's new hybrid environment has enhanced the engagement and productivity of our dedicated staff and has improved our ability to retain and attract talent from across the nation. This is especially important as we continue to maintain and further develop expertise related to emerging risks and other priorities of the Council.

A team of dedicated and skilled public servants performs the work of the OFR. They understand well the importance of their financial stability mission and their work's impact on every American. This great responsibility motivates our staff every day. As a career executive civil servant, it has been both an honor and a privilege for me to lead the OFR and its diverse, talented, and committed team of professionals. For however long my service is needed to continue performing the duties of the Director, I remain committed to leading, supporting, and working alongside the team. Together, we will continue to meet the OFR's mission of promoting financial stability by delivering high-quality financial data, standards, and analysis for the Council, Congress, and the American public.



James D. Martin

Deputy Director of Operations

Performing the Duties of the Director