

August 11, 2022

The Honorable Jerome Powell
Chair
Board of Governors of the Federal Reserve System
20th Street and Constitution Ave NW
Washington, DC 20551

Dear Chair Powell,

I am writing in regard to the findings and conclusions of the Federal Reserve's (Fed) Inspector General (IG) investigation, released in July 2022, of trading activities by senior officials of the Federal Reserve Board of Governors.¹ You requested this review in October 2021 amid reports that Vice Chair Richard Clarida, Federal Reserve Bank of Dallas President Robert Kaplan, and Federal Reserve Bank of Boston President Eric Rosengren all made numerous investment trades during a period in which the Fed considered and took extraordinary action to boost the economy as the coronavirus disease 2019 (COVID-19) pandemic destabilized financial markets.²

The IG's new report is troubling: it provides fresh evidence of the culture of corruption and conflicts of interest at the Federal Reserve, and raises new concerns about the reasons why you continue to withhold key information about Fed officials' financial trading activity from Congress and the public.³ Specifically, the IG revealed improper trading involving your own accounts, and revealed that Vice Chair Clarida did not meet all disclosure requirements for his trading activities.⁴ In light of these disturbing findings, I am reiterating the series of requests that I have made to you in the last year, asking that, in the interests of accountability and ending corruption and conflicts of interest, the Fed release all available information about the trades made by Fed officials and communications between Fed ethics staff and Fed officials in the period between January 1, 2020 and the present.

I have been concerned about the Fed's stock trading scandal since it first came to light in September 2021 and have sought information from you on the extent of this scandal.⁵ To date, I have sent three public letters and additional questions for the record following your testimonies

¹ Memorandum from Inspector General Mark Bialek to The Honorable Jerome Powell, July 11, 2022, <https://oig.federalreserve.gov/releases/board-closing-trading-activity-jul2022.pdf>.

² New York Times, "Fed Ethics Office Warned Officials to Curb Unnecessary Trading During Rescue," October 21, 2021, Jeanna Smialek, <https://www.nytimes.com/2021/10/21/business/economy/federal-reserve-ethics-trading.html?searchResultPosition=1>.

³ Memorandum from Inspector General Mark Bialek to The Honorable Jerome Powell, July 11, 2022, <https://oig.federalreserve.gov/releases/board-closing-trading-activity-jul2022.pdf>.

⁴ *Id.*

⁵ 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-ofstocks-last-year-11631044094>.

before the Banking, Housing, and Urban Affairs Committee requesting that the Fed publicly disclose all trading by Fed governors and presidents in the period between January 1, 2020 and the present and release critical communications between Fed ethics staff and Fed officials.⁶ Even as evidence of deep-rooted ethics failures at the Fed has mounted, you have refused to disclose the information needed by Congress and the public to assess the conflict of interest and ethics concerns raised by the trades made by Fed officials. While you have stated a commitment to addressing this trading scandal “forthrightly and transparently,”⁷ a June 2022 report from the *New York Times* suggested that the Fed has failed to collect the trading information that a thorough, faithfully executed review requires.⁸ The IG report, which was released last month, revealed several important new and disturbing facts, finding that “(1) former Vice Chair Clarida failed to report several trades on his 2019 and 2020 OGE Forms 278 as required by OGE regulation 5 C.F.R. part 2634 and (2) on behalf of a Powell family trust, in December 2019, a trust financial advisor executed five trades during an FOMC trading blackout period.”⁹ These are troubling findings, and they implicate both you (or your family members) and Mr. Clarida in improper activity.

But the IG accepted uncritically Mr. Clarida’s claims that the failure to disclose his trading activity was “inadvertent.”¹⁰ And, despite the fact that “your spouse notified the financial advisor that the trust would be writing charitable donation checks and requested to be informed when the funds became available,” the IG reported that there was “no evidence that you or your spouse had contemporaneous knowledge that the five transactions were executed during the blackout rule.”¹¹

Ultimately, it appears there will be no accountability for the trading activity involving your accounts, or Mr. Clarida’s failures to disclose his trades.

Moreover, the IG – who, unlike other agency IGs is not confirmed by the Senate, but instead serves at your discretion¹² – entirely failed to review several of the most disturbing reports about trading by you and other Fed officials that have emerged over the course of this scandal. More specifically:

⁶ Letter from Senator Warren to The Honorable Jerome Powell, January 10, 2022, <http://ct.symplicity.com/t/wrn/e85d98fc9c1ef107bdda7bdf4a07d7ef/2665571418/realurl=https://www.warren.senate.gov/imo/media/doc/2022.01.07%20Letter%20to%20Powell%20on%20Fed%20ethics.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>; 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>.

⁷ Federal Reserve, “Remarks by Chair Powell at a press conference,” November 3, 2021, <https://www.federalreserve.gov/mediacenter/files/FOMCpresconf20211103.pdf>.

⁸ *New York Times*, “Fresh Fed financial disclosures omit the officials who ignited ethics scandal,” June 24, 2022, Jeanna Smialek, <https://www.nytimes.com/2022/06/24/business/fed-financial-disclosures-ethics.html>.

⁹ Memorandum from Inspector General Mark Bialek to The Honorable Jerome Powell, July 11, 2022, <https://oig.federalreserve.gov/releases/board-closing-trading-activity-jul2022.pdf>.

¹⁰ *Id.*

¹¹ *Id.*

¹² Congressional Research Service, “Statutory Inspectors General in the Federal Government: A Primer,” Ben Wilhelm, May 12, 2022, <https://sgp.fas.org/crs/misc/R45450.pdf>.

- The IG report does not address the fact that the Board of Governors’ ethics unit issued a warning against unnecessary trading to Fed officials on March 23, 2020,¹³ and that Mr. Clarida made several trades after this warning.
- The report makes no mention of the highly unusual timing of Mr. Clarida’s undisclosed, \$1 million to \$5 million sale of stock, and other transactions that the Vice Chair made in February 2020. Specifically, Mr. Clarida sold stock on February 24, 2020, then repurchased the same stock three days later at a lower price per share – one day before you announced that the Fed was prepared to act to support the pandemic-ravaged economy.¹⁴
- The IG’s report fails to mention or address a \$1 million to \$5 million trade that you personally made on October 1, 2020, “right before the Dow Jones Industrial Average suffered a significant drop.”¹⁵

These gaps in the review and the IG’s credulous acceptance of explanations for clearly improper behavior render the findings of the IG’s report simply not credible. As a result, the IG investigation does nothing to clear the ethics stench surrounding the Fed, and, nearly a year after news of the scandal first broke, Congress and the public are no closer to understanding the full scope of the problem and why and how it occurred under your watch. Simply put, the Fed’s refusal to answer basic questions is preventing Congress and the public from evaluating the full extent of Fed officials’ trading in individual stocks, 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.

Accordingly, and for at least the sixth time since the scandal broke, I ask that you provide full and complete information to Congress and the public. Specifically, I ask that you provide the following information to my office no later than August 25, 2022.

1. As I asked on October 21, 2021, December 7, 2021, January 10, 2022, March 3, 2022, and June 22, 2022, please release the full contents of the March 23, 2020 email reported in the New York Times,¹⁶ and complete copies of any other ethics advice or information provided to Fed officials between January 1, 2020 and the present.

¹³ New York Times, “Fed Ethics Office Warned Officials to Curb Unnecessary Trading During Rescue,” October 21, 2021, Jeanna Smialek, <https://www.nytimes.com/2021/10/21/business/economy/federal-reserve-ethics-trading.html?searchResultPosition=1>.

¹⁴ 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>.

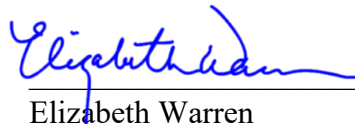
¹⁵ The America Prospect, “Jerome Powell Sold More Than a Million Dollars of Stock as the Market was Tanking,” October 18, 2021, Robert Kuttner, <https://prospect.org/economy/powell-sold-more-than-million-dollars-of-stock-as-market-was-tanking/>.

¹⁶ 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-ethicstrading.html>.

2. As I asked on January 10, 2022, March 3, 2022, and June 22, 2022, when was the amended disclosure that Vice Chair Clarida filed on December 16, 2021¹⁷ made publicly available on the Office of Government Ethics website?
3. As I asked on June 22, 2022, you stated in response to one of my previous letters that “financial disclosure reports of Reserve Bank presidents are available upon request from the Reserve Banks.”¹⁸ Did the Board of Governors request this information from the Reserve Banks at any point since the trading scandal came to light in September 2021? Did any Reserve Banks refuse to provide this information to the Board?
4. As I asked on December 7, 2021 and January 10, 2022, please release a list of any and all trades made by Fed governors and presidents between January 1, 2020 and the present.
5. As I asked on June 22, 2022, given the public scrutiny around Mr. Kaplan and Mr. Rosengren’s trading activity during their tenures, and the clear public interest in greater transparency around Fed officials’ trading, did the Board of Governors at any point direct or advise the Boston and Dallas Federal Reserve Banks to produce financial disclosures for the departing presidents?

Thank you for your attention to this matter.

Sincerely,



Elizabeth Warren
United States Senator

¹⁷ Memorandum from Inspector General Mark Bialek to The Honorable Jerome Powell, July 11, 2022, <https://oig.federalreserve.gov/releases/board-closing-trading-activity-jul2022.pdf>.

¹⁸ Letter from The Honorable Jerome Powell to Senator Warren, February 14, 2022 [on file with the Office of Senator Elizabeth Warren].