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Description of document: Closing documents for Federal Reserve Board Office of Inspector General (OIG) investigation regarding unauthorized disclosure of information to Medley Global Advisors, 2014-2017

Requested date: 05-April-2017

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Source of document: Information Disclosure Section
Board of Governors of the Federal Reserve System
20th & Constitution Avenue, NW
Washington, DC 20551
Fax: (202) 872-7565, (to: Information Disclosure Section)
[Electronic Request Form](#)

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

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 4, 2018

Re: *Freedom of Information Act Request No. F-2017-0133*

This is in response to your email dated and received by the Board's Freedom of Information Office on April 5, 2017. Pursuant to the Freedom of Information Act ("FOIA"), 5 U.S.C. § 552, you request:

A copy of the final report, report of investigation, closing report, closing memo, referral memo, referral letter or other conclusory documents from this investigation of the Federal Reserve Board Office of Inspector General regarding unauthorized disclosure of information to Medley Global Advisors about policy options that the central bank was considering in 2012. See, e.g.:

<https://www.bloomberg.com/news/articles/2017-04-04/fedleak-probe-dooms-lacker-but-leaves-key-question-who-leaked>[.]

According to knowledgeable Board Office of Inspector General ("OIG") staff, no final report or other conclusory document was created for this matter. The closest approximation to a conclusory document is a status *Investigation File Report*, which contains quarterly updates regarding the OIG investigation. A copy of this document will be provided to you. However, I have determined that portions of this document consist of the predecisional deliberations of OIG staff; the names and other personally identifiable information of OIG investigative staff, Board employees, and other third parties; the personally identifiable information of and other information received from an OIG confidential source; and information related to the techniques or procedures of the law enforcement operations of the Board that, if disclosed, could reasonably be expected to risk circumvention of the law. In addition, portions of this document consist of information prohibited from disclosure by a federal statute. This information is exempt from disclosure and will be withheld from you under the authority of exemptions 3(A), 5, 6, 7(C), 7(D), and 7(E) of the FOIA, 5 U.S.C. §§ 552(b)(3), (5), (6), (7)(C), (7)(D), and

(7)(E). The responsive document has been reviewed under the requirements of subsection (b) of the FOIA, 5 U.S.C. § 552(b), and all reasonably segregable nonexempt information will be provided to you. The document being released to you will indicate the amount of information that has been withheld and the applicable exemptions.

Accordingly, your request is granted in part and denied in part for the reasons cited above. The Board's Freedom of Information Office will provide you with a copy of the document being released to you under separate cover. If you believe that you have a legal right to any information that is being withheld, you may administratively appeal by writing to Freedom of Information Office, Board of Governors of the Federal Reserve System, 20th Street & Constitution Avenue NW, Washington, DC 20551; by facsimile to 202-872-7565; or electronically to FOIA-Appeals@frb.gov. Your appeal must be postmarked or electronically transmitted within 90 days of the date of the response to your request.¹

Very truly yours,



Michele Taylor Fennell
Assistant Secretary of the Board

¹ Please note that you may also contact our FOIA Public Liaison at 202-452-3684 for further assistance. Additionally, you may contact the Office of Government Information Services ("OGIS") at the National Archives and Records Administration to inquire about the FOIA mediation services they offer. The contact information for OGIS is as follows: Office of Government Information Services, National Archives and Records Administration, 8601 Adelphi Road-OGIS, College Park, MD 20740-6001; e-mail at ogis@nara.gov; telephone at 202-741-5770 or toll free at 1-877-684-6448; or facsimile at 202-741-5769.



Investigation File Report

I20130013-HQO



Investigation Details

Investigation Title: Release of Confidential Information - FOMC

Status: Investigation Re-opened

Program Area: Federal Reserve Board

Priority: 1: Threats, Disclosure of Nonpublic FOMC Information, Computer Incidents, Security Incident, or Emergency Response

Federal Reserve System: FR Board

Source: Anonymous

City, State: Washington District of Columbia

Division: Other

Lead Agent: (b) (6), (b) (7)(C)

Internal/Confidential: Yes

Congressional Interest: No

Assisting Agencies: Yes

Waived: No

Employee Case: Yes

Law Enforcement: Yes

Victim Class: Other FR Operations

Related Files: No

Program Activity: FRB - Other FRS Operations

Offense Class: Disclosure of Information

Investigation Result: Closed - No Further Action

Date Closed (Initial): 12/01/2014

Date Reopened: 03/10/2015

Date Closed: 04/06/2017

Synopsis

This investigation was reopened based on the results of complaint evaluation C20150031-HQO, in which an anonymous letter was received by Federal Reserve Board (b) (6), (b) (7)(C) who then forwarded a copy of the letter to the OIG on March 4, 2015. The anonymous letter states, (b) (6), (b) (7)(C) (b) (6), (b) (7)(C) of the Fed leaked confidential FOMC information to Medley Global Advisors and other firms before the September 2012 decision."

The investigation concerns the release of confidential information from a September 2012 meeting of the Federal Open Market Committee (FOMC), which later appeared in an October 3, 2012 newsletter written by an analyst at Medley Global Advisors, (b) (6), (b) (7)(C). When the confidential information appeared in the Medley newsletter, the details of the FOMC meeting and minutes had not been released to the public. The minutes for the September 2012 FOMC meeting were released to the public on October 4, 2012.

The initial investigation into this matter was opened on March 13, 2013, based on information from a confidential informant who alleged that a potential leak of confidential FOMC information was not reported to the OIG for investigation by the (b) (6), (b) (7)(C), and (b) (6), (b) (7)(C), as set forth in the *Program for Security of FOMC Information*. Additionally, the confidential informant alleged that the potential leak of confidential FOMC information may have occurred in violation of the *FOMC Policy on External Communications of Committee Participants*, as well as the laws, rules,

and regulations enforced by the U.S. Securities and Exchange Commission (SEC). Based on the information available to the OIG at that time, the OIG was unable to determine the source of the leak of confidential FOMC information and closed the investigation on December 1, 2014.

The new anonymous complaint, received by the OIG on March 4, 2015, contained information that warranted further investigation into this matter. Accordingly, this investigation was reopened. This investigation is being worked under suspected violation of 18 U.S.C. § 641 (public money, property, or records) and any other violation of law, rule, or regulation, including the *Standards of Ethical Conduct for Employees of the Executive Branch*, as well as any violation of Board or FOMC policy, rules, or regulations.

In March 2015, the Federal Bureau of Investigation (FBI) informed the OIG that they initiated an investigation into this matter in coordination with the U.S. Attorney's Office, Southern District of New York (USAO SDNY). Accordingly, this investigation will be coordinated with the FBI and USAO SDNY. We will also coordinate with the U.S. Commodities Futures Trading Commission (CFTC) and SEC to the extent any evidence is obtained to suggest a possible violation of law, rule, or regulation enforced by CFTC or the SEC, including Section 10(b) of the Securities Exchange Act of 1934 and SEC Rules 10b5-1 and 10b5-2.

APRIL 1, 2015 QUARTERLY REPORT

During this reporting period, this investigation was reopened based on the receipt of new information. Both (b) (6), (b) (7)(C) and (b) (6), (b) (7)(C), received anonymous letters allegedly identifying the leaker of confidential FOMC material to Medley Global Advisors. The anonymous letters were obtained for analysis. To date, the reporting agent has coordinated with USAO SDNY and the FBI and the first meeting is scheduled for April 1, 2015 in Washington, DC.

During this reporting period, the OIG obtained a copy of the FOMC's internal review report, dated March 14, 2013. The report identifies one particular piece of confidential FOMC information that was contained in the Medley Global Advisors newsletter.

JULY 1, 2015 QUARTERLY REPORT

During this reporting period, on April 1, 2015, the reporting agent met with the FBI and USAO SDNY to discuss case planning and coordination. An anonymous letter was provided to the FBI for their review and analysis deemed appropriate.

During this reporting period, the OIG obtained a copy of the supporting documentation for the FOMC internal review report.

(b) (6), (b) (7)(C) Monetary Affairs, Board, was interviewed at which time (b) (6) discussed (b) (6), (b) (7)(C), (b) (5)

(b) (6), (b) (7)(C) was interviewed at which time (b) (6) discussed, (b) (6), (b) (7)(C), (b) (5)

(b) (6), (b) (7)(C) Monetary Affairs, Board, was interviewed at which time (b) (6) discussed, (b) (6), (b) (7)(C), (b) (5)

(b) (6), (b) (7)(C) , Research and Statistics, Board, was interviewed at which time (b) (6) discussed
(b) (6), (b) (7)(C), (b) (5)

(b) (6), (b) (7)(C) , Monetary Affairs, Board, was interviewed at which time (b) (6) discussed
(b) (6), (b) (7)(C), (b) (5)

(b) (6), (b) (7)(C) , Research and Statistics, Board, was interviewed at which time (b) (6) discussed
(b) (6), (b) (7)(C), (b) (5)

(b) (6), (b) (7)(C) , Board, was interviewed at which time (b) (6) discussed (b) (6), (b) (7)(C), (b) (5)

(b) (6), (b) (7)(C), (b) (7)(D) was interviewed at which time
discussed (b) (6), (b) (7)(C), (b) (5), (b) (7)(D)

(b) (6), (b) (7)(C) Monetary Affairs, was interviewed at which time (b) (6) discussed
(b) (6), (b) (7)(C), (b) (5)

(b) (6), (b) (7)(C) Monetary Affairs, Board, was interviewed at which time (b) (6) discussed
(b) (6), (b) (7)(C), (b) (5)

(b) (6), (b) (7)(C) Board, was interviewed at which time (b) (6) discussed (b) (6), (b) (7)(C), (b) (5)

(b) (6), (b) (7)(C) , Board, was interviewed at which time (b) (6) discussed (b) (6), (b) (7)(C), (b) (5)

During this reporting period, an analysis of (b) (6), (b) (7)(C) Board email account found communications with
(b) (6), (b) (7)(C), Medley Global Advisors, which were (b) (5) . No
evidence was found reflecting the release of any confidential FOMC information. Additionally, an analysis found no
email communications between (b) (6), (b) (7)(C) and representatives of Medley Global Advisors.

See the associated memoranda of interview for additional details regarding the interviews described within this quarter.

OCTOBER 1, 2015 QUARTERLY REPORT

During this reporting period (b) (6), (b) (7)(C) , was interviewed in an effort to obtain (b) (6), (b) (7)(C) emails, at which time (b) (6) said that a Federal Reserve System-wide snapshot of emails was requested during the FOMC's earlier internal investigation into the leak.

During this reporting period (b) (6), (b) (7)(C) laptop computer was obtained by the OIG, as well as images of (b) (6), (b) (7)(C) devices, for review and analysis.

During this reporting period, OIG reporting agent interviewed (b) (6), (b) (7)(C) (b) (6), (b) (7)(C) , who said that (b) (6), (b) (7)(C), (b) (5)

During this reporting period, a copy of those Reserve Bank email accounts were provided to the OIG. The OIG's independent review and analysis of those emails began during this reporting period.

During this reporting period, email analysis found several communications, both prior to and during the relevant timeframe, between (b) (6), (b) (7)(C) and (b) (6), (b) (7)(C) of Medley Global Advisors (b) (5) . These communications included emails relating to the issuance of a prior Medley Global Advisors newsletter concerning the content of FOMC meeting minutes.

During this reporting period, efforts were made to interview (b) (6), (b) (7)(C) .

JANUARY 1, 2016 QUARTERLY REPORT

During this reporting period, (b) (6), (b) (7)(C) was interviewed (b) (7)(E) with the USAO SDNY. (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C), (b) (5)

APRIL 1, 2016 QUARTERLY STATUS REPORT

During this reporting period, (b) (6), (b) (7)(C) Board was interviewed at which time (b) (6) said (b) (6) (b) (6), (b) (7)(C), (b) (5)

As of this reporting period, the investigation is also being worked under a potential violation of 18 U.S.C. § 1001.

During this reporting period, the investigative team reviewed the notes taken by (b) (6), (b) (7)(C) during (b) (6), (b) (7)(C) interview conducted by (b) (6), (b) (7)(C) . No evidence was found that (b) (6), (b) (7)(C) told (b) (6), (b) (7)(C) or others during (b) (6) interview that (b) (6) and (b) (6), (b) (7)(C) discussed the confidential FOMC information.

During this reporting period, (b) (6), (b) (7)(C) , Board was interviewed about conducting the (b) (6), (b) (7)(C) (b) (6), (b) (7)(C), (b) (6), (b) (7)(C), and others. (b) (6), (b) (7)(C) said (b) (6), (b) (7)(C), (b) (5)

On March 10, 2016, the OIG reporting agent met with USAO SDNY to discuss investigative findings to date.

JULY 1, 2016 QUARTERLY STATUS REPORT

On April 20, 2016, (b) (6), (b) (7)(C) , Board was interviewed (b) (6), (b) (7)(C), (b) (5)

During this reporting period, (b) (6), (b) (7)(C), (b) (3) (A)

OCTOBER 1, 2016 QUARTERLY STATUS REPORT

During this reporting period, (b) (6), (b) (7)(C), (b) (3) (A)

JANUARY 1, 2017 QUARTERLY STATUS REPORT

During this reporting period, (b) (6), (b) (7)(C), (b) (3) (A)

APRIL 1, 2017 QUARTERLY STATUS REPORT

During this reporting period, (b) (6), (b) (7)(C), (b) (3) (A)

APRIL 5, 2017 CASE CLOSING STATUS REPORT

On April 4, 2017, (b) (6), (b) (7)(C)
(b) (6), (b) (7)(C)

USAO SDNY has declined to prosecute this matter. Based the USAO SDNY's declination and (b) (6), (b) (7)(C) (b) (6), (b) (7)(C) , as well as a lack of any additional logical leads, no further investigative activity is warranted.