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## United States Senate

COMMITTEE ON BANKING, HOUSING, AND  
URBAN AFFAIRS

WASHINGTON, DC 20510-6075

LAURA SWANSON, STAFF DIRECTOR  
BRAD GRANTZ, REPUBLICAN STAFF DIRECTOR

February 11, 2022

The Honorable Jerome H. Powell  
Chair  
Board of Governors of the Federal Reserve System  
20th Street and Constitution Avenue N.W.  
Washington, DC 20551

Dear Chair Powell:

I write today to reiterate an existing request for information and express deep concern over the lack of transparency and disregard for a critical congressional oversight request at the Board of Governors of the Federal Reserve System (the “Fed”). As you know, my Senate Banking Committee staff has requested, on my behalf, specific information pertaining to the involvement of the Fed and former Fed Governor Sarah Bloom Raskin in the Kansas City Fed’s approval of an application from The Reserve Trust Company (“Reserve Trust”) for a Fed master account.

One very simple, yet important, question we asked the Fed is whether Ms. Raskin communicated with anyone at the Fed on behalf of Reserve Trust. In a phone call on February 8, 2022, Fed staff notified my staff that the Fed does not intend to answer this question. The reason provided is breathtaking. Fed lawyers are claiming that letting the public know whether a particular person has called the Fed on behalf of a particular company would reveal confidential business information. It is inconceivable that the mere fact that Ms. Raskin—a former Fed Governor—communicated with the Fed on behalf of Reserve Trust would reveal any business information, let alone that which is confidential.

The Fed’s refusal to answer this simple question is inconsistent with the Fed’s transparency around similar activities. For example, the Fed publishes on its public website your daily schedule, and specifically names individuals with whom you have had phone calls and meetings including executives from particular companies and elected officials.<sup>1</sup> Yet, when we seek to obtain information directly relevant to congressional oversight and the Senate’s constitutional responsibility to provide advice and consent on a presidential nomination, the Fed stonewalls us. The Fed’s refusal to provide the requested information not only impedes the Senate’s ability to perform two of its core functions, but it undermines the public’s faith that the Fed makes decisions when granting a public good to a private actor in a fair and consistent manner on behalf of the American people rather than what might be best for well-connected operators.

The requested information is of critical importance because Ms. Raskin has been nominated to serve as Fed Vice Chair for Supervision. Through our oversight efforts, I recently discovered that Ms. Raskin lobbied the Kansas City Fed on behalf of Reserve Trust and that Reserve Trust obtained a much-

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<sup>1</sup> The Board of Governors of the Federal Reserve System, Chair Powell’s Calendar (last accessed Feb. 11, 2022), <https://www.federalreserve.gov/foia/chairman-powell-calendar.htm>.

coveted Fed master account in the wake of her lobbying. Reserve Trust is a startup “non-depository Colorado chartered trust company” founded in 2016 that engages in payment processing for business-to-business payment companies.<sup>2</sup> Although Reserve Trust is a very young company, it is special because, as its website and Twitter account boast, it is the “first state chartered trust company,” the “first fintech trust company,” and the “first fintech” to “obtain a Federal Reserve master account, granting direct access to Federal Reserve clearing, payment, and settlement services.”<sup>3</sup> Reserve Trust and its investors have repeatedly touted the value of the company’s Fed master account, which gives it an enormous advantage over its competitors.<sup>4</sup> In fact, Reserve Trust appears to be the only non-bank fintech company with a Fed master account despite other non-banks with non-traditional charters having applied for Fed master accounts. Notwithstanding the claims from the Kansas City Fed that the decision reversal was ethical and reasonable, it remains puzzling how Reserve Trust obtained this account when other institutions have been denied access.

Ms. Raskin joined Reserve Trust’s board of directors in May 2017, only four months after stepping down as the Obama administration’s Treasury Deputy Secretary. Soon after, in June 2017, the Kansas City Fed rejected Reserve Trust’s application for a Fed master account. After the company’s application was denied, Ms. Raskin called, in August 2017, the Kansas City Fed President Esther George—with whom she had served on the Fed’s Federal Open Market Committee—on behalf of Reserve Trust. Ms. Raskin did this despite having signed an ethics pledge in the Obama administration that was intended to prevent such “revolving door” lobbying. I know Ms. Raskin made this call because Ms. George revealed it to my staff on February 2, 2022. In the wake of Ms. Raskin’s call, the Kansas City Fed changed its mind and granted Reserve Trust a master account in 2018.

In 2020, Ms. Raskin cashed out her sizable holdings of Reserve Trust shares for almost \$1.5 million, after having served on the company’s board for a little over two years. She claims that the only compensation she received for serving on the company’s board was Reserve Trust shares. According to Ms. Raskin, she received her shares upon joining the board, which was in 2017, and that at the time they had no market value. Clearly, the market value of her Reserve Trust shares improved significantly after the company obtained a Fed master account.

While the Kansas City Fed has stated that it is “routine” for it to communicate with the management (including directors) of a company seeking a decision from the Fed, there is nothing routine about a former Fed Governor, like Ms. Raskin, calling the president of a regional Fed bank about such a decision. Ms. George indicated that to me herself. She said she was not aware of ever receiving a call from a former Fed Governor on behalf of an organization seeking a decision from the Kansas City Fed.

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<sup>2</sup> Reserve Trust website (last accessed Feb. 11, 2022), <https://www.reservetrust.com/company/about>.

<sup>3</sup> Reserve Trust website (last accessed Feb. 11, 2022), <https://www.reservetrust.com/company/about>; Reserve Trust (last accessed Feb. 11, 2022), <https://www.reservetrust.com/>; Reserve Trust Twitter account (last accessed Feb. 11, 2022), <https://twitter.com/ReserveTrustCo>.

<sup>4</sup> See, e.g., Reserve Trust website (last accessed Feb. 11, 2022), <https://www.reservetrust.com/company/about>; QED Investors website (last accessed Feb. 11, 2022), <https://www.qedinvestors.com/companies/reserve-trust> (“Reserve Trust is the first fintech trust company with direct Federal Reserve access, completely unconstrained by legacy banking systems. Our unprecedented access to the US payment system enables us to create payment and banking platforms with scale, speed, and cost, unmatched anywhere.”).

Ms. George has been an official at the Kansas City Fed for forty years, spending the last decade as the bank's President.

Ms. Raskin's lobbying of the President of the Kansas City Fed raises the question of whether Ms. Raskin also used her influence as a former Fed Governor to lobby anyone at the Fed on behalf of Reserve Trust. We have every reason to believe that the Fed was involved in the decision to deny—and later grant—Reserve Trust's master account application. For instance, Ms. George told me that it would be "routine" for the Kansas City Fed to talk with the Fed about an "unusual" application like Reserve Trust's. I have asked Ms. Raskin if she lobbied the Fed. She claims that she does not recall having any communications with the Fed—or even the Kansas City Fed—on behalf of Reserve Trust. Since we know she did, in fact, call the President of the Kansas City Fed, we cannot rely upon Ms. Raskin's memory to get to the bottom of this important issue.

That's where the Fed should come in. The Fed should disclose to the public whether Ms. Raskin contacted the Fed on behalf of Reserve Trust. If Ms. Raskin had been lobbying Congress on behalf of Reserve Trust she would have had to disclose that fact publicly. But in the Fed's upside-down world, a former Fed Governor can lobby the Fed on behalf of a particular business, concerning an issue that will financially benefit her and the business, and the public has no right to know—even if that Fed Governor is being considered by the Senate for a nearly ten year term as one of the nation's most powerful financial regulators. This entire episode raises questions not only about Ms. Raskin's behavior but also about the fairness, transparency, and consistency of the Federal Reserve System's approach to master account applications.

Given that the Fed has indicated that it is actively reviewing how to increase the transparency and consistency of its approach to master account applications<sup>5</sup> and that Ms. Raskin's nomination for Fed Vice Chair for Supervision is pending before the Senate Banking Committee, the public and their elected representatives are entitled to know what role she may have played as a Reserve Trust director in persuading the Fed to grant Reserve Trust a Fed master account. The Senate Banking Committee may vote on Ms. Raskin's nomination as soon as February 15, 2022. Therefore, it is critical that we quickly receive the requested information to allow us to fully evaluate her nomination to serve as a senior leader in the federal government.

Please provide the following information by no later than February 16, 2022 at 12:00 pm EST:

1. Did Ms. Raskin communicate with anyone at the Fed relating to Reserve Trust and, if so, whom?
2. A list of all emails, phone calls, and meetings (and all attendees and associated calendar invites) between anyone at the Fed and (a) Ms. Raskin or (b) Reserve Trust employees, representatives, directors, officials or staff between May 1, 2017 and August 31, 2019.

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<sup>5</sup> See Board of Governors of the Federal Reserve System, Proposed Guidelines for Evaluating Account and Services Requests, 89 Fed. Reg. 25865 (May 11, 2021), <https://www.govinfo.gov/content/pkg/FR-2021-05-11/pdf/2021-09873.pdf>.

3. All correspondence, including but not limited to all emails and attachments and any text messages, between anyone at the Fed and Ms. Raskin between May 1, 2017 and August 31, 2019.
4. All correspondence, including but not limited to all emails and attachments and any text messages, between anyone at the Fed and Reserve Trust employees, representatives, directors, officials or staff.
5. All correspondence, including but not limited to all emails and attachments and any text messages, between anyone at the Fed relating to Reserve Trust.
6. All correspondence, including but not limited to all emails and attachments and any text messages, between anyone at the Fed and anyone at the Kansas City Fed relating to Reserve Trust.

I urge the Fed to stop its unacceptable stonewalling and provide the requested records and information immediately so that Senators, elected by the American people, have this critical information before they vote on Ms. Raskin's confirmation. Unfortunately, this type of obstructionism has become too common a response of the Fed and regional Fed banks—which, after all, are creatures of Congress—to vital congressional oversight inquiries.

Thank you for your attention to this matter.

Sincerely,



Pat Toomey  
Ranking Member

cc: The Honorable Sherrod Brown, Chairman, Committee on Banking, Housing, and Urban Affairs  
The Honorable Michelle W. Bowman, Governor, Federal Reserve Board of Governors  
The Honorable Lael Brainard, Governor, Federal Reserve Board of Governors  
The Honorable Christopher J. Waller, Governor, Federal Reserve Board of Governors