



# Annual Performance Report 2015

April 2016

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM





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# Contents

Preface .....	1
Introduction .....	3
Results .....	5
Overview of 2012–15 Accomplishments .....	5
Overview of 2015 Accomplishments .....	10
<b>Strategic Theme 1: Supervision, Regulation, and Financial Stability</b> .....	11
Objective 1.1: Strengthen the stability of the financial sector through the development of policies, tools, and standards. ....	11
Objective 1.2: Monitor financial markets and industry practices and structures. ....	12
Objective 1.3: Monitor and supervise individual institutions and infrastructures. ....	12
Objective 1.4: Ensure that sufficient crisis-management tools are in place. ....	13
Objective 1.5: Analyze for the Board and the FOMC the role that financial stability policy should play in the setting of monetary policy. ....	13
Objective 1.6: Pursue research on stress tests, macroprudential regulation and tools, and other financial stability topics. ....	14
<b>Strategic Theme 2: Data Governance</b> .....	15
Objective 2.1: Improve data governance by establishing a new Office of the Chief Data Officer and ensuring clear roles and responsibilities among the chief data officer, the Board Data Council (BDC), and data users. ....	15
Objective 2.2: Ensure that all enterprise data are handled, processed, stored, and disseminated by professional data management groups. ....	15
Objective 2.3: Strengthen the Board’s data environment by establishing an infrastructure to share data and improve opportunities for data integration that supports the Board’s research and analytical capabilities. ....	16
<b>Strategic Theme 3: Facilities Infrastructure</b> .....	17
Data Center Relocation .....	17
Objective 3.1: Create capacity for increased data demand. ....	17
Objective 3.2: Address critical Data Center subsystem requirements. ....	17
Martin Building Renovation .....	17
Objective 3.3: Create a safe and secure work environment. ....	17
Objective 3.4: Upgrade physical infrastructure. ....	17
Objective 3.5: Reduce utility consumption and expenses. ....	18
<b>Strategic Theme 4: Maximizing the Value of Human Capital</b> .....	19

Objective 4.1: Increase efficiency and effectiveness of the existing performance management process. ....	19
Objective 4.2: Reduce administrative burden associated with the adverse-action process while respecting employees' due process rights. ....	19
Objective 4.3: Enhance the talent management processes. ....	19
Objective 4.4: Increase equitability in compensation and benefits in closer alignment with the Federal Reserve System and market. ....	20
<b>Strategic Theme 5: Management Processes</b> .....	21
Objective 5.1: Focus on enterprise issues. ....	21
Objective 5.2: Strengthen financial planning accountability. ....	21
Objective 5.3: Reduce financial management administrative burden. ....	21
<b>Strategic Theme 6: Cost Reduction and Budgetary Growth</b> .....	23
Objective 6.1: Use financial resources efficiently and effectively. ....	23
Objective 6.2: Achieve budgetary savings and expense growth in line with Board-approved targets. ....	23

# Preface

The *Strategic Framework 2012–15* (strategic framework) identified the most-critical organizational challenges faced by the Board of Governors of the Federal Reserve System (Board), developed potential options for addressing them, identified resource requirements, and set budgetary growth targets.<sup>1</sup> This document, the *Annual Performance Report 2015*, summarizes the Board’s accomplishments in 2015 toward achieving the objectives identified in the strategic framework. In addition, this report contains a brief overview of the accomplishments made throughout the strategic framework’s four-year performance period.

The Board issues both reports in the spirit of the Government Performance and Results Act (GPRA)

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<sup>1</sup> The *Strategic Framework 2012–15* is available on the Federal Reserve Board’s website at [www.federalreserve.gov/publications/gpra](http://www.federalreserve.gov/publications/gpra).

of 1993, which requires that federal agencies prepare a strategic plan covering a multiyear period and submit an annual performance plan and annual performance report. While not covered by GPRA, the Board voluntarily complies with the spirit of the act and, like other federal agencies, prepares a strategic plan as well as annual plans and performance reports.

As required by the Federal Reserve Act, the Board annually submits to the Congress a separate report, the *Annual Report*, describing the operations of the Federal Reserve System for the previous year and providing a detailed explanation of the plans and resources discussed in the approved budgets of the Board and the 12 Federal Reserve Banks. The *Annual Report* is available on the Federal Reserve Board’s website at [www.federalreserve.gov/publications/annual-report](http://www.federalreserve.gov/publications/annual-report).



# Introduction

In 2012, the Board established a strategic framework that identified key areas that would require significant investments from 2012 through 2015 in order to best advance the mission of the Board. The *Annual Performance Plan 2015* described the specific actions that the Board planned to take during 2015 in furtherance of its longer-term effort to accomplish the objectives laid out in the strategic framework.<sup>2</sup> In addition to summarizing the specific progress made during 2015, this report provides a brief overview of the Board's most significant accomplishments throughout the strategic framework's four-year performance period.

The Board identified the following six themes in the strategic framework and used them to guide investments and actions during the four-year period:

1. Continue building a robust interdisciplinary infrastructure for supervision, regulation, and monitoring risks to financial stability.
2. Redesign data governance and management processes to enhance the Board's data environment.
3. Establish a modern, safe work environment that emphasizes the need to maintain data quality and integrity and the importance of enhanced collaboration within the organization and with the public.
4. Create a work environment built on market-oriented compensation and support for professional and personal achievement that allows the Board to attract and retain top talent, while re-enforcing collegiality.
5. Strengthen management processes to enable effective implementation of strategic themes, increase operating efficiencies, and reduce administrative burden.
6. Establish a cost-reduction approach and a budgetary growth target that maintains an effective and efficient use of financial resources.

<sup>2</sup> The *Annual Performance Plan 2015* is available on the Federal Reserve Board's website at [www.federalreserve.gov/publications/annual-reportwww.federalreserve.gov/publications/gpra/files/2015-gpra-performance-plan.pdf](http://www.federalreserve.gov/publications/annual-reportwww.federalreserve.gov/publications/gpra/files/2015-gpra-performance-plan.pdf).

Throughout the four-year period, senior leadership reassessed priorities to take into account changing circumstances, environmental factors, and trends. Resources were realigned accordingly.



# Results

## Overview of 2012–15 Accomplishments

While the Federal Reserve’s basic mission and functions reflected in the Federal Reserve Act have remained essentially unchanged, the 2007–09 financial crisis and resulting statutes, regulations, and policies altered how the Board operates. In the wake of the crisis, the Board committed to expand its interdisciplinary infrastructure to support its objectives in the supervision, regulation, and financial stability areas. The Board decided, among other things, to build a stronger infrastructure for enhanced monitoring of markets and institutions, develop new tools and standards for strengthening the financial sector, and integrate its many activities and data information throughout the organization. These enhancements directly supported the discharge of a number of responsibilities in the banking supervision and regulation areas related to specific provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the Dodd-Frank Act).

When the Board evaluated how best to meet these new responsibilities, it determined that the Board needed to focus on its people, data, and facilities and increase the effectiveness of collaboration and coordination across the organization. The Board also identified that changes in the approach to monetary policy, supervision, and financial stability were critical to respond to the post-crisis environment, develop regulations and policies, implement the provisions of new statutes, close cross-disciplinary knowledge gaps, and continue to promote the recovery of a fragile economy. In addition, the Board needed to increase the efficiency and effectiveness in its administrative processes. To accomplish this, the Board would make strategic investments in six overarching themes.

The Board also determined that additional staff would be necessary to accomplish the objectives in the strategic framework. The strategic framework identified 192 new positions to support supervision, monetary policy, and financial stability, along with the new Office of the Chief Data Officer (OCDO). The Board filled 94 percent of the approved strategic framework positions through December 31, 2015. [Table 1](#) shows the total number of strategic positions approved and the four-year hiring results. Additional needs identified throughout the four-year period resulted in an increase in the number of positions beyond the strategic framework allocation.

Following is an overview of the accomplishments during the strategic framework’s four-year performance period for each strategic theme; specific details for each year are available in the annual performance reports.<sup>3</sup>

<sup>3</sup> The annual performance reports are available on the Federal Reserve Board’s website at [www.federalreserve.gov/publications/gpra](http://www.federalreserve.gov/publications/gpra).

**Table 1. Strategic positions authorized for 2012–15 and filled through December 31, 2015**

Position alignment	Approved for 2012–15	Total hired in 2012–15	Unfilled strategic positions as of 12/31/15
Strategic Theme 1: Supervision, Regulation, and Financial Stability	172	164	8
Strategic Theme 2: Data Governance	20	16	4
<b>Total</b>	<b>192</b>	<b>180</b>	<b>12</b>

### Strategic Theme 1: Supervision, Regulation, and Financial Stability

*Continue building a robust interdisciplinary infrastructure for supervision, regulation, and monitoring risks to financial stability.*

Throughout the performance period, the Board took actions to meet its broader financial stability responsibilities and made significant progress in implementing the provisions of the Dodd-Frank Act. It made important organizational changes to support a macroprudential approach to supervision and regulation, including instituting processes for identifying and responding to sources of systemic risk and implementing a more robust monitoring system for financial markets and institutions.

The Board continued to produce high-quality economic research that provides the foundation for policy decisionmaking and an expanded view of the economy, financial stability, macrofinancial risk, supervision, financial markets, and the role of financial market utilities (FMUs). The Board also worked with other financial stability authorities, such as the Financial Stability Oversight Council (FSOC) and the Financial Stability Board, to identify and monitor threats to financial stability and to propose actions to mitigate them. Below are specific accomplishments under this theme.

- Built a robust policy infrastructure to support financial stability, including developing capital and liquidity requirements to strengthen the financial sector. Evaluated potential policy responses to financial interdependencies and potential emerging systemic risks, and assessed the economic effects of proposed macroprudential policies on financial institutions.
- Facilitated risk discussions and promoted integration of financial stability research and analysis into the supervisory planning process through the Large Institution Supervision Coordinating Committee (LISCC), the Financial Market Utilities Supervision Committee, and the Systemic Risk Integration Forum.
- Developed and prepared the quarterly *Quantitative Surveillance Assessment of Financial Stability* reports, which identify financial sector risks by performing surveillance and risk-monitoring assessments, and the annual *Comprehensive Capital Analysis and Review* (CCAR) report, which evaluates the capital adequacy of large, complex U.S. bank holding companies (BHCs).
- Reviewed policies to enhance supervision, applying current understanding of business drivers, new industry practices, and potential risk implications. Developed quantitative surveillance methods for identifying and evaluating changes in the use of leverage in the financial system.
- Issued Supervision and Regulation letters, which clarify supervisory expectations for recovery and resolution preparedness, and provide additional guidance regarding recovery planning and capital issues.
- Finalized rules and provided guidance to strengthen the financial system, including
  - finalizing the U.S. regulatory capital rule and Regulation HH risk-management standards for designated FMUs;
  - issuing final regulations implementing the “Volcker rule”;
  - publishing the final rule on risk-based capital surcharges for systemically important BHCs;
  - issuing final rules establishing enhanced prudential standards for large BHCs, including intermediate holding company requirements for the U.S. operations of foreign banks;
  - issuing the final U.S. liquidity coverage ratio rule; and
  - issuing final rules on stress-testing requirements for certain BHCs, state member banks, and savings and loan holding companies.
- Worked with other federal agencies and international authorities to strengthen supervision rules, including
  - developing and piloting new risk-based examination planning procedures, to include implementing a rigorous risk-based tool, for financial market infrastructures;
  - implementing the provisions of the Dodd-Frank Act requiring minimum margin requirements on uncleared swaps and conducting examinations with the U.S. Commodity Futures Trading Commission and the U.S. Securities and Exchange Commission (SEC) related to oversight activities for FMUs designated as systemically important by the FSOC.

- Solicited and received public comments on numerous proposed rules, policies, and reporting requirements, such as the rules on enhanced prudential standards and early remediation requirements under sections 165 and 166 of the Dodd-Frank Act; the small BHCs policy statement reporting requirements; and a rule to strengthen the capital positions of the largest, most systemically important U.S. BHCs.
- Completed the public meetings related to the Economic Growth and Regulatory Paperwork Reduction Act of 1996 review with the intent to identify outdated, unnecessary, or unduly burdensome regulations and consider how to reduce regulatory burden on insured depository institutions while ensuring their safety and soundness. An inter-agency report to the Congress is planned for 2016.
- Co-sponsored with the Conference of State Bank Supervisors, the *Community Banking in the 21st Century Research and Policy Conference*, the third annual community banking research and policy conference focused on community banking.

### **Strategic Theme 2: Data Governance**

*Redesign data governance and management processes to enhance the Board's data environment.*

At the onset of the performance period, the Board committed to make strategic investments to meet the growing need for data to accomplish its mission. The number of data sets needed to fulfill that mission has increased, and the data sets have become more complex; Board divisions often use a single data source in a variety of ways. To address these demands, the Board created the OCDO, hired its first chief data officer, developed the office's mission, scope, and organizational structure, and outlined the OCDO's service portfolio in the areas of data governance, data architecture, data management, and program management. This structure allows the Board to acquire data and manage data budgets while facilitating coordination across data communities at the Board. The OCDO is establishing a more cohesive approach to address growing Boardwide data needs and is ensuring the flexibility required for this growing demand. During the four-year performance period, the OCDO accomplished a number of goals listed below.

- Established the Board Data Council composed of key stakeholders who provide strategic guidance to

the OCDO and support the OCDO's work on data governance and data management.

- Created the Board's first enterprisewide data strategy and the associated roadmap and objectives.
- Undertook projects to catalog key data assets and enhanced a Boardwide taxonomy in support of search and discoverability efforts.
- Delivered the Federal Reserve System Data Inventory Workgroup white paper summarizing enhanced data transparency.
- Began work on several significant enterprisewide data management projects, including the Enterprise Data Inventory and the Data Management Business Services projects, which focus on improving discoverability of data assets for economic data and financial institution data.
- Focused on activities to enhance communication about data accountability.

### **Strategic Theme 3: Facilities Infrastructure**

*Establish a modern, safe work environment that emphasizes the need to maintain data quality and integrity and the importance of enhanced collaboration within the organization and with the public.*

During the strategic planning process, the Board identified the need for significant investment in two multiyear capital projects, which were key enablers of the other strategic themes: relocation and modernization of the Board's data center and renovation of the Martin Building. The increased quantity of data demanded by the economic and supervision functions generated significant growth in the supporting technology infrastructure, including storage, space, cooling, and power requirements. This growth exceeded the capacity of the existing data center, necessitating relocation to an alternate site. The Board also recognized that the lack of significant renovation to the Martin Building facility since its construction in 1974 had led to an outdated, inefficient building that was not meeting the needs of the Board. Renovation of the facility allows the Board to address security, energy efficiency, and physical plant capacity, as well as provide much-needed meeting and conference facilities.

By the end of the strategic framework period, the Board relocated its Data Center, and the new facility was fully operational. The project was completed

ahead of schedule and under budget. Key events met during the planning period are listed below.

- Completed construction of the new facility.
- Installed and migrated equipment, systems, and data.
- Employed industry standards for resource optimization.

Work on the renovation of the Martin Building began in 2012. Delays have been encountered during the design process, requiring the Board to adjust the original schedule. The Board met several key milestones as listed below.

- Obtained approval from the U.S. Commission on Fine Arts and the National Capital Planning Commission on the overall design of the renovation project.
- Completed a no-impact study on the historic Mall by the State Historic Preservation Office.
- Completed the environmental study under the National Environmental Policy Act.
- Received budget approval for the project, including funding for temporary personnel relocation space, the Data Center Relocation project, and visitors and conference centers.
- Completed build-out of additional lease space and relocated staff from the Martin Building.

In addition to these two large capital projects, the Board continued to make improvements to its other facilities. Key events are listed below.

- Completed construction efforts on the majority of the office space at the New York Avenue Building, upgrading critical infrastructure and providing additional offices for employees by reconfiguring space for more efficient use.
- Completed significant improvements to the mechanical systems in the Eccles Building, including an update that expands the uninterruptible power supply system and enhancements for data services.
- Performed ongoing infrastructure enhancements and surveillance system upgrades in the Eccles Building, which will ensure continual service delivery during the Martin Building Renovation project.

#### **Strategic Theme 4: Maximizing the Value of Human Capital**

*Create a work environment built on market-oriented compensation, a performance- and talent-focused culture, as well as support for academic and personal achievement that allows the Board to attract and retain top diverse talent, while fostering a culture of inclusion and maximizing performance.*

The Board evaluated its talent management process to ensure effective recruitment, development, and retention practices to attract and retain top diverse talent now and in the future. During this period, the Board identified, developed, and implemented several new talent management programs. Throughout the strategic framework period, the Board made the necessary investments in people, including recognizing the importance of its long-standing efforts to promote equal employment opportunity and diversity. Key accomplishments are listed below.

- Evaluated the existing performance management program and identified gaps in the program. Based on the findings, the Board implemented a new performance management program that focused on employee performance, accountability, and competencies and that standardized and simplified the evaluation process. In 2013, several divisions piloted the program, and by year-end 2015, the Board implemented the new performance management program. Human Resources (HR) created learning materials, such as *Conversations at the Core* and *Partnering for Success*, and held training sessions for staff and management.
- Updated policies related to academic assistance, adverse action, leave for professional development, provisional employment, and vacant-position posting.
- Held succession-planning discussions with senior management, focusing on division directors, deputy directors, and critical officers throughout the organization.
- Conducted a market pay analysis and reviewed the Board's compensation structure relative to available market data. Redesigned the compensation program to align more with industry standards.
- Conducted a Boardwide engagement survey in 2014. Compiled the results and discussed a report of the findings with the Board's senior manage-

ment and Board members. Shared results with staff and developed an action plan to address the findings.

- Implemented a Diversity Scorecard to assist divisions in pursuing a comprehensive and strategic focus on diversity and inclusion as a key metric. The scorecard establishes accountability for the setting of diversity objectives and for actions by divisions to achieve those objectives. The scorecard objectives cover four performance areas: Leadership Engagement, Talent Acquisition, Talent Management, and Supplier Diversity.
- Issued a final interagency policy statement in the *Federal Register* that establishes joint standards for assessing the diversity policies and practices of the entities regulated by the Board, the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Consumer Financial Protection Bureau, and the SEC.

#### **Strategic Theme 5: Management Processes**

*Strengthen management processes to enable effective implementation of strategic themes, increase operating efficiencies, and reduce administrative burden.*

The Board reviewed a number of administrative processes during this period and identified several changes to ensure that the Board operated in a more efficient and effective manner. This review provided the Board's senior leadership with a comprehensive overview of significant processes, the gaps in these processes, and potential solutions to address these gaps. The Board also reviewed the strategic planning process used during the formation of this plan and developed a new collaborative process to assist with the drafting of the *Strategic Plan 2016–19*.<sup>4</sup> Key accomplishments are listed below.

- Established a Strategic Performance Office with responsibility for monitoring and reporting on the Board's progress in achieving its strategic objectives.
- Drafted, finalized, and approved the *Strategic Plan 2016–19*, published in October 2015.
- Identified opportunities to reduce redundancies and enhance operational efficiencies in key administrative policies.

<sup>4</sup> The *Strategic Plan 2016–19* is available on the Federal Reserve Board's website at [www.federalreserve.gov/publications/gpra/files/2016-2019-gpra-strategic-plan.pdf](http://www.federalreserve.gov/publications/gpra/files/2016-2019-gpra-strategic-plan.pdf).

- Focused on the Board's responsibility as a trusted steward of public funds by implementing a multi-year expense-forecasting system.
- Formed the Investment Review Board to review all significant operating and capital projects prior to budget approval and to monitor them throughout their project life.

#### **Strategic Theme 6: Cost Reduction and Budgetary Growth**

*Establish a cost-reduction approach and a budgetary growth target that maintains an effective and efficient use of financial resources.*

As the Board's responsibilities grew from the Dodd-Frank Act, the Board began looking for ways to reduce costs to help offset some of the new resources required by its additional responsibilities. The Board identified areas for evaluation and instituted a cost-evaluation process. As a result, the Board implemented several cost-management initiatives during the strategic framework period, which are listed below.

- Implemented an automated variance tool to provide information to division administrative staff regarding expenditures versus operating plan budget.
- Developed and implemented a monthly Boardwide budget review process.
- Centralized and streamlined tracking and reporting for Boardwide capital and strategic projects, including initiating collaborative meetings among divisions to build consensus and achieve common goals.
- Implemented new automation tools to develop the 2015 capital budget and cost-estimation expenses for new initiatives.
- Negotiated favorable service contracts including a new five-year contract for off-site mail services, resulting in \$1 million in savings from the previous annual contracted price.
- Outsourced travel expense reimbursement processing, saving more than \$200,000 per year.
- Reviewed key administrative processes to identify opportunities for reducing redundancy and enhance operational efficiency. Reduced contractor expenses and leased equipment charges through negotiations or elimination of redundant services, including the cancellation of several leased pieces

of equipment in the Print Shop that provided redundant services.

## Overview of 2015 Accomplishments

In 2015, the Board continued its work to improve the stability of the financial sector by engaging in activities that strengthen regulatory and supervisory policies, monitoring risks to the economy, and implementing provisions of the Dodd-Frank Act. The Board published the final rule of the risk-based capital surcharges for systemically important BHCs, released guidance to examiners and banking institutions on capital planning expectations, and completed the 2014 CCAR. Board members and staff gave speeches; spoke at conferences; and published research on topics such as the U.S. and global economy, monetary policy, financial stability and risks, the banking and financial system, and supervision and regulation.<sup>5</sup> The Board solicited and received public comments on several proposals, including the Dodd-Frank Act implementation efforts and the small BHCs reporting requirements; completed the quarterly *Quantitative Surveillance Assessment of Financial Stability* reports; and transmitted to the Congress, as required by the Dodd-Frank Act, the *Government Administered General-Use Prepaid Cards* report.

The Board also advanced the enterprise management of data and data governance. The OCDO delivered the enterprise data governance strategy as well as the associated roadmap and objectives. Work continued on several key projects, including the Information Collection Clearance Automation project, the Enterprise Data Inventory (EDI) Lite project, and the Taxonomy Lite project. Throughout the year, work

focused on stewardship activities that enhance enterprise communication and data accountability and improve understanding of data management roles and responsibilities.

The Board continued its work to upgrade the infrastructure of its facilities. Notable actions included completion of renovations at the New York Avenue Building and improvements to the mechanical systems in the Eccles Building. The Board finished the leasehold improvements for temporary personnel relocation space as part of the Martin Building Renovation project. The Board successfully relocated the Data Center ahead of schedule and under budget.

The Board finished its rollout of the new performance management program and provided training sessions and learning material for staff and management. It also implemented a compensation structure more aligned with market practices and initiated succession planning.

Beginning in 2014 and continuing in 2015, the Board engaged in a collaborative project focused on developing the next strategic plan. The project involved senior officers and staff and included individuals from every area of the organization, resulting in a plan that represents all employees. The Board published the *Strategic Plan 2016–19* on its public website in October 2015. Work also focused on the Board's responsibility as a trusted steward of public funds, including the implementation of a multiyear expense-forecasting system to inform future budget development. Senior management and Board members received quarterly performance and financial reports.

The remainder of this report lists the six strategic themes, the objectives for each theme, and the corresponding results that took place in 2015.

<sup>5</sup> The Board's speeches, presentations at conferences, and published research can be found on its public website at [www.federalreserve.gov/newsevents/default.htm](http://www.federalreserve.gov/newsevents/default.htm).

# Strategic Theme 1: Supervision, Regulation, and Financial Stability

*Continue building a robust interdisciplinary infrastructure for supervision, regulation, and monitoring risks to financial stability.*

## Objective 1.1: Strengthen the stability of the financial sector through the development of policies, tools, and standards.

### 2015 Initiatives and Accomplishments

- Continue development of the remaining major post-crisis regulatory reform rulemaking and guidance.
  - Issued a final rule on margin requirements for uncleared swaps of bank swap dealers, [www.federalreserve.gov/newsevents/press/bcreg/20151030b.htm](http://www.federalreserve.gov/newsevents/press/bcreg/20151030b.htm).
  - Published the final rule on the risk-based capital surcharges for systemically important BHCs, which establishes a methodology to identify global systemically important BHCs in the United States, [www.federalreserve.gov/newsevents/press/bcreg/20150720a.htm](http://www.federalreserve.gov/newsevents/press/bcreg/20150720a.htm).
  - Released guidance to examiners and banking institutions that consolidates the capital planning expectations for all large financial institutions and clarifies differences in those expectations based on firm size and complexity, [www.federalreserve.gov/newsevents/press/bcreg/20151221a.htm](http://www.federalreserve.gov/newsevents/press/bcreg/20151221a.htm).
  - Issued Supervision and Regulation Letter (SR) 15-16, which describes enhancements to the Federal Reserve System’s Surveillance Program, [www.federalreserve.gov/bankinfo/srletters/sr1516.pdf](http://www.federalreserve.gov/bankinfo/srletters/sr1516.pdf).
- Proposed a new total loss absorbing capacity rule that would strengthen the ability of the largest domestic and foreign banks operating in the United States to be resolved without extraordinary government support or taxpayer assistance, [www.federalreserve.gov/newsevents/press/bcreg/20151030a.htm](http://www.federalreserve.gov/newsevents/press/bcreg/20151030a.htm).
- Develop and implement resolution and recovery planning programs.
  - Reviewed LISCC firm responsiveness to title I guidance, as mandated by the Dodd-Frank Act.
- Implement SR 12-17 through the development of supervisory expectations, tailored programs, and finalization of a new ratings framework for these firms.
  - Provided guidance for the Federal Reserve’s core capital planning expectations for firms subject to the LISCC framework and other large and complex firms and provided guidance for the Federal Reserve’s core capital planning expectations for large and noncomplex firms, [www.federalreserve.gov/bankinfo/srletters/sr1518.htm](http://www.federalreserve.gov/bankinfo/srletters/sr1518.htm) and [www.federalreserve.gov/bankinfo/srletters/sr1519.htm](http://www.federalreserve.gov/bankinfo/srletters/sr1519.htm).
- Capture and incorporate information from a broad array of internal and external sources, including consumer and other external groups, into a risk-assessment framework.
  - Launched the Decisions based on Recommended actions supported by collaborative Information-gathering, Validation, and Evaluation (DRIVE) process and the Tracking, Reference Library, Analytics, and Collaboration (TRAC) process.
- Support the Chair, as a member of the FSOC, in identifying risks and responding to emerging threats to financial stability.

—Supported the Chair’s participation in a wide range of the FSOC activities, including discussions on risks in the economy, regular periodic reviews of financial market developments, and review of the FSOC’s annual report.

## Objective 1.2: Monitor financial markets and industry practices and structures.

### 2015 Initiatives and Accomplishments

- Produce forward-looking risk reports using new and existing data sources and metrics.
  - Completed the annual 2014 CCAR report, which is an intensive assessment of the capital adequacy of large, complex U.S. BHCs and of the practices these BHCs use to assess their capital needs; issued the 2015 CCAR summary instructions and guidelines, [www.federalreserve.gov/newsevents/press/bcreg/bcreg20150311a1.pdf](http://www.federalreserve.gov/newsevents/press/bcreg/bcreg20150311a1.pdf) and [www.federalreserve.gov/bankinforeg/stress-tests/CCAR/2015-comprehensive-capital-analysis-review-summary-instructions-guidance-intro.htm](http://www.federalreserve.gov/bankinforeg/stress-tests/CCAR/2015-comprehensive-capital-analysis-review-summary-instructions-guidance-intro.htm).
- Continue to provide analysis to the Board and the Federal Open Market Committee (FOMC) about financial market developments that bear on financial stability and U.S. monetary policy.
  - Briefed Board members on the evolving role of broker-dealers and risks to market liquidity.
  - Briefed Board members on the effects of monetary policy in other countries, including emerging market nations and the implications for financial stability abroad.
  - Published research that focuses on financial market development stability and U.S. monetary policy, [www.federalreserve.gov/econresdata/feds/2015/index.htm](http://www.federalreserve.gov/econresdata/feds/2015/index.htm).
- Continue to enhance quantitative surveillance financial stability assessments.
  - Completed four quarterly *Quantitative Surveillance Assessment of Financial Stability* reports, highlighting various topics during the year.
  - Briefed Board members on financial stability assessment, including analysis of trends from

CCAR and Dodd-Frank Act stress testing exercises and their implications for financial stability.

## Objective 1.3: Monitor and supervise individual institutions and infrastructures.

### 2015 Initiatives and Accomplishments

- Develop and implement frameworks for new supervisory programs, including nonbank systemically important financial institutions (SIFIs) and foreign banking organizations. Provide updated guidance on the consumer compliance risk-focused supervision program.
  - Integrated the nonbank SIFIs into the LISCC portfolio program. Specifically, developed horizontal supervisory exercises to address identified risks in the nonbank SIFI insurance firms and expanded analysis of these firms in the LISCC subcommittees.
- Develop supervisory approaches for community banking organizations, regional banking organizations, and savings and loan holding companies that identify and support taking action against early warning indicators of outlier risk.
  - Published a supervisory letter describing revisions to the safety-and-soundness surveillance program for state member banks and top-tier bank and savings and loan holding companies. The enhanced surveillance program includes new risk-classification algorithms that provide examiners and other supervisory staff with early signals of an institution’s risk-taking and implements an early-warning model for holding companies to complement the existing model for state member banks. These enhancements will allow examiners to target supervisory activities at high-risk institutions and streamline supervisory approaches at low-risk institutions, [www.federalreserve.gov/bankinforeg/srletters/sr1516.pdf](http://www.federalreserve.gov/bankinforeg/srletters/sr1516.pdf).
- Seek comment on rules and revisions covering various financial entities and sectors as outlined in the Dodd-Frank Act.
  - Analyzed the public comments received on the proposed Dodd-Frank Act 165 order.

- Solicited public comments on the small BHCs policy statement proposed rule, which expands applicability and reduces certain reporting requirements.
- Execute effectively the Federal Reserve’s supervisory programs for systemically important FMUs.
  - Worked with other federal supervisory agencies and international multilateral organizations to develop approaches to recovery for FMUs and the management of risks from potential cyber vulnerabilities.
  - Requested public comment on a proposed new rating system for certain FMUs, [www.federalreserve.gov/boarddocs/press/foiadocs/2015/20151113/foia20151113.pdf](http://www.federalreserve.gov/boarddocs/press/foiadocs/2015/20151113/foia20151113.pdf).
- Coordinate effectively on regulatory and supervisory matters that cut across the institutional and infrastructure portfolios within the Federal Reserve.
  - Issued a joint staff report with the U.S. Commodity Futures Trading Commission, the U.S. Department of the Treasury, the Federal Reserve Bank of New York, and the SEC on the events of October 15, 2014, in the U.S. Treasury Market, [www.federalreserve.gov/newsevents/press/other/20150713a.htm](http://www.federalreserve.gov/newsevents/press/other/20150713a.htm).
- Support the Chair as a member of the FSOC with respect to monitoring systemic risk, coordinating interagency dialogue, and issues related to SIFIs and designated FMUs.
  - Presented strategies, options, and a framework for implementing a countercyclical capital buffer based on analysis of likely economic effects, the international experience, indicators that may guide decisions, and integration with stress tests.
  - Developed analytical tools, conducted monitoring activities, and used horizontal reviews of multiple financial institutions to enhance the Board’s understanding of evolving market structures and practices and incorporated the results into the policy and supervisory process.

## Objective 1.4: Ensure that sufficient crisis-management tools are in place.

### 2015 Initiatives and Accomplishments

- Continue to improve the effectiveness of the Federal Reserve’s crisis-management tools.

- Approved the final rule specifying procedures for emergency lending under section 13(3) of the Federal Reserve Act, [www.federalreserve.gov/newsevents/press/bcreg/20151130a.htm](http://www.federalreserve.gov/newsevents/press/bcreg/20151130a.htm).
- Contribute to domestic and international efforts to improve the quality of financial data that can better inform crisis-management decisions.
  - Presented at the 18th Annual International Banking Conference, *The Future of Large and Internationally Active Banks*, [www.federalreserve.gov/newsevents/speech/tarullo20151105a.htm](http://www.federalreserve.gov/newsevents/speech/tarullo20151105a.htm).
  - Continued work on developing a global financial stability matrix and quantitative indicators of financial vulnerabilities.
    - Completed qualitative financial stability assessments for 10 countries and quantitative financial stability assessments for 12 countries.

## Objective 1.5: Analyze for the Board and the FOMC the role that financial stability policy should play in the setting of monetary policy.

### 2015 Initiatives and Accomplishments

- Assess the effectiveness of macroprudential policies and their interaction with monetary policy.
  - Engaged in a range of analyses to operationalize the Basel III countercyclical capital buffer in the United States, including reviews of the buffer’s likely economic effects, the international experience, indicators that may guide decisions, and integration with stress tests.
  - Provided Board members with a comprehensive analysis and review of the macroprudential tools available to the Board and other regulatory authorities.
- Monitor risks to financial stability, analyze linkages between the financial and real sectors, and evaluate alternative policy options that could address systemic risks.
  - Evaluated potential policy responses to ongoing financial interdependencies and potential emerging systemic risks and assessed the economic effects of proposed macroprudential policies on financial institutions.

- Disseminated research on financial stability issues through the working paper series and presentations at System and other conferences.
  - Presented at a regional conference on the second phase of the G-20 Data Gaps initiative, *U.S. Progress on Implementation: Financial Stability Indicators (FSIs) and Coordinated Portfolio Investment Survey (CPIS) and U.S. Policy Use of the Data*.
  - Gave speeches on financial stability issues, including
    - ◆ “Financial Institutions, Financial Markets, and Financial Stability,” [www.federalreserve.gov/newsevents/speech/powell20150218a.htm](http://www.federalreserve.gov/newsevents/speech/powell20150218a.htm).
    - ◆ “Nonbank Financial Intermediation, Financial Stability, and the Road Forward,” [www.federalreserve.gov/newsevents/speech/fischer20150330a.htm](http://www.federalreserve.gov/newsevents/speech/fischer20150330a.htm).
    - ◆ “Financial Stability and Shadow Banks: What We Don’t Know Could Hurt Us,” [www.federalreserve.gov/newsevents/speech/fischer20151203a.htm](http://www.federalreserve.gov/newsevents/speech/fischer20151203a.htm).

## Objective 1.6: Pursue research on stress tests, macroprudential regulation and tools, and other financial stability topics.

### 2015 Initiatives and Accomplishments

- Contribute to basic research on financial stability and macroprudential tools through the publication of working papers, academic journal articles, and other publications and participation in professional conferences.
  - Continued to disseminate research through the working paper series and presentations at conferences on financial stability issues, [www.federalreserve.gov/econresdata/workingpapers.htm](http://www.federalreserve.gov/econresdata/workingpapers.htm).

- Promote research on related topics through Federal Reserve System efforts, including long-term research projects integrated with the quantitative surveillance process.
  - Completed four quarterly *Quantitative Surveillance Assessment of Financial Stability* reports and briefed Board members on the findings.
  - Produced and transmitted to the Congress the *Government-Administered General-Use Prepaid Cards* report, which provides information on the prevalence of use of general-use prepaid cards in federal, state, and local government-administered payment programs and on the interchange fees and cardholder fees charged for use of these services as required by section 1075 of the Dodd-Frank Act, [www.federalreserve.gov/publications/2015-government-prepaid-preface.htm](http://www.federalreserve.gov/publications/2015-government-prepaid-preface.htm).
  - Published, jointly with the Federal Reserve Banks, *Strategies for Improving the U.S. Payment System*, which presents a multifaceted plan for collaborating with payment system stakeholders to enhance the speed, safety, and efficiency of the U.S. payment system, [www.federalreserve.gov/newsevents/press/other/20150126a.htm](http://www.federalreserve.gov/newsevents/press/other/20150126a.htm).
- Integrate, as appropriate, research results into ongoing policy discussions at the Board through briefings and participation in associated work streams.
  - Conducted studies on the implications of vulnerabilities in emerging market economies to U.S. monetary policy normalization.
- Continue work identifying and analyzing cross-border linkages among financial institutions and financial sectors, particularly with respect to their implications for financial stability.
  - Published working papers on financial stability topics via the Finance and Economics Discussion Series and the International Finance Discussion Papers series, [www.federalreserve.gov/econresdata/workingpapers.htm](http://www.federalreserve.gov/econresdata/workingpapers.htm).

## Strategic Theme 2: Data Governance

*Redesign data governance and management processes to enhance the Board's data environment.*

**Objective 2.1: Improve data governance by establishing a new Office of the Chief Data Officer and ensuring clear roles and responsibilities among the chief data officer, the Board Data Council (BDC), and data users.**

### 2015 Initiatives and Accomplishments

- Improve the OCDO foundation to strengthen and improve the building blocks of the Board's data governance and data management operations to support the Board's scale and capacity needs.
  - Evaluated enterprise metadata tools and issued a request for proposal to qualified vendors.
  - Completed foundational work on the Information Collection Clearance Automation project in preparation for implementation in 2016. The goal of this project is to enhance compliance with the Office of Management and Budget and the Paperwork Reduction Act mandates, allow for more efficient use of Board resources, and gain efficiencies by improving business performance through modernization and innovation.
- Operate the Board Data Council.
  - Executed the 2015 roadmap for BDC governance projects.
  - Delivered the Board's first enterprise data strategy and the associated roadmap prioritizing objectives and initiatives within the strategy.
  - Collaborated with Board divisions to improve communication and understanding regarding data management roles and responsibilities.

—Continued data stewardship activities throughout the Board to enhance data accountability.

**Objective 2.2: Ensure that all enterprise data are handled, processed, stored, and disseminated by professional data management groups.**

### 2015 Initiatives and Accomplishments

- Establish the Enterprise Data Governance Framework.
  - Created the Enterprise Data Governance Framework and reviewed with BDC members to obtain endorsement.
  - Instituted Metadata Management as the first capability to build out in support of the enterprise data inventory; this capability is foundational to the overall framework. The Board will develop other framework capabilities over the coming years as the governance program matures.
- Continue to mature the data governance program and data stewardship program and facilitate work between the Board and System governance groups.
  - Presented recommendations and a future strategy for the Data Management Business Services re-architecture project. The purpose of this project is to automate and modernize the OCDO's environment for the intake, management, and dissemination of data to permit future growth and scalability. The Board continues to require increasing amounts of data to perform its mission, which necessitates a robust data management environment.
  - Launched a project to create a centralized data location for all OCDO managed data obtained from the statistical agencies and other sources

**Objective 2.3: Strengthen the Board’s data environment by establishing an infrastructure to share data and improve opportunities for data integration that supports the Board’s research and analytical capabilities.**

**2015 Initiatives and Accomplishments**

- Finalize the Board’s enterprise data strategy.
  - Finalized the Board’s enterprise data strategy and presented it to senior management and stakeholders.
- Ensure that data assets and architecture are captured and that a comprehensive catalog of Board data assets is compiled. The OCDO team will

develop the processes and policies for a clearly defined program that allows for the leveraging of architecture content across business and technology groups invested in Board-owned enterprise data.

- Completed work on the EDI Lite and Taxonomy Lite projects, which focus on improving discoverability of data assets for economic data and financial institution data, as well as search and discoverability efforts. These pilot projects informed the planning for the full EDI effort that will begin in 2016.
- Establish a data education program.
  - Partnered with the other Board data management functions to create a framework for a long-term data education and awareness communication program.

# Strategic Theme 3: Facilities Infrastructure

*Establish a modern, safe work environment that emphasizes the need to maintain data quality and integrity and the importance of enhanced collaboration within the organization and with the public.*

## Data Center Relocation

**Objective 3.1: Create capacity for increased data demand.**

### 2015 Initiatives and Accomplishments

- Complete implementation of information technology infrastructure systems and services.
  - Successfully completed the relocation of all information technology systems and services ahead of schedule, concluding with the movement of physical systems and production services, as well as the migration of virtual systems to new equipment at the new Data Center in November.
- Complete migration of systems from the Data Center in the Board’s Martin Building to the new Data Center.
  - Executed the remaining system migrations to the new facility prior to December 2015.
  - Completed the relocation project under budget on December 10, 2015.

**Objective 3.2: Address critical Data Center subsystem requirements.**

### 2015 Initiatives and Accomplishments

- Continue the iterative space, power, and cooling analysis process for the new Data Center.
  - Finalized the space, power, and cooling model to establish a baseline for capacity planning and

growth projections within the relocated Data Center following completion of the relocation project.

- Perform a review of best-practice measurements of Data Center capacity planning.
  - Finalized all project management activities and performed a series of lessons-learned briefings.

## Martin Building Renovation

**Objective 3.3: Create a safe and secure work environment.**

### 2015 Initiatives and Accomplishments

- Complete construction of the Board’s transitional law enforcement control center at the New York Avenue Building.
  - Completed the design, construction, and implementation phases for the Board’s transitional law enforcement control center at the New York Avenue Building. The process included awarding the contracts for construction and installation of equipment and completing the construction and installation phases.
- Continue the transition to a digital security system infrastructure.
  - Developed project and contract requirements.

**Objective 3.4: Upgrade physical infrastructure.**

### 2015 Initiatives and Accomplishments

- Complete the remaining 1801 K Street Building leasehold improvement construction.
  - Completed leasehold improvement construction of 1801 K Street Building on the B-1 level.

- Moved staff to the 1801 K Street leased space after completing build-out of the office floors.
- Continue the Martin Building renovation design.
  - Awarded the architectural and engineering contract for the Martin Building renovation.
  - Continued progress on the design and technical engineering documents and space planning.
  - Installed a four-season structure in the Eccles Building west courtyard that will function as a cafeteria and meeting space during the Martin Building Renovation project.
  - Secured additional temporary personnel leased space and substantially completed improvements of leased floors at International Square, which will be occupied in the first quarter of 2016.
  - Reassessed timeline because of project delays.
- Complete the planned New York Avenue Building renovation.
  - Completed construction efforts on the majority of the office space, upgrading critical infrastructure and providing additional offices for employees by reconfiguring space for more efficient use.
- Manage the Eccles Building infrastructure enhancements and upgrades.
  - Completed significant improvements to the building's mechanical system, including an update that expands the uninterruptible power supply system, the installation of a new boiler system, and a 24/7 cooling loop for more reliable service.
  - Performed ongoing infrastructure enhancements and surveillance system upgrades, which will

ensure continual service delivery during the Martin Building Renovation project.

## Objective 3.5: Reduce utility consumption and expenses.

### 2015 Initiatives and Accomplishments

- Review and report on energy consumption at Board-owned buildings.
  - Evaluated the Eccles and New York Avenue buildings for the use of gas service instead of electricity for heating to reduce future energy consumption.
  - Initiated installation of gas service for the Eccles Building.
  - Awarded a contract to conduct a condition assessment of the New York Avenue Building. This assessment will inspect the mechanical, electrical, plumbing, and architectural aspects of the building and identify possible areas to gain efficiencies.
- Implement enhancements to save energy based on utility consumption versus benchmark data.
  - Purchased and installed a more efficient chiller in the New York Avenue Building.
  - Installed retrofitted mechanical air handlers in the Eccles Building.
  - Completed construction of a new boiler room in the Eccles Building and installed the major boiler equipment.

# Strategic Theme 4: Maximizing the Value of Human Capital

*Create a work environment built on market-oriented compensation, a performance- and talent-focused culture, as well as support for academic and personal achievement that allows the Board to attract and retain top diverse talent, while fostering a culture of inclusion and maximizing performance.*

## Objective 4.1: Increase efficiency and effectiveness of the existing performance management process.

### 2015 Initiatives and Accomplishments

- Complete the transition and implementation of the new performance management process.
  - Established three subcommittees to work with pilot participants to identify improvements and implement changes prior to full Board rollout.
  - Completed the rollout and implementation of the new performance management process.
- Implement the automated tools to assist with the new performance management process.
  - Implemented the first in a series of performance management automated tool.
- Review and revise administrative policies to align with and support the new performance management process.
  - Updated and posted administrative policies related to the new performance management process.
- Train managers in the use of better techniques for performance management conversations and improve the quality of coaching conversations with staff.
  - Provided oversight and support for all employees to learn and understand the new performance management process.

—Delivered online training sessions for staff and managers as well as training sessions for all employees, using tools and techniques to foster two-way and forward-focused conversations at all levels.

## Objective 4.2: Reduce administrative burden associated with the adverse-action process while respecting employees' due process rights.

### 2015 Initiatives and Accomplishments

- The objective was completed in 2014. The policy will be reviewed based on experiences from the new process.

## Objective 4.3: Enhance the talent management processes.

### 2015 Initiatives and Accomplishments

- Implement tools and a standard succession template and process.
  - Continued to work with divisions to update Boardwide succession planning, including succession planning for division directors, deputy directors, and critical officers.
- Continue implementation of the strategic HR recommendations.
  - Identified strategic needs and competencies for each job to help identify appropriate competencies and formulate questions for the interview process, thereby supporting a more flexible and diverse workforce.
  - Issued a final interagency policy statement in the *Federal Register* that establishes joint standards for assessing the diversity policies and practices

of the entities regulated by the agencies, as required by section 342 of the Dodd-Frank Act.

- Work with leadership in each division to develop action plans to address the 2014 Engagement Survey results.
  - Completed the data collection and provided reports to the Committee on Board Affairs, the Chief Operating Officer, and the Board’s senior leadership.
  - Held division meetings to inform staff of the survey results. Developed action plans for each division based on the results.
  - Conducted discussion sessions Boardwide to collect additional information from staff related to the Engagement Survey.
  - Coordinated cross-divisional projects to address common improvement opportunities, including designed and implemented a Boardwide mentoring program.
  - Began planning for the 2016 Engagement Survey.
- Enhance cross-training and career development opportunities to strengthen management and leadership development programs Boardwide.
  - Continued developing a comprehensive core curriculum for staff that will complement staff development and performance goals.

#### Objective 4.4: Increase equitability in compensation and benefits in closer alignment with the Federal Reserve System and market.

##### 2015 Initiatives and Accomplishments

- Continue to review compensation and benefits offerings and implement changes to enhance

attraction, retention, and development of Board talent.

- Evaluated the Board’s compensation program and benefits offerings. Recommended changes to implement a process that is more market-based. Received approval for the redesign and implementation process.
- Communicated to employees through multiple channels information about the new compensation program, including informing staff that the pay practices will become more market and performance driven.
- Continue to review, enhance, and develop employee life programs to help employees achieve balance in their professional and personal lives.
  - Received the 2015 Seal of Distinction from WorldatWork, Alliance for Work–Life Progress, recognizing the Board for demonstrating leadership in workplace strategies and practices to help its employees achieve success in work–life effectiveness.
  - Increased employee usage of the telework program by 7.1 percent, from 2014.
  - Continued to provide information to staff through videos and employee events focused on financial education; employee benefits programs; and health, fitness, and wellness programs.
  - Increased usage of the backup care program.

# Strategic Theme 5: Management Processes

*Strengthen management processes to enable effective implementation of strategic themes, increase operating efficiencies, and reduce administrative burden.*

## Objective 5.1: Focus on enterprise issues.

### 2015 Initiatives and Accomplishments

- Complete the Board's *Strategic Plan 2016–19* and establish an implementation methodology.
  - Developed and refined objectives and performance indicators for the *Strategic Plan 2016–19*, engaging six workgroups made up of more than 80 senior leaders representing all divisions and offices as well as senior leadership and stakeholder groups.
  - Presented the *Strategic Plan 2016–19* to Board members and received unanimous approval. Published the *Strategic Plan 2016–19* on the public website on October 1, 2015.
  - Hosted panel discussions and published internal articles and videos communicating to staff the linkage between the strategic planning process and performance evaluation process.
  - Developed the *Performance Plan 2016* that identifies the initiatives and projects the Board will focus on in 2016 to support the organization's strategic priorities.
  - Developed a process and template for divisions to create individual operating plans that facilitate resource allocation based on the objectives identified in the *Strategic Plan 2016–19*.
- Establish an efficient, repeatable process for reporting quarterly and annual strategic and financial performance reports.
  - Presented quarterly performance and financial reports to the Board's senior management and Board members.

- Published the Board's *Annual Performance Report 2014* and *Annual Performance Plan 2015* on the public website.

- Explore integrating the Investment Review Board (IRB) monitoring process with the budget and strategic reporting processes.
  - Integrated the IRB into the budget and oversight process so that all significant projects are reviewed prior to budget approval.

## Objective 5.2: Strengthen financial planning accountability.

### 2015 Initiatives and Accomplishments

- Implement a reporting framework that maps budgets and actual expenses to the Board's primary mission areas to provide greater comparability for reporting across the Federal Reserve System.
  - Began the transition to use the mapping of accounts and operating units to align the Board's budgets and actual expenses to areas similar to those of the Federal Reserve Banks.
- Implement a more robust multiyear forecasting tool and associated processes to inform guidance for developing the 2016 budget.
  - Implemented a multiyear expense-forecasting application, which will help inform budget development, provide forecast information, and allow for greater comparability within the Federal Reserve System.

## Objective 5.3: Reduce financial management administrative burden.

### 2015 Initiatives and Accomplishments

- Enhance reporting capabilities for the divisions to gain efficiencies and increase uniformity of reporting.

- Implemented a new expense budget and forecasting system, which will help the Board reduce administrative functions and leverage the system's repeatable, automated processes.
- Continue phasing in procurement reengineering efforts to include a strategic and operational review, staff training and development, and enhanced automation support.
- Developed the requirements and began the request-for-proposal process to secure a consultant to review procurement, focusing on the operation, competency development and training, and strategic acquisition development.

# Strategic Theme 6: Cost Reduction and Budgetary Growth

*Establish a cost-reduction approach and a budgetary-growth target that maintains an effective and efficient use of financial resources.*

## Objective 6.1: Use financial resources efficiently and effectively.

### 2015 Initiatives and Accomplishments

- Leverage Federal Reserve System budget development and forecasting automated systems in an effort to more effectively and efficiently allocate financial resources.
  - Implemented a new system for the Board's expense budgeting and forecasting tool.
- Provide additional analytical tools to assist divisions in monitoring budgetary expenditures.
  - Performed an in-depth review of the largest accounts in the support services expenditures.
  - Developed a decisionmaking model to evaluate using contracted service verses employing full-time employees.
- Continue to enhance capital expense management through additional automated controls and to enhance reporting capabilities.

- Maintained a centralized tracking and reporting process for Boardwide capital and strategic projects, which includes using collaborative meetings among divisions to build consensus and achieve common goals.

## Objective 6.2: Achieve budgetary savings and expense growth in line with Board-approved targets.

### 2015 Initiatives and Accomplishments

- Identify areas to reduce or eliminate within the Board's overall budget and reallocate these resources to higher-priority initiatives.
  - Implemented a comprehensive tool to forecast expenses Boardwide, which helps identify budget and growth drivers, potential budget reductions, and areas of risk.
- Use the functionality of the new forecasting tool to drive budgetary decisions and hold growth in line with targets.
  - Used the new forecasting tool to project the multiyear impact of 2015 approved initiatives and provided the Committee on Board Affairs with annual projected spending.

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