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First Fed Enforcement Meeting Since 2010 Follows Warren Request

By Jeff Kearns - Apr 18, 2014

The Federal Reserve Board of Governors met to consider bank enforcement actions for the first time since November 2010, after Chair [Janet Yellen](#) pledged to Senator [Elizabeth Warren](#) in February to step up the board's involvement in bank supervisory and regulatory matters.

Yellen, in a Feb. 27 appearance before the Senate Banking Committee, agreed to a request by Warren, a Democrat from [Massachusetts](#), for greater board involvement in supervision. The Fed oversees about 6,000 banks.

Yesterday's board meeting was closed to the public, and a [notice](#) on the agenda said only that governors considered an enforcement matter and were briefed on financial markets, institutions and infrastructure. Still, the gathering represents a step toward greater transparency because board deliberations are more likely to be made public in the future than staff meetings, according to Mark Calabria, a former Senate Banking Committee aide.

"Traditionally these agreements have been hammered out between lawyers at the Fed and lawyers at the bank," said Calabria, director of financial regulation studies at the [Cato Institute](#) in [Washington](#). "It's more transparency into what's going on in the process because before you didn't really know how much involvement the board really had in the conversations that go on. This should mean you have more of the board involved."

Eric Kollig, a spokesman for the Fed in Washington, declined to comment on the subject of yesterday's meeting. Matt Cournoyer, a spokesman for Warren, didn't respond to a request for comment.

Monetary Policy

"While the Fed's Board of Governors votes on every important [monetary policy](#) decision, the board rarely votes on issues like whether to settle enforcement actions," Warren told the Fed chief at the Feb. 27 hearing. She said she wanted "clear and concrete evidence" the board is involved in supervisory and regulatory responsibilities.

Warren [cited](#) the Fed's \$9.3 billion settlement last year with U.S. mortgage servicers, saying Fed staff worked out the arrangement and the Fed board didn't even vote to approve it.

"It is completely appropriate for the board to be fully involved in important decisions and I fully intend to make sure that we are," Yellen responded.

“I am pleased to see the Board of Governors is formally considering an enforcement matter,” Representative [Elijah Cummings](#) of [Maryland](#) said yesterday. “Enforcement actions are critical responsibilities entrusted to the Board, and this authority should not be delegated to staff with little or no Board oversight.”

Letter to Yellen

Warren and Cummings, the top Democrat on the House Oversight and Government Reform Committee, made a case for changes in a Feb. 11 [letter](#) to Yellen.

The lawmakers asked Yellen to “make it a top priority” to revise board rules on delegating supervisory and enforcement responsibilities to staff. They also wrote that the Fed board members should be notified before staff enter consent orders, get the staff they need to monitor pending enforcements and be copied on all letters to the board from members of Congress.

Of almost 1,000 formal public enforcement actions over the prior decade, “all but 11 were entered into by consent” and didn’t require board decisions, former Fed Chairman [Ben S. Bernanke](#) wrote in a December [letter](#) responding to Warren and Cummings on the same issue.

In addition to Yellen, three governors are on the board: [Daniel Tarullo](#), Jerome Powell and [Jeremy Stein](#). Three of seven seats are empty and two nominations are pending in the Senate.

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