



## Office of Inspector General

Board of Governors of the Federal Reserve System  
Bureau of Consumer Financial Protection

Executive Summary, 2020-FMIC-B-005, March 18, 2020

# The Board's Oversight of Its Designated Financial Market Utility Supervision Program Is Generally Effective, but Certain Program Aspects Can Be Improved

## Findings

The Board of Governors of the Federal Reserve System has implemented practices and processes (1) to ensure governance over the designated financial market utility (DFMU) supervision program, (2) to collaborate with other supervisory agencies in accordance with authorities provided in the Dodd-Frank Wall Street Reform and Consumer Protection Act, and (3) to conduct reviews of material changes filed by DFMUs that meet the Board's responsibilities under title VIII of the Dodd-Frank Act. However, we identified opportunities for the Board to enhance these practices and processes.

Specifically, we found that the Board should publish certain internal delegations of authority and define certain roles and responsibilities within the DFMU supervision program. We also found that the Board can enhance its processes for collaborating with other supervisory agencies. Lastly, we found that the Board can better prepare for emergency changes filed by the DFMUs for which it is the supervisory agency.

## Recommendations

Our report contains recommendations designed to enhance the efficiency and effectiveness of the Board's governance over its DFMU supervision program, its collaboration with other supervisory agencies, and its processes for reviewing emergency changes filed by DFMUs. In its response to our draft report, the Board concurs with our recommendations and describes actions that have been or will be taken to address our recommendations. We will follow up to ensure that the recommendations are fully addressed.

## Purpose

We conducted this audit to assess the effectiveness of the Board's oversight of its DFMU supervision program. The scope of our audit included delegations of authority and program oversight roles and responsibilities within the Federal Reserve System. We also focused on coordination (1) within the System, (2) between the System and other supervisory agencies, and (3) between the System and the DFMUs for which the Board is the supervisory agency.

## Background

Title VIII of the Dodd-Frank Act was enacted to mitigate systemic risk in the financial system and promote financial stability, in part through enhanced supervision of DFMUs. To accomplish this, title VIII grants the Board enhanced authority to supervise the DFMUs for which it is the supervisory agency and to consult with other federal agencies when the Board is not the designated supervisory agency for a DFMU. The Board has created a committee structure for overseeing its DFMU supervision program. Additionally, the Board has established processes to execute an annual supervisory cycle and to review material changes made by DFMUs that may affect the nature or level of risks they present to themselves, their participants, or markets.