

United States Senate  
WASHINGTON, DC 20510

January 14, 2022

Dino Falaschetti  
Director  
Office of Financial Research  
U.S. Department of the Treasury  
717 14th Street, NW  
Washington, DC 20220

Dear Director Falaschetti:

We write to urge you to fully utilize the capabilities of the Office of Financial Research (OFR) to safeguard our financial system, consistent with the statutory function of the agency. Congress gave OFR critical tools to collect data on financial stability risks, yet even as OFR identifies ongoing and emerging sources of risk where regulators lack complete data, we believe the agency is not taking the steps needed to fill these gaps.

In 2007 and 2008, when contagion spread throughout the financial system, it became clear that regulators and financial institutions themselves did not have the visibility and data needed to understand the various risks to financial stability or the specific entities that were most exposed to those risks.<sup>1</sup> For that reason, with the passage of the Dodd Frank Wall Street Reform and Consumer Protection Act, Congress established OFR as a body housed within but independent from the Department of the Treasury.<sup>2</sup>

This office was created to “identify risks and fill blind spots so regulators would have a broader view of ‘who owes what to whom’ across the financial system.”<sup>3</sup> One of the statutory purposes of OFR is to support the Financial Stability Oversight Council (FSOC) by “collecting data on behalf of the Council, and providing such data to the Council and new member agencies.”<sup>4</sup> To carry out this duty, Congress granted the agency the power to subpoena data from financial companies.<sup>5</sup> This data collection function was intended to serve as an “early warning system to identify risks before they snowball into another financial crisis.”<sup>6</sup>

---

<sup>1</sup> Hilary J. Allen, “Resurrecting the OFR,” July 9, 2021,

[https://papers.ssrn.com/sol3/Delivery.cfm/SSRN\\_ID3883753\\_code1702749.pdf?abstractid=3727585&mirid=1](https://papers.ssrn.com/sol3/Delivery.cfm/SSRN_ID3883753_code1702749.pdf?abstractid=3727585&mirid=1).

<sup>2</sup> Title I, Subtitle B, Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. Law 111-203.

<sup>3</sup> The Brookings Institution, “Fixing financial data to assess systemic risk,” Greg Feldberg, December 2, 2020, <https://www.brookings.edu/research/fixing-financial-data-to-assess-systemic-risk/>.

<sup>4</sup> Pub. Law 111-203 Sec. 153(a)(1).

<sup>5</sup> Pub. Law 111-203 Sec. 153(f)(1)(A).

<sup>6</sup> Politico, “‘Early Warning System’ for Markets Muzzled under Trump,” Victoria Guida, October 24, 2018, <https://www.politico.com/story/2018/10/24/early-warning-system-for-markets-muzzled-under-trump-884053> (quoting Senator Jack Reed).

While OFR has taken important steps to gather more data on a portion of the repo market and continues to work to standardize and compile existing data sources,<sup>7</sup> it has declined to utilize its data collection powers to provide regulators with the information they need to assess the risks to our economy.<sup>8</sup> And under your leadership, staff levels remain around 50 percent of their peak in 2017.<sup>9</sup> Recruitment and retention of additional staff is necessary for OFR to fulfill its mission.

As part of its responsibilities, OFR reports to Congress each year on its findings with respect to threats to financial stability of the United States.<sup>10</sup> In the 2021 report, OFR identified several important areas that warrant much greater attention from regulators but did not clearly articulate how OFR itself would use its statutory powers to help address these risks.<sup>11</sup> OFR has the proper tools and has identified clear and compelling cases to make use of those tools consistent with the agency's mandate from Congress. It is past time for OFR to do so.

Given the importance of quality data to make sound public policy decisions, we ask that you respond to the questions below regarding specific areas identified in the 2021 Annual Report:

**Climate Change:** OFR's 2021 Annual Report stated, "Climate models provide an expectation of long-term climate changes, but data gaps between climate and economic models impede a full understanding of how climate change is expected to translate into deeper levels of financial risks."<sup>12</sup>

1. How does OFR plan to use its statutory authorities to fill these data gaps? Please include the types of data you plan on collecting, the entities from which you plan on collecting such data, and the timeline for implementing this data collection.

**Cryptocurrencies:** The report also noted, "Increased trading of contracts tied to crypto assets on highly interconnected exchanges may raise contagion risk. Risks are heightened to the extent that these new instruments do not fit into existing regulatory frameworks. Increased provision of regulatory data is essential for effective risk monitoring."<sup>13</sup>

2. Describe the specific data that is needed for "effective risk monitoring," and how OFR plans to use its statutory authorities to fill these data gaps. Please

---

<sup>7</sup> Office of Financial Research, "OFR Begins Publishing Repo Data, Unveils Short-term Funding Monitor," press release, September 9, 2020, <https://www.financialresearch.gov/press-releases/2020/09/09/ofr-begins-publishing-repo-data-unveils-short-term-funding-monitor/>.

<sup>8</sup> The Brookings Institution, "Fixing financial data to assess systemic risk," Greg Feldberg, December 2, 2020, <https://www.brookings.edu/research/fixing-financial-data-to-assess-systemic-risk/>.

<sup>9</sup> Office of Financial Research, "Annual Report to Congress 2021," <https://www.financialresearch.gov/annual-reports/files/OFR-Annual-Report-2021.pdf>; Morning Consult, "Office of Financial Research Picks Up Hiring After Trump Cuts, Director Says," Claire Williams, September 25, 2019, <https://morningconsult.com/2019/09/25/office-of-financial-research-picks-up-hiring-after-trump-cuts-director-says/>. OFR's annual report identified 119 staff as of September 30, 2021. In 2017, before the Trump administration started making cuts, the staff totaled around 220.

<sup>10</sup> Pub. Law 111-203 Sec 154(d).

<sup>11</sup> Office of Financial Research, "Annual Report to Congress 2021," <https://www.financialresearch.gov/annual-reports/files/OFR-Annual-Report-2021.pdf>.

<sup>12</sup> Id.

<sup>13</sup> Id.

include the types of data you plan on collecting, the entities from which you plan on collecting such data, and the timeline for implementing this data collection.

Similarly, in comparing stablecoin arrangements to money market mutual funds, the report noted, “A lack of transparency about the assets backing existing stablecoin arrangements is worrisome in this regard. In February 2021, Tether reached an agreement with the New York State Attorney General’s office that included a fine of \$18.5 million to settle charges that it made false statements about the assets backing its coins.”<sup>14</sup>

3. Describe OFR’s plans to rectify this lack of transparency, including types of data you plan on collecting, the entities from which you plan on collecting such data and the timeline for implementing this data collection.
4. Will OFR collect data from stablecoin issuers on the assets backing their stablecoins and require comprehensive and consistent reporting on the composition of those assets?

**Repos:** Even as OFR collected data on the centrally cleared portion of the repo market, “regulators are still in the dark with respect to a significant segment of the repo market and the securities lending market.”<sup>15</sup> The report noted, “Expanding visibility into the uncleared bilateral segment of the market would allow policy makers to better capture exposures of hedge funds and other nonbank financial actors to sudden changes in liquidity.”<sup>16</sup>

5. What actions will OFR take to expand visibility into the bilateral repo market? Please include the types of data you plan on collecting, the entities from which you plan on collecting such data, and the timeline for implementing this data collection.

**Private Funds and Synthetic Leverage:** The report cited the example of the blowup of the family investment office Archegos as a potential indicator of broader financial stability concerns surrounding hedge funds and other leveraged asset managers. Specifically, the report noted, “The Archegos episode illuminated financial vulnerabilities related to synthetic leverage obtained from counterparties and fire-sale risks associated with asset managers’ concentrated holdings. While regulatory efforts are being made to address the lack of transparency around synthetic leverage through the creation of a swap data repository, the success of such efforts will still hinge on prudent risk management by multiple market participants.”<sup>17</sup>

6. Does OFR plan to collect additional data on exposures, sources of funding, and other potential areas of risk related to private funds and family offices?

---

<sup>14</sup> Id.

<sup>15</sup> Center for American Progress, “5 Priorities for the Financial Stability Oversight Council,” Gregg Gelzinis, March 31, 2021, <https://www.americanprogress.org/article/5-priorities-financial-stability-oversight-council/>.

<sup>16</sup> Office of Financial Research, “Annual Report to Congress 2021,” <https://www.financialresearch.gov/annual-reports/files/OFR-Annual-Report-2021.pdf>.

<sup>17</sup> Id.

7. Beyond information currently required to be reported to swap data repositories, does OFR have any plans for additional data collection to inform FSOC member agencies' ongoing efforts to mitigate the risks of synthetic leverage?

**Cybersecurity:** The report notes that cybersecurity concerns have “only increased since the onset of the COVID-19 crisis” and that “the cost of cyberattacks has surged in recent years both in terms of direct losses and the expense tied to prevention.” Our nation’s financial institutions and critical infrastructure are attacked daily. An attack on a key hub in the financial system could create a “perception of higher counterparty risk” that could then “spread credit problems among institutions, and consequently threaten financial stability.”<sup>18</sup>

8. Does OFR have data sufficient to understand the effects on the financial system posed by a cyber-attack that may cause an outage at a key financial hub, such as a central clearinghouse or a payment network?
9. Does OFR plan to collect data on third-party service providers to financial institutions, such as cloud-services providers, that provide services critical to performing core consumer functions like deposit-taking and securities brokerage?

The areas described above are a non-exhaustive set of examples of serious risks to financial stability where OFR can provide FSOC member agencies with the information and clarity necessary to make effective policy decisions to protect consumers and our economy as a whole. To learn how OFR plans to collect the data necessary to address these ongoing sources of risk, we ask that you respond to this letter by no later than January 28, 2022.

Sincerely,

  
Elizabeth Warren  
United States Senator

  
Jack Reed  
United States Senator

---

<sup>18</sup> Id.