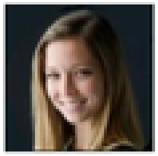
Title: The Fed's Trading Scandal Broadens into a Scandal with the Mega Banks It "Regulates"
Author: disoriented_llama
Created 2022-10-24 16:31:01 UTC
Permalink: /r/TheGloryHodl/comments/ycfsa2/the_feds_trading_scandal_broadens_into_a_scandal/
Url: https://www.reddit.com/gallery/ycfsa2

12:29

wallstreetonparade.com

The Fed's Trading Scandal Broadens into a Scandal with the Mega Banks It "Regulates"

By Pam Martens and Russ Martens: October 24, 2022 ~



Jeanna Smialek, Federal Reserve and Economy Reporter, New York Times

Last Thursday, Jeanna Smialek, who reports on the Fed for the New York Times, broke the news that the President of the St. Louis Fed, James Bullard, gave a private, invitation-only briefing on October 14 to clients of Citigroup – a Wall Street megabank that is supervised by the Fed and which received the largest bailout from the Fed from 2007 to 2010 in global banking history – a cumulative sum of $2.5 *trillion* in secret loans according to a government audit.

Smialek noted in her article that "About 40 people attended the event, which had a formal agenda and was advertised to Citi clients." Bullard answered questions from attendees, according to Smialek's reporting. Bullard is a voting member of the Fed's Federal Open Market Committee and has access to insider information on the Fed's market-moving monetary policy actions.

Bullard would appear to have been living under a rock for the past year. The rest of the world that has had access to news outlets is aware that the Fed remains under the largest trading and ethics scandal in its 109-year history. The Presidents of the Dallas Fed, Robert Kaplan, and the Boston Fed, Eric Rosengren, both resigned from their posts on September 27, 2021 after their aggressive trading during the pandemic in 2020 came to light. The Vice Chair of the Fed, Richard Clarida, also stepped down in January after details of his stock trading made headlines.

And on the same day that Bullard was giving that tone-deaf private briefing to Citigroup clients, the President of the Atlanta Fed, Raphael Bostic, released a seven-page statement in which he admitted to failing to list a multitude of trades that were conducted on his behalf by trading firms on Wall Street over a period of five years; failing to properly report income on his assets on his financial disclosure forms; trading during blackout periods when trading was barred by the Federal Reserve; and providing inaccurate values on his financial disclosure forms. But despite these jaw-dropping disclosures, the Board of Directors of the Atlanta Fed did not ask Bostic to step down. (See our report: Atlanta Fed President Bought Low and Sold High in 2020 as the Fed Bailed Out Wall Street; Then He Failed to Report those Trades.) And, thus far, Bullard appears to be keeping his job as well, despite calls for him to leave the Fed immediately.

One year ago, Senator Elizabeth Warren delivered a speech on the Senate Floor calling out the Fed for a "culture of corruption." (See video below.) Senator Warren is quoted in the recent New York Times report again using the phrase "culture of corruption" to describe just to an audit conducted by the Government Accountability Office (GAO). Its cumulative loans from the Fed amounted to $2.04 trillion. (See page 131 of the GAO report.) Morgan Stanley remains a Global Systemically Important Bank that is supervised by the Fed.

Are the mega banks on Wall Street intentionally going after the inside information held by Fed officials? If not, why didn't their compliance departments prohibit the aggressive trading that was done by these officials during a declared national emergency when the Fed sat on enormous amounts of insider information?

This investigation needs to broaden to include the activities of the former Fed Chair, Janet Yellen, who stepped down on February 3, 2018 when President Donald Trump failed to renominate her for the position of Chair. Yellen was a Fed Governor before becoming its Chair and that term didn't expire until 2024. Yellen could have remained at the Fed and functioned as a public servant. Instead, in the very same month that she stepped down at the Fed, she signed an exclusive contract with the Washington Speakers Bureau.

Less than two months after stepping down from the Fed, Yellen was raking in huge fees from the mega banks on Wall Street, the very banks that are supervised by the Fed.

When Yellen was nominated by President Joe Biden for the post of Treasury Secretary, she had to file a new financial disclosure form. That form revealed that she had received more than $7 million in speaking fees, the bulk of which came from Wall Street mega banks and trading houses, after stepping down from the Fed. (See our report: After Taking Millions in Speaking Fees from Wall Street, Treasury Secretary Yellen Redacted 73 Meetings or Phone Calls in First 3 Months in Office.)

When the news broke about Yellen's cash haul, Senior Editor and Reporter Jesse Eisinger of ProPublica Tweeted this: "Deeply troubling two-fisted money grab from banks by Janet Yellen. This is corruption, but isn't called that because it's so quotidian." Eisinger added: "Sure, Yellen might think she can make independent decisions once in office. But how arrogant is it to imagine that money corrupts everyone but you?"

how little has changed at the Fed despite an ongoing investigation and a year of withering headlines.

As far as the public knows, the ongoing investigation of the Fed's trading and ethics scandal is not in the hands of the Securities and Exchange Commission or the U.S. Department of Justice but is in the hands of the Fed's Inspector General, which is hardly an independent investigator since it reports to the Fed's Board of Governors – the very body that has allowed this culture of corruption to metastasize.

A key reason that this matter demands the eyes of career prosecutors is that the mega banks on Wall Street, which are supervised by the Fed, have been closely linked by *Wall Street On Parade* to the trading activities of the Fed officials.

Kaplan's trading and obstruction should have warranted an immediate criminal investigation by the Justice Department. In 2020, while sitting as a voting member of the Fed's Federal Open Market Committee and having access to inside information on the multiple bailout programs the Fed was rolling out to deal with the pandemic, Kaplan was trading in lots of over $1 million in both stocks and S&P 500 futures contracts. (S&P 500 futures contracts trade almost around the clock from Sunday evening through Friday evening and thus can be utilized to trade after the stock market is closed and before it opens, the perfect vehicle should one have access to insider information.)

Kaplan is a sophisticated trader who previously worked at Goldman Sachs for 22 years, rising to the rank of Vice Chairman. Kaplan's financial disclosure forms suggest that he maintained a trading relationship with Goldman Sachs, since he lists proprietary products created by "GS," short for Goldman Sachs. (See Kaplan's financial disclosure forms from 2015 through 2020 here.) Goldman Sachs is supervised by the Fed.

Kaplan obstructed the media's ability to investigate his trading by refusing to release the specific dates of his trades in 2020 — something his financial disclosure forms required him to do.

Rosengren's wife was given a margin account by Citibank, the commercial bank owned by Citigroup. The Fed supervises Citigroup.

As we previously reported, Bostic was a client of Morgan Stanley's Private Bank, which describes itself as follows on its website: "An exclusive boutique leveraging the Firm's global financial resources and delivering bespoke [custom], comprehensive solutions to individuals and families of significant means." The web page adds that you can "expect a higher standard of care"; have access to "exclusive client events"; receive "personalized attention" and "exclusive offers from 60+ premium brands…."

Morgan Stanley received the second largest bailout from the Fed (just behind Citigroup) during the 2007 to 2010 financial crisis, according to an audit conducted [redacted]ability Office