




Office of Inspector General

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

REPORT OF INVESTIGATION

DATE: January 18, 2024

TO: Mark Bialek
Inspector General

FROM: Stephen Carroll 
Associate Inspector General for Investigations

SUBJECT: Report of Investigation on the Closing of 22-0028-I Board Trading Activity

Executive Summary

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. Given public reporting regarding Chair Jerome Powell’s December 2019 financial transactions, we included his trading activities in our investigation of Board officials. On July 11, 2022, we concluded the investigation of Board officials and publicly issued a closing memorandum.¹

This report provides further details of our investigation of Board officials. Specifically, we reviewed whether Chair Jerome Powell’s or former Vice Chair Richard Clarida’s trading activities violated any of the following:²

¹ Office of Inspector General, [OIG Closing of 22-0028-I Board Trading Activity](#), July 11, 2022. On January 18, 2024, we issued a separate report of our investigation, *Report of Investigation on the Closing of 22-0030-I Reserve Bank Trading Activity*, in which we reviewed the trading activities of Robert Kaplan, former president of the Federal Reserve Bank of Dallas, and Eric Rosengren, former president of the Federal Reserve Bank of Boston.

² After consulting with government experts regarding potential violations of federal insider trading laws, including 18 U.S.C. § 1348 and Section 10(b) of the Securities Exchange Act and Rule 10b-5 thereunder, we determined that there was insufficient evidence to refer this matter for further law enforcement review.

- U.S. Office of Government Ethics (OGE) regulations regarding executive branch financial disclosures (5 C.F.R. 2634) (OGE public reporting rule)
- OGE Supplemental Standards of Ethical Conduct for Employees of the Board of Governors of the Federal Reserve System (5 C.F.R. 6801) (OGE supplemental standards)
- Federal Open Market Committee (FOMC), *Program for Security of FOMC Information*, “Attachment 4: Financial Trading Blackout”³ (FOMC blackout rule)
- Federal Conflict of Interest Statute (18 U.S.C. § 208) and OGE Conflicting Financial Interests (5 C.F.R. part 2635, subpart D) (federal conflict of interest laws)

As described in more detail below, we did not find evidence to substantiate the allegations that Chair Powell or Mr. Clarida violated laws, rules, regulations, or policies related to trading activities in effect at the time and as investigated by our office. While Chair Powell and Mr. Clarida’s trading activities complied with relevant Federal Reserve and FOMC rules in effect during the scope of our investigation, these rules did not sufficiently support public confidence in the impartiality and integrity of the policymakers and senior staff carrying out the public mission of the FOMC’s work.

In October 2021, the Board announced new rules governing investment and trading activity for senior Board and Reserve Bank officials with the goal of supporting public confidence in the impartiality and integrity of the FOMC’s work by guarding against even the appearance of any conflict of interest. These new rules went into effect on May 1, 2022, and the requirements for advance notice and preclearance of transactions took effect on July 1, 2022.

We completed 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.⁴ We posted this report to our public website on May 1, 2023.

Relevant Laws and Rules

OGE Public Reporting Rule

OGE Form 278e is the public financial disclosure report that must be filed by Board members and Board officers. The OGE public reporting rule states that each OGE Form 278e report must include a brief description, as well as the date and value, of any purchase, sale, or exchange by the filer (and their spouse and dependent children) during the reporting period if the transaction value exceeds \$1,000.⁵ Reportable transactions include stocks, bonds, commodity futures, mutual fund shares, and other forms of securities.

³ We analyzed the *Program for Security of FOMC Information* in effect during the scope of our review.

⁴ Office of Inspector General, *The Board Can Further Enhance the Design and Effectiveness of the FOMC’s Investment and Trading Rules*, [OIG Report 2023-SR-B-006](#), April 26, 2023.

⁵ 5 C.F.R. § 2634.303.

OGE Supplemental Standards

The OGE supplemental standards state that a Board employee, or an employee's spouse or minor child, shall not own or control, directly or indirectly, any debt or equity interest in

1. a depository institution or any of its affiliates
2. a primary government securities dealer or any of its affiliates, if such employee has regular, ongoing access to Class I FOMC information

FOMC Blackout Rule

The FOMC's *Program for Security of FOMC Information* states that an employee with knowledge of Class I FOMC information should avoid engaging in any financial transaction the timing of which could create the appearance of acting on inside information concerning Federal Reserve deliberations and actions:

In order to avoid even the appearance of acting on confidential FOMC information, an FOMC staff officer or a [Federal Reserve] System employee who has knowledge of information that is classified as "Class I FOMC—Restricted Controlled (FR)" and that is related to the previous or upcoming FOMC meeting should not knowingly:

- a. Purchase or sell any security (including any interest in the Thrift Plan for Employees of the Federal Reserve System, but not including shares of a money market mutual fund) during the period that begins at the start of the second Saturday (midnight) Eastern Time before the beginning of the meeting and ends at Midnight Eastern time on the last day of the meeting; or
- b. Hold any security for less than 30 days, other than shares of a money market mutual fund.

This purchase or sale restriction does not apply if the transaction is authorized before the period described in section (a) above begins (for example, through directions given to a broker). The FOMC blackout rule also states that an FOMC staff officer or a System employee with knowledge of information that is classified as Class I FOMC—Restricted Controlled (FR) and that is related to the previous or upcoming FOMC meeting also should make every effort to ensure that the financial transactions of their spouse and dependent children comply with these restrictions. In unusual circumstances, after consultation with the ethics officer, these restrictions may be waived.

In addition to the FOMC blackout rule, on March 23, 2020, the Board Ethics Program emailed the following to Board members about observing a blackout period:

All: As a reminder, System policy provides: "An employee with knowledge of Class I FOMC information should avoid engaging in any financial transaction the timing of which could create the appearance of acting on inside information concerning Federal Reserve deliberations and actions." In light of the rapidly developing nature of recent and likely upcoming System actions, please consider observing a trading blackout and avoid making

unnecessary securities transactions for at least the next several months, or until FOMC and Board policy actions return to their regularly scheduled timing. If you need to, for example, redeem a 529 account in order to pay tuition, or make other necessary transactions, please let me know in advance.

Board Ethics considered this voluntary blackout period to have ended on April 30, 2020, after the regularly scheduled April 28–29, 2020, FOMC meeting.

Federal Conflict of Interest Laws

The federal conflict of interest laws prohibit Board employees from personally and substantially participating in an official capacity in a particular matter which, to their knowledge, will have a direct and predictable effect on their financial interests, including the financial interests of their spouses and minor children.⁶ Federal regulations clarify the statute as follows:⁷

- Personal and substantial: To *participate personally* means to participate directly. To *participate substantially* means that the employee's involvement is of significance to the matter.⁸
- Particular matter: A *particular matter* involves deliberation, decision, or action focused on the interests of specific persons or a discrete and identifiable class of persons. The term *particular matter* does not extend to the consideration or adoption of broad policy options that are directed to the interests of a large and diverse group of persons.⁹
- Direct and predictable effect: A particular matter will have a *direct effect* on a financial interest if there is a close causal link between any decision or action to be taken in the matter and any expected effect of the matter on the financial interest.¹⁰ A particular matter that has an effect on a financial interest only as a consequence of its effects on the general economy does not have a direct effect.¹¹ A particular matter will have a *predictable effect* if there is a real, as opposed to a speculative, possibility that the matter will affect the financial interest.

⁶ 18 U.S.C. § 208; 5 C.F.R. part 2635, subpart D.

⁷ 5 C.F.R. part 2635, subpart D.

⁸ 5 C.F.R. § 2635.402(b)(4). Participation may be substantial even though it is not determinative of the outcome of a particular matter. While a series of peripheral involvements may be insubstantial, the single act of approving or participating in a critical step may be substantial. Personal and substantial participation may occur when, for example, an employee participates through decision, approval, disapproval, recommendation, investigation, or the rendering of advice in a particular matter.

⁹ 5 C.F.R. § 2635.402(b)(3).

¹⁰ 5 C.F.R. § 2640.103(b) defines *financial interest* as the potential for gain or loss to the employee (or other person specified in section 208) as a result of governmental action on the particular matter. The disqualifying financial interest might arise from ownership of certain financial instruments or investments such as stocks, bonds, mutual funds, or real estate. A disqualifying financial interest might also derive from a salary, indebtedness, job offer, or any similar interest that may be affected by the matter.

¹¹ 5 C.F.R. § 2635.402(b)(1). An effect may be direct even though it does not occur immediately.

Investigative Methodology

We conducted a comprehensive review of relevant records, including Board and Reserve Bank email accounts, OGE Form 278e filings, brokerage statements, and trading data for all relevant trading accounts; FOMC blackout dates; and other documentation. We also interviewed relevant individuals. To provide a complete understanding of Chair Powell's and Mr. Clarida's 2019 and 2020 trading activities, the scope of our investigation was January 2019 through December 2021.

Analysis of Chair Powell's 2019 and 2020 Trading Activities

Chair Powell took office as chair of the Board on February 5, 2018, for a 4-year term and was reappointed for a second 4-year term on May 23, 2022. Chair Powell also serves as chair of the FOMC.

Public Reporting

Chair Powell filed an OGE Form 278e for each year within the scope of our review.¹² We reviewed Chair Powell's 2019 OGE Form 278e dated May 15, 2020 (covering calendar year 2019), 2020 OGE Form 278e dated May 10, 2021 (covering calendar year 2020), and relevant brokerage statements and trading data to determine whether any of his financial activity reports violated public reporting regulations. We independently verified that transactions were properly reported by analyzing the relevant brokerage statements and trading data. We found no violations of the regulations.

OGE Supplemental Standards

We reviewed Chair Powell's 2019 and 2020 OGE Form 278e, relevant brokerage statements, and trading data to determine whether any of his trading activities violated the OGE supplemental standards. Because Chair Powell has regular, ongoing access to Class I FOMC information, he is prohibited from owning or controlling, directly or indirectly, any debt or equity interest in a depository institution or any of its affiliates, or a primary government securities dealer or any of its affiliates.

We independently verified that Chair Powell did not own or control any prohibited holdings by conducting a review of relevant brokerage statements and trading data. We concluded that there were no violations of the OGE supplemental standards.

FOMC Blackout Rule

We analyzed Chair Powell's 2019 and 2020 OGE Form 278e, brokerage statements, trading data, email communications, and trust documentation to determine whether any of his trading activities violated the

¹² For calendar year 2018 activities, Chair Powell submitted the OGE 278e Form on May 9, 2019; for calendar year 2019 activities, Chair Powell submitted the OGE 278e Form on May 15, 2020; and for calendar year 2020 activities, Chair Powell submitted the OGE 278e Form on May 10, 2021.

FOMC blackout rule. We determined that Chair Powell’s 2019 and 2020 trading activities did not violate the FOMC blackout rule.

On December 26, 2007, Chair Powell created a charitable lead annuity trust (CLAT) and named his spouse as the trustee. Chair Powell’s spouse serves as trustee to additional Powell family trusts. Per the terms of the CLAT, the trustee is required to make charitable donations annually each December; Chair Powell’s spouse, as trustee, raised funds for the charitable donations through trading mutual funds and exchange-traded funds (ETFs).¹³ *ETFs* are a pooled investment security that tracks an underlying index. ETFs can contain investments such as stocks and bonds.

We found that throughout the review period, Chair Powell’s spouse regularly communicated with the trusts’ team of financial advisors and Board Ethics staff regarding the trust account and applicable ethics rules, including FOMC blackout rule requirements.

- On December 9, 2019, Chair Powell’s spouse notified the financial advisors that the trust was writing checks for 2019 and asked to be notified when the funds were available to send to charities. The financial advisors subsequently executed five financial transactions¹⁴ on December 11, 2019, which was during the blackout period.¹⁵ One of the financial advisors later emailed Chair Powell’s spouse and Board Ethics staff that “. . . the trades were made to raise funds to make payments to charity, which this trust is required to do on an annual basis. It does look like these trades were made on December 11. I see on our team calendar that we had noted blackout dates for Dec 10–11, so apparently this was an oversight on our part.”
- On August 25, 2020, financial advisors emailed Board Ethics staff and asked if there were any blackout dates for trading or anything else to consider with regard to trading on that day. In response, Board Ethics staff asked about the assets being bought or sold and advised that no trading activity should occur that week because Chair Powell was giving a “very high profile speech” that week. Board Ethics staff ultimately communicated with Chair Powell’s spouse and concurred that the cash raise would occur following the next FOMC blackout period.
- On December 7, 2020, Chair Powell’s spouse once again notified the financial advisors that she was in the process of writing December charity checks against the trust. On December 8, 2020,

¹³ In an email dated September 14, 2021, the financial advisors confirmed with Board Ethics staff that Chair Powell does not have any control over the financial trading in the CLAT because his spouse is the trustee.

¹⁴ Sales of Causeway International Value Fund Class Institutional (CIVIX) (\$1,001–\$15,000), Goldman Sachs Tactical Tilt Overlay Fund Class P (GSLPX) (\$15,001–\$50,000), Goldman Sachs U.S. Equity Dividend and Premium Fund Class P (GSFPX) (\$100,001–\$250,000), iShares MSCI EAFE ETF (EFA) (\$15,001–\$50,000), and iShares U.S. Real Estate ETF (IYR) (\$1,001–\$15,000).

¹⁵ The December 2019 FOMC meeting took place on December 10–11, 2019; thus, the FOMC blackout period for this meeting was November 30–December 11, 2019.

the financial advisors confirmed that they would look to raise funds once clear of the blackout period and asked Chair Powell's spouse to hold any checks until the following Friday.¹⁶

We found that the trades executed during the time period we reviewed were consistent with Chair Powell's spouse's notification to the financial advisors of the need to make funds available for charitable donations each December.

We found no evidence that Chair Powell or his spouse had contemporaneous knowledge that the five transactions were executed during the 2019 blackout period.

Moreover, our analysis of Chair Powell's brokerage statements did not indicate that he engaged in any trading activities from March 23, 2020 (the date of Board Ethics' email about observing a voluntary blackout period), to April 30, 2020 (when the voluntary blackout period ended).

Based on our review as described above, we determined that Chair Powell's 2019 and 2020 trading activities neither violated the FOMC blackout rule nor contradicted Board Ethics' advice to observe a voluntary blackout period.

Federal Conflict of Interest Laws

We analyzed Chair Powell's financial holdings to determine whether there were any violations of the federal conflict of interest laws. Specifically, we reviewed whether Chair Powell's holdings in municipal bonds (as reported on his 2020 OGE Form 278e) created a conflict of interest, in light of the Federal Reserve's and the FOMC's monetary policy actions in 2020.¹⁷

Part 6 of Chair Powell's 2020 OGE Form 278e listed the following municipal bonds:

- Anne Arundel County MD Bonds (\$50,001–\$100,000)
- Baltimore County MD Bonds (\$50,001–\$100,000)
- Conroe TX Bonds (\$50,001–\$100,000)
- Denver CO City & County Bonds (\$50,001–\$100,000)
- Jefferson Parish LA Sch Brd Rev Bonds (\$50,001–\$100,000)
- Maryland State Bonds (\$100,001–\$250,000)
- Maryland Water Quality Rev Bonds (\$100,001–\$250,000)

¹⁶ In addition, we found that on December 14, 2020, during the blackout period, the diversified mutual fund, GS U.S. Equity Dividend and Premium Fund, received gains reinvestments. While gains reinvestments should be, and were, reported on Chair Powell's 2020 OGE Form 278e, they are an automatic dividend reinvestment plan for a diversified mutual fund or diversified ETF that were not directed by Chair Powell or his spouse, and therefore were permissible under the Board's and the FOMC's policies.

¹⁷ We found two financial activities on December 31, 2020, in which GS High Yield Municipal Fund received gains reinvestments. The GS High Yield Municipal Fund is a diversified mutual fund and not a municipal bond.

- MD State Hlth & Ed Facs Auth Rev Bonds (\$50,001–\$100,000)
- New York City Trans Fin Auth Rev Bonds (\$100,001–\$250,000)
- New York NY Bonds (\$50,001–\$100,000)
- Prince Georges County Bonds (\$50,001–\$100,000)
- Springfield IL Elec Rev Bonds (\$50,001–\$100,000)
- Central FL Expwy Auth Bonds (\$50,001–\$100,000)
- Illinois State Bonds (\$50,001–\$100,000)
- Texas Transn Commn St Hwy Bonds (\$50,001–\$100,000)
- Triborough Brdg & Tunl Auth Bonds (\$50,001–\$100,000)
- Alabama Fed Aid Hwy Bonds (\$50,001–\$100,000)
- Washington DC Met Area Tran Bonds (\$50,001–\$100,000)
- Camden County NJ Bonds (\$50,001–\$100,000)
- Baltimore MD Rev Bonds (\$50,001–\$100,000)
- Maryland Dept Transn Cons Bonds (\$50,001–\$100,000)
- Ohio State Bonds (\$50,001–\$100,000)
- Wisconsin St Health & Edl Facs Auth Rev Bonds (\$50,001–\$100,000)
- Houston TX Util Sys Rev Bonds (\$50,001–\$100,000)
- Massachusetts State Bonds (\$50,001–\$100,000)
- Miami-Dade Cnty FLA Wtr & Swr Bonds (\$50,001–\$100,000)

On April 9, 2020, the Board announced the creation of the Municipal Liquidity Facility (MLF); it became operational on May 26, 2020.¹⁸ The Federal Reserve established the MLF to help state and local governments better manage cash flow pressures caused by the COVID-19 pandemic, to continue to serve households and businesses in their communities. The facility was designed to purchase up to \$500 billion of short-term notes directly from U.S. states (including the District of Columbia), and certain U.S. counties and cities.¹⁹ During its operation, the MLF extended approximately \$6.5 billion of credit.

Chair Powell held municipal bonds prior to, and throughout, the review period. Because the establishment of the MLF was not focused on the interests of specific persons, but rather a consideration or adoption of a broad policy option directed to the interests of a large and diverse group of persons, we determined, in consultation with the OGE, that it was not a “particular matter” (as defined by the federal

¹⁸ Under section 13(3) of the Federal Reserve Act, and with approval of the secretary of the U.S. Department of the Treasury, the Board authorized 13 emergency lending programs to support state and local governments and businesses of all sizes.

¹⁹ U.S. counties with a population of at least 500,000 residents and U.S. cities with a population of at least 250,000 residents were eligible to access the MLF.

conflict of interest laws) but rather was part of the Board’s broader monetary policy directed to address the effects of the pandemic on the U.S. economy.²⁰ Therefore, we determined that Chair Powell’s holding of the municipal bonds in 2020 did not create a conflict of interest.²¹ In addition, we found that Chair Powell did not trade these municipal bonds in 2020.

Analysis of Former Vice Chair Clarida’s 2019 and 2020 Trading Activities

Mr. Clarida began a 4-year term as vice chair of the Board in September 2018 and took office as a Board member to fill an unexpired term ending January 31, 2022. He resigned on January 14, 2022.²²

Public Reporting

Mr. Clarida filed an OGE Form 278e for each year within the scope of our review.²³ We reviewed Mr. Clarida’s 2019 OGE Form 278e dated May 6, 2020 (covering calendar year 2019), 2020 OGE Form 278e dated May 14, 2021 (covering calendar year 2020), relevant brokerage statements, and trading data to determine whether any of his financial activity reports violated public reporting regulations.

During the course of this investigation, we requested information from Mr. Clarida. Mr. Clarida reported that, in responding to our request for information, he discovered that he inadvertently omitted one trade²⁴ from his 2019 OGE Form 278e and three trades²⁵ from his 2020 OGE Form 278e. We independently conducted a detailed review of these omitted trades to determine whether further investigation was warranted.

We found that Mr. Clarida generally communicated with Board Ethics staff prior to engaging in trading activity regarding specific holdings, permissible securities, and other ethics matters. For example, on December 31, 2019, Mr. Clarida requested feedback from Board Ethics on the permissibility of investing

²⁰ On April 1, 2020, guidance issued by Board Ethics analyzed whether ownership of municipal bonds would present a conflict of interest under 18 U.S.C. § 208 for Board employees working on issues related to creating the lending facility. Board Ethics concluded that staff who own municipal bonds issued by state or local governments may participate in creating the lending facility envisioned by section 4003(c)(3)(E) of the CARES Act because the establishment of the facility is not a “particular matter.”

²¹ We found that on March 30, 2020, Board staff confirmed that OGE supports the conclusion that the design and operation of the proposed MLF pursuant to section 4003 of the CARES Act is not a “particular matter” within the meaning of 18 U.S.C. § 208.

²² Board of Governors of the Federal Reserve System, “Richard H. Clarida Announces His Intention to Resign From the Board of Governors of the Federal Reserve System on January 14, 2022,” [press release](#), January 10, 2022.

²³ For calendar year 2018 activities, Mr. Clarida submitted the OGE Form 278e on May 15, 2019; for calendar year 2019 activities, Mr. Clarida submitted the OGE Form 278e on May 6, 2020 (amended December 16, 2021); and for calendar year 2020 activities, Mr. Clarida submitted the OGE Form 278e on May 14, 2021 (amended December 16, 2021).

²⁴ The December 31, 2019, purchase of iShares Core High Dividend ETF (HDV).

²⁵ 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).

in two equity ETFs. The Board Ethics staff responded that the ETFs in question were permissible because they were diversified and not concentrated in the financial sector or the U.S. government.

On February 24, 2020, Mr. Clarida and his spouse sold shares in the following equity ETFs held in retirement accounts with previous employers:

- iShares Core High Dividend ETF (HDV)²⁶
- Schwab 1000 Index ETF (SCHK)²⁷
- iShares Edge MSCI Min Vol USA ETF (USMV)²⁸

On February 27, 2020, Mr. Clarida and his spouse executed the following transactions, which included repurchases of shares in some ETFs they sold on February 24, 2020:

- Sale of PIMCO Income Fund Institutional (PIMIX)
- Purchase of iShares Edge MSCI Min Vol USA ETF (USMV)
- Purchase of PIMCO StocksPLUS Fund Institutional (PSTKX)²⁹

Mr. Clarida explained that February 24, 2020, was a time of high market volatility when very little was known about whether the COVID-19 pandemic would affect the United States and, if so, how serious it would be. Given this market uncertainty, Mr. Clarida stated that the February 24 sales of equity ETFs were conducted to increase liquidity so that he and his spouse had the option to retain the cash or invest in more bonds or stocks. Mr. Clarida and his spouse understood that by February 27, the market was down by approximately 7 percent—which meant that equities were down by approximately 15 percent over the previous 2 weeks.

Mr. Clarida and his spouse explained that the trades executed on February 27 were not predetermined on February 24. Despite the market volatility, Mr. Clarida stated that he was optimistic about the future of the U.S. economy at the time. Accordingly, Mr. Clarida and his spouse decided to execute the

²⁶ iShares Core High Dividend ETF (HDV) tracks a dividend-weighted index of 75 high-yielding U.S. equities, screened for high earnings potential and dividend sustainability. The index undergoes quarterly rebalance and reconstitution.

²⁷ Schwab 1000 Index ETF (SCHK) is a float-adjusted market capitalization weighted index that includes the 1,000 largest stocks of publicly traded companies in the United States, with size being determined by market capitalization (total market value of all shares outstanding). It is the fund's policy that under normal circumstances, it will invest at least 90 percent of its net assets (including, for this purpose, any borrowings for investment purposes) in stocks included in the index.

²⁸ iShares MSCI USA Min Vol Factor ETF (USMV) tracks an index of U.S.-listed firms selected and weighted to create a low-volatility portfolio subject to various constraints. The fund typically overweights defensive, dividend-paying sectors. USMV's optimizer also aims to keep other risk factors marketlike as it dials back on volatility. The ETF takes substantially less risk than the market portfolio as shown by low beta. Mr. Clarida and his spouse executed two sales in this holding from two separate accounts.

²⁹ PIMCO StocksPLUS Fund (PSTKX) is a traditional large-blend index fund that aims to match the performance of a market index by investing in all, or a representative sample, of the stocks in the index. The fund combines passive exposure to the S&P 500 Index with additional return potential provided by short-term strategies. Large-blend portfolios are fairly representative of the overall U.S. stock market in size, growth rates, and price.

February 27 transactions to rebalance their retirement accounts by adding more equities and reducing bonds, with the understanding that the equity market was trading at a discount of approximately 15 percent over the prior 2 weeks. As part of executing the February 27 trades, Mr. Clarida and his spouse's brokerage firm had the ability on its trading platform to transact a 100 percent swap-out of one fund into another fund by checking a box. Mr. Clarida and his spouse explained that they checked this box and chose to sell all of the PIMIX bond fund, and then chose to have the proceeds from that sale entirely invested into the PIMCO StocksPLUS Fund (PSTKX). Additionally, for the February 27 trades, Mr. Clarida and his spouse decided to maintain their USMV position, which required a repurchase of shares of this same ETF they had sold on February 24.

Mr. Clarida stated that he and his wife's decision to increase equities and reduce bonds was consistent with the approach they had taken in prior rebalancing strategies. Additionally, Mr. Clarida explained that this trading activity was consistent with their general investment strategy, in which they reallocated or rebalanced the percentage of bonds, stocks, or cash held in their retirement accounts about twice a year. Mr. Clarida did not contact Board Ethics staff prior to executing these trades because the ETFs had already received prior approval as acceptable securities.³⁰ We independently verified that the explanation provided by Mr. Clarida and his spouse was consistent with our analysis of relevant brokerage statements, trading data, and the market conditions during the week of February 24, 2020.

In regard to the trades that were omitted from his 2019 and 2020 OGE Form 278e, Mr. Clarida explained that in reporting his annual financial disclosures, he reviewed a physical year-end brokerage statement showing his and his spouse's year-end holdings and compared it to his prior year OGE Form 278e. He stated that he noted the changes between the two documents to determine whether they had any reportable transactions. He stated that because the February 24 and February 27, 2020, transactions did not result in a change to his holdings, he inadvertently omitted the February 24, 2020, transactions. Similarly, in reconciling his 2019 transactions, he stated that he inadvertently omitted the December 31, 2019, purchase of iShares Core High Dividend ETF (HDV) because the order for the purchase was placed on December 31, and he stated that he did not see the holding on the December 2019 brokerage statement.

Accordingly, on December 16, 2021, Mr. Clarida submitted corrections to part 5 (Spouse's Employment Assets & Income and Retirement Accounts) and part 7 (Transactions) of his 2019 OGE Form 278e, originally submitted and signed on May 6, 2020, by adding the information shown in figure 1.

³⁰ On January 7, 2019, Mr. Clarida emailed the Board's then designated agency ethics official (DAEO) with a list of seven municipal bond ETFs and mutual funds that he and his spouse invested in, and the same day the Board's DAEO replied "those funds all look fine"; on December 31, 2019, Mr. Clarida emailed the Board's DAEO with a list of two equity ETFs that he and his spouse planned to invest in, and the same day the Board's DAEO replied "both are OK (diversified, no policy of concentrating in financial sector or US governments) [sic]."

Figure 1. Corrections to “Spouse’s Employment Assets & Income and Retirement Accounts” and “Transactions” Sections in Mr. Clarida’s 2019 OGE Form 278e

Part 5

#	DESCRIPTION	EIF	VALUE	INCOME TYPE	INCOME AMOUNT
4	iShares Core High Dividend ETF (HDV) (held in Roth IRA)	Yes	\$100,000-\$250,000		None (or less than \$201)
5	iShares Edge MSCI Min Vol USA ETF (USMV) (held in Roth IRA)	Yes	\$250,000-\$500,000		None (or less than \$201)

Part 7

#	DESCRIPTION	TYPE	DATE	AMOUNT
8	iShares Core High Dividend ETF (HDV)	Purchase	12/31/2019	\$100,000-\$250,000

Source: Mr. Clarida’s corrected 2019 OGE Form 278e, submitted December 16, 2021.

Additionally, on December 16, 2021, Mr. Clarida submitted corrections to part 5 (Spouse’s Employment Assets & Income and Retirement Accounts) and part 7 (Transactions) of his 2020 OGE Form 278e, originally submitted and signed on May 14, 2021, by adding the information shown in figure 2.

Figure 2. Corrections to “Spouse’s Employment Assets & Income and Retirement Accounts” and “Transactions” Sections in Mr. Clarida’s 2020 OGE Form 278e

Part 5

#	DESCRIPTION	EIF	VALUE	INCOME TYPE	INCOME AMOUNT
5	iShares Core High Dividend ETF (HDV) (held in Roth IRA)	Yes	None (or less than \$1001)		None (or less than \$201)

Part 7

#	DESCRIPTION	TYPE	DATE	AMOUNT
4	Schwab Strategic 1000 ETF (SCHK)	Sale	02/24/2020	\$250,000-\$500,000
5	iShares Edge MSCI Min Vol USA ETF (USMV)	Sale	02/24/2020	\$1,000,000-\$5,000,000
6	iShares Core High Dividend ETF (HDV)	Sale	02/24/2020	\$100,000-\$250,000

Source: Mr. Clarida’s corrected 2020 OGE Form 278e, submitted December 16, 2021.

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 278e. 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 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, Mr. Clarida notified Board Ethics of the February 24, 2020, omitted trades from his 2020 OGE Form 278e. Mr. Clarida then provided Board Ethics with an amended OGE Form 278e covering calendar years 2019 and 2020. On November 1, 2021, Board Ethics 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 amendment to an OGE Form 278e. 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 Mr. Clarida provided in the amended OGE Form 278e through our review of contemporaneous emails, brokerage statements, and trading data.

Based on the facts as described above, we determined that the omissions from Mr. Clarida’s 2019 and 2020 OGE Form 278e do not require further investigation.

OGE Supplemental Standards

We reviewed Mr. Clarida's 2019 and 2020 OGE Form 278e, relevant brokerage statements, and trading data to determine whether any of his financial activities violated the OGE supplemental standards. Because Mr. Clarida had regular, ongoing access to Class I FOMC information, he was prohibited from owning or controlling, directly or indirectly, any debt or equity interest in a depository institution or any of its affiliates, or a primary government securities dealer or any of its affiliates.

Our review determined that Mr. Clarida did not own or control any prohibited holdings. Therefore, we concluded that he did not violate the OGE supplemental standards.

FOMC Blackout Rule

We analyzed Mr. Clarida's 2019 and 2020 OGE Form 278e, brokerage statements, and trading data to determine whether any of his trading activities violated the FOMC blackout rule. We determined that Mr. Clarida's 2019 and 2020 trading activities did not violate the FOMC blackout rule.

Moreover, our analysis of Mr. Clarida's brokerage statements did not indicate that he engaged in any trading activity from March 23, 2020 (the date of Board Ethics' email about observing a voluntary blackout period), to April 30, 2020 (when the voluntary blackout period ended).

Based on our review as described above, we determined that Mr. Clarida's 2019 and 2020 trading activity neither violated the FOMC blackout rule nor contradicted Board Ethics' advice to observe a voluntary blackout period.

Federal Conflict of Interest Laws

We analyzed Mr. Clarida's 2019 and 2020 OGE Form 278e, relevant brokerage statements, and trading data to determine whether there were any violations of the federal conflict of interest laws, in light of the Federal Reserve's and the FOMC's monetary policy actions in 2020.

By nature of his role as vice chair, Mr. Clarida served as a voting member of the FOMC and participated in setting national monetary policy. Beginning in March 2020, the Federal Reserve authorized the establishment of several emergency lending facilities and authorized the purchase of agency mortgage-backed securities in order to maintain the orderly function of financial markets in response to the COVID-19 pandemic. We determined that none of Mr. Clarida's 2019 and 2020 trading activities were related to, or affected by, these monetary policy actions, which focused on the adoption of broad policy options and were directed to the interests of a large and diverse group of persons. As such, we determined that Mr. Clarida's 2019 and 2020 trading activities did not create a conflict of interest.

Conclusion

In conclusion, we did not find evidence to substantiate the allegations that Chair Powell or Mr. Clarida violated laws, rules, regulations, or policies related to trading activities in effect at the time and as investigated by our office.

While Chair Powell and Mr. Clarida's trading activities complied with relevant Federal Reserve and FOMC rules in effect during the scope of our review, these rules did not sufficiently support public confidence in the impartiality and integrity of the policymakers and senior staff carrying out the public mission of the FOMC's work. In October 2021, the Board announced new rules governing investment and trading activity for senior Board and Reserve Bank officials with the goal of supporting public confidence in the impartiality and integrity of the FOMC's work by guarding against even the appearance of any conflict of interest.

Separate from this investigation, we evaluated 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.³¹ We determined that the new FOMC personal investment and trading policy can be enhanced. Specifically, we found that (1) requirements that apply to senior FOMC officials can be extended to additional staff based on the risk presented by their access to confidential FOMC information, (2) ethics programs can be strengthened to make reviews of financial disclosure reports more uniform and to enforce consequences for policy violations, and (3) the information individuals provide in their financial disclosure reports can be verified for completeness and accuracy. The report contains six recommendations intended to enhance the design and effectiveness of the *Investment and Trading Policy for FOMC Officials* and strengthen the Board's and the Reserve Banks' approach to monitoring personal investment and trading activities for possible conflicts of interest. The report was posted to the OIG's public website on May 1, 2023.

Based on our findings, we are closing our investigation into Chair Powell's and Mr. Clarida's 2019 and 2020 trading activities.

³¹ Office of Inspector General, *The Board Can Further Enhance the Design and Effectiveness of the FOMC's Investment and Trading Rules*, [OIG Report 2023-SR-B-006](#), April 26, 2023.