

## FINANCING VEHICLES AND THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE

This chapter contains descriptions of and data on financing vehicles and the Board of Governors of the Federal Reserve listed below.

- The Financing Corporation functions as a financing vehicle for the FSLIC Resolution Fund. It operates under the supervision and control of the Federal Housing Finance Board.
- The Resolution Funding Corporation provided financing for the Resolution Trust Corporation (RTC) and is subject to the general oversight and direction of the Secretary of the Treasury.

The Board of Governors of the Federal Reserve System's transactions are not included in the budget because of its unique status in the conduct of monetary policy. The Board provides data on its administrative budget on a calendar year basis, which is included here for information. Its budget schedules and statements are not subject to review by the President.

### FINANCING VEHICLES

#### FINANCING CORPORATION

The Financing Corporation (FICO) is a mixed-ownership government corporation, chartered by the Federal Home Loan Bank Board pursuant to the Federal Savings and Loan Insurance Corporation Recapitalization Act of 1987, as amended (the "Act"). FICO's sole purpose was to function as a financing vehicle for the FSLIC Resolution Fund, formerly the Federal Savings and Loan Insurance Corporation (FSLIC). FICO operates under the supervision and control of the Federal Housing Finance Board (the "Finance Board"). Pursuant to the Act, FICO was authorized to issue debentures, bonds and other obligations subject to limitations contained in the Act, the net proceeds of which were to be used solely to purchase capital certificates issued by the FSLIC Resolution Fund, or to refund any previously issued obligations. The Resolution Trust Corporation Refinancing, Restructuring, and Improvement Act of 1991 terminated the FICO's borrowing authority.

The Act provided formulas pursuant to which the Federal Home Loan Banks made capital contributions to FICO at the direction of the Finance Board for the purchase of FICO capital stock. FICO used the proceeds received from the sales of such capital stock to purchase non-interest bearing securities for deposit in a segregated account as required by the Act. The non-interest bearing securities held in the segregated account will be the primary source of repayment of the principal of the FICO obligations. Securities in the segregated account are kept separate from other FICO accounts and funds but are not specifically pledged as collateral for the payment of obligations. The primary source of payment of interest on the obligations is the receipt of assessments imposed on and collected from institutions' accounts which are insured by the Bank Insurance Fund (the "BIF") and the Savings Association Insurance Fund (the "SAIF").

#### Statement of Operations (in millions of dollars)

| Identification code 99-4033-0-3-373 | 1999 actual | 2000 actual | 2001 est. | 2002 est. |
|-------------------------------------|-------------|-------------|-----------|-----------|
| 0101 Revenue .....                  | 938         | 953         | 965       | 979       |
| 0102 Expense .....                  | -795        | -795        | -796      | -795      |
| 0105 Net income or loss (-) .....   | 143         | 158         | 169       | 185       |

#### Balance Sheet (in millions of dollars)

| Identification code 99-4033-0-3-373                        | 1999 actual | 2000 actual | 2001 est. | 2002 est. |
|--|-------------|-------------|-----------|-----------|
| <b>ASSETS:</b>   |             |             |           |           |
| Investments in US securities:                              |             |             |           |           |
| 1102 Segregated accounts investment, net                   | 1,749       | 1,905       | 2,074     | 2,258     |
| 1801 Cash, cash equivalents, and interest receivable ..... | 266         | 279         | 286       | 287       |
| 1901 Other assets .....                                    | 11          | 10          | 10        | 9         |
| 1999 Total assets .....                                    | 2,026       | 2,194       | 2,370     | 2,554     |
| <b>LIABILITIES:</b>  |             |             |           |           |
| 2202 Interest payable .....                                | 236         | 236         | 236       | 236       |
| 2203 Debt .....  | 8,146       | 8,147       | 8,149     | 8,150     |
| 2207 Other .....   | 65          | 76          | 82        | 80        |
| 2999 Total liabilities .....                               | 8,447       | 8,459       | 8,467     | 8,466     |
| <b>NET POSITION:</b>                                       |             |             |           |           |
| 3100 FICO capital stock purchased by FHLBanks .....        | 680         | 680         | 680       | 680       |
| Cumulative results of operations:                          |             |             |           |           |
| 3300 Cumulative results of operations .....                | 1,069       | 1,225       | 1,394     | 1,578     |
| 3300 FSLIC capital certificates .....                      | -8,170      | -8,170      | -8,170    | -8,170    |
| 3999 Total net position .....                              | -6,421      | -6,265      | -6,096    | -5,912    |
| 4999 Total liabilities and net position .....              | 2,026       | 2,194       | 2,371     | 2,554     |

#### RESOLUTION FUNDING CORPORATION

The Resolution Funding Corporation (the "REFCORP") is a mixed-ownership government corporation established by Title V of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA). The sole purpose of REFCORP was to provide financing for the Resolution Trust Corporation (the "RTC"). Pursuant to FIRREA, REFCORP was authorized to issue debentures, bonds, and other obligations, subject to limitations contained in the Act and regulations established by the Thrift Depositor Protection Oversight Board. The proceeds of the debt (less any discount, plus any premium, net of issuance cost) were used solely to purchase nonredeemable capital certificates of the RTC or to refund any previously issued obligations.

Until October 29, 1998, REFCORP was subject to the general oversight and direction of the Thrift Depositor Protection Oversight Board. At that time, the Oversight Board was abolished and its authority and duties were transferred to the Secretary of the Treasury. The day-to-day operations of REFCORP are under the management of a three-member Directorate comprised of the Director of the Office of Finance of the Federal Home Loan Banks and two members selected from among the presidents of the twelve Federal Home Loan Banks ("the FHLBanks"). Members of the Directorate serve without compensation, and REFCORP is not permitted to have any paid employees.

FIRREA, as amended, and the regulations adopted by the Thrift Depositor Protection Oversight Board and the Secretary of the Treasury provide formulas pursuant to which the Federal Home Loan Banks made capital contributions to REFCORP's Principal Fund and continue to make interest payments on outstanding REFCORP obligations. FIRREA also provides that the U.S. Treasury cover any interest shortfall. Funds designated for the Principal Funds were used to purchase zero-coupon bonds. The zero-coupon bonds will be held in the Principal Fund and are the primary source of repayment of the principal of the obligations at maturity.

## RESOLUTION FUNDING CORPORATION—Continued

## Statement of Operations (in millions of dollars)

| Identification code 99-4029-0-3-373 | 1999 actual | 2000 actual | 2001 est. | 2002 est. |
|-------------------------------------|-------------|-------------|-----------|-----------|
| 0101 Revenue .....                  | 2,995       | 3,029       | 3,054     | 3,088     |
| 0102 Expense .....                  | -2,626      | -2,626      | -2,626    | -2,626    |
| 0105 Net income or loss (-) .....   | 369         | 403         | 428       | 462       |

## Balance Sheet (in millions of dollars)

| Identification code 99-4029-0-3-373                          | 1999 actual | 2000 actual | 2001 est. | 2002 est. |
|--|-------------|-------------|-----------|-----------|
| <b>ASSETS:</b>   |             |             |           |           |
| Investments in US securities:                                |             |             |           |           |
| 1102 Principal fund account investment, net .....            | 4,868       | 5,264       | 5,689     | 6,149     |
| 1206 Assessments receivable for interest expense .....       | 881         | 887         | 888       | 888       |
| 1999 Total assets .....                                      | 5,750       | 6,151       | 6,577     | 7,037     |
| <b>LIABILITIES:</b>  |             |             |           |           |
| 2202 Accrued interest payable on long-term obligations ..... | 881         | 888         | 888       | 888       |
| 2203 Debt .....  | 30,067      | 30,064      | 30,062    | 30,060    |
| 2999 Total liabilities .....                                 | 30,948      | 30,952      | 30,950    | 30,948    |
| <b>NET POSITION:</b>   |             |             |           |           |
| 3100 Nonvoting capital stock issued to FHLBanks .....        | 2,513       | 2,513       | 2,513     | 2,513     |
| Cumulative results of operations:                            |             |             |           |           |
| 3300 Cumulative results of operations .....                  | 2,519       | 2,916       | 3,344     | 3,806     |
| 3300 RTC nonredeemable capital certificates .....            | -31,286     | -31,286     | -31,286   | -31,286   |
| 3300 Contributed capital—principal fund assessments .....    | 1,056       | 1,056       | 1,056     | 1,057     |
| 3999 Total net position .....                                | -25,198     | -24,801     | -24,373   | -23,910   |
| 4999 Total liabilities and net position .....                | 5,750       | 6,151       | 6,577     | 7,038     |

## BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

## Program and Financing (in millions of dollars)

| Identification code 99-4450-0-3-803                              | 2000 actual | 2001 est. | 2002 est. |
|--|-------------|-----------|-----------|
| <b>Obligations by program activity:</b>                          |             |           |           |
| 09.01 Monetary and economic policy .....                         | 83          | 85        | 96        |
| 09.02 Services to financial institutions and the public .....    | 4           | 4         | 4         |
| 09.03 Supervision and regulation of financial institutions ..... | 74          | 75        | 85        |
| 09.04 System policy direction and oversight .....                | 36          | 37        | 42        |
| 09.09 Subtotal: Board operating expenses .....                   | 197         | 201       | 227       |
| 09.10 Office of Inspector General operating expenses .....       | 3           | 3         | 3         |
| 10.00 Total new obligations .....                                | 200         | 204       | 230       |
| <b>Budgetary resources available for obligation:</b>             |             |           |           |
| 22.00 New budget authority (gross) .....                         | 200         | 204       | 230       |
| 23.95 Total new obligations .....                                | -200        | -204      | -230      |
| <b>New budget authority (gross), detail:</b>                     |             |           |           |
| Mandatory:   |             |           |           |
| 69.00 Offsetting collections (cash) .....                        | 200         | 204       | 230       |
| <b>Change in unpaid obligations:</b>                             |             |           |           |
| Unpaid obligations, start of year:                               |             |           |           |
| 72.40 Unpaid obligations, start of year .....                    | 26          | 26        | 26        |
| 72.99 Obligated balance, start of year .....                     | 26          | 26        | 26        |
| 73.10 Total new obligations .....                                | 200         | 204       | 230       |
| 73.20 Total outlays (gross) .....                                | -200        | -204      | -230      |
| Unpaid obligations, end of year:                                 |             |           |           |
| 74.40 Unpaid obligations, end of year .....                      | 26          | 26        | 26        |

|       |                                      |    |    |    |
|-------|--------------------------------------|----|----|----|
| 74.99 | Obligated balance, end of year ..... | 26 | 26 | 26 |
|-------|--------------------------------------|----|----|----|

## Outlays (gross), detail:

|       |  |     |     |     |
|-------|--|-----|-----|-----|
| 86.97 | Outlays from new mandatory authority ..... | 184 | 189 | 215 |
| 86.98 | Outlays from mandatory balances .....      | 16  | 15  | 15  |
| 87.00 | Total outlays (gross) .....                | 200 | 204 | 230 |

## Offsets:

Against gross budget authority and outlays:

|       |   |      |      |      |
|-------|---|------|------|------|
| 88.40 | Offsetting collections (cash) from: Non-Federal sources ..... | -200 | -204 | -230 |
|-------|---|------|------|------|

## Net budget authority and outlays:

|       |                        |  |  |  |
|-------|------------------------|--|--|--|
| 89.00 | Budget authority ..... |  |  |  |
| 90.00 | Outlays .....          |  |  |  |

The figures presented may differ from other Board financial material because they are prepared in accordance with OMB guidelines which vary from the Board's budget and accounting procedures.

The Federal Reserve System operates under the provisions of the Federal Reserve Act of 1913, as amended, and other acts of Congress.

**Program.**—To carry out its responsibilities under the Act, the Board determines general monetary, credit, and operating policies for the System as a whole and formulates the rules and regulations necessary to carry out the purposes of the Federal Reserve Act. The Board's principal duties consist of exerting an influence over credit conditions and supervising the Federal Reserve banks and member banks.

**Financing.**—Under the provisions of section 10 of the Federal Reserve Act, the Board of Governors levies upon the Federal Reserve banks, in proportion to their capital and surplus, an assessment sufficient to pay its estimated expenses. The Board, under the Act, determines and prescribes the manner in which its obligations are incurred and its expenses paid. Funds derived from assessments are deposited in the Federal Reserve Bank of Richmond, and the Act provides that such funds "shall not be construed to be Government funds or appropriated moneys." No Government appropriation is required to support operations of the Board.

The information presented pertains to Board operations only. Expenditures made on behalf of the Federal Reserve banks for production, issuance, retirement, and shipment of Federal Reserve notes are not included, since they are reimbursed in full by the Federal Reserve banks.

## Object Classification (in millions of dollars)

| Identification code 99-4450-0-3-803                             | 2000 actual | 2001 est. | 2002 est. |
|---|-------------|-----------|-----------|
| <b>Reimbursable obligations:</b>                                |             |           |           |
| Personnel compensation:   |             |           |           |
| 11.1 Full-time permanent .....                                  | 110         | 114       | 129       |
| 11.3 Other than full-time permanent .....                       | 3           | 3         | 3         |
| 11.5 Other personnel compensation .....                         | 2           | 2         | 2         |
| 11.9 Total personnel compensation .....                         | 115         | 119       | 134       |
| 12.1 Civilian personnel benefits .....                          | 16          | 19        | 19        |
| 21.0 Travel and transportation of persons .....                 | 6           | 5         | 5         |
| 23.3 Communications, utilities, and miscellaneous charges ..... | 12          | 11        | 12        |
| 24.0 Printing and reproduction .....                            | 2           | 2         | 3         |
| 25.1 Advisory and assistance services .....                     | 5           | 5         | 5         |
| 25.2 Other services .....                                       | 19          | 20        | 20        |
| 26.0 Supplies and materials .....                               | 6           | 7         | 7         |
| 31.0 Equipment .....  | 16          | 13        | 22        |
| 99.0 Subtotal, reimbursable obligations .....                   | 197         | 201       | 227       |
| 25.2 Allocation Account: Other services .....                   | 3           | 3         | 3         |
| 99.9 Total new obligations .....                                | 200         | 204       | 230       |