



BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

JANET L. YELLEN
CHAIR

June 4, 2015

The Honorable Jeb Hensarling
Chairman
Committee on Financial Services
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

This is in response to your May 21, 2015, subpoena to the Board for certain records related to the Federal Reserve's review commencing in October 2012 regarding the alleged disclosure of information about the September 12–13, 2012, meeting of the Federal Open Market Committee (FOMC). The Board recognizes the oversight function that the Committee exercises over the Federal Reserve and has long and consistently cooperated to provide the Committee with information that it needs to conduct its oversight role, including providing the Committee with information that it has requested since your first communication on this matter on February 5, 2015.

Prior to the issuance of the subpoena, Board staff provided, in March of this year, information and a briefing to your staff regarding the review conducted by the FOMC's General Counsel and Secretary. By letter to you of May 4, 2015, I also indicated that I had authorized staff to provide additional information that you requested regarding this matter, and Board staff has been working with your staff to arrange interviews with Board staff that you have requested.

Consistent with this past and ongoing cooperation, we are providing all relevant information requested in your subpoena related to Board employees who had access prior to October 4, 2012, to information contained in the Medley Report and whose employment with the Federal Reserve has ended. The responsive information is enclosed. Because this information includes confidential personal information of specific individuals, we request that the Committee treat this information confidentially. We note that the subpoena is the first written request from the Committee for this information and

The Honorable Jeb Hensarling
Page Two

that Board staff had previously indicated a willingness to provide this information if requested by the Committee.

The subpoena requests production, for the first time, of all communications between any employee of the Federal Reserve Board and any employee of Medley Global Advisors over an indefinite period. In addition, the subpoena requests production of records related to the review of this matter by the FOMC's General Counsel and Secretary.

As you know, the alleged leak of information in 2012 is the subject of an open criminal investigation that is being conducted jointly by the Board's Office of the Inspector General (OIG) and the Department of Justice. The Federal Reserve has been cooperating with this investigation and, as you and I have discussed, the Federal Reserve is mindful that we must not impede that open criminal investigation.

We understand that the OIG has indicated to you and Chairman Duffy that providing access at this time to records and information that are related to the OIG's investigation would risk jeopardizing that ongoing criminal investigation, and that the Department of Justice shares this concern. The OIG has also informed the Board that the records and information related to the review conducted by the FOMC's General Counsel and Secretary, communications between Board employees and employees of Medley Global Advisors during the period leading up to and including September and October 2012, and certain other records and information are related to the OIG's ongoing criminal investigation, and that providing access at this time to these records and information would risk jeopardizing its investigation. (See Attachment.)

We also understand that, once the criminal investigation is concluded, the concerns expressed by the OIG and the Department of Justice are expected to change significantly. Accordingly, we are committed to working with you to fulfill the Committee's requests with respect to this matter once the OIG and the Department of Justice have informed us that they have completed their criminal investigation. This deferral will ensure that the Federal Reserve does not impede the criminal investigation currently being conducted by the OIG and the Department of Justice.

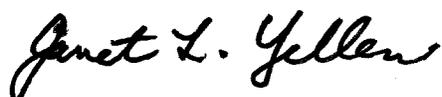
As I noted above, the request for communications between Board staff and employees of Medley Global Advisors is extremely broad and includes records that relate to communications well before and after the September 2012 FOMC meeting and that do not appear to be related to the 2012 FOMC matter. Because of the breadth of this request, complete production of these records will take a significant period of time and will require expenditure of significant resources. Accordingly, Board staff has been

The Honorable Jeb Hensarling
Page Three

working with your staff to prioritize the search for responsive records. The records relating to individuals identified by your staff as the highest priority have been collected and are enclosed, except to the extent that they involve records relating to the OIG's ongoing investigation. Because the enclosed records include confidential personal information of specific individuals, we request that the Committee treat this information confidentially. We will continue to work with your staff regarding this request.

Protection of confidential FOMC information is an important matter for the Federal Reserve, and we, like you, are working to protect that information. We will continue to work with you and the Committee on this matter.

Sincerely,

A handwritten signature in black ink that reads "Janet L. Yellen". The signature is written in a cursive, flowing style.

cc: The Honorable Maxine Waters, Ranking Member

Enclosures: Memo from Office of Inspector General to Chair Janet L. Yellen, June 3, 2015
CD with additional documentation



OFFICE OF INSPECTOR GENERAL
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
CONSUMER FINANCIAL PROTECTION BUREAU

June 3, 2015

MEMORANDUM

TO: Janet L. Yellen
Chair
Board of Governors of the Federal Reserve System

FROM: Mark Bialek
Inspector General

SUBJECT: Requests for Documents or Information Relating to the Office of Inspector General's Open Investigation Into the Alleged 2012 Disclosure of Confidential Federal Open Market Committee Information

It is the Office of Inspector General's (OIG) understanding that the Board of Governors of the Federal Reserve System has received multiple requests for access to documents or information related to the alleged disclosure of confidential Federal Open Market Committee (FOMC) information from the September 2012 FOMC meeting, including a copy of the final report of the internal review of this matter that was conducted by the FOMC General Counsel and Secretary.

As you know, the OIG is currently conducting an investigation into this alleged disclosure of confidential FOMC information to determine whether any criminal, civil, or administrative wrongdoing may have occurred. The OIG's investigation is also being conducted jointly with the U.S. Department of Justice. Throughout the course of this investigation, the OIG has obtained a variety of FOMC records and information, including the FOMC General Counsel and Secretary's internal review report.

It is our responsibility to ensure that the OIG's investigations are conducted in a thorough and impartial manner. As you know, this matter involves an open criminal investigation. Your provision of access to records or information that are part of our ongoing criminal investigative file, or otherwise associated with our ongoing criminal investigation, has the very real potential of jeopardizing the investigation; revealing sensitive techniques, methods, or strategies; chilling sources of information; interfering with the rights of individuals who may be identified in law enforcement files but who may never be charged, let alone found guilty of any violation of law; and damaging the integrity, impartiality, and fairness of the law enforcement process. Moreover, as explained in our May 29, 2015, letter to the U.S. House of Representatives, Committee on

Financial Services Committee, the U.S. Department of Justice's Office of Legal Counsel has issued an opinion that concludes Inspectors General must decline to provide Congress with confidential information concerning open criminal investigations.¹

In our view, providing access to records or information relating to the OIG's ongoing criminal investigation would pose significant risks to the integrity and effectiveness of this investigation. For these reasons, the OIG requests that you defer providing access at this time to any non-public records or information relating to our open criminal investigation of this matter, including the above mentioned FOMC internal review report. The U.S. Department of Justice joins this request.

Please let us know if you have any questions or would like additional information.

¹ Congressional Requests for Information from Inspectors General Concerning Open Criminal Investigations, 13 Op. O.L.C. 77 (1989).