

Banking and Finance Law Daily Wrap Up, FEDERAL RESERVE SYSTEM—Fed Chair Powell pushes back against Justice Department investigation, (Jan. 12, 2026)

Banking and Finance Law Daily Wrap Up

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By Jeff Williams

Sens. Warren, Warner, and Tillis condemned the Trump administration for threatening Fed independence.

In a statement released January 11, Federal Reserve Chairman Jerome Powell has [called](#) the Justice Department's "unprecedented action" to serve the Fed with grand jury subpoenas and threatening legal indictment regarding congressional testimony he gave in June regarding renovations of the Federal Reserve Buildings "pretexts" for the Trump administration to exert further pressure on the Fed to cut interest rates.

"The threat of criminal charges is a consequence of the Federal Reserve setting interest rates based on our best assessment of what will serve the public, rather than following the preferences of the President," Powell said in a statement last night. "This is about whether the Fed will be able to continue to set interest rates based on evidence and economic conditions—or whether instead monetary policy will be directed by political pressure or intimidation."

Powell, who noted he has served at the Fed during four administrations, "Republicans and Democrats alike," said that he has carried out his duties "without political fear or favor, focused solely on our mandate of price stability and maximum employment."

The Fed chair concluded by saying: "Public service sometimes requires standing firm in the face of threats. I will continue to do the job the Senate confirmed me to do, with integrity and a commitment to serving the American people," he said.

Reaction. Lawmakers on both sides of the aisle and others weighed in to rebuke the moves by the Justice Department against Powell, whose term as chair ends in May and term as a Fed governor extends through 2028.

Senator Elizabeth Warren (D-Mass.), the ranking member of the Senate Banking, Housing, and Urban Affairs Committee, [said](#) that President Trump is "abusing the authorities of the Department of Justice like a wannabe dictator so the Fed serves his interests, along with his billionaire friends."

As President Trump "prepares to nominate a new Fed Chair, he wants to push Jerome Powell off the Fed Board for good and install another sock puppet to complete his corrupt takeover of America's central bank," the senator said in a statement.

Warren urged the committee and the Senate to "not move forward with any Trump nominee for the Fed, including Fed Chair."

Senator Mark Warner (D-Va.), a member of the Senate Banking Committee, stressed in a [statement](#) the need for the Fed to be able to "operate independently, insulated from political pressure" to provide the "stability that markets, investors, and everyday American rely on" and called the "administration's latest attacks" on Powell "just the most recent example of Donald Trump's chaos-driven approach to the economy—and once again, it's working Americans who will pay the price."

Warner also asserted that "From impulsive trade wars and erratic tariffs to deficit-exploding tax cuts and attacks on Fed independence, President Trump has shown time and again that he's more interested in political theater than helping the American people. The result is higher costs for families, uncertainty for businesses, and diminished confidence in our economic leadership around the world."

Senator Thom Tillis (R-N.C.), also a Senate Banking Committee member, said in a [statement](#) that “until this legal matter is fully resolved,” he will oppose confirmation of any nominee for the Fed, including for Powell’s replacement.

“If there were any remaining doubt whether advisers within the Trump Administration are actively pushing to end the independence of the Federal Reserve, there should now be none,” Tillis said. “It is now the independence and credibility of the Department of Justice that are in question.”

Public Citizen Co-President Lisa Gilbert issued a [statement](#) praising Powell’s comments as a “bold defense of the rule of law,” adding: “The Federal Reserve decisions should not be subject to intimidation and bullying by Trump loyalist prosecutors. The Department of Justice should serve the rule of law, not the vindictive instincts of an authoritarian president. And it should never misuse its criminal enforcement powers to pursue pretextual prosecutions against the president’s political opponents or those who show a modicum of independence.”

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