

[Banking and Finance Law Daily Wrap Up, TOP STORY—Senator Warren urges regional Fed presidents to adopt stricter ethics rules, \(Sept. 17, 2021\)](#)

Banking and Finance Law Daily Wrap Up

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Following reports of individual stock trading by two regional Federal Reserve Bank presidents, Senator Warren called on the 12 regional Fed presidents to prohibit individual stock trading by them and their staff.

Senator Elizabeth Warren (D-Mass), Chair of the Senate Banking Subcommittee on Economic Policy, has called on the 12 regional Federal Reserve Bank presidents to adopt stricter ethics rules that prohibit individual stock trading by them and their staff. In identical [letters](#) sent to the heads of the 12 Regional Federal Reserve Banks, Senator Warren urged them to act within 60 days to ban individual stock trading. Her request came after reports of individual stock trades by two regional Federal Reserve Bank presidents.

The New York Times reported on Sept. 9, 2021, that Fed officials traded stocks and other securities in 2020, raising questions about the Fed's ethics standards. On Sept. 16, 2021, the paper reported that the Federal Reserve announced it would conduct a review of its ethics rules around permissible financial holdings and activities by senior Fed officials. On that same day, Politico [reported](#) that Chairman Powell ordered the central bank's staff to examine internal ethics rules around what types of assets Fed officials are allowed to hold. The announcement of the ethics review came after Senator Warren's request for new ethics rules.

Senator Warren [explained](#) that her request for stricter ethics rules was based in part on recent reports that Robert Kaplan, President of the Federal Reserve Bank of Dallas, made multiple million-dollar-plus stock trades in 2020 involving 22 individual company shares or investment funds, and Eric Rosengren, President of the Federal Reserve Bank of Boston, listed stakes in real estate investment trusts and disclosed multiple purchases and sales in those and other securities. "This controversy over asset trading by high-level Fed personnel highlights why it is necessary to ban ownership and trading of individual stocks by senior officials who are supposed to serve the public interest," said Warren. Senator Warren sent a letter regarding her concerns to the 12 regional Fed presidents. Her letter explains that the financial activity by Fed presidents raises questions about potential self-dealing and concerns that the Fed officials may have had access to information that could have benefitted their personal trading. Although Presidents Kaplan and Rosengren pledged to sell their individual stock holdings, stricter requirements, not voluntary measures are needed. To that end, Senator Warren introduced ethics legislation, the Anti-Corruption and Public Integrity Act, which would ban 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. Senator Warren asked the Fed presidents to impose a ban on the ownership and trading of individual stocks by senior officials at the Federal Reserve Banks and to impose ethics and financial conflicts of interest rules for those who work at the Fed.

Jeff Hauser, Executive Director of the Revolving Door Project, a project of the Center for Economic and Policy Research (CEPR), also sent a [letter](#) dated Sept. 16, 2021, to Federal Reserve Board Chairman Jerome Powell, asking Powell to take steps to address the ethics concerns raised by the trading activities of the two Fed presidents. Those steps include: placing Presidents Kaplan and Rosengren on administrative leave pending an investigation into their trading activities; directing the Federal Reserve Board's Inspector General to cooperate with other federal government agencies in investigating whether these trading activities violated criminal statutes on insider trading or improper use of confidential information and taking appropriate follow up action; prohibiting all Federal Reserve officials and staff who have access to confidential Federal Open Market Committee information from trading any individual financial securities; and expanding the proposed staff review

into a Federal Reserve task force, to promptly formulate new regulations to ensure that no Federal Reserve official or employee can benefit financially from having privileged access to non-public information.

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