



American Statistical Association

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November 16, 2010

The Honorable Timothy Geithner
Secretary of the Treasury
1500 Pennsylvania Ave., NW
Washington, DC 20220

Dear Secretary Geithner,

I was delighted to hear of the creation of the Office of Financial Research (OFR) in the Dodd-Frank Wall Street Reform and Consumer Protection Act. As you may know, the Board of Directors of the American Statistical Association (ASA) endorsed the concept of OFR during my presidency (July 2009), saying “We believe a new data and analytic infrastructure is required to maximize the effectiveness of any financial regulatory system. In view of this reality and recognizing the current effort to reform the financial regulatory system, we add our voice to the call for the creation of a national institute of finance containing a financial data center and an analytic research center.”

I now write to offer the help of the ASA as you establish the office and address the many challenges involved in ensuring it fulfills the mission for which it was created. The ASA is a vocal advocate for strong and independent agencies that produce statistical data informing public policy.

As the Dodd-Frank Act makes clear, the OFR has many qualities of a statistical agency, from “collecting data” and “standardizing the types and formats of data reported and collected,” to “performing applied research and essential long-term research” and “developing tools for risk measurement and monitoring.” Indeed, the OFR will be interacting with many statistical agencies. The extraordinary autonomy provided to the OFR (which the ASA supports)—from the presidential appointment of its director for a fixed term to the director’s autonomy over budget, management, and congressional communications, to the utmost importance of privacy and confidentiality—further the parallels of the OFR with other statistical agencies.

Given these parallels, I urge you to tap the extensive expertise and experience of the federal statistical community, including the federal statistical agencies, OMB’s Office of the Chief Statistician, the Committee on National Statistics (CNSTAT) at the National Academies, and the American Statistical Association. You may find CNSTAT’s *Principles and Practices for a*

Federal Statistical Agency especially helpful (and I note the ASA Board has endorsed this document.)

As the ASA endorsement makes clear, we view the analytics component of the OFR as being just as important as the data component. The combination of data and analytics in the OFR will enable analyses of financial markets, institutions, and systemic risk never before possible. For example, this combination will make it possible to identify network linkages and contingent risk exposures that pose threats to financial stability. Statisticians can bring substantial expertise to bear on both the design and use of very large sets of data, the development of analytical measures and risk indicators, and a range of other key issues, from addressing privacy issues to assessing the reliability of data and models.

Given the often fast-evolving nature of financial markets, it is particularly important to allow for flexibility in the design and collection of the information that will serve the analytical functions of the new agency. Statisticians can help design systems that incorporate systematic evaluation and re-targeting at their core to ensure, to the degree possible, that information quality is maintained while new developments are continually assessed and incorporated into the measurement process.

The Dodd-Frank Act provides the OFR with the authority to “appoint such special advisory, technical, or professional committees as may be useful in carrying out the functions of the office.” Given the challenges and outside expertise available, it seems prudent to appoint such a committee quickly while you are establishing the office. I hope you’ll tap the expertise of the statistical community for such committee(s) and in other consultations.

Thank you for the careful work you are doing to establish OFR to serve the critical mission of supporting financial stability. We at the American Statistical Association stand by to help in any way we can.

Sincerely,



Sally C. Morton, PhD
2009 President, the American Statistical Association

cc:

Jeffrey A. Goldstein, Under Secretary of the Treasury for Domestic Finance;
Chairman Barney Frank and Ranking Member Spencer Bachus, House Financial Services
Committee;
Chairman Christopher Dodd and Ranking Member Charles Grassley, Senate Banking, Housing
& Urban Affairs Committee;
Senator Jack Reed