

[Banking and Finance Law Daily Wrap Up, FEDERAL RESERVE SYSTEM —Regional Fed presidents announce their retirements after pandemic trading scandal, \(Sept. 28, 2021\)](#)

Banking and Finance Law Daily Wrap Up

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Dallas Fed President Robert Kaplan and Boston Fed President Eric Rosengren have separately announced their retirements following news breaking that the officials traded stocks and other securities in 2020 during the COVID-19 pandemic.

Two regional Federal Reserve Bank Presidents have announced their early retirements after reports emerged that they both were involved in individual stock trading during the early days of the pandemic, prompting calls for stricter ethics requirements for the regional Feds. Federal Reserve Bank of Boston President and CEO Eric S. Rosengren announced that he will move up his long-planned retirement from June 2022 to September 30 of this year. In addition, the Federal Reserve Bank of Dallas [announced](#) that President and CEO Rob Kaplan will retire from the Bank effective Oct. 8, 2021. Kaplan has served as the 13th president and CEO of the Dallas Fed since Sept. 8, 2015.

Controversy. The retirements come in the wake of reports that these two regional Fed Presidents' traded stocks and other securities in 2020 during the COVID-19 pandemic. In response, Sen. Elizabeth Warren (D-Mass), Chair of the Senate Banking Subcommittee on Economic Policy, called on the 12 regional Federal Reserve Bank presidents to adopt stricter ethics rules that prohibit individual stock trading by them and their staff (see [Banking and Finance Law Daily](#), Sept. 17, 2021). In identical letters sent to the heads of the 12 regional Federal Reserve Banks, Warren urged them to act within 60 days to ban individual stock trading. Warren's request for stricter ethics rules was based in part on recent reports that Kaplan made multiple million-dollar-plus stock trades in 2020 involving 22 individual company shares or investment funds, and Rosengren listed stakes in real estate investment trusts and disclosed multiple purchases and sales in those and other securities.

Rosengren announcement. Boston Fed President and CEO Eric S. Rosengren [announced](#) that he will move up his planned retirement from June 2022 to Sept. 30, 2021. Rosengren has more than 35 years of service at the Boston Fed, including the past 14 as president. His original retirement date aligned with mandatory retirement age for the position. In a [letter](#) to Federal Reserve Board Chairman Jerome Powell, Rosengren said that in June 2020 he qualified for the kidney transplant list, upon the worsening of a long-standing kidney condition. According to Rosengren, "It has become clear that I should aim to reduce my stress so that I can focus on my health issues, and postpone for as long as possible my need for kidney dialysis." In a statement, Rosengren said he takes "great pride in what my colleagues at the Boston Fed have done to make this work a reality and will always be grateful that they embraced my vision of tirelessly pursuing our opportunities to make a difference."

Kaplan retirement. In his statement announcing his retirement, which is effective Oct. 8, 2021, Kaplan stated that the Fed "is approaching a critical point in our economic recovery as it deliberates the future path of monetary policy. Unfortunately, the recent focus on my financial disclosure risks is becoming a distraction to the Federal Reserve's execution of that vital work." Kaplan noted that during his tenure at the Dallas Fed, he "adhered to all Federal Reserve ethical standards and policies." He further stated that his "securities investing activities and disclosures met Bank compliance rules and standards."

Powell comments. Powell issued statements following the retirement announcements. Regarding Kaplan, Powell said, "We are grateful for Rob's six years of service as President of the Federal Reserve Bank of Dallas and as a valued colleague in the FOMC. He has been a passionate and forceful public voice on a wide range

of issues, including the critical value of early childhood education and literacy. In addition, he strengthened the Bank's economic research and played a very constructive role in systemwide management, budget and technology efforts." Powell said that Rosengren "has distinguished himself time and again during more than three decades of dedicated public service in the Federal Reserve System. He led the Fed's work in managing several emergency lending facilities in two separate periods of economic crisis. In addition to his monetary policy insights, Eric brought a relentless focus on how best to ensure the stability of the financial system."

Better Markets response. Better Markets [called](#) Rosengren's early retirement "too little, too late," and stated that for "the Fed to believe that merely letting Rosengren resign nine months early is an adequate response to the pandemic profiteering only confirms they have learned nothing since the egregious scandal involving former Richmond Fed President Lacker. This pandemic profiteering and stonewalling are serious breaches of faith with the American people. The Fed's attempt to sweep this scandal under the rug and move on only proves once again that the Fed needs significantly more transparency, oversight, and accountability imposed on it."

On Sept. 19, 2021, the organization sent a [letter](#) demanding that Powell require full and immediate disclosure of all trading activities by all Fed officials "who had access to information, analysis or other materials that played any part in the Board's decision-making process," including all documents relating to the review and approval of the trading. Powell must "take immediate, concrete, and meaningful action, not just PR pronouncements of internal investigations and an internal review of the ethics code," Better Markets said.

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