UPDATED FACT SHEET
FINANCIAL RESEARCH FUND ASSESSMENTS

Revised July 19, 2012

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act or the Act) directed the Department of the Treasury to establish, by regulation and with the approval of the Financial Stability Oversight Council (Council), a schedule to collect assessments from bank holding companies and certain nonbank financial companies to pay the expenses of the Office of Financial Research (OFR) and the Council, plus certain expenses for implementation of the orderly liquidation activities of the Federal Deposit Insurance Corporation (FDIC). Collected assessments will be placed into the Financial Research Fund (FRF) established by Dodd-Frank Act.

- On May 21, 2012, Treasury, with the approval of the Council, issued a final rule for collecting assessments from bank holding companies with total consolidated assets of $50 billion or greater and an interim final rule for collecting assessments from nonbank financial companies supervised by the Board of Governors of the Federal Reserve (Federal Reserve Board). Treasury continues to invite comment on the interim final rule.[1]

- In late May, Treasury notified each company that met the assessment criteria of the assessable assets to be used in calculating its assessment fee. Each company had the opportunity to seek a redetermination of its assessable assets figure.

- On June 29, 2012, Treasury published the Notice of Fees for the initial assessment, showing the assessment rate and the total amount to be collected.

- On July 20, 2012, the initial assessment, totaling $137 million, will be collected to cover the expenses detailed below in Table 1.

The Council and the OFR were established in response to the recent financial crisis

The recent financial crisis revealed the lack of timely and accurate information to identify and measure interconnections, dependencies, and the build-up of risks 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 to develop—or fully evaluate—tools to mitigate financial disturbances as they arose.

The Dodd-Frank Act created the Council to identify risks to the financial stability of the United States, promote market discipline, and to respond to emerging threats to the stability of the U.S. financial system. The Dodd-Frank Act also established the 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.

[1] The interim final rule has a comment period of 120 days.

The OFR's work also benefits financial markets, investors, and financial institutions by making available a greater quantity and quality of 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 on June 29, 2012, make this and other future work of the OFR possible.

Pursuant to the Act, Treasury shall collect assessments to cover certain expenses specified by the Act.

- The rules published on May 21, 2012, provide that the Treasury will collect assessments to pay the expenses of
    - the OFR;
    - the Council; and
    - the FDIC, in connection with the implementation of certain orderly liquidation activities.
        - The FDIC's expenses are generally 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 will periodically submit requests for reimbursement to the Chairperson of the Council (the Secretary of the Treasury), who will arrange for prompt reimbursement of reasonable expenses.
- Through July 20, 2012, the Board will fund the OFR, the Council, and certain FDIC implementation expenses. The assessments described above will provide the funding thereafter.
- The assessments (which represent the sole source of financing for the OFR and the Council beginning July 21, 2012) amount to a small fraction of a percent of the covered companies' total assets.

Pursuant to the Act, the Treasury has outlined a process for collecting assessments.

- All collected assessments will be deposited into the FRF, as specified by the Dodd-Frank Act.

- Domestic bank holding companies with total consolidated assets of $50 billion or greater and nonbank financial companies supervised by the Federal Reserve Board will be assessed based on total consolidated assets, and foreign banking organizations and foreign nonbank financial companies supervised by the Federal Reserve Board will be assessed based on the total consolidated assets of their combined U.S. operations.

- Companies are subject to assessments based on data collected on fixed determination dates, generally November 30 and May 31 of each year, or the next business day if one of those days falls on a holiday or weekend. The determination date for the initial assessment was December 31, 2011, and included only bank holding companies and foreign banking organizations because the Federal Reserve Board did not supervise any nonbank financial companies on that date.

- Each assessment will be calculated by applying a flat percentage rate (fee 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), using the following formula:

  (Company's Total Assessable Assets) x (Fee Rate) = Semiannual Assessment Fee for each company.

- Following the initial assessment (described below) the fee rate for each period will be set based on the estimate of the total covered expenses that are required to replenish the FRF to a *level* equivalent to the sum of:

  - 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 expenses; and
  - the amount necessary to reimburse the FDIC for certain implementation expenses.

- Assessments will be adjusted to take into account balances that remain in the FRF. It is expected that an amount equivalent to approximately six months of capital expenses would be *collected* with each semiannual assessment in the steady state.

- Fee rates will be published approximately one month prior to the collection due date, with billing at least 14 days prior to collections.

- Assessments will be paid semi-annually through www.pay.gov and will generally be due on March 15 and September 15 (except if one of those days falls on a holiday or weekend, and for the first assessment, which is due on July 20 2012). The regular schedule of assessments will commence on March 15, 2013.

***The initial, transitional, assessment that will be collected on July 20, 2012, is based on a fee rate of* 0.0007659412 percent (or about $7,700 per $1 billion of assets):**

- For the initial assessment, the FRF will be funded at a level equivalent to the sum of:

  - budgeted capital expenses for the first seven months of FY2013 ($44 million - October 1, 2012, to April 30, 2013); [2]
  - budgeted operating expenses for the first six months of FY2013 ($32 million - October 1, 2012, to March 31, 2013); and

[2] Collection based on the full 12 months of budgeted capital expenses will begin with the second assessment.

- the OFR's and Council's budgeted expenses for the remainder of FY2012, which includes obligations incurred prior to July 20 that are not yet expensed or accrued ($61 million - July 21 to September 30).

- The initial assessment includes $128 million in budgeted OFR expenses and $9 million in budgeted Council expenses. (An FDIC-related collection will not occur in the initial assessment; such collections are expected to begin with the second assessment.)

Table 1 details the main budgeted expenses for the OFR and the Council that will be covered by the initial assessment:

- *Personnel* – Salaries and benefits of employees, reimbursable support, as well as reimbursement costs for employees detailed from outside organizations;

- *Non-personnel expenses* – Including all non-personnel related costs. This is further broken down for the OFR by business unit:

  - *Research & Analysis:* Contracts and other work arrangements with outside researchers;
  - *Data Center:* The build-out of the IT 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.

Table 1. Expenses covered by the initial assessment – in millions	
OFR	**$128.0**
Personnel	$18.5
Salaries and Benefits of Direct Hires	$16.7
Other Personnel (i.e. Reimbursable and Detail Contracts)	$1.8
Other Expenses	$109.5
Research and Analysis	$2.9
Data Center	$68.5
Office of the Director and Support Offices	$38.1
Council	$9.0
Personnel	$3.5
Other Expenses	$5.4
FDIC	$0.0
TOTAL SPENDING	**$137.0**

* Obligations
** Includes amounts obligated in FY2012 but not yet accrued

- A total of 48 companies will be assessed in the July 20, 2012, assessment. Of these, 25 are U.S. bank holding companies and 23 are foreign banking organizations. The current pool of total assessable assets of all 48 companies is approximately $17.8 trillion.[3] The smallest company has approximately $50.1 billion in assets, and the largest company has approximately $2.25 trillion in assets.

- Initial assessments will range from about $384,000 to $17.2 million per assessed firm. Assessments on the 10 largest assessed companies will provide roughly two-thirds of the total assessed amount.

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[3] After publication of the Notice of Fees for the first assessment, one foreign banking organization was removed from the list of assessable companies because new information received as part of the redetermination process demonstrated that its assets were below the assessment threshold. As a result of this and other adjustments made through the redetermination process, total assessable assets (from all assessable companies) declined by $62 billion compared with the data published in the Notice of Fees, and total assessments declined by $475,000. This reduction in collections, which represents 0.35 percent of the total, will not affect the operations of the OFR or the Council.