

[Banking and Finance Law Daily Wrap Up, TOP STORY—Warren concerned about apparent ‘culture of corruption’ among top officials at Fed, \(Oct. 6, 2021\)](#)

Banking and Finance Law Daily Wrap Up

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By [Thomas G. Wolfe, J.D.](#)

Senator Elizabeth Warren asserted that the Federal Reserve’s Chairman bears the responsibility of setting the right culture, “making sure safeguards are in place to prevent self-dealing,” and protecting the public’s confidence in the Fed.

Amid recent reports of “ethically questionable financial activity by high-ranking Fed officials,” Sen. Elizabeth Warren (D-Mass), Chair of the Senate Banking, Housing, and Urban Affairs Subcommittee on Economic Policy, delivered a speech on the Senate floor [asserting](#) that there “is no room for even the appearance of self-dealing” by officials at the Federal Reserve. In her prepared remarks on Oct. 5, 2021, Warren stated, “We don’t know the scope of the problem or how long it has been going on, but a very disturbing picture is emerging.” During her speech, Warren alluded to reports about Robert Kaplan, President of the Federal Reserve Bank of Dallas, having made “multiple million dollar-plus stock trades,” Eric Rosengren, President of the Federal Reserve Bank of Boston, having made “multiple purchases and sales relating to his stakes in real estate investment trusts and other securities,” and Fed Vice Chair Richard Clarida having “traded between \$1 million and \$5 million out of a bond fund into stock funds.” Pointing out that Fed officials have access to “vast quantities of proprietary, non-public data and information,” Warren emphasized that the transactions raise “legitimate questions about conflicts of interest and insider trading.” Moreover, the transactions also “suggest that some Fed officials believe that building up their own personal wealth is more important than strengthening the American people’s confidence in the Fed,” she said.

Just a day before her speech on the Senate floor, Warren called on the Securities and Exchange Commission to investigate the transactions made by the Fed officials to determine whether they may have violated insider trading rules. In her Oct. 4, 2021, letter to SEC Chair Gary Gensler, Warren asked that an SEC investigation include probing the extent of trading activity by high-level Federal Reserve officials; the timing and rationale for these trades; the extent to which these trades may have been influenced by non-public information in possession of the individuals making the trades; and whether these trades may have represented violations of provisions that bar individuals from purchasing or selling a security while in possession of material nonpublic information (see [Banking and Finance Law Daily](#), Oct. 5, 2021).

Additional speech highlights. From Warren’s perspective, the reported transactions by the Fed officials—Kaplan, Rosengren, and Clarida—“show, at a minimum, very bad judgment.” Turning her attention to Fed Chairman Jerome Powell, the senator stated that “it is not clear why Mr. Powell did not take steps to prevent these activities.” “Surely, he understands that the Fed officials’ trades run afoul of agency guidelines” and that they have a have a “special responsibility for maintaining the integrity, dignity, and reputation of the System,” she said.

According to Warren, as the “sitting chair of the Federal Reserve, the responsibility to safeguard the integrity of the Federal Reserve rests squarely with him [Powell]. Setting the right culture at the Fed and making sure safeguards are in place to prevent self-dealing and protect the public’s confidence should be the minimum standard any Federal Reserve Chair should meet. And, once there is a problem, a quick and aggressive response is critical. Chair Powell has failed at both tasks.” Warren indicated that she would not support Chairman Powell’s renomination.

Earlier, at a Sept. 28, 2021, Senate Banking Committee hearing, Warren had pressed Powell on his record of deregulation during his tenure. Warren questioned the Fed Chair about her concerns with the banking industry, which, she suggested, weakened the central bank regulator’s oversight (see [Banking and Finance Law Daily](#), Sept. 29, 2021).

In her closing remarks, Warren talked about her proposed “sweeping ethics legislation, the Anti-Corruption and Public Integrity Act,” stating that the measure would “ban all individual stock ownership by Members of Congress, Cabinet Secretaries, senior congressional staff, federal judges, White House staff, and other senior agency officials while in office.” While acknowledging that her proposed legislation “won’t solve every problem—and for any officials who have engaged in illegal insider trading, we don’t need a new law to hold them accountable,” Warren maintained that the proposal “would dramatically reduce the possibility for any appearance of impropriety at the Fed—and at every other federal agency, and in Congress, and at the White House.”

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