

SHERROD BROWN, OHIO, CHAIRMAN
JACK REED, RHODE ISLAND
ROBERT MENENDEZ, NEW JERSEY
JON TESTER, MONTANA
MARK WARNER, VIRGINIA
ELIZABETH WARREN, MASSACHUSETTS
CHRIS VAN HOLLEN, MARYLAND
CATHERINE CORTEZ MASTO, NEVADA
TINA SMITH, MINNESOTA
KYRSTEN SINEMA, ARIZONA
JON OSSOFF, GEORGIA
RAPHAEL G. WARNOCK, GEORGIA
PATRICK J. TOOMEY, PENNSYLVANIA
RICHARD C. SHELBY, ALABAMA
MIKE CRAPO, IDAHO
TIM SCOTT, SOUTH CAROLINA
MIKE ROUNDS, SOUTH DAKOTA
THOM TILLIS, NORTH CAROLINA
JOHN KENNEDY, LOUISIANA
BILL HAGERTY, TENNESSEE
CYNTHIA M. LUMMIS, WYOMING
JERRY MORAN, KANSAS
KEVIN CRAMER, NORTH DAKOTA
STEVE DAINES, MONTANA
LAURA SWANSON, STAFF DIRECTOR
BRAD GRANTZ, REPUBLICAN STAFF DIRECTOR

United States Senate
COMMITTEE ON BANKING, HOUSING, AND
URBAN AFFAIRS
WASHINGTON, DC 20510-6075

February 11, 2022

Esther L. George
President and Chief Executive Officer
Federal Reserve Bank of Kansas City
1 Memorial Drive
Kansas City, MO 64198

Dear President George:

The Kansas City Fed's continued stonewalling of reasonable requests for information is unacceptable. As you know, I have requested—through my Senate Banking Committee staff, a letter to you, and a phone call with you—specific information pertaining to the Kansas City Fed's unusual approval of The Reserve Trust Company's ("Reserve Trust") application for a Federal Reserve master account and former Fed Governor Sarah Bloom Raskin's involvement in it. This information is of critical importance because Ms. Raskin's nomination to serve as the Vice Chair for Supervision for the Board of Governors of the Federal Reserve System ("Fed") is currently pending before the Senate Banking Committee.

In blatant disregard for the authority of Congress, the Kansas City Fed has repeatedly refused to comply with these requests and, in doing so, has prevented the Senate from obtaining information directly relevant to congressional oversight and its constitutional responsibility to provide advice and consent on a presidential nomination. The bank'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 Kansas City 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 extremely limited information that the Kansas City Fed has disclosed has raised more questions than it has answered. On the evening of February 2, 2022, you and your staff spoke with my staff. You did so only after learning that uncomfortable questions would be raised the next day at Ms. Raskin's Senate Banking Committee hearing about the Kansas City Fed's unusual decision to grant Reserve Trust a Fed master account. On that you call, you revealed that Ms. Raskin had, in fact, personally called you about Reserve Trust's master account application after it had been denied. Your staff stated that contemporaneous notes of the call indicated that the call occurred in August 2017, which was during the period Ms. Raskin served on Reserve Trust's board. You stated that after your call with Ms. Raskin you informed your staff that she had called about Reserve Trust's master account application. (You subsequently told me that you

would typically provide such a notification to your staff by email.)¹ You also stated that you did not know if Ms. Raskin communicated with anyone else at the Kansas City Fed on behalf of Reserve Trust.

On February 7, 2022, the Kansas City Fed issued a vague public statement regarding Reserve Trust's unusual application. According to this statement, the Kansas City Fed initially denied Reserve Trust's master account application because it "did not meet the definition of a depository institution."² The statement claims the Kansas City Fed later reversed its decision because of a change in circumstances, namely that Reserve Trust "changed its business model and the Colorado Division of Banking reinterpreted the state's law in a manner that meant [Reserve Trust] met the definition of a depository institution."³ The statement also asserts that it is "routine" for the Kansas City Fed to communicate with the management (including directors) of a company seeking a decision from the Kansas City Fed, while conspicuously failing to mention that Ms. Raskin had lobbied you directly on behalf of Reserve Trust.

While it may be routine for your average company director to call a regional Fed bank, there is nothing routine about a former Fed Governor, like Ms. Raskin, calling the president of a regional Fed bank, with whom she previously served on the Fed's Federal Open Markets Committee, about such a decision. You indicated that to me yourself. You said you are 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. That's saying something since you have been an official at the Kansas City Fed for forty years, spending the last decade as the bank's President.

In light of the Kansas City Fed's assurances that it acted ethically and reasonably, I am puzzled as to why it continues to stonewall a legitimate congressional oversight inquiry. For if what the Kansas City Fed claims is true about its reversal decision, then it should have no problem turning over the information I have requested since it could corroborate the Kansas City Fed's claim that the application was approved because of a change in circumstances and not because of Ms. Raskin's lobbying campaign. The very simple, but important, information I have requested includes items such as (a) lists of meetings, phone calls, and emails between Ms. Raskin and anyone at the Kansas City Fed, (b) the notes of your August 2017 phone call with Ms. Raskin, (c) your email to your staff, if any, about that call and any responses to it from your staff, and (d) documents detailing how and why the Kansas City Fed reversed its decision on Reserve Trust's master account application.

You have told me that the information I have requested could disclose Reserve Trust's confidential business information. It is hard to fathom how any of the information I have described would contain such information and, if it did, the solution is to redact not withhold. Take, for example, documents detailing how and why the Kansas City Fed reversed its decision. The Kansas City Fed has stated this reversal was based, in part, on the fact that "the Colorado

¹ Phone call between Senator Toomey and Esther George (Feb. 7, 2022).

² Statement from the Federal Reserve Bank of Kansas City (Feb. 7, 2022), https://www.kansascityfed.org/documents/8617/Statement_02_07_2022.pdf.

³ *Id.*

Division of Banking reinterpreted the state’s law in a manner that meant [Reserve Trust] met the definition of a depository institution.” There is no conceivable way in which a reinterpretation of state law by Colorado’s banking regulator would reveal any of Reserve Trust’s business information, let alone that which is confidential. Moreover, such information has value to every other entity that may wish to obtain a master account—a public good—from regulators.

It is particularly noteworthy that the Kansas City Fed refuses to provide documents pertaining to the alleged reinterpretation of state law, which paved the way for Reserve Trust to have been considered “[meeting] the definition of a depository institution.”⁴ That’s because Reserve Trust repeatedly and clearly states on its website that it is a “non-depository Colorado chartered trust company.”⁵ Yet, somehow the Kansas City Fed has come to the conclusion that it is also a depository institution. This oxymoronic result, as well as this entire affair, raise questions not just 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 the new issues raised by the Kansas City Fed’s February 7, 2022 statement, please provide the following information by no later than February 16, 2022 at 12:00 pm EST:

1. Has the Kansas City Fed *ever* granted a Fed master account to any other non-depository depository institution other than Reserve Trust?
2. If so, how many non-depository depository institutions have received Fed master accounts from the Kansas City Fed and when did they receive their master accounts?
3. How many Fed master account applications has the Kansas City Fed received each year from 2012 through the present?
4. How many Fed master accounts has the Kansas City Fed granted each year from 2012 through the present?
5. How many Fed master accounts has the Kansas City Fed denied each year from 2012 through the present?
6. During the period from 2012 through the present, how many times has the Kansas City Fed denied a Fed master account application for an institution and then later granted its application?

⁴ *Id.*

⁵ Reserve Trust website (last accessed Feb. 11, 2022), <https://www.reservetrust.com/>.

I urge the Kansas City Fed to stop its unacceptable stonewalling and provide all of 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 Jerome Powell, Chair, Federal Reserve Board of Governors

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

Edmond Johnson, Chair, Board of Directors, Federal Reserve Bank of Kansas City

Patrick A. Dujakovich, Deputy Chair, Board of Directors, Federal Reserve Bank of Kansas City

Maria Griego-Raby, Director, Board of Directors, Federal Reserve Bank of Kansas City

Doug Stussi, Director, Board of Directors, Federal Reserve Bank of Kansas City

Ruben Alonso III, Director, Board of Directors, Federal Reserve Bank of Kansas City

Cassandra R. Savage, Director, Board of Directors, Federal Reserve Bank of Kansas City

Gregory Hohl, Director, Board of Directors, Federal Reserve Bank of Kansas City

Patricia J. Minard, Director, Board of Directors, Federal Reserve Bank of Kansas City

Kyle Heckman, Director, Board of Directors, Federal Reserve Bank of Kansas City