OFR Programs

Vision

• OFR programs align our priorities with our mission and strategic plan.
• Programs clearly communicate these priorities to our stakeholders, and align them with stakeholder needs and recommendations.
• Programs set clear direction and milestones for achieving them.

Mission relevance

Programs focus on three unique aspects of our mission:
1. Improving the quality, scope, and accessibility of financial data;
2. Assessing and monitoring vulnerabilities across the financial system; and
3. Conducting policy studies and evaluating tools designed to mitigate risks to financial stability.
OFR Programs

Elements

Each program includes:
• An assessment of salient risks and questions to answer,
• An analytical framework that provides tools for answering them,
• Identification of data requirements, and
• Evaluation of any program-specific policy tools.

Resources

Programs are comprised of cross-OFR teams
• Currently, led by staff of Research and Analysis and Data centers.
• Critical support provided by the Technology Center.
• Teams also include members of Legal, Operations, and External Affairs.
Monitors Program

Vision

A critical source of high-quality monitoring tools used by key stakeholders. Thought leadership in the field of financial stability monitoring and analysis.

• The Dodd-Frank Act directs the OFR to promote financial stability. One way we do this is by monitoring risks in the financial system.

• This program develops a suite of tools to assess, measure, and monitor risks across the financial system to complement our Financial Stability Monitor and Financial Markets Monitor.
In 2016, we expect to:

1. **Research and Develop Monitors**
   Produce and refine monitors such as: Money Market Fund Monitor, Correlation Monitor, Hedge Fund Monitor, and Credit Default Swap Monitor.

2. **Enhance Production Process**
   Establish a formal process for turning prototype monitors into production.

3. **Develop External Portal**
   Collaborate with key stakeholders to define requirements for the user experience and user interface, and start building the secure external portal.

4. **Communicate**
   Publish methodologies for the new monitors and the Financial Stability Monitor.
Monitors Program

Questions for discussion

1. What criteria should we use to decide and prioritize areas to pursue for monitor research and development?

2. How should we present results to the end users?

3. Is there a recommended model for such a portal? Potential models include the St. Louis Fed’s FRED, the World Bank’s DataBank, the International Monetary Fund’s eLibrary, and Data.gov.
Central Counterparty Program

Financial Research Advisory Committee Meeting
February 25, 2016
Central Counterparty Program

Vision

Study central counterparties (CCPs) with a cross-market and cross-institution focus to identify potential risks to financial stability.

Improve the data available to regulators and market participants.

- The Dodd-Frank Act mandates that all standardized swaps be centrally cleared.
- The program has benefitted from two committee recommendations on CCPs.
In 2016, we expect to:

1. **Research and analyze central clearing and CCPs**
   Produce working papers and briefs assessing the market impact of central clearing; the benefits and costs from central clearing in repos; and the interaction between CCP design, and CCP risks and risk management.

2. **Identify and address data gaps**
   Build on the committee’s recommendation by identifying data needed to evaluate contagion risk and conferring with primary regulators to identify any critical gaps in data. Also, based on findings of critical data gaps, explore a potential pilot data collection in collaboration with primary regulators and industry to improve data about CCP risks.

In later years:

3. **Develop CCP monitoring tools**

4. **Evaluate policies regarding CCPs**
Questions for discussion

1. In addition to the data template you proposed, are other data needed for analysis and monitoring of potential contagion or other risks posed by CCPs?

2. How should stress tests for CCPs account for interconnections and overlapping CCP memberships?

3. How should we assess whether regulation and stress testing of CCPs should be standardized or customized?
Data Programs

Financial Research Advisory Committee Meeting
February 25, 2016
Vision

*Financial data that is fit for the purpose for risk analysis and regulatory needs across the financial system as markets evolve and innovate.*

The data programs address the three key attributes necessary for data to be useful:

1. Data Scope
2. Data Quality
3. Data Accessibility
The Data Scope Program addresses the need for comprehensive and detailed information about data in the financial system.

**Data Scope Components**

1. Assess and prioritize data needs
2. Develop and implement pilot data projects
3. Design permanent data collections
The Data Quality Program defines and promotes the use of data terms, definitions, and industry standards (benefits from committee recommendations related to data in swap data repositories, the financial instruments reference database, and the legal entity identifier).

Data Quality Components

1. Develop a reference data dictionary
2. Identify and implement standards for derivatives, repos and mortgages
3. Support legal entity identifier (LEI) requirement
4. Extend LEI to identify entity relationships
The Data Accessibility Program enhances the ability to find, secure, and appropriately share data needed for financial stability analysis.

**Data Accessibility Components**

1. Link OFR metadata catalogs to external metadata catalogs (e.g., Financial Stability Oversight Council)
2. Adopt, exemplify, and promote best practices
3. Promote standard mechanisms for information sharing
In 2016, we expect to:

1. **Develop Reference Data Solutions**
   Build a central data dictionary and repository of financial data standards for entities, products, asset classes, and markets.

2. **Identify and Implement Standards**
   Continue engagement with Financial Stability Oversight Council and the private sector to identify and promote the use of financial data standards in regulatory reporting.

3. **Enhance Metadata Catalog**
   Expand and improve the OFR’s central metadata catalog.

4. **Design Permanent Data Collections**
   Consider permanent collections on securities financing and central counterparties.
Questions for discussion

1. How should the data scope, quality, and accessibility components be prioritized?

2. What is the best model for partnering with stakeholders and engaging with industry?

3. The OFR has initiated development of a reference data dictionary and is focusing on swaps, repurchase agreements, and securities lending data. What other asset classes should we prioritize?

4. What approaches should we consider as we plan to build, link, and maintain metadata repositories? What type of governance models should we consider?

5. What best practices should we consider for collecting data, given the increasing need for granular and extensive data, to meet our mission while minimizing reporting burden? Are pilot projects the best way to explore undertaking a collection? What are some possible public/private partnerships that could accelerate the process?
Stress Test Program

Financial Research Advisory Committee Meeting
February 25, 2016
Stress Test Program

Vision

*Evaluate and report on stress tests for banks, nonbanks, and the financial system.*

- The Dodd-Frank Act mandates the OFR to evaluate and report on stress tests.
- This program benefits from two previous committee recommendations on FR Y-14 data and macroprudential stress testing.
- The OFR already has published several research papers on bank stress testing. We will continue this research and also consider stress testing of nonbank financial institutions and the financial system as a whole.
In 2016, we expect to:

1. **Compile supervisory data**
   Continue process of onboarding the necessary data from banking supervisors. Initiate discussions with nonbank regulators to obtain access to relevant data.

2. **Develop stress scenarios**
   Consider macroeconomic models that could be used for scenario development.

3. **Conduct research on stress-testing methodologies**
   Produce a working paper evaluating counterparty credit risk in bank stress testing. Conduct research using the Comprehensive Capital Analysis and Review data focusing on liquidity and solvency interactions, balance sheet evolution and revenue modeling under stress, and other topics. Initiate research on stress testing of the asset management and insurance industries.
Questions for discussion

1. How should we prioritize the program components?

2. How should we analyze the way stress tests reflect different risks in different financial firms and activities?

3. Should stress test scenarios be based on historical experience, or should they use other techniques to assess vulnerabilities?
Risks in Financial Institutions

Financial Research Advisory Committee Meeting
February 25, 2016
Vision

Conduct and promote research to improve regulation of banks, insurance companies, and other financial institutions.

- Leverages the OFR’s focus on financial stability, rather than particular types of institutions, and its lack of a policy role.
- Benefits from two committee recommendations on insurance and bank capital.
- Covers banks and nonbanks, including asset management firms, broker-dealers, central counterparties, government-sponsored enterprises, and insurance companies.
- Covers shadow banking activities — defined both broadly (any provision of credit by any nonbank) and narrowly (focusing on the creation of money-like liabilities).
In 2016, we expect to:

1. **Assess the risks financial firms pose**
   Assess insurance and asset management risks.

2. **Identify and fill gaps in data**
   Continue to work with federal regulators to obtain additional data on large banks and broker-dealers. Assess data gaps in asset management.

3. **Evaluate regulatory policies designed to promote safety and soundness and financial stability**
   Produce briefs assessing living wills, systemic importance designation processes, responses to binding capital and liquidity constraints, and insurance companies’ use of captive reinsurers.

In later years:

4. **Monitor and assess risks related to financial innovations**
Questions for discussion

1. How should we prioritize the program components?

2. What financial institution risks are you most concerned about today?
Market Structure Program

Financial Research Advisory Committee Meeting

February 25, 2016
Vision

*Conduct, coordinate, and sponsor research to support and improve market regulation as it relates to financial stability.*

*Investigate disruptions and failures in financial markets.*

- The Dodd-Frank Act mandates the OFR to engage in this research.
- The program benefits from three committee recommendations on corporate governance models, funding maps, and collateral maps.
- The program considers both macro and micro market structure.
- Trends in shadow banking activities are included in the scope of the program.
Market Structure Program

In 2016, we expect to:

1. **Identify changes in market structure**
   Provide an overview of the market structure changes currently affecting corporate bond markets.

2. **Analyze the interplay among financial innovations, regulations, incentives, and market structure**
   Study dealer behavior in corporate bond markets, and how it affects - and is affected by - liquidity.

3. **Identify data gaps**
   Explore conducting a pilot study of a single instrument across regulators to identify differences in data collected and the regulatory gaps these differences create.

4. **Develop monitoring tools and evaluate policies**
   Begin development of a set of tools to measure corporate bond liquidity.
Market Structure Program

Questions for discussion

1. How should we prioritize the program components?

2. Where do you see changes in market structure occurring today? What risks are you most concerned about?

3. What data do we need to monitor changes in market structure? What level of data granularity is needed?
Committee Recommendations

Financial Research Advisory Committee Meeting
February 25, 2016
Committee Recommendations

OFR Programs will align our work with the Committee’s recommendations.

Of 18 recommendations, 14 have benefitted the eight OFR programs.

One -- the February 2014 recommendation to develop forensic investigative capabilities -- is woven into all OFR programs. Our market, institutional and data expertise will help us with post-event forensics.

The other three recommendations are:
• Visitors Recommendation
• Compensation Recommendation
• Adding Accounting Expertise