



**Office of Inspector General**

Board of Governors of the Federal Reserve System  
Bureau of Consumer Financial Protection

## MEMORANDUM

**DATE:** July 11, 2022

**TO:** Jerome H. Powell  
Chair  
Board of Governors of the Federal Reserve System

**FROM:** Mark Bialek   
Inspector General

**SUBJECT:** OIG Closing of 22-0028-I Board Trading Activity

On October 4, 2021, the Board of Governors of the Federal Reserve System requested that we “conduct an independent review of whether the 2020 trading activities of Rob Kaplan, President of the Dallas Federal Reserve Bank; Eric Rosengren, President of the Boston Federal Reserve Bank; and Rich Clarida, Vice Chair of the Board of Governors of the Federal Reserve System violated the law or Federal Reserve policies, whether the trading activities warrant further investigation by other authorities, and any other related matters that you deem appropriate.”

In response, we initiated separate investigations of Board and Reserve Bank officials. We have concluded the investigation into the trading activities of senior Board officials. The investigation of senior Reserve Bank officials is ongoing.

We conducted an investigation of former Vice Chair Richard Clarida’s trading activities, including the trades executed on February 24, 2020, and February 27, 2020. Additionally, given public reporting regarding your December 2019 financial transactions, we also conducted an investigation of your trading activities. Specifically, we reviewed whether former Vice Chair Clarida’s or your trading activities violated any of the following:

- U.S. Office of Government Ethics (OGE) regulations regarding executive branch financial disclosures (5 C.F.R. part 2634)
- OGE regulations regarding conflicts of interest (5 C.F.R. part 2635)
- Federal Conflicts of Interest Statute (18 U.S.C. § 208)
- Federal Securities and Commodities Fraud Statute (18 U.S.C. § 1348)
- Federal Open Market Committee (FOMC), *Program for Security of FOMC Information*, [“Attachment 4: Financial Trading Blackout,”](#) effective February 1, 2020, page 33

We conducted a comprehensive review of relevant records, including Board email accounts, Executive Branch Personnel Public Financial Disclosure Reports (OGE Form 278), brokerage statements and trading data for all relevant trading accounts, individual FOMC access information, and other relevant documentation. In addition, we conducted interviews of relevant individuals. Collectively, the scope of our investigative activities covered January 2019 to December 2021.

We found that former Vice Chair Clarida's and your trading activities did not violate the laws, rules, regulations, or policies as investigated by our office. As described below, however, we found that (1) former Vice Chair Clarida failed to report several trades on his 2019 and 2020 OGE Forms 278 as required by OGE regulation 5 C.F.R. part 2634 and (2) on behalf of a Powell family trust, in December 2019, a trust financial advisor executed five trades during an FOMC trading blackout period.

### ***Public Financial Disclosure Requirements***

Title 5, part 2634, of the *Code of Federal Regulations* requires certain Board employees to file OGE Form 278 and, in part, to include any purchase, sale, or exchange of securities in excess of \$1,000 made by the filer, the filer's spouse, or a dependent child during the preceding calendar year. Former Vice Chair Clarida qualified as a *public filer* as defined by 5 C.F.R. § 2634.202 and was required to, and did, file an OGE Form 278 annually during his tenure as vice chair.

Former Vice Chair Clarida reported to us that, in responding to our request for information, he discovered that he inadvertently omitted one trade<sup>1</sup> from his OGE Form 278 dated May 6, 2020, (covering calendar year 2019) and three trades<sup>2</sup> from his OGE Form 278 dated May 14, 2021 (covering calendar year 2020).

The OGE's *Public Financial Disclosure Guide*, "4.05: Report Amendments and Annotations," outlines the process by which a filer may initiate an amendment to a previously filed OGE Form 278. In addition, OGE Legal Advisory LA-12-04 states that the late fee for untimely financial disclosure forms does not apply if the agency's designated agency ethics official (DAEO) is satisfied that the employee attempted in good faith to comply fully with applicable disclosure requirements and merely made an inadvertent error or omission. Consistent with these guidelines, on October 22, 2021, former Vice Chair Clarida notified the Board's DAEO of the omitted trades. Former Vice Chair Clarida then provided the Board's DAEO with an amended OGE Form 278 covering calendar years 2019 and 2020. On November 1, 2021, the Board's DAEO notified the OGE of the omitted trades and provided the OGE with the amended form. In acknowledging receipt of the updated form, the OGE noted that the omissions, which related to diversified mutual fund holdings transactions that did not present a conflict of interest, would not typically rise to the level of needing a formal OGE amendment. In similar situations, the OGE has advised agency ethics officials to note such omissions in the next annual report filing. However, the OGE also acknowledged that filing the amended form would be a thorough and transparent approach. We independently verified the accuracy of the information former Vice Chair Clarida provided in the

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<sup>1</sup> The December 31, 2019, purchase of iShares Core High Dividend ETF (HDV).

<sup>2</sup> The February 24, 2020, sale of Schwab Strategic 1000 ETF (SCHK); the February 24, 2020, sale of iShares Edge MSCI Min Vol USA ETF (USMV); and the February 24, 2020, sale of iShares Core High Dividend ETF (HDV).

amended OGE Form 278. Accordingly, we determined that these omissions do not require further investigation.

## **FOMC Trading Blackout Rule**

“Attachment 4: Financial Trading Blackout” of the FOMC’s *Program for Security of FOMC Information* states that an employee with knowledge of Class I FOMC information that is related to the previous or upcoming FOMC meeting should not knowingly (1) purchase or sell any security during the period that begins at midnight (eastern time) of the second Saturday before the beginning of the meeting and ends at midnight (eastern time) on the last day of the meeting (the blackout period) or (2) hold any security for less than 30 days. The FOMC trading blackout rule also states that employees should make every effort to ensure that the financial transactions of their spouse and dependent children comply with these restrictions. “Attachment 4: Financial Trading Blackout” provides for certain exceptions.<sup>3</sup>

Given your access to Class I FOMC information, you are subject to the FOMC trading blackout rule. We analyzed your OGE Form 278 filings for 2019, 2020, and 2021 and other related financial transaction information. As reported on your 2020 OGE Form 278 dated May 15, 2020, five financial transactions<sup>4</sup> were executed on December 11, 2019, during the blackout period.<sup>5</sup> We independently verified that these transactions were executed by a financial advisor on behalf of a Powell family trust, the terms of which require the trustee to make charitable donations annually each December.

We found that your spouse, as trustee of the Powell family trust, notified the trust financial advisor of the need to make funds available for charitable donations each December during the time period we reviewed. On December 9, 2019, your spouse notified the financial advisor that the trust would be writing charitable donation checks and requested to be informed when the funds became available. The trust financial advisor had noted the blackout period on the financial advisory team’s calendar prior to executing the trades, but executed the five trades on December 11, 2019. The trust financial advisor subsequently acknowledged that executing the trades during the blackout period was an “oversight” on the team’s part. We found no evidence that you or your spouse had contemporaneous knowledge that the five transactions were executed during the blackout period. As such, we found that you did not violate the FOMC trading blackout rule.

## **Conclusion**

In conclusion, we did not find evidence to substantiate the allegations that former Vice Chair Clarida or you violated laws, rules, regulations, or policies related to trading activities as investigated by our office.

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<sup>3</sup> The blackout rule does not apply to the purchase or sale of money market mutual funds. The rule also states that the purchase or sale restriction does not apply if the transaction is authorized before the blackout period (for example, through directions given to a broker). In unusual circumstances, the blackout rule may be waived after consultation with the DAEO.

<sup>4</sup> Causeway International Value Fund Class Institutional (CIVIX); Goldman Sachs Tactical Tilt Overlay Fund Class P (GSLPX); Goldman Sachs U.S. Equity Dividend and Premium Fund Class P (GSFPX); iShares MSCI EAFE ETF (EFA); and iShares U.S. Real Estate ETF (IYR).

<sup>5</sup> The December 2019 FOMC meeting took place on December 10–11, 2019; thus, the FOMC trading blackout period for this meeting was November 30–December 11, 2019.

Based on our findings, we are closing our investigation into the trading activities of former Vice Chair Clarida and you.

As stated above, our investigation of the senior Reserve Bank officials is ongoing. Because ongoing investigations are highly sensitive, and because the scopes of the two investigations are interrelated, we will provide a detailed analysis of both our investigations at the conclusion of our review regarding the senior Reserve Bank officials.

We are also conducting an evaluation of the design and effectiveness of the Board's new investment and trading rules as well as the Board's and the Reserve Banks' approach to monitoring personal investment and trading activities for possible conflicts of interest. We will notify you once our ongoing evaluation is completed.

Please contact me if you have any questions or would like to arrange a meeting to discuss this matter further. We will post this memorandum to our public website.

cc: Mark Van Der Weide