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

March 11, 2015

The Honorable Janet Yellen
Chair
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue N.W.
Washington, D.C. 20551

Dear Dr. Yellen:

It has been reported that Board of Governors of the Federal Reserve System (Board), within a week of a possible breach of information security, initiated an internal investigation in 2012 of the possible breach. 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 to the FOMC meeting, and information suggestive of a leak from Federal Reserve 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).

It has been reported that Board staff, acting on a request of then Chairman Bernanke, sent a letter and questionnaire to other Federal Reserve Board staffers who may have had access to material that could have been leaked to the private-sector analyst, and requested e-mail and phone records. Under Federal Reserve Rules, as I understand them, any resulting information would then have been reported to the Board Chair. It does not appear that the Board has publicly disclosed any of its findings from its investigation into the potential severe breach of information security in this matter.

Any possibility of an information security breach may also be investigated by the Office of Inspector General (OIG) of the Board of Governors of the Federal Reserve System and Consumer Financial Protection Bureau. There is no record on the OIG's public website to indicate that such an investigation occurred, or that results of any investigation that may have occurred are available for inspection by the American people or Congress.

In the interest of transparency, I request that you provide to me results of the Board's internal investigation into the breach of information security described above. Oversight of the integrity of markets for U.S. Treasury securities is part of my duty as Chairman of the Senate Finance Committee, and the information-security breach described above would constitute a threat to the integrity of those markets.

My request for information about a leak of market-sensitive information regarding as yet unreleased minutes of an FOMC meeting is a request about any investigation and findings that the Board has undertaken; it is not a request for information included in Board audit exemptions in 31 U.S.C.§ 714 (b). While the matter may have been separately discussed by FOMC and Board officials, I am not asking for information about deliberations, decisions, or actions on monetary policy matters, or anything involving monetary policy decisions or any "pre-decisional" deliberations that the Board has used in the past to cloak information.

As you are aware from ongoing inquiries (dating as far back as July, 2011) I have made about contingency plans formulated by the Federal Reserve and the Treasury Department concerning debt default and a sovereign credit-rating downgrade, the Board has in the past invoked the notion that anything that the Federal Reserve chooses to place in minutes of an FOMC meeting, whether it involves monetary policy or not, simply cannot be questioned. My earlier inquiries about contingency plans related to a clear identification of the existence of those plans—which are not monetary policy plans—for debt default and a U.S. sovereign credit-rating downgrade that were clearly formulated by the Federal Reserve and the Department of the Treasury. Those plans were identified explicitly in transcription of an August 1, 2011, videoconference meeting of the FOMC that was buried in the minutes of a separate August 9, 2011, FOMC meeting.

The notion that the Board and FOMC can 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 information relevant to the vast markets for U.S. Treasury debt obligations, whether it is potentially market-moving details of a pending release of minutes 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.

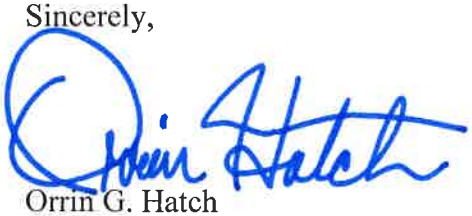
Please provide the results of the Board's internal investigation into the possible breach of information security at the Board involving revelation of market-sensitive information about minutes of an FOMC meeting, prior to the release of those minutes, by an official at the Board, including staff of the Division of Monetary Affairs, to a private-sector analyst at a firm that provides macro policy intelligence to its clients. Please include in the information that you send:

- Who conducted the investigation, and how it was conducted;
- Copies of any letters or questionnaires sent to any Federal Reserve staff members as part of any investigation;
- Who at the Board, including officials in the Division of Monetary Affairs at the Board, was interviewed;
- Whether, as part of any investigation, phone and e-mail records of individuals at the Board, including officials in the Division of Monetary Affairs, were gathered 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;
- Why there has been no public report from the Board about this matter or about any Board investigation and findings.

Please provide the information requested above by March 26, to the attention of Nick Wyatt on my staff at the Senate Committee on Finance.

Sincerely,



Orrin G. Hatch
Chairman