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United States Senate
COMMITTEE ON FINANCE
WASHINGTON, DC 20510–6200

March 11, 2015

General Mark Bialek
Inspector General
Office of the Inspector General;
Board of Governors of the Federal Reserve System, Consumer Financial Protection Bureau
20th and Constitution Avenue N.W.
Washington, D.C. 20551

Dear General Bialek,

I write to formally request that your office provide my staff with a full briefing on an investigation that your office has performed concerning a possible breach of information security. The alleged breach was a leak of information about Federal Reserve staff preparation of policy options, and information about what Federal Open Market Committee (FOMC) members were considering prior to the September, 2012 meeting of the FOMC. The leak allegedly involved revelation of information about market-sensitive policy options to a private-sector analyst—information that could alter trading in markets, including the market for U.S. Treasury securities, over which I have oversight responsibilities.

More specifically, it has been reported that an analyst at a self-described "global provider of macro policy intelligence" published a research report on October 3, 2012 containing very specific insights on contents of as yet unreleased minutes of the FOMC's September 12-13 meeting. Those minutes were released on October 4, 2012. The analyst's report provided details of what the unreleased minutes of the FOMC meeting would say, information about the menu of policy options and possible actions that were presented by staff of the Board of Governor of the Federal Reserve System (Board) at the FOMC meeting, and information suggestive of a leak from Board staff to the analyst (e.g., that it took Board staff until after midnight to complete work on the final draft of policy recommendations for the September 12-13 FOMC meeting).

Any possibility of an information security breach may be investigated by the Office of Inspector General (OIG) of the Board. Your staff has identified that there was an investigation into the security breach referred to above, but your office has been reluctant to arrange a meeting with my staff on the investigation. Of course, that is unacceptable.

The Inspector General Act of 1978, as amended, (5 USC Appendix) provides that Inspectors General will keep agency heads and Congress fully and currently informed about problems and deficiencies within their respective agencies.

I am certain that you can understand how important it is for the Finance Committee to be made aware of the existence of any past or present audit, inspection, or investigation, criminal or

otherwise, so that I and other Committee Members can successfully meet our responsibilities to the American people.

There is no record on the OIG's public website to indicate that any investigation occurred, or of any attendant audit or audit report, or results of any investigation that may have occurred. Lack of a record seems peculiar, especially given that your office produced Audit Report 2013-AE-B-012 associated with an early release, in 2013, of minutes of an FOMC meeting by a Congressional Liaison Office official at the Board.

Your staff has also indicated to mine that, because your investigation of a possible information security breach may have involved information that was discussed by members of the FOMC and may be "pre-decisional," the matter cannot be discussed. This, too, is unacceptable. Mere identification that something may have been discussed at some point by FOMC members appears to be a method to cloak information under the guise of an audit exemption which is unlikely to be at all relevant in this case.

My request of information from your office about a leak of market-sensitive information regarding unreleased minutes of an FOMC meeting is a request about any investigation, audit, and findings at your office; it is not a request for information included in Board audit exemptions in 31 U.S.C.§ 714 (b). Nonetheless, your office has indicated that, because the matter may have been separately discussed by FOMC and Board officials, it is somehow cloaked and cannot be discussed.

The notion that the Board and FOMC could cloak any information that it pleases and shield it from transparency and accountability is unacceptable. The American public and Congress must be able to have oversight over the Federal Reserve's handling of possibly sensitive information relevant to the vast markets for U.S. Treasury debt obligations, whether it is potentially market-moving details of a pending release of an FOMC meeting or secret plans by the Federal Reserve and Treasury for how to deal with a debt default or sovereign credit-rating downgrade.

I request that your office provide my staff with a full briefing of any investigative or audit work associated with the possible leak of market-sensitive and possible market-moving information by an official at the Board, including officials in the Division of Monetary Affairs, to a private-sector analyst at a firm that provides global macro policy intelligence. Please be prepared by bringing to the briefing information about:

- Who conducted the investigation, and how it was conducted;
- Who at the Board, including officials in the Division of Monetary Affairs, was interviewed;
- Whether your office gathered phone and e-mail records of individuals at the Board, including officials in the Division of Monetary Affairs, to ascertain whether those officials had contact with the private-sector analyst who authored the research report in question;
- The status of the investigation;

- Findings and outcomes of the investigation, including whether the source at the Board of the leak has been determined and, if so, what actions have been taken against the source;
- Any recommendations to the Board, including the Division of Monetary Affairs, stemming from your investigation of the possible leak of market-sensitive information;
- Why there has been no report about the OIG's investigation into this matter.

Thank you for your attention. Please contact Nick Wyatt of my staff upon receipt of this letter to arrange the briefing that I request.

Sincerely,

Orrin G. Hatch
Chairman