



FEDERAL
RESERVE
BANK *of*
ST. LOUIS



September 2023

Ethical Rules and Restrictions Applicable to Reserve Bank Presidents

CENTRAL TO
AMERICA'S ECONOMY®

Investment Restrictions

- The investment restrictions apply to:
 - The **President, their spouse, their minor children, and any trust** for which the President or their spouse are designated as trustee or exercise discretionary authority over the trust’s assets (“Covered Parties”);
 - **Direct and indirect ownership** of or control over the listed investments; and
 - **Accounts managed by third parties** on behalf of any Covered Party.
- Certain investments are always prohibited for Covered Parties, while others would require to be divested within 6 months following the effective date of appointment:

Divestiture Required Before Presidential Appointment Effective Date	Divestiture Within 6 Months After Appointment Effective Date
<ul style="list-style-type: none"> • Debt or equity interests (<i>e.g.</i>, bonds, debentures, notes, commercial paper, preferred or common stock, short positions, instruments convertible to any of the foregoing instruments, and options, rights, and warrants to acquire any such instruments) in: <ul style="list-style-type: none"> • A depository institution (<i>e.g.</i>, a bank, trust company or any institution that accepts deposits) or any affiliate of a depository institution (including bank holding companies and savings and loan holding companies); • A primary government securities dealer or an entity that directly or indirectly controls such a dealer; • Shares of any mutual fund, Exchange Traded Fund (“ETF”), or Unit Investment Trust (“UIT”) with a stated policy of concentrating in the financial services sector. 	<ul style="list-style-type: none"> • Individual debt securities (including corporate, municipal, and foreign government bonds/debt interests) • Securities held on margin • Agency or government-sponsored enterprise securities (<i>e.g.</i>, FNMA securities or a GNMA fund)* • U.S. Treasury bonds/notes (maturity of more than one year)* • Cryptocurrencies* • Commodities investments* • Foreign currency investments* • Derivatives* <p>*or any fund with a stated policy of concentrating in such investments</p>

- **Permitted investments include:** money market mutual funds, diversified non-sector funds, cash accounts, defined benefit pension plans, and equity securities held by the President’s spouse in connection with the spouse’s employment.

Trading Restrictions

- Covered Parties* are prohibited from entering into certain transactions, and procedural rules apply to permissible investments.
- **Prohibited Transactions:**
 - Covered Parties* are prohibited from **purchasing individual stocks** or interests in any **sector funds** (*i.e.*, any fund with a stated policy of concentrating investments in a designated industry, business, single country other than the United States, or bonds of a single U.S. State), which includes receiving additional shares through **dividend reinvestment**.
 - Covered Parties* may not engage in **short sales** or be a counterparty to a **derivative transaction**.
 - Unless divestiture is otherwise required, Covered Parties* **may not sell any security for one year** after the date of purchase and must **hold all Treasury bills** (maturity of one year or less) **to maturity**.
- **Trading Procedures:**
 - A minimum of **45 days' non-retractable advance notice** is required for any desired purchase or sale of a security by a Covered Party. The transaction may not occur unless approved by the Board of Governors and the Bank's Ethics Officer.
 - The notice of proposed trade and the actual trade may not occur **during periods of financial market stress** (as determined by the general counsel of the Board of Governors) or the **trading blackout** that runs 10 days before an FOMC meeting through midnight the day after the FOMC meeting.

* *Reminder:* Restrictions apply to the President, their spouse, their minor children, and any trust for which the President or their spouse is designated as trustee or exercises discretionary authority over the trust's assets.

Reporting and Disclosure

All Reserve Bank Presidents:

- Every Reserve Bank President is required annually to complete a **Form A financial disclosure report** that will be **posted on the Bank's website** that lists, for all Covered Parties* for the prior year, their:
 - Assets (including value);
 - Income;
 - Transactions in securities and real estate;
 - Gifts received; and
 - Liabilities owed to depository institutions or their affiliates.
- In addition, Form A lists: (i) certain outside activities by the President, and (ii) positions held by the President's spouse, child, parent, or sibling with depository institutions or their affiliates.
- Every President must also file **periodic transaction reports** with the Board of Governors and the Bank's Ethics Officer promptly following any transaction subject to disclosure, including imputed transactions. The transaction reports will be **posted on the Bank's website**.

Newly Appointed Presidents:

- For newly appointed Presidents, the Form A disclosure will cover **transactions that occurred during the current and prior calendar years**. A **preliminary Form A**, along with information on a candidate's entire portfolio, will be reviewed by the Board of Governors' Ethics Office **prior to interviews with the Governors**.

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Conflicts of Interest

- By law, the President is prohibited from participating **personally and substantially** (including making a decision or recommendation or providing advice) in any matter that will have a **direct and predictable effect on a financial interest** held by the President, their spouse, or their minor children, or by any organization for which the President serves as officer, director, or trustee.
- By policy, the President is further required to avoid any situation that might give rise to **even the appearance of a conflict of interest**.
- Given the role of the Bank's President, a candidate with an extensive portfolio of investments is more likely to run afoul of the conflicts of interest limitations. This is particularly true for **private equity investments**, including funds of funds, where every underlying investment is generally required to be reviewed for compliance with these rules and potentially disclosed to the public.
- The foregoing notwithstanding, the President may invest in diversified non-sector mutual funds or UITs, Treasury bills (maturity of one year or less), and U.S. savings bonds.

Additional Considerations

- Unlike Federal government employees, Reserve Bank Presidents are **not eligible to obtain a “Certificate of Divestiture,”** a determination issued by the U.S. Office of Government Ethics that permits the deferral of capital gains taxes upon the divestiture of impermissible investments and the reinvestment of the proceeds in permitted investments. Candidates unfamiliar with the Federal Reserve System’s unique structure are likely unaware of this limitation. Therefore, the topic should be discussed early in the recruitment process.
- The Board of Governors’ Guide to Conduct for Senior Officials requires the President to carefully **adhere to the spirit, as well as the letter, of these ethical rules** and to avoid conduct that might in any way tend to embarrass the Federal Reserve System or impair the effectiveness of its operations. The President should **avoid any conduct that might convey even an appearance of a conflict of interest** and **avoid any financial transaction the timing of which could create the appearance of acting on inside information.** In speaking publicly and attending meetings, the President should avoid statements that might suggest the nature of monetary policy actions that have not been officially disclosed and avoid the possibility that attendance at a meeting will afford the sponsoring organization a prestige advantage over competitors.
- These restrictions are detailed in the [FAQs](#) on the Bank’s Presidential Search webpage. Candidates are strongly advised to read through this information as they consider their interest in the position.
- Questions should be directed to the Bank’s General Counsel, François Henriquez, at Francois.Henriquez@stls.frb.org.