



September 21, 2021

Via Email

The Honorable Jerome H. Powell
Chairman
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Re: Because the Fed Cannot Have a Policy of “Do As We Say, Not As We Do” on Ethics and Compliance, Any President Engaging in Pandemic Profiteering Trading Should Resign or Be Fired

Dear Chairman Powell,

The Federal Reserve [stated](#) last week that “*the trust of the American people is essential for the Federal Reserve to effectively carry out [its] important mission.*” That trust has been seriously undermined by the reported trading activities of several regional Fed Presidents during the pandemic when hundreds of thousands of Americans were dying and tens of millions were being thrown out of work. Moreover, one can only imagine the demoralizing impact such trading has on the thousands of hard-working Fed staff who were not trading but working nights and weekends to prevent a collapse of the economy and financial system.

Whether those actions were legal and whether they involved trading while in possession of material nonpublic information, those actions have nonetheless seriously called into question not just the adequacy of the Fed’s code of ethics, but the judgment, priorities, and leadership ability of those individuals. That is intolerable for senior officials who are supposed to be leaders on, among other things, ethics, integrity, and modeling appropriate behavior. That, at a minimum, is what leaders should do. Of course, they should also rigorously adhere to the code of conduct, avoid conflicts of interest and even the appearance of conflicts of interest, and ***comply with both the letter and spirit of the law.***

Making matters worse, maintaining, and modeling the highest ethical and legal standards is much more important for leaders at the Fed, which is responsible for policing the country’s largest banks, including ensuring they have robust compliance policies and systems

that enforce high ethical and legal standards. The pandemic profiteering trading seriously undermines the Fed's moral authority to require that the banks it supervises and regulates have such policies and systems, including those that prohibit conflicts of interest and prevent trading on material nonpublic information.

This is particularly important given the ongoing cultural and leadership deficiencies in the financial industry, which the Fed has taken a high-profile role in seeking to address. In fact, just today the New York Fed announced it is going to host the "sixth web event in its series on culture." The NY Fed [states](#) that

"the webinar is part of the New York Fed's initiative to spur reform of culture and conduct in the financial services industry **and encourage the industry to raise standards.**"

How can the Fed insist that the financial industry "raise standards" when its own standards are grossly deficient and enforcement, if any, appears highly questionable? The Fed simply cannot be in the position of regulating the biggest banks with a **policy of "do as we say, not as we do"** on ethics and compliance.

It's time for the Fed to do what leaders are supposed to do: Lead by example. In light of their pandemic profiteering trading conduct, Dallas Fed President Kaplan and Boston Fed President Rosengren need to resign or be fired for having lost the confidence and trust of the American people and, one would think, the Chairman of the U.S. central bank.¹

That, of course, should only be the first step you take to respond to such scandalous activities at the U.S. central bank. As detailed in our September 19, 2021 letter to you (attached for ease of reference), you also need to promptly (1) disclose the details of all trading by any officials and staff since the beginning of the pandemic who were in possession of material nonpublic information, (2) disclose all documents related to any review, approval, and/or denial of any such trading, (3) call for the DOJ, SEC and Fed IG to promptly conduct thorough independent investigations to determine if any laws, rules, or regulations were violated by this trading, and (4) commit to publicly releasing the details and results of those and any other investigations.

¹ As you know, you have the power and authority to take such action under 12 U.S.C. § 248(f) to "suspend or remove any officer or director of **any Federal reserve bank**, the cause of such removal to be forthwith communicated in writing by the Board of Governors of the Federal Reserve System to the removed officer or director and to said bank." Moreover, among the Board's responsibilities, as stated on its website, is to "oversees the operations of the 12 Reserve Banks" and while those banks "operate independently," they do so "under the supervision of the Board of Governors." See <https://www.federalreserve.gov/aboutthefed/structure-federal-reserve-system.htm> and <https://www.federalreserve.gov/aboutthefed/structure-federal-reserve-board.htm>.

The country remains in peril. The catastrophe caused by the pandemic is still killing thousands of Americans; it is stressing our health care system to the breaking point; it is straining our social and political systems in unprecedented ways; it has caused tens of millions of Americans to suffer grievous economic and financial hardships; and it has placed the economy as a whole on a knife-edge as policymakers struggle to deal with the extraordinary monetary and fiscal actions taken since the start of the pandemic. This is no time for the American people to lose confidence and trust in ***the Fed, which must be above reproach, not set the lowest bar for ethical and legal conduct.***

We urge you to take the prompt, concrete, comprehensive, and meaningful action set forth here and in our letter to you yesterday to ensure that the Fed can fully function without the distractions caused by the conduct of those who are supposed to be leaders and know better. Only then will the Fed deserve the trust of the American people, which you correctly know the Fed needs to fulfill its important functions.

Sincerely,



Dennis M. Kelleher
President and CEO

CC: Vice Chairman Richard H. Clarida
Ms. Ann E. Misback, Secretary, Board of Governors
Senator Sherrod Brown, Chairman, Senate Banking Committee
Chair Maxine Waters, House Financial Services Committee