

117TH CONGRESS  
1ST SESSION

**S.** \_\_\_\_\_

To amend the Federal Reserve Act to prohibit officers of the Federal Reserve from trading certain securities, and for other purposes.

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IN THE SENATE OF THE UNITED STATES

Mr. BROWN (for himself, Mrs. GILLIBRAND, Mr. MERKLEY, and Mr. WARNOCK) introduced the following bill; which was read twice and referred to the Committee on \_\_\_\_\_

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**A BILL**

To amend the Federal Reserve Act to prohibit officers of the Federal Reserve from trading certain securities, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Ban Conflicted Trad-

5 ing at the Fed Act”.

6 **SEC. 2. STOCK ACT.**

7 Section 4 of the Federal Reserve Act (12 U.S.C. 341  
8 et seq.) is amended by adding at the end the following:

1 “ Title I of the Ethics in Government Act of 1978  
 2 (5 U.S.C. App.), sections 9, 11, 13, and 14 of the STOCK  
 3 Act (Public Law 112–105), and section 21A(i) of the Se-  
 4 curities Exchange Act of 1934 (15 U.S.C. 78u–1(i)) shall  
 5 apply to Federal Reserve bank presidents, vice presidents,  
 6 and directors.”.

7 **SEC. 3. BAN CONFLICTED TRADES.**

8 The Federal Reserve Act (12 U.S.C. et seq.) is  
 9 amended by inserting after section 25C (12 U.S.C. 633)  
 10 the following:

11 **“SEC. 25D. BAN CONFLICTED TRADES.**

12 “(a) DEFINITIONS.—In this section—

13 “(1) the term ‘commodity’ has the meaning  
 14 given the term in section 1a of the Commodity Ex-  
 15 change Act (7 U.S.C. 1a);

16 “(2) the term ‘covered investment’—

17 “(A) means investment in a security, a  
 18 commodity, virtual currency, or a future, or any  
 19 comparable financial interest acquired through  
 20 synthetic means such as the use of a derivative;  
 21 and

22 “(B) does not include—

23 “(i) a diversified mutual fund or in-  
 24 vestment trust subject to an exemption  
 25 under section 208(b)(2) of title 18, United

1           States Code, and section 2640.201 of title  
2           5, Code of Federal Regulations; or

3                   “(ii) a United States Treasury bill,  
4           note, or bond;

5           “(3) the term ‘covered person’ means—

6                   “(A) a member of the Board of Governors  
7           of the Federal Reserve System; and

8                   “(B) a president or vice president of a  
9           Federal Reserve bank;

10           “(4) the term ‘future’ means a financial con-  
11           tract obligating the buyer to purchase an asset or  
12           the seller to sell an asset, such as a physical com-  
13           modity or a financial instrument, at a predetermined  
14           future date and price;

15           “(5) the term ‘security’ has the meaning given  
16           the term in section 3(a) of the Securities Exchange  
17           Act of 1934 (15 U.S.C. 78c(a)); and

18           “(6) the term ‘virtual currency’ means any  
19           cryptocurrency, such as coins or tokens received in  
20           connection with initial coin offerings or issued or  
21           distributed using distributed ledger or blockchain  
22           technology.

23           “(b) PROHIBITIONS.—Except as provided in sub-  
24           sections (c) and (d), no covered person may—

25                   “(1) purchase or sell any covered investment; or

1           “(2) enter into a transaction that creates a net  
2 short position in any security.

3           “(c) EXCEPTIONS.—

4           “(1) INVESTMENTS HELD BEFORE TAKING OF-  
5 FICE.—

6           “(A) IN GENERAL.—A covered person may  
7 have control over or knowledge of the manage-  
8 ment of any covered investment held by the cov-  
9 ered person as of the day before the date on  
10 which the covered person took office.

11           “(B) PROHIBITION ON PURCHASING OR  
12 SELLING.—A covered person may not buy or  
13 sell any investment described in subparagraph  
14 (A) except in the case of—

15           “(i) placing the investment in a quali-  
16 fied blind trust described in subsection (d);  
17 or

18           “(ii) divesting themselves of any in-  
19 vestment under paragraph (2).

20           “(2) DIVESTITURE.—A covered person may sell  
21 a covered investment during the 6-month period be-  
22 ginning on—

23           “(A) the date on which the covered person  
24 takes office or begins employment, as applica-  
25 ble;

1 “(B) the date of enactment of this section;  
2 or

3 “(C) the date on which the covered person  
4 receives a covered investment through gift or  
5 inheritance.

6 “(3) APPROVAL.—Any transaction described in  
7 this subsection shall be approved in accordance with  
8 the rules issued under subsection (f).

9 “(d) TRUSTS.—

10 “(1) IN GENERAL.—On a case-by-case basis,  
11 the designated agency ethics official of the Board of  
12 Governors may authorize a covered person to place  
13 their securities holdings in a qualified blind trust ap-  
14 proved by the Board under section 102(f) of the  
15 Ethics in Government Act of 1978 (5 U.S.C. App.).

16 “(2) BLIND TRUST.—A blind trust permitted  
17 under this subsection shall meet the criteria in sec-  
18 tion 102(f)(4)(B) of the Ethics in Government Act  
19 of 1978 (5 U.S.C. App.), unless an alternative ar-  
20 rangement is approved by the Board.

21 “(e) ADMINISTRATION AND ENFORCEMENT.—

22 “(1) ADMINISTRATION.—The provisions of this  
23 section shall be administered by the Board.

24 “(2) ENFORCEMENT.—Whoever knowingly fails  
25 to comply with this section shall be subject to a civil

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1 penalty of not less than 10 percent of the value of  
2 the covered investment that was purchased or sold  
3 or the security in which a net short position was cre-  
4 ated in violation of this section, as applicable.

5 “(f) OTHER REQUIREMENTS.—Not later than 90  
6 days after the date of enactment of this section, the Board  
7 shall issue rules that require covered persons and senior  
8 staff to—

9 “(1) provide 45 days advance notice and prior  
10 approval for any investment transactions; and

11 “(2) hold investments for a minimum of 1 year  
12 from the date of the transaction.”.