

December 7, 2021

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 to follow up on my earlier requests that the Federal Reserve (Fed) release additional information regarding its ethics scandal involving trades in stock, bonds, and other investments by Fed officials and the planned changes to the Fed's ethics practices you announced in response to this scandal. Given the paucity of information you have provided to Congress and the public about trading by Fed officials and your response to these breaches of Fed ethics rules, it remains unclear if you have done enough to address this scandal and prevent the next one. I therefore ask that you respond in full to my request by December 13, 2021.

The Fed became embroiled in scandal on September 2021 amid reports<sup>1</sup> that two key Fed officials – both of whom soon stepped aside<sup>2</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 to save markets and its policymakers had vast access to sensitive information.”<sup>3</sup> In a letter I sent you on October 21, 2021,<sup>4</sup> 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>5</sup>

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<sup>1</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>2</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>.

<sup>3</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>4</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>5</sup> *Id.*

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>6</sup> – and requested a staff briefing on the new ethics policy you announced on October 21, 2021.<sup>7</sup> On October 26, 2021, Fed staff indicated they were preparing a response to my questions, but I have not yet received any of this information despite numerous follow-ups over the last six weeks.

Timely release of this requested information is 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. Continued delays in releasing this information, however, compound concerns about the Fed's lack of transparency and your commitment to seriously and fully addressing the Fed's broken ethics culture.

Accordingly, I request that you provide the following to my office by December 13, 2021:

1. The full contents of the March 23, 2020 email reported in the *New York Times*,<sup>8</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; and
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>9</sup>

Thank you for your attention to this matter.

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<sup>6</sup> Tweet from Senator Warren, October 21, 2021, <https://twitter.com/SenWarren/status/1451294796614619138>.

<sup>7</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>8</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>9</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>.

Sincerely,

A handwritten signature in black ink, reading "Elizabeth Warren". The signature is fluid and cursive, with a long horizontal stroke at the end.

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