# Code of Conduct

Revised May 6, 2026

# FEDERAL RESERVE BANK OF ST. LOUIS

# CODE OF CONDUCT

As revised May 6, 2026

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**APPENDIX A**

Detailed Provisions Regarding Disqualifying Interests and Seeking Other Employment

**APPENDIX B**

Provisions Applicable to Employees with Banking Supervision and Examination Responsibilities

# CODE OF CONDUCT

Appearances matter, and the requirements within the Code of Conduct are designed to ensure public confidence in the Federal Reserve System ("System"). If your conduct creates even the appearance that you have a conflict of interest, are not acting impartially, or are using your job for your own private benefit or to benefit a third party, it can draw negative attention and adversely impact the integrity of the Federal Reserve.

Remember to consult with the Reserve Bank's Ethics Officer any time you have a question about the Code or if you may be working on matters where your impartiality could reasonably be questioned.

## 1. Basic Obligation

It is indispensable to the proper functioning of, and the maintenance of public confidence in, the Federal Reserve Bank of St. Louis ("Reserve Bank") and the System that every employee performs their duties with honesty, integrity and impartiality, and without improper preferential treatment of any person or entity.

Each employee has a responsibility to the Reserve Bank and to the System to avoid conduct which places private gain above the interests of the Reserve Bank or System, which gives rise to an actual or apparent conflict of interest, which might result in a question being raised regarding the independence of the employee's judgment, or the employee's ability to perform the duties of their position satisfactorily.

Each employee must exercise good judgment consistent with both the letter and spirit of this Code, and shall respect and comply with the principles and standards of conduct contained in this Code. An employee who needs assistance in interpreting the provisions of the Code or who desires additional information should contact the Reserve Bank's Ethics Officer.

## 2. Employee Conduct

### 2.1 Gambling and Lotteries

An employee shall not participate in any gambling or illegal lottery activity, for money or anything of value, while on Reserve Bank premises, conducting Reserve Bank business, or using Reserve Bank resources.

### 2.2 Alcoholic Beverages

Except at Reserve Bank approved functions, the Reserve Bank prohibits the sale or consumption of alcoholic beverages by anyone on the Reserve Bank's premises. The Reserve Bank prohibits an employee from performing job duties or conducting bank business if the employee is under the influence of alcohol--*i.e.,* the employee's physical or mental abilities are impaired.

### 2.3 Substance Use

An employee shall not possess, use, sell, distribute, or be under the influence of, any unauthorized substance while on Reserve Bank premises, conducting Reserve Bank business, or using Reserve Bank resources. An unauthorized substance is any illegal drug or illegal controlled substance under federal or applicable state law, or any drug which has been legally obtained but is not being used in the prescribed dosage for prescribed purposes.

### 2.4 Firearms/Hazardous Materials

The possession or use of firearms or other lethal weapons, ammunition, explosives or hazardous materials by an employee on Reserve Bank premises is prohibited. This restriction does not apply to items that are owned by the Reserve Bank and used by a Reserve Bank employee in the conduct of Reserve Bank business.

### 2.5 Financial Affairs

Each employee should conduct their financial affairs with integrity and honesty.

## 3. Reserve Bank Property and Information

### 3.1 Reserve Bank Property

An employee has a duty to protect and conserve Reserve Bank property and ensure its use for proper purposes.

### 3.2 Reserve Bank Information

Reserve Bank information should be released or used only as authorized by Reserve Bank policy. Reserve Bank examination and other bank or bank holding company supervisory information is the property of the Board of Governors of the Federal Reserve System ("Board") and may be disclosed only in accordance with Board procedures.

Information maintained as fiscal agent for any federal agency may be disclosed only in accordance with that agency's procedures.

In the course of working at the Reserve Bank, an employee may have access to non-public information. Non-public information is information that the employee knows, or reasonably should know and:

(a) has not been made available to the general public;
(b) is designated as confidential, private or proprietary; or
(c) is routinely treated by the Reserve Bank as confidential.

This may include information related to a Reserve Bank, the System, the Federal Open Market Committee (“FOMC”), or another person or institution (such as a banking organization, a vendor,

an employee or former employee of a Reserve Bank, or a federal agency). An employee must strictly preserve the confidentiality of such information. It can be disclosed only as required for Reserve Bank purposes and only as authorized.

### 3.3 Use of Non-public Information for Private Gain

An employee is prohibited from using non-public information for any purpose other than Reserve Bank business. In addition, an employee may not engage, directly or indirectly, in any financial transaction as a result of, or in reliance on, non-public information, whether such information relates to the Reserve Bank or any other person or institution. An employee may not allow the improper use of such non-public information to further the employee's own private interest or that of another person, whether through advice, recommendation, or a knowing, unauthorized disclosure. Moreover, employees with access to FOMC information must also ensure they comply with the Program for Security of FOMC Information.[1]

## 4. Use of Position

### 4.1 For Private Gain

An employee may not, directly or indirectly, use the employee's position for their own private gain or that of any other person.

### 4.2 Endorsements

An employee shall not use or permit the use of their position or title, or any authority associated with their office, to endorse any product, service, person or enterprise except in connection with Reserve Bank products and services or as otherwise authorized by the Reserve Bank.

### 4.3 To Influence a Partisan or Non-Partisan Election or Ballot Initiative

An employee may not use, or create the appearance of using, their position or Reserve Bank resources to influence a partisan or non-partisan election or ballot initiative, such as a referendum or constitutional amendment.

## 5. Conflicts of Interest

### 5.1 General Standard

An employee should avoid any situation that might give rise to an actual conflict of interest or even the appearance of a conflict of interest. An employee who routinely represents the Reserve Bank in dealing with the public must be particularly careful in this regard. Where the circumstances might cause a reasonable person to question the employee's impartiality or otherwise give rise to an appearance of a conflict of interest, the employee should not participate in a matter unless the employee has informed the Reserve Bank of the situation and received authorization from the

[1] https://www.federalreserve.gov/monetarypolicy/files/FOMC_InformationSecurityProgram.pdf

Reserve Bank's Ethics Officer.

*Example*
A conflict of interest, or the appearance of a conflict of interest, may arise where an employee is working on a matter involving a potential contract award and the employee's sibling or close friend works for one of the bidders. As a result, the employee should consult with the Reserve Bank's Ethics Officer before participating in the matter.

## 5.2 Statutory Prohibition on Conflicts

A. *Background.* The rules in this section are derived from provisions of the federal criminal conflict of interest statute and related regulations. Key portions of the regulations, modified as appropriate for the Reserve Bank's use, are contained in Appendix A and are part of this Code. In light of the serious consequences of violating this criminal statute, each employee is strongly urged to read Appendix A in its entirety. An employee who has any questions about the prohibitions contained in this section should contact the Reserve Bank's Ethics Officer.

B. *General Statutory Prohibition.* Notwithstanding the provisions of Section 5.3(B), an employee may not participate personally and substantially in an official capacity in any particular matter in which, to the employee's knowledge, the employee or certain related parties listed in Section 5.2(C) have a financial interest if the particular matter will have a direct and predictable effect on that interest. Participation in a particular matter includes making a decision or recommendation, providing advice, or taking part in an investigation.

C. *Imputed Interests.* The financial interests of the following individuals and entities are imputed to the employee and will disqualify the employee from participating in a matter:

(1) the employee's spouse;

(2) the employee's minor children;

(3) the employee's general partner(s);

(4) an organization or entity for which the employee is an officer, director/board member, trustee, general partner or employee (regardless of the nonprofit status of the organization or whether the employee is paid); and

(5) a person or entity with whom the employee is negotiating for employment or has an arrangement concerning prospective employment. (See Section 6 for more detail.)

*Example*
An employee whose job is to participate in the review of bank holding company applications also serves, without compensation, on the board of directors of a fraternal organization. At a meeting of its board of directors, the employee discovers that the organization, as part of its investment portfolio, owns stock in Bank A. After this meeting takes place, the employee is asked to review an application of Bank Holding Company B to acquire Bank A and to recommend whether the application

should be approved. Even though the employee's personal financial interests will not be affected by the approval or denial of the application, the employee should not review the application. The approval or denial of the application will affect the value of Bank A stock, a financial interest of the organization. The organization's financial interests are imputed to the employee as a member of its board of directors.

D. *Particular Matter.* The term "particular matter" includes a supervisory matter involving a depository institution or its affiliate, rule-making that is focused on a discrete class, an application, enforcement action, examination, request for ruling or other determination, an acquisition or sale (*e.g.,* securities, foreign exchange or real estate), formation of contracts, and the provision of priced and non-priced services.

E. *Direct and Predictable Effect.* In order for a particular matter to have a direct effect on a financial interest, there must be a close causal link between any decision or action to be taken in the matter and any expected effect of the matter on the financial interest. An effect may be direct even though it does not occur immediately. A particular matter that has an effect on a financial interest only as a consequence of its effect on the general economy does not have a direct effect within the meaning of this rule.

A matter will have a predictable effect on a financial interest if there is a real, as opposed to a speculative, possibility that the particular matter will affect the financial interest.

*Example 1*
An employee in data processing is asked to serve on a technical evaluation panel to review proposals for a new computer system. ABC Computer Corp. ("ABC") has submitted a proposal. The employee owns ABC stock. The award of the systems contract to ABC or to any other company that bids will have a direct and predictable effect on the value of the ABC stock. The fact that the gain or loss cannot be measured and that the value of the gain or loss may be extremely small is irrelevant. The employee may not serve on the evaluation panel unless an exemption is applicable [see Section 5.2(F)] or the employee receives a waiver [see Section 5.2(G)].

*Example 2*
An employee in the Check Processing Department is asked to buy a new software program. The employee has a choice between purchasing the software program designed by XYZ Computer Corp. or the software program designed by Mammoth Co. The employee's spouse works for Mammoth Co. and participates in Mammoth Co.'s stock option plan. Through that plan, the employee's spouse receives shares of Mammoth Co. The purchase or non-purchase of Mammoth Co.'s software program will have a direct and predictable effect on the value of Mammoth Co.'s stock and thus the spouse's financial interest. The spouse's interest is imputed to the employee and, therefore, the employee may not decide which software program to purchase unless an exemption is applicable [see Section 5.2(F)] or the employee receives a written waiver [see Section 5.2 (G)]. The fact that the potential gain or loss is immeasurable is immaterial.

*Example 3*
If, on the other hand, the employee's spouse was a salaried employee of Mammoth Co. and had no ownership interest in Mammoth Co., the employee could decide which software program to purchase, assuming that the purchase or non-purchase of Mammoth Co's software program would have no effect on the spouse's salary or employment. While the employee would not be prohibited by the criminal conflict-of-interest statute from participating in this decision, the employee's participation could still give rise to an appearance of a conflict of interest suggesting the employee's disqualification should be considered under Section 5.1. Therefore, an employee in this situation should not participate in the matter without first obtaining authorization of the Reserve Bank's Ethics Officer.

F. *Exempt Financial Interests*. Under regulations issued by the Office of Government Ethics ("OGE"), which are set forth in part in Appendix A, a number of financial interests are exempt, and therefore an employee may participate in a particular matter that will affect those interests.

1. The following interests are exempt:

   (a) investments held through a diversified non-sector mutual fund or unit investment trust;

   (b) an employee's interest in any System retirement and/or thrift plan; and,

   (c) short-term federal government securities (maturity of one year or less) and U.S. Savings Bonds.

2. The OGE regulations also provide additional exemptions relating to financial interests:

   (a) in certain employee benefit plans;

   (b) in publicly traded securities, municipal securities, sector mutual funds, and long-term federal government securities where the aggregate fair market value of the securities owned by the employee and the employee's spouse and any minor child is below a certain amount;

   (c) of certain tax-exempt organizations whose interests are imputed to the employee because of the employee's association with the organization; and

   (d) of an employee's general partner.

The OGE regulations also provide for exemptions in addition to those summarized in this Section. The primary exemptions for the various financial interests, which are set forth in Part II of Appendix A, are complex. An employee who has such an interest or to whom such an interest is imputed from a family member or other related person should carefully read Part II of Appendix A to see whether the employee's participation in a particular matter affecting the interest is allowable.

G. *Individual Waiver.* An employee who would otherwise be disqualified may participate in a particular matter if the employee receives a written waiver prior to participating in the matter. If you want to request a waiver, you should consult the Reserve Bank's Ethics Officer.

## 5.3 Prohibited Financial Interests

A. Notwithstanding anything to the contrary in Section 5.2:

(1) *Prohibition on Certain Debt or Equity Interests.* An employee may not own or control, directly or indirectly, any debt or equity interest in a depository institution or an affiliate of a depository institution. A "depository institution" means a bank, a trust company, certain savings and loan holding companies,[2] or any institution that accepts deposits, including a bank chartered under the laws of a foreign country. The employee is regarded as controlling any debt or equity interest held by the employee's spouse, domestic partner or minor child.

(2) *Prohibitions for those with access to confidential FOMC Information.* Additional prohibited financial interests apply to anyone with access to confidential FOMC Information. See the FOMC Policy on Investment and Trading for Committee Participants and Federal Reserve System Staff or contact the Reserve Bank's Ethics Officer for more information.

(3) *Prohibition of certain cryptoassets.* Additional prohibited financial interests apply to employees who work on projects related to the supervision, regulation, or enforcement of supervised banking organizations' cryptoasset-related activities. See Federal Reserve Administrative Manual 2-028 or contact the Reserve Bank's Ethics Officer for more information.

B. *Exceptions.* The following are not prohibited debt or equity interests within the meaning of Section 5.3(A):

(1) an interest in a publicly traded or publicly available money market fund or other mutual fund or collective investment fund (including a fund that is an affiliate of a depository institution or primary dealer of government securities), provided that: (a) the fund does not have a policy of concentrating its investments in the financial services industry; and (b) neither the employee nor the employee's spouse or domestic partner has the ability to exercise control over the financial interests held in the fund;

(2) an interest acquired by the employee's spouse, domestic partner or minor child (other than from the employee):

(i) prior to the marriage/domestic partnership; or
(ii) prior to the employee's being employed by the Reserve Bank; or
(iii) as compensation or a fringe benefit in connection with the spouse's, domestic partner's, or minor child's employment, or as "qualifying shares" as a condition of service as a director or employee;

(3) a future interest created by someone other than the employee; the employee's spouse, domestic partner, or child;

[2] The list of permissible and impermissible savings and loan holding companies is available on the Board's internal website accessible to all Reserve Bank employees. Contact your Reserve Bank Ethics Officer if you have any questions.

(4) an interest of an employee, spouse, domestic partner, or minor child as a beneficiary of an estate where the interest has not been distributed by the estate's legal representative;

(5) an interest in a widely held, diversified pension or other retirement fund that is administered by a trustee independent from the employee and the employee's spouse/domestic partner;

(6) an interest in a publicly-traded holding company that is not predominantly engaged in the banking or thrift business, is not supervised by the System, and does not control a state member bank, a foreign bank with U.S. operations or a federally insured U.S. office, or a "bank" within the meaning of the Bank Holding Company Act; and

(7) for those employees prohibited from owning stock of a primary dealer or its affiliate, an interest in a publicly-traded holding company that owns a primary dealer provided that the holding company is not predominately engaged in the banking, thrift, or securities business.

An employee who is required to file a disclosure statement pursuant to Section 9 must report all interests as directed on the disclosure statement. Also, it is important to understand that the ability to retain an otherwise prohibited interest pursuant to one of the exceptions does not constitute a waiver for purposes of the general statutory prohibition on conflicts of interest that is described in Section 5.2.

C. *Definition of Debt or Equity Interest.* For purposes of this section, the term "debt or equity interest" includes secured and unsecured bonds, debentures, notes, securitized assets, commercial paper, preferred and common stock, short positions, futures, instruments convertible into the above, as well as options, rights or warrants to acquire such instruments, but does not include a deposit, credit union shares, insurance policy or annuity. Although excluded from the definition of a "debt or equity interest," insurance policies and annuities may be financial interests and may result in conflicts of interest under Section 5.2.

D. *Divestiture.* In addition to any appropriate disciplinary action, an employee who violates this section may be required to divest the prohibited interest. Divestiture also may be required if the ownership or control of an interest, though permissible under this section, would likely disqualify an employee from handling matters to an extent that substantially interferes with the employee's ability to perform their job.

Whenever the Reserve Bank directs divestiture, the employee will be given a reasonable period of time to divest, considering the nature of the employee's particular duties and the nature and marketability of the interest. Except in cases of unusual hardship, as determined by the Reserve Bank, a reasonable period ordinarily will not exceed 90 days from the date divestiture is directed.

E. *Waiver.* The Reserve Bank's Ethics Officer, in consultation with the officer with responsibility for the department in which the employee works, may grant a written waiver permitting an employee to own or control a debt or equity interest prohibited by paragraph A of this section if extenuating circumstances exist and if any required disqualification from a particular matter(s) due to the financial interest would not unduly interfere with the full performance of the employee's duties. Examples of extenuating circumstances are:

(1) ownership or control of the interest (including a preemptive right or option) was acquired before Federal Reserve employment; or

(2) ownership or control of the interest was acquired through inheritance, gift, stock split, stock dividend, merger, acquisition, or other change in corporate structure, or otherwise without specific intent on the part of the employee to acquire the interest.

## 5.4 Gifts, Meals, and Entertainment from Outsiders

A. *Gifts, Meals and Entertainment.*

1. General Prohibition. Except as permitted below, an employee may not solicit or accept, directly or indirectly, any gift, meal, favor, service, entertainment or other thing of monetary value ("gift") from a person or institution that does, or seeks to do, business with the Reserve Bank or is supervised by the System, or has interests that are substantially affected by the employee's duties at the Reserve Bank ("covered sources"), or from an organization, a majority of whose members are covered sources.[3] A gift received by an employee's spouse, domestic partner or child, or given to a person or entity at the specific direction of the employee, is considered to be received by the employee.

An employee who is offered a prohibited gift should decline to accept it. If an employee receives a prohibited gift, arrangements should be made to return or dispose of the gift, and the source should be advised of the Reserve Bank's policy.

2. Exceptions.

(a) A gift that otherwise would be prohibited is permitted if the employee clearly can establish that the gift:

(i) has a de minimis market value (*i.e.,* $20 or less), provided the number of times the employee has received a de minimis gift from the same covered source is infrequent;

(ii) is informational materials related to the employee's work valued at $100 or less, or valued at more than $100 if approved by the Reserve Bank's Ethics Officer;

(iii) is a reduced or waived admission fee to attend, or a meal provided in connection with, a widely attended conference or gathering which is in furtherance of the employee's duties at the Reserve Bank;

(iv) is given or offered under circumstances that indicate it is motivated by a personal relationship that exists independently of the employee's position with the Reserve Bank;

(v) results from their spouse's or domestic partner's employment and has not been offered or enhanced because of the employee's position with the Reserve Bank;

[3] Each Reserve Bank also maintains a separate policy addressing gifts between employees.

(vi) results from the employee's outside employment or business activities and has not been offered or enhanced because of the employee's position with the Reserve Bank;

(vii) is a meal provided in connection with a charitable or civic function or organization in which the employee is a participant;

(viii) is a meal or event authorized in writing in advance by the Reserve Bank's Ethics Officer based on a determination that:

(a) special circumstances exist which make the acceptance of the meal or event appropriate in furtherance of Reserve Bank business;
(b) payment by the employee is not feasible; and
(c) acceptance of the meal or event will not create a conflict of interest; or

(ix) is a discount or benefit available to the general public and is not offered to the employee or enhanced because of the employee's position with the Reserve Bank.

Even when permissible under an exception listed above, an employee always may decline a gift offered by a covered source.

(b) With the Reserve Bank's prior approval, an employee may accept a bona fide award given for achievement, provided:

(i) that the award is made as part of an established program of recognition under which awards have been made on a regular basis or which is funded, wholly or in part, to ensure its continuation on a regular basis; and

(ii) that the program selects recipients pursuant to established standards.

B. *Examiners.* The exceptions described in Section 5.4 (A)(2) do not apply to a gift or a meal offered to an examiner by an institution that the examiner examines, has examined or has authority to examine. Furthermore, an examiner may never accept a meal or gift pursuant to the "de minimis" exception of Section 5.4 (A)(2)(a)(i) from an institution for which the System is the primary federal regulator. An examiner should consult Appendix B, Part I, paragraph 4.

C. *Gift from Foreign Governmental Source.* An employee may not accept a gift from a foreign government, including a foreign central bank, unless it is a gift of minimal value as defined by the General Services Administration[4] and is offered and received as a souvenir or mark of courtesy. An employee may accept a gift from a foreign government greater than the minimal value under certain limited circumstances. An employee should consult with the Reserve Bank's Ethics Officer to determine whether the employee may accept such a gift. Any gift allowable under this subsection is also subject to the requirements of subsection D, below.

[4] *See* the GSA website, which lists the current dollar amount of the minimal value: www.gsa.gov/policy-regulations/policy/personal-property-overview/special-programs/foreign-gifts

D. *Gift or Compensation from Restricted Country*. An employee may not accept any gift or compensation from any person or entity located in a Restricted Country. For purposes of this subsection:

(1) a "gift" is anything of value, including monetary value, specifically including honorary degrees, awards (such as best paper awards), discounts, entertainment and transportation;

(2) "compensation" is remuneration of any kind including, but not limited to, salary, wages, money, or anything offered in kind, such as travel reimbursements, meals, services, or anything else of any value;

(3) a "Restricted Country" is a country that is subject to a U.S. Department of State policy or embargo that restricts the export of defense articles and services. The Department of State's Directorate of Defense Trade Controls maintains a list of these countries on its website: https://www.pmddtc.state.gov/ddtc_public?id=ddtc_public_portal_country_landing.

An employee may accept a gift or compensation that qualifies for an exception under section (A)(2)(a)(i) (iii) (iv) or (vi) above. In addition, a Reserve Bank, but not the employee directly, may accept travel reimbursements from a Restricted Country. Any other exceptions to this subsection must be approved by the Director of RBOPS; such requests should be directed to the First Vice President, or their designee, who will work with the Director of RBOPS to determine whether approval is appropriate.

E. *Treasury Borrowing Advisory Committee.* An employee may not accept any gift from the Treasury Borrowing Advisory Committee of the Public Securities Association or any member of the advisory committee.

## 6. Seeking Other Employment

An employee is prohibited from personally and substantially participating in an official capacity in any matter that will have a direct and predictable effect upon the financial interest of any entity with which the employee is seeking employment or has an arrangement for future employment. Under some circumstances such participation may violate the federal criminal conflict of interest statute. An employee is considered to be seeking employment with an entity as soon as the employee responds with interest to an unsolicited employment inquiry from the entity or its agents or makes an inquiry about employment with the entity, unless the inquiry is part of a mass-mailing to a large class of potential employers, or is a general resume posting to an electronic job search site that does not target a specific employer. If the employee's inquiry to the company is part of a mass-mailing or general posting, the employee is not considered to have begun seeking employment unless the employee receives a response from the company that indicates an interest in employment discussions. Refer to Part III of Appendix A for more information on this prohibition.

The following example illustrates when an employee is seeking employment for purposes of this prohibition.

*Example*
An employee in the Credit and Discount Department receives a call from Bank B asking the employee whether the employee is interested in leaving the Reserve Bank and going to work for Bank B. The employee informs Bank B that they are involved in a project that will be completed by year-end, and that, until the project is completed, the employee cannot consider leaving the Reserve Bank. After this conversation, Bank B approaches the Reserve Bank for an advance. The employee is typically asked to advise whether an advance should be made. The employee is considered to be seeking employment with Bank B because the employee did not clearly reject Bank B's offer but merely postponed discussion to the foreseeable future. Thus, the employee must refrain from participating in the decision to approve or deny the advance to Bank B.

## 7. Outside Activities

### 7.1 General

An employee's outside activity, including outside employment, should not bring discredit to the reputation of the Reserve Bank or the System, interfere with the full and proper discharge of the employee's duties and responsibilities, or be incompatible with the employee's duties and responsibilities. Incompatible activities include, for example, those which are prohibited by statute, regulation or any provision of this Code, those which create the appearance of a conflict of interest, or those which would require the employee's disqualification from matters so central or critical to the performance of their duties and responsibilities that the employee's ability to give satisfactory service to the Reserve Bank would be materially impaired. If an employee has any questions about the propriety of a particular compensated outside activity, the employee should consult the Reserve Bank's Ethics Officer.

The financial interests of any organization of which an employee serves as officer, director/board member, trustee, general partner, or employee will be imputed to the employee for purposes of the statutory prohibitions of Section 5.2.

### 7.2 Teaching, Speaking and Writing

A. *General Prohibition*. Except as provided in Sections 5.4(A)(2)(a)(i) and (iii), 5.4(A)(2)(b), and Section 5.4(C), an employee may not accept compensation, a gift, or honorarium from any source other than the Reserve Bank for teaching, speaking or writing on a subject that relates to the employee's duties and responsibilities. This restriction precludes acceptance by an employee, but not the Reserve Bank, of reimbursement for travel or lodging expenses in connection with an appearance, speech or publication.

B. *Exceptions.* With the Reserve Bank's prior approval, an employee may accept compensation and reimbursement of travel/lodging expenses for:

(1) teaching a course related to the employee's duties if the course is offered as part of the regularly established curriculum of a school, college, or other educational entity (for example, the American Institute of Banking), or

(2) preparing an article or other publication utilizing or incorporating information obtained by the employee in the course of or as a result of performing their job duties at the Reserve Bank, provided the publication is prepared on the employee's own time.

C. *Use of Reserve Bank Title in Connection with Teaching, Speaking, or Writing.* An employee may not use or permit the use of their title at the Reserve Bank in connection with teaching, speaking, or writing, or to promote any book, seminar, or course when such activities are not part of the employee's Reserve Bank duties except:

(1) as one of several biographical notes when such note is given no more prominence than any other; or

(2) as part of an article published in a scientific or professional journal, as long as a reasonably prominent disclaimer states that the views expressed in the article do not necessarily represent the views of the Reserve Bank.

## 7.3 Political Activity

A. *General*. The Federal Reserve Banks have a unique need to protect their independence from the political process. Therefore, although an employee may participate or become involved in issues of general public concern or debate, the employee's association with the Reserve Bank must not be publicized in connection with any political activity. Notwithstanding the foregoing, per Section 4.3 an employee may not use or create the appearance of using their position or Reserve Bank resources to influence a partisan or non-partisan election or ballot initiative, such as a referendum or constitutional amendment. Further, an employee may not engage in political activity while on duty or on Reserve Bank premises, and must be extremely cautious to avoid any suggestion of Reserve Bank sponsorship or support of such activities.

B. *Partisan Politics.*

1. Non-Officers. An employee, other than an officer, may participate in a partisan political campaign, except that an employee may not run for any partisan political office (federal, state, or local) or solicit or accept political contributions (*i.e.,* anything of value, including personal services) on behalf of any candidate, party or political organization. An employee may hold a position within a political party so long as the position does not otherwise interfere with the employee's performance of Reserve Bank duties.

2. Officers. An officer must be particularly vigilant in avoiding any appearance that their personal political views reflect the views of the Reserve Bank or the System. An officer may participate in partisan politics only as an individual voter, *e.g.,* vote, express a private opinion, or make a contribution. An officer may not take an active role in partisan politics; for example, an officer may not run for any partisan political office; solicit or accept political contributions (*i.e.,* anything of value, including personal services) on behalf of any candidate, party, or political organization; or hold a position (other than general membership) within a political party.

C. *Non-Partisan Public Service.* There are various types of public service activities that do not bring into question the independent and non-partisan character of the Reserve Bank, and that are

viewed as a community service rather than as political activity, even if the position is one to which an employee is appointed by a partisan public official. Examples are serving as a member of a board of education, a roads and bridges commission, a parks and recreation commission, a planning commission, a board of health, or a university board, provided election or appointment under a party label is not involved. For instance, an employee, including an officer, may accept appointment by the governor of a state to that state's board of education. However, if there is a requirement that the board of education be comprised of a certain number of representatives from each major political party, then the employee may not accept the appointment. If an employee has any question about the propriety of a particular position or activity, the employee should consult the Reserve Bank's Ethics Officer.

## 8. Post-Employment Activities

### 8.1 Post-Employment Contacts

A. *Post-Employment Contacts with a Former Employee.* An employee who ceases to be employed by the Reserve Bank may not contact the Reserve Bank concerning a particular matter in which they participated while employed at the Reserve Bank. If a current employee is contacted by a former employee concerning such a matter, the current employee must not discuss the matter or provide any information to that individual that is not available to the general public, unless authorized to do so by Reserve Bank management. In performing their duties, a current employee may contact a former employee to obtain information concerning work performed by the former employee while employed at the Reserve Bank.

B. *Post-Employment Contacts with a Former Officer.* For one year after leaving a Reserve Bank officer position, a former officer who ceases to be employed by the Reserve Bank may not appear before or communicate with an employee of any Reserve Bank or the Board with the intent to influence official action on behalf of another person. This restriction will not apply to representations on behalf of the United States (including the Board), a Reserve Bank, a state or local government, an international organization in which the United States participates, an academic institution, a political organization, or a tax-exempt medical organization.

If a current Reserve Bank employee is to their knowledge contacted by a former Reserve Bank officer in violation of this policy, the employee must notify the Reserve Bank's Ethics Officer— who must then notify appropriate contacts at the Board— and may not discuss official matters with or provide any information to the former officer that is not available to the general public, unless authorized to do so by Reserve Bank management. Current Reserve Bank employees are expected to exercise due diligence to confirm a non-employee's status under this policy before engaging in substantive communications with that individual. In performing their duties, a current employee may contact a former Reserve Bank officer to obtain information concerning work performed by the former officer while employed at the Reserve Bank.

### 8.2 Non-public Information

An employee's duty to maintain the confidentiality of non-public information (as defined in Section 3.2) continues after their employment ends. An employee must leave all Reserve Bank documents, files, computer diskettes, reports and records containing non-public information, and all copies of

such information, with the Reserve Bank when their employment ends.

## 9. Disclosure Statements

In order to obtain information about circumstances that might constitute an actual or potential conflict of interest or a violation of applicable Reserve Bank policy or law, the following employees are required to file a disclosure statement as prescribed by the Reserve Bank at least annually:

A. all officers;

B. employees:

1. who have regular and ongoing access to Class I FOMC information;

2. in the supervision and regulation division whose duties include (i) interacting directly with a supervised entity in an official capacity, or (ii) contributing to or exercising influence over the processes that are part of the supervisory function, including the following:
   (a) employees who hold a standard, special, or temporary credential issued by the Board approving or appointing that employee to participate in an examination or inspection of a supervised institution;
   (b) employees who oversee, participate in, or contribute to the examination process; and
   (c) employees in Applications / Mergers & Acquisitions; Enforcement; Consumer Complaints; Surveillance and Analytics; Quality Management; Training for Examiners; and Credit Risk Management.

3. outside of the Reserve Bank's supervision and regulation department with substantive participation in supervisory matters involving institutions supervised by the System, including managers in the discount-window function;

4. who have regular and ongoing access to confidential supervisory information of the Board;

5. who as part of their job duties are involved regularly in the community development function and who are required to engage regularly on behalf of a Reserve Bank with local, regional, national, or other external groups that focus on meeting community credit needs, including low- and moderate-income and underserved communities;

6. whose duties regularly involve selecting and negotiating with external parties to acquire products and services for the System (employees whose sole qualifying activity under this section is to use a P-card under the supervision of another employee should be excluded); or

7. who as part of their job duties are required to engage regularly on behalf of a Reserve Bank with external parties concerning access to or receipt of System financial or central bank services (Treasury Services or other fiscal agent activities should be excluded); and

C. any other employee upon request of the Reserve Bank's Ethics Officer.

## 10. Violations

### 10.1 Reporting

Employees are encouraged to report violations of this Code to the Reserve Bank's Ethics Officer. A violation that involves corruption, fraud, or theft, also should be reported to the Reserve Bank's General Auditor.

### 10.2 Disciplinary Action

Any employee who violates any provision of this Code is subject to disciplinary action up to and including termination of employment.

## APPENDIX A

This Appendix contains a summary of significant portions of the federal conflicts of financial interest regulations (5 CFR Parts 2635 and 2640), as modified for the Reserve Bank's use. It provides additional detail regarding (i) the conflict of interest rule in Section 5.2 of the Code, and (ii) the rule regarding seeking other employment in Section 6 of the Code. A copy of the complete regulations may be obtained from the Legal Department or the Reserve Bank's Ethics Officer.

### PART I. DISQUALIFYING FINANCIAL INTERESTS

**1.** **Statutory Prohibition**. An employee is prohibited by federal criminal law [18 U.S.C. §208(a)] from participating personally and substantially in an official capacity in any particular matter in which, to the employee's knowledge, they, or any person whose interests are imputed to the employee under the statute, has a financial interest, if the particular matter will have a direct and predictable effect on that interest.

**2.** **Definitions**. For purposes of this Part, the following definitions apply:

(a) *Direct and predictable effect*. A particular matter[1] will have a *direct* effect on a financial interest if there is a close causal link between any decision or action to be taken in the matter and any expected effect of the matter on the financial interest. An effect may be direct even though it does not occur immediately. However, a particular matter will not have a direct effect on a financial interest if the chain of causation is attenuated or is contingent upon the occurrence of an event that is speculative or that is independent of, and unrelated to, the matter. A particular matter that has an effect on a financial interest only as a consequence of its effect on the general economy does not have a direct effect within the meaning of this paragraph.

A particular matter will have a *predictable* effect if there is a real, as opposed to a speculative possibility, that the matter will affect the financial interest. However, it is not necessary that the magnitude of the gain or loss be known, and the dollar amount of the gain or loss is immaterial.

*Example 1*
An employee with procurement responsibilities has just been asked to serve on the evaluation panel to review proposals for a new Research Library computer search system. DEF Computer Corporation, a closely held company in which the employee and their spouse own stock, has submitted a proposal. Because award of the systems contract to DEF or to any other offeror will have a direct and predictable effect on both

[1] If a particular matter involves a specific party, generally the matter will only have a direct and predictable effect on the financial interest of the employee in or with the party, for example where the employee owns stock in the party. However, there may be some situations in which a particular matter will have a direct and predictable effect on an employee's financial interests in or with a non-party. For example, if the party is a corporation, a particular matter also may have a direct and predictable effect on an employee's financial interest through ownership of stock in an affiliate of the party. Similarly, the award of a contract to a particular company also may have a direct and predictable effect on an employee's financial interest in another company, such as a subcontractor or a competitor.

of their financial interests, the employee may not participate on the evaluation panel unless the employee requests and receives a waiver or an exemption applies.

*Example 2*
Upon assignment to the evaluation panel, the employee in the preceding example finds that DEF Computer Corporation has not submitted a proposal. However, LMN Corp., a competitor of DEF, is one of the offerors. The employee is not disqualified from serving on the evaluation panel. Any effect on the employee's financial interests as a result of the decision to award or not award the contract to LMN at most would be indirect and speculative.

(b) *Financial interest* means the potential for gain or loss to an employee or other person specified in paragraph 2(c) as a result of Reserve Bank action on a particular matter. The financial interest might arise from ownership of certain financial instruments or investments such as a stock, bond, mutual fund, or real estate. Additionally, a financial interest might derive from a salary, indebtedness, job offer, or any similar interest that may be affected by the matter.

(c) *Imputed interests*. For purposes of the federal criminal law and this Part, the financial interests of any of the following persons will disqualify an employee to the same extent as if they were the employee's own interests:

(i) the employee's spouse;
(ii) the employee's minor child;
(iii) the employee's general partner;
(iv) an organization or entity in which the employee serves as officer, director, trustee, general partner or employee; and
(v) a person with whom the employee is negotiating for or has an arrangement concerning prospective employment. (An employee who is seeking other employment should comply with the standards in Part III of this Appendix regarding "Seeking Other Employment.")

*Example 1*
An employee of the Department of Education serves without compensation on the board of directors of Kinder World, Inc., a nonprofit corporation that engages in good works. Even though the employee's personal financial interests will not be affected, the employee must disqualify themselves from participating in the review of a grant application submitted by Kinder World. Award or denial of the grant will affect the financial interests of Kinder World and its financial interests are imputed to the employee as a member of its board of directors.

*Example 2*
The spouse of an employee of the Food and Drug Administration is employed by a biomedical research company that is seeking FDA approval for a new product. The employee ordinarily would be asked to participate in the FDA's review and approval process. The employee's spouse is a salaried employee and has no direct ownership interest in the company. Moreover, the spouse does not have an indirect ownership interest such as an interest in a pension plan that holds stock in the company. The spouse's position with the company is such that the granting or withholding of FDA approval will not have a direct and predictable effect on the spouse's salary or on the spouse's continued employment with the company. Since the FDA approval process

will not affect the spouse's financial interests, the employee may participate in that process.[2]

(d) *Particular matter* means a matter that involves deliberation, decision or action that is focused upon the interests of a specific person, or a discrete and identifiable class of persons. Such a matter is covered by the federal conflict of interest regulations even if it does not involve formal parties, and may include governmental action such as legislation or policy-making that is narrowly focused on the interests of a discrete and identifiable class of persons. However, the term particular matter does not extend to the consideration or adoption of a broad policy option that is directed to the interests of a large and diverse group of persons. The particular matters covered by the federal conflict of interest regulations include a judicial or other proceeding, application, request for a ruling or other determination, contract, claim, controversy, charge, accusation or arrest.

*Example 1*
An employee's evaluation of proposals received in response to a Request for Proposal is a particular matter. An employee's review of an application filed by a bank holding company also is a particular matter.

*Example 2*
Consideration by the Interstate Commerce Commission of regulations establishing safety standards for trucks on interstate highways involves a particular matter.

(e) *Personal and substantial*. To participate *personally* means to participate directly. It includes the direct and active supervision of the participation of a subordinate in the matter. To participate *substantially* means that the employee's involvement is of significance to the matter. Participation may be substantial even though it is not determinative of the outcome of a particular matter. However, it requires more than official responsibility, knowledge, perfunctory involvement, or involvement on an administrative or peripheral issue. A finding of substantiality should be based not only on the effort devoted to a matter, but also on the importance of the effort. While a series of peripheral involvements may be insubstantial, the single act of approving or participating in a critical step may be substantial. Personal and substantial participation may occur when, for example, an employee participates through decision, approval, disapproval, recommendation, investigation or the rendering of advice in a particular matter.

**3.** **Disqualification**. Unless the employee is authorized to participate in the particular matter by virtue of a waiver described in paragraph (4) of this Part or because the interest has been divested in accordance with paragraph (5) of this Part, an employee must disqualify themselves from participating in a particular matter in which, to the employee's knowledge, they, or a person whose interests are imputed to the employee, has a financial interest, if the particular matter will have a direct and predictable effect on that interest. Disqualification is accomplished by not participating in the particular matter.

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[2] Note that the Code of Conduct does not apply to FDA employees. If the example had involved a Reserve Bank employee, the employee should consult with the Reserve Bank's Ethics Officer before participating since the employee's participation in the review and approval process might result in the appearance of a conflict of interest, contrary to Section 5.1 of the Code.

A. *Notification*. An employee who becomes aware of the need to disqualify themselves from participating in a particular matter should notify the person responsible for their assignment or the Reserve Bank's Ethics Officer. An employee who is responsible for their own assignment should take whatever steps are necessary to ensure that they do not participate in the matter from which they are disqualified. Appropriate oral or written notification of the employee's disqualification may be made to coworkers by the employee or a supervisor to ensure that the employee is not involved in a matter from which the employee is disqualified.

B. *Documentation*. An employee need not file a written disqualification statement unless asked to do so by the Reserve Bank's Ethics Officer or a supervisor. However, an employee may elect to create a record of their actions by providing written notice to a supervisor or other appropriate officer.

**4.** **Waiver of disqualification**. An employee who would otherwise be disqualified may be permitted to participate in a particular matter where the otherwise disqualifying financial interest is exempt (see Part II of this Appendix), is the subject of an individual waiver described in this paragraph, or results from certain Indian birthrights as described in 18 U.S.C. § 208(b)(4).

An individual waiver may be requested pursuant to 18 U.S.C. § 208(b)(1). In advance of the employee's participation, the employee must advise the officer responsible for the employee's appointment (or other officer to whom authority to issue such a waiver for the employee has been delegated) about the nature and circumstances of the particular matter and the employee's role in the matter; and make full disclosure to the officer of the nature and extent of the disqualifying financial interest. If the officer determines that the employee's financial interest in the particular matter is not so substantial as to be deemed likely to affect the integrity of the services which the Reserve Bank may expect from the employee, the officer may issue a written waiver to the employee.

**5.** **Divestiture of a disqualifying financial interest**. Upon sale or other disposal of the interest that causes the employee's disqualification from participation in a particular matter, the employee may participate in the matter.

A. *Voluntary divestiture*. An employee who otherwise would be disqualified from participating in a particular matter may voluntarily sell or otherwise dispose of the interest that causes the disqualification.

B. *Directed divestiture*. An employee may be required to sell or otherwise dispose of the disqualifying financial interest if the continued holding of that interest is prohibited by Section 5 of the Code or substantially interferes with the ability of the employee to perform their job.

**6.** **Official duties that give rise to potential conflicts**. When an employee's duties create a substantial likelihood that the employee may be assigned to a particular matter from which they are disqualified, the employee should advise their supervisor or the Reserve Bank's Ethics Officer of that potential so that a conflicting assignment can be avoided.

## PART II. EXEMPTIONS PURSUANT TO 18 U.S.C. § 208 (b)(2)

**1.** **Definitions**. For purposes of this Part, the following definitions apply.

(a) *Diversified* means that a fund, trust or plan does not have a stated policy of concentrating its investments in any industry, business, single country other than the United States, or bonds of a single state within the United States. In the case of an employee benefit plan, *diversified* means that the plan's trustee has a written policy of varying plan investments.

(b) *Long-term federal government security* means a bond or note, except for a U.S. Savings bond, with a maturity of more than one year, issued by the United States Treasury pursuant to 31 U.S.C. Chapter 31.

(c) *Municipal security* means direct obligation of, or obligation guaranteed as to principal or interest by, a state (or any of its political subdivisions, or any municipal corporate instrumentality of one or more states), or the District of Columbia, Puerto Rico, the Virgin Islands, or any other possession of the United States.

(d) *Mutual fund* means an entity which is registered as a management company under the Investment Company Act of 1940, as amended (15 U.S.C.§§ 80a-1 et seq.). Mutual fund includes open-end and closed-end mutual funds and registered money market funds.

(e) *Sector mutual fund* means a mutual fund that concentrates its investments in an industry, business, single country other than the United States, or bonds of a single state within the United States.

(f) *Short-term federal government security* means a bill with a maturity of one year or less issued by the United States Treasury pursuant to 31 U.S.C. Chapter 31.

**2. <u>Exemption for Interest in Mutual Fund, Unit Investment Trust, and Employee Benefit Plan.</u>**

A. *Diversified mutual fund and unit investment trust.* An employee may participate in a particular matter affecting holdings of a diversified mutual fund or a diversified unit investment trust where the disqualifying financial interest in the matter arises because of the ownership of an interest in the fund or trust.

*Example*

An employee owns shares worth $60,000 in several mutual funds whose portfolios contain stock in a nationally known computer company. Each fund prospectus describes the fund as a "management company," but does not characterize the fund as having a policy of concentrating its investments in any particular industry, business, single country (other than the U.S.) or bonds of a single state. The employee may participate in a matter affecting the computer company.

B. *Sector mutual fund.* An employee may participate in a particular matter affecting holdings of a sector mutual fund where the disqualifying financial interest in the matter arises because of ownership of an interest in the fund and:

(1) the affected holding is not invested in the sector in which the fund concentrates; or
(2) the aggregate market value of interests in any sector fund or funds does not exceed $50,000.

For purposes of calculating the $50,000 de minimis amount, an employee must aggregate the market value of all sector mutual funds in which the employee has a disqualifying interest and that concentrate in the same sector and have one or more holdings that may be affected by the particular matter.

*Example 1*
A Reserve Bank employee owns shares in a mutual fund that expressly concentrates its holdings in the stock of utility companies. In addition to holdings in utility companies, the fund

contains stock in certain regional banks and bank holding companies whose financial interests would be affected by a matter in which the employee would participate. The employee is not disqualified from participating in the matter because the banks and bank holding companies that would be affected are not part of the sector in which the fund concentrates.

*Example 2*
An analyst is assigned at the Federal Reserve Board's request to help draft standards for approving loan guarantee applications for the Air Transportation Stabilization Board. The Analyst owns $35,000 worth of shares in XYZ Global Communications Fund, a sector mutual fund invested primarily in shipping firms and airlines. The analyst may participate in the recommendations. If the analyst's spouse also owns $40,000 worth of shares in ABC Specialized Portfolios: Transport, a sector mutual fund that focuses on the same sector, and if both funds contain holdings that may be affected by the particular matter, the analyst may not rely on the $50,000 de minimis exemption.

C. *Employee benefit plan.* An employee may participate in --

(1) A particular matter affecting holdings of an employee benefit plan where the disqualifying financial interest in the matter arises from membership in:

(a) the Thrift Savings Plan for Federal Employees described in 5 U.S.C. § 8437;
(b) a pension plan established or maintained by a state government or any political subdivision of a state government for its employees; or
(c) a diversified employee benefit plan, provided:
(i) the investments of the plan are administered by an independent trustee, and the employee, or other person specified in section 208(a), does not participate in the selection of the plan's investments or designate specific plan investments (except for directing that contributions be divided among several different categories of investments, such as stocks, bonds or mutual funds, which are available to plan participants); and
(ii) the plan is not a profit-sharing or stock bonus plan.

(2) A particular matter of general applicability, such as rulemaking, affecting the state or local government sponsor of a state or local government pension plan described in paragraph 2(C)(1)(b) where the disqualifying financial interest in the matter arises because of participation in the plan.

**3. <u>Exemption for Interest in Securities</u>.**

A. *De minimis exemption for a matter involving parties*. An employee may participate in a particular matter involving specific parties where the disqualifying financial interest arises from ownership by the employee, the employee's spouse or minor children of securities issued by one or more entities affected by the matter, if:

(1) the securities are publicly traded,[3] or are long-term federal government securities or municipal securities; and

[3] Securities issued by Government Sponsored Enterprises, such as Freddie Mac, are not eligible for the exemptions in paragraphs 3(A)-(C) since they are not "publicly traded."

(2) the aggregate market value of the holdings of the employee, the employee's spouse and minor children in the securities of all entities does not exceed $15,000.

*Example*
A Reserve Bank employee owns $10,000 worth of publicly traded stock in a major office equipment manufacturer, EQP Corp. The employee may evaluate the proposals submitted by EQP Corp. and others in response to an RFP. If the employee's spouse also owns $6,000 worth of EQP Corp. stock, the employee may not evaluate the proposals unless the employee requests and is granted a waiver.

B. *De minimis exemption for matters affecting nonparties.*[4] An employee may participate in a particular matter involving specific parties in which the disqualifying interest arises from the ownership by the employee, the employee's spouse, or minor children of securities issued by one or more entities that are not parties to the matter but that are affected by the matter if:

(1) the securities are publicly traded, or are long-term federal government or municipal securities; and

(2) the aggregate market value of the holdings of the employee, the employee's spouse and minor children in the securities of all affected entities (including securities exempted under subparagraph (A) of this section) does not exceed $25,000.

C. *De minimis exemption for a matter of general applicability*. An employee may participate in a particular matter of general applicability, such as rulemaking, where the disqualifying financial interest arises from ownership by the employee, the employee's spouse or minor children of securities issued by one or more entities affected by the matter, if:

(1) the securities are publicly traded, or are municipal securities, the market value of which does not exceed;

(a) $25,000 in any one such entity; and
(b) $50,000 in all affected entities; or

(2) the securities are long-term federal government securities, the market value of which does not exceed $50,000.

For purposes of this subparagraph (C), the value of securities owned by the employee, the employee's spouse and minor children must be aggregated.

D. *Exemption for certain federal government securities*. An employee may participate in a particular matter where the disqualifying financial interest arises from ownership of short-term federal government securities or from U.S. Savings Bonds.

E. *Exemption for interests of tax-exempt organization*. An employee may participate in a particular matter where the disqualifying financial interest arises from the ownership of publicly traded or municipal securities or long-term federal government securities by an organization which is tax-exempt

[4] See footnote 1 of this Appendix for examples of particular matters that may affect nonparties, such as affiliates or competitors of parties.

pursuant to 26 U.S.C. § 501(c)(3) or (4), and of which the employee is an unpaid officer, director, trustee or employee, if:

(1) the matter affects only the organization's investments, not the organization directly;

(2) the employee plays no role in making investment decisions for the organization, except for participating in the decision to invest in several different categories of investments such as stocks, bonds, or mutual funds; and

(3) the organization's only relationship to the issuer, other than that which arises from routine commercial transactions, is that of an investor.

*Example*
An employee is a director of the National Association to Save Trees (NAST), an environmental organization that is tax-exempt under section 501(c)(3) of the Internal Revenue Code. The employee knows that NAST has an endowment fund that is partially invested in the publicly traded stock of Computer, Inc. The employee's position at the Reserve Bank involves the procurement of computer software, including software sold by Computer, Inc. The employee may participate in the procurement of software from Computer, Inc. provided the employee is not involved in selecting NAST's investments, and provided NAST has no relationship to Computer, Inc. other than as an investor in the company and routine purchaser of Computer, Inc. software.

F. *Exemption for certain interests of general partner.* An employee may participate in any particular matter where the disqualifying financial interest arises from:

(1) the ownership of publicly traded securities, long-term federal government securities, or municipal securities by the employee's general partner, if:

(a) ownership of the securities is not related to the partnership between the employee and the general partner, and
(b) the value of the securities does not exceed $200,000; or

(2) an interest of the employee's general partner, if the employee's relationship to the general partner is as a limited partner in a partnership that has at least 100 limited partners.

**4. Exemption for financial interest arising from federal government or Reserve Bank employment or from Social Security or veteran's benefits.** An employee may participate in any particular matter where the disqualifying financial interest arises from federal government or Federal Reserve Bank salary or benefits, or from Social Security or veterans' benefits, except an employee may not:

(a) make a determination that individually or specially affects the employee's own salary and benefits; or

(b) make a determination, request, or recommendation that individually or specially relates to, or affects, the salary or benefits of any other person specified in 18 U.S.C. § 208.

## PART III. SEEKING OTHER EMPLOYMENT

### 1. Overview

An employee who seeks other employment or has an arrangement for prospective employment must comply with the applicable disqualification requirements of this Part if the employee's Reserve Bank duties would affect the financial interests of the prospective employer or the person with whom they have an arrangement concerning prospective employment.

**2. Definitions**

(a) *Direct and predictable effect* and *particular matter* have the respective meanings set forth in Part I of this Appendix regarding "Disqualifying Financial Interests."

(b) *Employment* means any form of non-Reserve Bank employment or business relationship involving the provision of personal services by the employee, whether to be undertaken at the same time as or subsequent to Reserve Bank employment, even if the employee is not compensated for the services. It includes but is not limited to personal services provided as an officer, director, employee, agent, attorney, consultant, contractor, general partner or trustee.

(c) *Prospective employer* means any person with whom the employee is seeking employment. Where a contact that constitutes seeking employment is made by or with an agent or other intermediary, the term prospective employer includes:

(1) the person using the agent or other intermediary for the purpose of trying to hire the employee, provided the agent identifies the prospective employer to the employee; and

(2) a person contacted by the employee's agent or other intermediary for the purpose of seeking a job offer for the employee if the agent identifies the prospective employer to the employee.

*Example*
An examiner has retained an employment search firm to help them find another job. The search firm has just reported to the employee it has given their resume to and had promising discussions with two bank holding companies in the District. Even though the employee has not personally had employment discussions with either, each bank holding company is a prospective employer. The employee began seeking employment with each bank holding company upon learning its identity and that it has been given the employee's resume.

(d) *Seeking Employment* means that an employee has, directly or indirectly:

(1) engaged in negotiations for employment with any person. Negotiations mean discussion or communication with another person, or such person's agent or intermediary, mutually conducted with a view toward reaching an agreement regarding possible employment with that person. The term is not limited to discussions of specific terms and conditions of employment in a specific position; or

(2) made an unsolicited communication to any person, or such person's agent or intermediary, regarding possible employment with that person. However, the employee has not begun seeking employment if that communication was:

(a) for the sole purpose of requesting a job application; or
(b) for the purpose of submitting a resume or other employment proposal to a

person affected by the performance or nonperformance of the employee's duties only as part of an industry or other discrete class. The employee is considered to have begun seeking employment upon receipt of any response indicating an interest in employment discussions; or

(3) made a response other than rejection to an unsolicited communication from any person, or such person's agent or intermediary, regarding possible employment with that person.

*Example*
An employee in the Check Collection Department has mailed their resume to 25 commercial banks. The employee has not begun seeking employment with any of the 25 banks. If the employee receives a response from one of the commercial banks indicating an interest in employment discussions, the employee will have begun seeking employment with that bank at that time.

(e) *Not seeking employment.* An employee is no longer seeking employment when:

(1) the employee or the prospective employer rejects the possibility of employment and all discussions of possible employment have terminated; or

(2) two months have transpired after the employee sent an unsolicited resume or employment proposal, and the employee has received no indication of interest in employment discussions from the prospective employer. A response that defers discussions until the foreseeable future does not constitute rejection of an unsolicited employment proposal, nor rejection of a prospective employment possibility.

*Example 1*
An employee with procurement responsibilities is complimented by a vendor's representative who asks the employee to call if they are interested in leaving the Reserve Bank. The employee explains to the vendor that they are very happy with the job at the Reserve Bank and is not interested in another job. The employee thanks the representative for the compliment regarding the employee's work and adds that they'll remember the representative's interest if they ever decide to leave the Reserve Bank. The employee has rejected the unsolicited employment overture and has not begun seeking employment.

*Example 2*
The employee in the preceding example responds by stating that they cannot discuss future employment while the employee is working on a project affecting the vendor's relationship with the Reserve Bank but would like to discuss employment when the project is completed. Because the employee has merely deferred employment discussions until the foreseeable future, the employee has begun seeking employment.

*Example 3*
An economist responsible for reviewing certain bank holding company applications sends their resume to a bank holding company in the District. The employee has begun seeking employment with that company and will be seeking employment for two months from the date the resume was mailed. However, if the employee withdraws their application or is notified within the two-month period that their resume has been rejected, the employee will no longer be seeking employment with the company as of the date the employee makes such withdrawal or receives such notification.

## 3. Disqualification While Seeking Employment

A. *Obligation to disqualify*. Unless the employee's participation is authorized in accordance with paragraph 4 of this Part, the employee must not participate in a particular matter that, to the employee's knowledge, has a direct and predictable effect on the financial interests of a prospective employer with whom they are seeking employment. Disqualification is accomplished by not participating in the particular matter.

B. *Notification*. An employee who becomes aware of the need to disqualify themselves from participation in a particular matter should notify the person responsible for the employee's assignment or the Reserve Bank's Ethics Officer. An employee who is responsible for their own assignment should take whatever steps are necessary to ensure that they do not participate in the matter from which they are disqualified. Appropriate oral or written notification of the employee's disqualification may be made to coworkers by the employee or a supervisor to ensure that the employee is not involved in a matter from which the employee is disqualified.

C. *Documentation*. An employee need not file a written disqualification statement unless the employee is specifically asked to do so by the Reserve Bank's Ethics Officer or a supervisor. However, an employee may elect to create a record of their actions by providing written notice to a supervisor or other appropriate officer.

D. *Reserve Bank determination of substantial conflict*. When the Reserve Bank determines that the employee's action in seeking employment with a particular person requires disqualification from a matter so central or critical to the performance of the employee's duties that the employee's ability to perform the duties of their position will be materially impaired, the Reserve Bank may take appropriate action, including termination of employment.

## 4. Waiver or Authorization Permitting Participation While Seeking Employment

A. *Waiver*. When an employee is engaged in discussions that constitute seeking employment, the employee may participate in a particular matter that has a direct and predictable effect on the financial interest of a prospective employer only after receiving a written waiver issued under the authority of 18 U.S.C. § 208(b)(1). The requirements for a waiver are described in paragraph 4 of Part I.

B. *Authorization by Reserve Bank*. Where an employee is seeking employment and a reasonable person would be likely to question the employee's impartiality if the employee were to participate in a particular matter that has a direct and predictable effect on the financial interests of the prospective employer, the employee may participate in such matters only where the Reserve Bank has authorized the employee's participation after consideration of all relevant factors, including:

(1) the nature of the relationship involved;

(2) the effect that resolution of the matter would have upon the financial interests of the person involved in the relationship;

(3) the nature and importance of the employee's role in the matter, including the extent to which the employee is called upon to exercise discretion in the matter;

(4) the sensitivity of the matter;

(5) the difficulty of reassigning the matter to another employee; and

(6) adjustments that may be made in the employee's duties that would reduce or eliminate the likelihood that a reasonable person would question the employee's impartiality.

**5. Disqualification Based on an Arrangement Concerning Prospective Employment or Otherwise After Negotiations**

A. *Employment or arrangement concerning employment*. An employee must not take any official action in a particular matter that will have a direct and predictable effect on the financial interests of the person by whom they are employed or with whom they have an arrangement concerning future employment, unless authorized to participate in the matter by a written waiver issued under the authority of 18 U.S.C. § 208(b)(1). The requirements for a waiver are described in paragraph 4 of Part I of this Appendix.

B. *Offer rejected or not made*. The Reserve Bank may, in an appropriate case, determine that an employee who has sought but is no longer seeking employment nevertheless shall be subject to a period of disqualification upon the conclusion of employment negotiations. Any such determination shall be based on a consideration of all the relevant factors and a determination that the concern that a reasonable person may question the integrity of the Reserve Bank's decision making process outweighs the Reserve Bank's interest in the employee's participation in the particular matter. Relevant factors are listed in paragraph 4(B) of this Part.

*Example*

An employee with purchasing responsibilities was relieved of responsibility for handling the evaluation of responses to an RFP while seeking employment with a bidder. The firm did not offer the employee employment. Even though the employee is no longer seeking employment with the firm, the employee may continue to be disqualified from evaluating the RFP responses based on a determination that the concern that a reasonable person might question whether, in view of the history of the employment negotiations, the employee could act impartially in the matter outweighs the Reserve Bank's interest in their participation.

## APPENDIX B

This Appendix contains a description of the rules adopted by the Board of Governors ("Board") that are applicable to examiners and also to other employees who participate in supervision or regulation matters other than examinations and inspections, such as an attorney or economist who reviews bank holding company applications or an employee who has a substantive role in discount/lending decisions, regardless of reporting relationships within the Reserve Bank.

The rules described in this Appendix are a condensed version of the rules set forth in the document entitled "Banking Supervision and Regulation Administrative Policy Statements" [SR-05-02 dated February 3, 2005, which is set forth in Sections 5-035 and 5-041 of Part 5 of the Federal Reserve Administrative Manual ("FRAM"); and SR 21-13, dated July 29, 2021, regarding post-employments restrictions for senior examiners, which is set forth in Section 5-043 of FRAM]. For more detailed information, you should review the SR-letter or FRAM.

The Board's rules supplement the Reserve Bank's Code of Conduct ("Code"). To the extent the rules set more stringent standards for employees covered by this Appendix than those contained in the Code, the Board's rules are to be followed.

Part I contains a description of the rules for examiners; Part II contains a description of the rules for other employees with substantive responsibilities relating to supervision or regulation matters.

When used in this Appendix:

- The word "examine" or "examination" refers both to examining a depository institution and to inspecting a bank holding company (including a financial holding company) or any non-bank subsidiary.
- "Supervisory matter" includes, but is not limited to, an application, audit, review (including report review), institution-specific analysis or surveillance, enforcement action, investigation, credit review, collateral analysis, or lending decision. However, supervisory matter does not include an examination.

An employee who needs assistance in interpreting the Board's rules or who desires additional information, for example about a waiver, should contact the Reserve Bank's Ethics Officer.

### PART I. RULES FOR CREDENTIALED STAFF

The rules in this Part apply to all employees holding a Board issued standard, special, temporary or ad hoc credential. However, paragraph 1(B), concerning prohibited borrowing relationships, applies only

to employees holding a standard or special credential.

**1. Prohibited Borrowing**

A. *Criminal Prohibition.* It is a crime under federal law (18 U.S.C. § 213) for an examiner to accept a loan or gratuity from an institution the examiner examined. It is also a federal crime (18 U.S.C. § 212) for an employee or director of a member bank or certain other institutions which an examiner examines or has authority to examine to grant a loan or gratuity to the examiner. Under these provisions, the term "loan" does not include any credit card account established under an open end consumer credit plan or a loan secured by residential real property that is the principal residence of the examiner, if –

1. the applicant satisfies any financial requirements for the credit card account or residential real property loan that are generally applicable to all applicants for the same type of credit card account or residential real property loan;

2. the terms and conditions applicable with respect to such account or residential real property loan, and any credit extended to the examiner under such account or residential real property loan, are no more favorable generally to the examiner than the terms and conditions that are generally applicable to credit card accounts or residential real property loans offered by the same financial institution to other borrowers or cardholders in comparable circumstances under open end consumer credit plans or for residential real property loans; and

3. with respect to residential real property loans, the loan is with respect to the primary residence of the applicant.

B. *Borrowings Prohibited by the Federal Reserve System for Employees Holding Standard or Special Credentials.*

1. *General prohibition.* An examiner holding a standard or special credential may not borrow from any entity for which the Federal Reserve System ("System") is the primary supervisor[1] other than through certain credit cards or home mortgage loans (see paragraph B(2)(a) below). Debt incurred by the examiner's spouse, domestic partner, or dependent child is attributed to the examiner for purposes of this prohibition unless the debt: (a) is supported solely by the income or independent means of the spouse, domestic partner or dependent child; (b) was not provided on terms more favorable than those

[1] The System is the primary supervisor for state member banks, bank holding companies, savings and loan holding companies, nonbank subsidiaries of a bank holding company (except thrift and functionally regulated subsidiaries), Edge and Agreement corporations, designated financial market utilities, designated non-bank financial companies (i.e., systemically important financial institutions), and state licensed U.S. branches and agencies, representative offices and nonbank subsidiaries of foreign banks having a U.S. banking presence.

available to the public (i.e., was not offered or enhanced because of the examiner's position at the Reserve Bank); and (c) was not negotiated, endorsed, guaranteed or co-signed by the examiner.

An examiner may borrow from a national bank, state nonmember bank or savings and loan association even if it is an affiliate of a bank holding company or state member bank. An examiner may also borrow from a functionally regulated subsidiary of a bank holding company, for example an insurance or securities broker/dealer subsidiary.[2] In these cases, the borrowing may result in recusal from an examination or inspection of that entity or an affiliate of that subsidiary.

2. *Exceptions.*

*a. Credit cards and Residential mortgage loans*. The prohibition in paragraph B(1) above shall not apply to any credit card account established under an open-end consumer credit plan or a loan (including a home equity line of credit) secured by residential real property that is the principal residence of the examiner, if –

i. the applicant satisfies any financial requirements for the credit card account or residential real property loan that are generally applicable to all applicants for the same type of credit card account or residential real property loan; and

ii. the terms and conditions applicable with respect to such account or residential real property loan, and any credit extended to the examiner under such account or residential real property loan, are no more favorable generally to the examiner than the terms and conditions that are generally applicable to credit card accounts or residential real property loans offered by the same financial institution to other cardholders or borrowers in comparable circumstances under open-end consumer credit plans or residential real property loans.

b. *Loan acquired.* If a debt that was permissible when it was originated becomes impermissible under paragraph B(1) above as a result of having been acquired by an institution for which the System is the primary supervisor, the

[2] "Functionally regulated subsidiary" means a registered broker or dealer, registered investment advisor, investment company, insurance company, or entity engaged in commodities activities as these entities are defined by section 5(c)(5) of the Bank Holding Company Act.

debt may be retained if:

i. the debt is amortizing;
ii. the debt is not renewed, renegotiated or increased;
iii. payments are current; and
iv. the examiner is restricted from examining the institution which currently holds the debt.

A loan originated at an entity for which the System becomes the primary supervisor as a result of a charter conversion, a change in membership, or merger is treated in the same manner as a loan acquired.

An examiner may not retain debt extended under a revolving line of credit, other than a consumer credit card or home equity loan, which is sold or transferred to, or acquired by an impermissible credit source. Such debt must be eliminated or converted to an amortizing facility within six months after the date the examiner is notified of the sale or transfer of the debt.

*c. Preexisting debt.* An examiner may retain any debt that is prohibited under paragraph B(1) above if it was incurred prior to appointment as an examiner so long as:

i) the debt is amortizing;
ii) the debt is not renewed, renegotiated or increased;
iii) payments are current;
iv) the examiner's credential specifically excludes authority to examine the creditor institution and any affiliate;
v) the examiner does not participate in any examination of the institution or any affiliate; and
vi) the examiner indicates, in writing, that the examiner understands and will comply with the foregoing conditions while the debt is outstanding.

An examiner with other types of preexisting debt that are prohibited under paragraph B(1) above, such as credit extended under a revolving line of credit (other than a consumer credit card or home equity loan) or nonamortizing debt, must retire the debt or convert it to an amortizing facility within six months after appointment as an examiner. Until then, (i) the debt may not be increased; (ii) the examiner's credential must specifically exclude authority to examine the creditor institution and any affiliate; and (iii) the examiner may not examine the institution or any affiliate.

3. *Waiver.* The Board's Director of the Division of Banking Supervision and Regulation is authorized to waive the prohibitions described in paragraph B(1) above in certain limited circumstances. However, it is anticipated that a waiver will be rarely given.

**2. Instances Where Recusal Is Required**

A. *Recusal from Examinations and Inspections Based Upon Borrowing Relationship/Seeking Credit.*

1. *Recusal required.* An examiner may not examine any entity, or an affiliate of any entity, from which the examiner or the examiner's spouse or dependent child, or a related entity,[3] is borrowing, leasing, or seeking credit.

2. *Exceptions.*

a. An examiner may examine any entity, including any affiliate of such entity, from which the examiner, the examiner's spouse or dependent child has obtained a credit card in accordance with paragraph 1(B)(2)(a) above.

b. An examiner may examine the affiliate of any entity from which the examiner, the examiner's spouse or dependent child:

i. has a loan secured by residential real property in accordance with paragraph 1(B)(2)(a) above;
ii. has an overdraft protection line; or
iii. is borrowing against the cash value of a life insurance policy.

The credit card, loan secured by residential real property, overdraft protection line, or insurance policy loan must not have been provided on terms more favorable than those available to the public.

*Example*
An examiner has an overdraft protection line on their checking account at a national bank subsidiary of a bank holding company. The examiner may examine any affiliate of the national bank, including the parent bank holding company. However, as pointed out in paragraph 2(A)(1) of this Part, the examiner may not examine the national bank.

Another example is borrowing against the cash value of a life insurance policy issued by an insurance subsidiary of a financial holding company. The examiner may participate in an examination or inspection of an affiliate that is supervised by the Federal Reserve.

3. *Servicing relationships.* An examiner may participate in an examination of, or a supervisory matter involving, an organization that services a loan of the employee or

[3] A "related entity" means an entity in which the examiner, the examiner's spouse or dependent child owns or controls more than ten percent of its equity, or a partnership in which the examiner or their spouse is a general partner.

the employee's spouse or dependent child, unless the examiner knows the servicer has retained a financial interest in the underlying value of the credit.

4. *Waiver.* In limited circumstances, the examiner's supervising officer, in consultation with the Reserve Bank's Ethics Officer, may provide written authorization for an examiner to examine an institution, or an affiliate of an institution, with which the examiner, their spouse, dependent child or a related entity has a borrowing relationship, although participation in the examination otherwise would be prohibited under paragraph 2(A)(1) above.

B. *Recusal from Supervisory Matters (Other Than Examination/Inspection) Based on Borrowing Relationship.*

*1* *Recusal requirement.* An examiner may not participate in any supervisory matter involving an institution or any affiliate if the examiner, or the examiner's spouse or dependent child, or a related entity, is indebted to the institution or any affiliate.

*2* *Exceptions.*

a. Recusal is not required if the debt was not extended on terms more favorable than those available to the public, all payments are current, and the debt is extended through:

i. a line of credit extended through a credit card;
ii. an amortizing consumer credit loan (including a first or second mortgage on a personal residence) or a home equity line of credit;
iii. an overdraft protection line;
iv. a student loan;
v. a car lease; or
vi. a loan against the cash value of an insurance policy.

b. In addition, recusal is not required with respect to any debt of the examiner's spouse or dependent child, or a related entity of the spouse or dependent child if:

i. the debt is the sole responsibility of the spouse, child or related entity, and is not derived from the examiner's income, assets or activities; and
ii. the examiner has no knowledge of the identity of the lender.

*Example*
The following illustrates how the recusal standards described in paragraphs 2(A) and 2(B) are based on the type of assignment, rather than if the person is credentialed.

An examiner with a student loan from a national bank may not participate in an examination of the bank, its parent or any affiliate as such participation would violate

System policy and could be a violation of criminal law. On the other hand, System policy allows the examiner to be assigned to handle a supervisory matter concerning the bank, the parent company or an affiliate, so long as payments on the student loan with the national bank are current, and it was obtained on terms not more favorable than those available to the public. If, instead, the examiner has a business loan with the bank, System policy requires that the examiner be restricted from handling any supervisory matter involving the bank, the parent company or an affiliate.

C. *Prohibition Against Seeking Credit if Handling Supervisory Matter (Other Than Examination/Inspection).*

1. *General Prohibition.* An examiner may not, on their own behalf, or on behalf of anyone else, seek or accept a loan from, or renew or renegotiate a loan with, an institution or any affiliate if the examiner is working on or knows they will be assigned a supervisory matter which involves the institution or any affiliate.

   Furthermore, an examiner must disqualify themselves from handling a supervisory matter involving an institution or any affiliate if the examiner learns that their spouse or dependent child or a related entity is seeking or has sought or accepted a loan from, or has renewed or renegotiated a loan with, the institution or any affiliate while the matter is pending before the Reserve Bank or the Board.

   The foregoing prohibitions continue for three months after the examiner's participation in the matter ends.

2. *Exceptions.* These prohibitions do not apply to: i) obtaining or using a credit card, ii) borrowing against the cash value of a life insurance policy, or iii) an overdraft protection plan. The credit card, overdraft protection line, or insurance policy loan must not have been provided on terms more favorable than those available to the public.

3. *Waiver.* A written waiver from the prohibitions of this paragraph 2(C) may, in some limited circumstances, be obtained from the examiner's supervising officer, in consultation with the Reserve Bank's Ethics Officer.

**3. Recusal Based Upon Past Employment, Family Relationships or Financial Interests**

A. *Past Employment.* An examiner may not examine, or participate in a supervisory matter involving, an institution or any affiliate if the examiner was employed by the institution within the preceding 12 months. The examiner's supervising officer, in consultation with the Reserve Bank's Ethics Officer, may determine that recusal should be required for a longer period.

B. *Continuing Participation in Pension/Retirement Plan.* If an examiner continues to participate in a pension or retirement plan obtained through prior employment at an institution or any affiliate, the examiner may not participate in an examination of that institution or any affiliate, nor may the examiner participate in a supervisory matter involving the institution or any affiliate unless the examiner receives a written opinion from the Reserve Bank's General Counsel authorizing such participation.

C. *Family Relationships.* An examiner may not examine an institution or any affiliate, or participate in a supervisory matter involving the institution or any affiliate if the examiner's spouse, child, parent, or sibling is employed by the institution or any affiliate. The examiner's supervising officer, in consultation with the Reserve Bank's Ethics Officer, may require recusal in other situations that might give rise to an appearance of a conflict of interest—for example, if the examiner's sister-in-law is employed by the institution.

D. *Financial Interests.* Under Section 5.2 of the Code and federal criminal law (18 U.S.C. § 208), a Reserve Bank employee is prohibited from participating personally and substantially in an official capacity in any particular matter in which, to the employee's knowledge, the employee has a financial interest if the particular matter will have a direct and predictable effect on that interest. Participation in a particular matter may include making a decision or recommendation, providing advice, or taking part in an investigation. See Section 5.2 and Appendix A of the Code for more information.

> *Example*
> An examiner may not participate in the review of a credit file during an examination, inspection, or a shared national credit examination, if the examiner or the examiner's spouse, minor child, general partner, or any organization for which the examiner serves as an employee, director or trustee, has a financial interest in the borrower, or if the examiner is negotiating for or has an agreement concerning future employment with the borrower.

An insurance policy may be a financial interest under the Federal conflicts of interest statute and an examiner holding an insurance policy should not participate in any particular matter affecting a company that issued the policy unless the examiner's participation is approved in advance and in writing by the Reserve Bank's legal department.

> *Example*
> An examiner who has an insurance policy from an insurance subsidiary of a financial holding company is generally permitted to examine an affiliate. However, cases may arise that require an examiner to recuse themselves from all matters involving the financial holding company or its affiliates. For example, recusal may be appropriate if an examiner is filing or appealing a claim under the policy or if the insurance

company is experiencing financial difficulties. Such situations should be discussed with the Reserve Bank's Ethics Officer to determine if recusal is appropriate.

E. *Waiver.* In certain cases, the prohibitions described in paragraphs 3(A) and 3(C) may be waived by the examiner's supervising officer, in consultation with the Reserve Bank's Ethics Officer. The prohibition described in paragraph 3(D) may be waived only in accordance with the federal statute, and the examiner should consult with the Reserve Bank's Ethics Officer if such a waiver is desired.

**4. Acceptance of Meals and Gratuities**

A. *Gifts or Meals from Examined Entity.* Notwithstanding anything to the contrary in the Code, under federal criminal law an examiner may not accept a gift from an entity that the examiner examined. As a matter of policy, the Board has decided that an examiner may not accept a gift or meal from an entity that the examiner has examined, examines or is authorized to examine. However, an examiner may:

1. eat in the entity's cafeteria provided the examiner pays for the meal at the rate charged the general public;
2. accept refreshments such as soft drinks, coffee and donuts offered other than as part of a meal; and
3. accept items with little intrinsic value, such as a pen or calendar, provided such items are also offered to the general public.

B. *Gifts or Meals from other "Covered Sources".* All Reserve Bank employees are subject to the provisions in the Code concerning acceptance of gifts and meals from "covered sources." Under the Code, the term covered source includes other entities in addition to institutions subject to examination by the System (See Section 5.4 of the Code).

C. *Exceptions.* The Code provides limited exceptions under which an employee may accept a gift or meal from a covered source. However, an examiner may never use the $20 "de minimis" exception (see Section 5.4(A)(2)(a)(i) of the Code) to accept a gift or a meal from an institution for which the System is the primary supervisor (see footnote 1 to this Appendix). An examiner may accept a gift or a meal from a covered source pursuant to one of the other exceptions, provided that the covered source is not an entity that the examiner is examining, has examined, or is authorized to examine.

*Example*
An examiner's spouse is a loan officer at a state member bank. The examiner has never examined the bank, and will not be authorized to examine the bank as long as

their spouse is employed by the bank. The examiner may accompany their spouse to the commercial bank's annual dinner dance for its employees and their guests pursuant to Section 5.4(A)(2)(a)(v) of the Code.

**5. Special Post-Employment Restriction**

A. **Coverage**. An examiner who has served as the "senior examiner" for a state member bank, bank holding company, or foreign bank for two or more months during the examiner's final twelve months of employment with the Reserve Bank may not knowingly accept compensation as an employee, officer, director, or consultant from such state member bank, bank holding company, or foreign bank, or from certain related entities, for one year following the termination of the examiner's employment with the Reserve Bank.

B. **Definitions**. An "examiner" is considered to be a "senior examiner" for a particular state member bank, bank holding company[4], or foreign bank if the examiner meets all of the following criteria:

i. The examiner has been authorized by the Board to conduct examinations or inspections on behalf of the Board;
ii. The examiner has been assigned continuing, broad, and lead responsibility for examining or inspecting that state member bank, bank holding company, or foreign bank;
iii. The examiner's responsibilities for examining, inspecting, and supervising the state member bank, bank holding company, or foreign bank:
    1. represent a substantial portion of the examiner's assigned responsibilities; and
    2. require the examiner to interact routinely with officers or employees of the state member bank, bank holding company, or foreign bank or their respective affiliates; and
iv. The state member bank, bank holding company, or foreign bank is not considered to be a Community Banking Organization, under the threshold established in the Commercial Bank Examination Manual (CBEM).

By "related entities," this restriction means:

[4] This is applicable to financial market utilities (FMUs) and systemically important financial institutions (SIFIs) as designated by the Financial Stability Oversight Council only to the extent that they are (or are affiliated with) depository institutions or depository institution holding companies.

a. With respect to a state member bank, a subsidiary of the state member bank or a company that controls the state member bank;
b. With respect to a bank holding company, any depository institution controlled by the bank holding company, including any subsidiary of the depository institution; and
c. With respect to a foreign bank, any United States branch or agency of the foreign bank or any United States depository institution controlled by the foreign bank (including any subsidiary of the depository institution).
d. The terms "continuing", "broad", "lead", and "substantial portion" are defined as follows:
    1. *Continuing* - An ongoing role projected to extend beyond one examination or inspection cycle (e.g., an individual is assigned to examine an institution or group of affiliated institutions for the next 3 years); for the purposes of this criterion an assignment should be expected to last longer than 2 months as required by section 10(k) of the Federal Deposit Insurance Act [cite].
    2. *Broad* - The examiner has accountability for more than one supervisory component rating or responsibility for final approval of multiple supervisory component ratings, the composite rating, consumer compliance rating, Community Reinvestment Act ("CRA") rating, and/or annual assessment ratings as part of their Reserve Bank's examination or inspection report signoff procedures.
    3. *Lead* – The examiner has discretionary, point-in-time authority to assign a supervisory component or composite rating, consumer compliance rating, or CRA rating, or responsibility for final approval of a supervisory component, composite, or annual assessment ratings during the report signoff process.
    4. *Substantial Portion* – The examiner is projected to spend a considerable majority of their official time (in excess of 70%) during at least two consecutive months supervising the depository institution or depository institution holding company.

C. **Limited Application of the Restriction**. This restriction on post-employment does not apply to an examiner who
- is dedicated to supervising a single depository institution (or group of affiliated depository institutions) or depository institution holding companies, but does not have leadership responsibilities in conjunction with this role;
- serves in a leadership role for multiple unaffiliated depository institutions or depository institution holding companies at the same time;
- does not have routine interactions with an institution for purposes of examining or inspecting the institution's operations; or

- performs only periodic, short-term examinations of a depository institution or depository institution holding company, dedicating less than two months in a year to that institution, or only longer-term examinations related to specific, unplanned events (e.g., fraud investigations) outside of the normal supervisory cycle.

D. **Penalty**. If an examiner violates this post-employment restriction, section 10(k) of the FDI Act requires the appropriate federal bank regulatory agency to seek: (i) an order of removal and an industry-wide employment prohibition for up to five years; (ii) a civil money penalty of up to $250,000; or both.

E. **Waiver**. In exceptional circumstances, the Chairman of the Board may waive this restriction for a senior examiner by certifying in writing that granting the examiner a waiver would not affect the integrity of the Federal Reserve System's supervisory program.

## PART II. RULES FOR OTHER EMPLOYEES WITH SUBSTANTIVE RESPONSIBILITIES RELATING TO SUPERVISION AND REGULATION MATTERS

These rules apply to the Reserve Bank President and other senior Reserve Bank officials who have responsibilities relating to supervision or regulation of financial institutions, all non-credentialed professional staff, including officers and managers, who participate substantially in supervisory matters (e.g., attorneys and certain economists), and all professional staff, including officers and managers, who participate in the discount window function. These persons are referred to as a "covered employee(s)". Supervisory matter does not include participating in an examination. See the introduction to this Appendix for examples of what this term does cover.

### 1. Prohibition Against Seeking Credit If Handling Supervisory Matter

A. *General Prohibition.* A covered employee is generally not restricted from borrowing from any entity, including one for which the System is the primary supervisor. However, a covered employee may not, on their own behalf, or on behalf of anyone else, seek or accept a loan from, or renew or renegotiate a loan with, an institution or any affiliate if the covered employee is working on or knows they will be assigned a supervisory matter which involves the institution or any affiliate.

Furthermore, a covered employee must disqualify themselves from handling a supervisory matter involving an institution or any affiliate if the covered employee learns that their spouse or dependent child or a related entity is seeking or has sought or accepted a loan from, or has renewed or renegotiated a loan with the institution or any affiliate while the matter is pending before the Reserve Bank or the Board.

The foregoing prohibitions continue for three months after the covered employee's participation in the matter ends.

B. *Exceptions.* These prohibitions do not apply to a line of credit extended through a credit card, an overdraft protection plan, or a loan against the cash value of a life insurance policy that was obtained on terms not more favorable than those available to the public (i.e., the terms were not offered or enhanced because of the covered employee's position at the Reserve Bank).

C. *Waiver.* A written waiver from the prohibitions of this paragraph may, in some limited circumstances, be obtained from the covered employee's supervising officer, in consultation with the Reserve Bank's Ethics Officer.

**2. Recusal from Supervisory Matter Based Upon Borrowing Relationship**

A. *Recusal Requirement.* A covered employee may not participate in any supervisory matter involving an institution or any affiliate if the employee, their spouse or dependent child or a related entity[5] is indebted to the institution or any affiliate.

B. *Exceptions.*

1. Recusal is not required if the debt was not extended on terms more favorable than those available to the public, payment on the debt is current, and the debt is:

    a. a line of credit extended through a credit card;
    b. an amortizing consumer loan (including a first or second mortgage on a personal residence) or a home equity line of credit;
    c. an overdraft protection line;
    d. a student loan;
    e. a car lease; or
    f. a loan against the cash value of an insurance policy.

2. Recusal is not required with respect to any debt of the covered employee's spouse or dependent child, or a related entity of the spouse or child if:
    a. the debt is the sole responsibility of the spouse, child or related entity, and is not derived from the covered employee's income, assets or activities; and
    b. the covered employee has no knowledge of the identity of the lender.

5 A "related entity" is an entity in which the covered employee, the covered employee's spouse or dependent child owns or controls more than ten percent of its equity, or a partnership in which the covered employee or their spouse is a general partner.

C. *Waiver.* A written waiver from the prohibitions of this paragraph may, in some limited circumstances, be obtained from the covered employee's supervising officer, in consultation with the Reserve Bank's Ethics Officer.

**3. Recusal Based Upon Past Employment, Family Relationships or Financial Interests**

A. *Past Employment.* A covered employee may not participate in a supervisory matter involving an institution or any affiliate if the covered employee was employed by the institution within the preceding 12 months. The covered employee's supervising officer, in consultation with the Reserve Bank's Ethics Officer, may determine that recusal should be required for a longer period.

B. *Continuing Participation in Pension/Retirement Plan.* If a covered employee continues to participate in a pension or retirement plan obtained through prior employment at an institution or any affiliate, the covered employee may not participate in a supervisory matter involving the institution or any affiliate unless the covered employee receives a written opinion from the Bank's General Counsel authorizing such participation.

C. *Family Relationships.* A covered employee may not participate in a supervisory matter involving an institution or any affiliate if the covered employee's spouse, child, parent or sibling is employed by the institution or any affiliate. The covered employee's supervising officer, in consultation with the Reserve Bank's Ethics Officer, may require recusal in other situations that might give rise to an appearance of a conflict of interest—for example, if the covered employee's parent is a principal shareholder of the institution.

D. *Financial Interests.* Under Section 5.2 of the Code and federal criminal law (18 U.S.C. §208), a Reserve Bank employee is prohibited from participating personally and substantially in an official capacity in any particular matter in which, to the employee's knowledge, the employee has a financial interest if the particular matter will have a direct and predictable effect on that interest. Participation in a particular matter may include making a decision or recommendation, providing advice, or taking part in an investigation. See, Section 5.2 and Appendix A of the Code for more information.

E. *Waiver.* In certain cases, the prohibitions contained in paragraphs 3(A) and 3(C) may be waived by the covered employee's supervising officer, in consultation with the Reserve Bank's Ethics Officer.