

January 10, 2022

The Honorable Jerome Powell  
Chair  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue NW  
Washington, DC 20551

Dear Chair Powell:

I am writing regarding new information revealing that the ethics scandal arising from top Fed officials' trades in stocks, bonds, and other investments may be even worse than initial reports indicated. Given this new and disturbing information, I am again requesting that the Federal Reserve (Fed) release all available information about the trades by Fed officials, and the planned changes to the Fed's ethics practices you announced in response to this scandal.

The Fed has failed to respond to two of my previous inquiries sent to you on October 21, 2021 and December 7, 2021.<sup>1</sup> This refusal to provide information to Congress became even more troubling after a report last week in the *New York Times* revealed that one Fed official's trades "went further than first disclosed," raising fresh questions about the actions and intent of Fed Vice Chair Richard Clarida.<sup>2</sup> I am deeply concerned that your continued refusal to release information about Fed officials' trading is at odds with your stated commitment to address the scandal "forthrightly and transparently"<sup>3</sup> and that, particularly in light of the new report, it raises suspicions that the Fed may be failing to disclose the full scope of the scandal to the public. I therefore ask that you respond in full to my request by **January 17, 2022**.

According to the *New York Times*, Vice Chair Richard Clarida "failed to initially disclose the extent of a financial transaction he made in early 2020 as the Fed was preparing to swoop in and

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<sup>1</sup> Letter from Senator Warren to The Honorable Jerome Powell, October 21, 2021, <https://www.warren.senate.gov/imo/media/doc/2021.10.21%20Letter%20to%20Powell%20re%20Ethics%20Officials%20Warnings.pdf>; Letter from Senator Warren to The Honorable Jerome Powell, December 7, 2021, <https://www.warren.senate.gov/imo/media/doc/2021.12.07%20Letter%20to%20Powell%20follow-up.pdf>.

<sup>2</sup> New York Times, "A Fed Official's 2020 Trade Drew Outcry. It Went Further Than First Disclosed," Jeanna Smialek, January 6, 2022, <https://www.nytimes.com/2022/01/06/business/economy/richard-clarida-fed-stock-fund.html>.

<sup>3</sup> Board of Governors of the Federal Reserve System, Transcript of Chair Powell's Press Conference, November 3, 2021, <https://www.federalreserve.gov/mediacenter/files/FOMCpresconf20211103.pdf>.

rescue markets amid the unfolding pandemic.”<sup>4</sup> Clarida “previously came under fire for buying shares on Feb. 27 [2020] in an investment fund that holds stocks”<sup>5</sup>—the day before you announced that the Fed would “use our tools and act as appropriate to support the economy.”<sup>6</sup> However, an amended disclosure, which was released last month after Clarida “noticed ‘inadvertent errors’ in his initial filings,”<sup>7</sup> shows that he had “sold that same stock fund on Feb. 24, at a moment when financial markets were plunging amid fears of the virus.”<sup>8</sup> While the Fed defended Clarida’s February 27 stock fund purchase as a “pre-planned rebalancing,”<sup>9</sup> the amended disclosure “casts doubt on that explanation, given that Mr. Clarida sold out of stocks just days before moving back into them.”<sup>10</sup> The sale of his multi-million dollar holding in the stock fund as the market tanked, and subsequent repurchase upon the Fed’s announcement that it would act to protect the economy, was “most likely a lucrative move”<sup>11</sup> – raising concerns that Clarida may have been trading on inside information about the Fed’s planned policy moves. Moreover, despite the important context this new disclosure provides about Clarida’s trades, the Fed did not appear to publicize the disclosure amendment or identify the new disclosure for members of Congress, despite the obvious Congressional interest in this information.

This revelation is just the latest evidence of a deep-rooted ethics failure at the Fed and the urgent need for a comprehensive information release about officials’ trading activity. The Fed became embroiled in scandal in September 2021 amid reports<sup>12</sup> that two key Fed officials – both of whom soon stepped aside<sup>13</sup> – had been actively trading individual stocks and investments while helping set key Fed policies during the pandemic. A month later, the *New York Times* reported that in a March 23, 2020 email, Fed officials were warned by ethics officials to avoid trading and “were aware that active trading could look bad when the Fed was taking emergency action to try

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<sup>4</sup> New York Times, “A Fed Official’s 2020 Trade Drew Outcry. It Went Further Than First Disclosed,” Jeanna Smialek, January 6, 2022, <https://www.nytimes.com/2022/01/06/business/economy/richard-clarida-fed-stock-fund.html>.

<sup>5</sup> New York Times, “A Fed Official’s 2020 Trade Drew Outcry. It Went Further Than First Disclosed,” Jeanna Smialek, January 6, 2022, <https://www.nytimes.com/2022/01/06/business/economy/richard-clarida-fed-stock-fund.html>.

<sup>6</sup> Board of Governors of the Federal Reserve System, Statement from Federal Reserve Chair Jerome H. Powell, Press Release, February 28, 2020, <https://www.federalreserve.gov/newsevents/pressreleases/other20200228a.htm>.

<sup>7</sup> New York Times, “A Fed Official’s 2020 Trade Drew Outcry. It Went Further Than First Disclosed,” Jeanna Smialek, January 6, 2022, <https://www.nytimes.com/2022/01/06/business/economy/richard-clarida-fed-stock-fund.html>.

<sup>8</sup> *Id.*

<sup>9</sup> Bloomberg, “Clarida Traded Into Stocks on Eve of Powell Pandemic Statement,” Craig Torres, October 1, 2021, <https://www.bloomberg.com/news/articles/2021-10-01/clarida-traded-into-stocks-on-eve-of-powell-pandemic-statement?sref=oZtxD6sa>.

<sup>10</sup> New York Times, “A Fed Official’s 2020 Trade Drew Outcry. It Went Further Than First Disclosed,” Jeanna Smialek, January 6, 2022, <https://www.nytimes.com/2022/01/06/business/economy/richard-clarida-fed-stock-fund.html>.

<sup>11</sup> *Id.*

<sup>12</sup> Wall Street Journal, “Dallas Fed’s Robert Kaplan Was Active Buyer and Seller of Stocks Last Year,” Michael S. Derby, September 7, 2021, <https://www.wsj.com/articles/dallas-feds-robert-kaplan-was-active-buyer-and-seller-of-stocks-last-year-11631044094>.

<sup>13</sup> New York Times, “Fed Officials Under Fire for 2020 Securities Trading Will Resign,” Jeanna Smialek, September 27, 2021, <https://www.nytimes.com/2021/09/27/business/fed-rosengren-kaplan.html>.

to save markets and its policymakers had vast access to sensitive information.”<sup>14</sup> In my letter dated October 21, 2021, I requested that the Fed release this email in full, along with “any other ethics advice given to Fed officials during the time period when it was heavily involved in financial markets in response to the COVID-19 pandemic.”<sup>15</sup> While the Fed provided my office with an excerpt of the March 23, 2020 email later that day, it did not release the email’s full contents or any other ethics guidance as requested in my letter.

In email correspondence with the Fed’s Congressional Liaison Office on October 22, 2021, my staff requested the entirety of the email in question and any other ethics communications that were provided to Fed officials in 2020 and 2021. My staff also asked if you intended to publicly disclose all trades by Fed officials – as I had previously called for in public comments<sup>16</sup> – and requested a staff briefing on the new ethics policy you announced on October 21, 2021.<sup>17</sup> On October 26, 2021, Fed staff indicated they were preparing a response to my questions, though this never materialized. I then sent a follow-up letter to you on December 7, 2021. Less than one month later, news broke about Clarida’s amended disclosure.

I have already requested an SEC investigation into Fed officials’ trading activity to determine if any trades violated insider trading rules.<sup>18</sup> But timely release of this requested information is also critical so that Congress and the public can evaluate the full extent of trading in individual stocks by Fed officials, the extent to which Fed officials were warned of the risks from their trading, and whether the plans you announced to change the Fed’s ethics practices are sufficient to prevent future financial conflicts of interest.

However, as new details about the trading scandal are uncovered, your continued refusal to release this information severely compounds concerns about the Fed’s lack of transparency and your commitment to fully and honestly addressing the Fed’s broken ethics culture.

Accordingly, I request that you provide the following information to my office by January 17, 2022:

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<sup>14</sup> New York Times, “Fed Ethics Office Warned Officials to Curb Unnecessary Trading During Rescue,” Jeanna Smialek, October 21, 2021, <https://www.nytimes.com/2021/10/21/business/economy/federal-reserve-ethics-trading.html>.

<sup>15</sup> Letter from Senator Warren to The Honorable Jerome Powell, October 21, 2021, <https://www.warren.senate.gov/imo/media/doc/2021.10.21%20Letter%20to%20Powell%20re%20Ethics%20Officials%20Warnings.pdf>.

<sup>16</sup> Tweet from Senator Warren, October 21, 2021, <https://twitter.com/SenWarren/status/1451294796614619138>.

<sup>17</sup> Federal Reserve Board of Governors, “Federal Reserve Board announces a broad set of new rules that will prohibit the purchase of individual securities, restrict active trading, and increase the timeliness of reporting and public disclosure by Federal Reserve policymakers and senior staff,” Press Release, October 21, 2021, <https://www.federalreserve.gov/newsevents/pressreleases/other20211021b.htm>.

<sup>18</sup> Letter from Senator Warren to The Honorable Gary Gensler, October 4, 2021, [https://www.warren.senate.gov/imo/media/doc/2021.10.04%20Letter%20to%20SEC%20requesting%20ethics%20investigation%20of%20Fed%20officials%20\(003\).pdf](https://www.warren.senate.gov/imo/media/doc/2021.10.04%20Letter%20to%20SEC%20requesting%20ethics%20investigation%20of%20Fed%20officials%20(003).pdf).

1. The full contents of the March 23, 2020 email reported in the *New York Times*,<sup>19</sup> and complete copies of any other ethics advice or information provided to Fed officials between January 1, 2020, and the present.
2. Full disclosure of all stock, bond, and other investment trades by Fed governors and presidents from January 1, 2020 to the present.
3. A staff briefing on the “broad set of new rules” the Fed announced on October 21, 2021 regarding the purchase and trading of individual securities and the timeliness of reporting and public disclosure by Fed policymakers and senior staff.<sup>20</sup>
4. When did Fed officials first learn that Vice Chair Clarida had made “inadvertent errors”<sup>21</sup> in his initial financial disclosure? When did Clarida file his amended disclosure? When was this amended disclosure made publicly available on the Office of Government Ethics website?

Thank you for your attention to this matter.

Sincerely,



Elizabeth Warren  
Chair, Subcommittee on Economic Policy  
U.S. Senate Banking, Housing, and Urban Affairs  
Committee

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<sup>19</sup> New York Times, “Fed Ethics Office Warned Officials to Curb Unnecessary Trading During Rescue,” Jeanna Smialek, October 21, 2021, <https://www.nytimes.com/2021/10/21/business/economy/federal-reserve-ethics-trading.html>.

<sup>20</sup> Federal Reserve Board of Governors, “Federal Reserve Board announces a broad set of new rules that will prohibit the purchase of individual securities, restrict active trading, and increase the timeliness of reporting and public disclosure by Federal Reserve policymakers and senior staff,” Press Release, October 21, 2021, <https://www.federalreserve.gov/newsevents/pressreleases/other20211021b.htm>.

<sup>21</sup> New York Times, “A Fed Official’s 2020 Trade Drew Outcry. It Went Further Than First Disclosed,” Jeanna Smialek, January 6, 2022, <https://www.nytimes.com/2022/01/06/business/economy/richard-clarida-fed-stock-fund.html>.