

Explanatory Note

Attached is the 2016 Financial Disclosure Information Packet for William C. Dudley, President of the Federal Reserve Bank of New York ("New York Fed" or "Bank"). This information packet contains Mr. Dudley's annual disclosure form for 2016, and related materials. No waivers were issued to Mr. Dudley in 2016.

Mr. Dudley's 2016 Financial Disclosure Report.

The New York Fed has a robust financial disclosure reporting regime which obligates most Bank employees to file on an annual basis one of four disclosure forms. These forms require the employee to disclose information about assets, liabilities, outside activities, gifts received, and other circumstances that might constitute an actual or potential conflict of interest or a violation of applicable law or Bank policy.

The New York Fed's president completes the Report A Financial Disclosure Form, which requires the most extensive level of personal financial disclosure of any Federal Reserve Bank disclosure report. The president is required to disclose all assets and financial transactions over \$1,000, and give their approximate value by denoting the dollar range for each. Report A also requires disclosure of gifts received, liabilities, any agreements or arrangements for future employment or payment, outside activities, and other situations that might constitute an actual or apparent conflict of interest or violation of law or Bank policy. Note that this report also includes assets held by the spouse of the president, which are labeled accordingly.

The president's financial disclosure reports are extensively reviewed for potential or actual conflicts of interest and compliance with applicable laws and policies. Reviews are conducted by the Chief Compliance and Ethics Officer of the Bank, and the Chairman of the Bank's Board of Directors. If legal issues are raised, the Bank's General Counsel may also be asked to opine.

The report includes interests in certain pension and similar defined benefit plans of both Mr. Dudley and his spouse, related to their prior employment at Goldman Sachs and JP Morgan Chase, respectively. In a 1999 opinion, the Office of Government Ethics concluded that an interest in a defined benefit plan ordinarily will not be deemed to be disqualifying financial interest under 18 U.S.C. Section 208, unless the matter would have a direct and predictable effect on the sponsor's ability or willingness to pay the employee's defined benefit. In the event that such a matter was to arise, appropriate measures would be taken to ensure that Mr. Dudley remains in compliance with Section 208. No such matter currently exists.

The report also includes, under Schedule D, a previously unreported position held by Mr. Dudley's sibling at a covered financial institution in San Francisco, Wells Fargo, where she worked as a product management executive. In April of this year, after reviewing his past filings, Mr. Dudley identified and recognized his omission and immediately notified the Bank's Chief Risk Officer, Chief Compliance and

Ethics Officer and General Auditor, as well as the Audit and Risk Committee of the Bank's Board of Directors.

The Bank and its Board of Directors addressed this matter with the utmost seriousness and the eligible members of the Board (those without banking affiliations) engaged an outside law firm to conduct an independent review of Mr. Dudley's actions going back to the beginning of his tenure at the Bank for potential conflicts of interest related to Wells Fargo. Under Bank and Federal Reserve System policies, siblings of Bank employees may be employed at depository institutions; however, any such affiliation must be disclosed so a review can be conducted by the Bank's Ethics Office for potential conflicts and determine whether a waiver or recusal is necessary. Failure to disclose the affiliation is a violation of the Bank's Code of Conduct, though it is not a major infraction, does not violate any government ethics laws, and does not require refiling of past disclosures.

The law firm concluded its review in late July, 2017, finding that the failure to disclose was inadvertent, that had Mr. Dudley disclosed this relationship it would have had no bearing on the Federal Reserve and would not have necessitated a waiver or recusal, and that Mr. Dudley was not involved in any action or decision directly affecting the firm or his sibling's employment. The law firm's report is attached below.

The eligible members of the Board are satisfied with the firm's findings and have taken the following steps: First, they have formally counseled Mr. Dudley regarding his obligations to disclose under the Bank's Code of Conduct, included below. And, second, they have instructed the Bank's Chief Ethics Officer to review the disclosure form and on-boarding process to ensure employees are aware of what is required of them.

The Bank's Rules related to Conflicts of Interests. Mr. Dudley is subject to a number of policies related to his financial holdings and conflicts of interests. These policies are set forth in the Bank's Code of Conduct and the Voluntary Guide for Senior Officers of the Federal Reserve System.

General Information	
Name: William Dudley	Reporting Period: 2016
Employee ID: 329444	
Reporting Status: Incumbent	
Date of Employment: 01/01/2007	
Group:	
Function:	
Department: FRBNY	
Job Title: President	
Phone: 212-720-6180	
Form Status: Approved	
<input checked="" type="checkbox"/> This certifies that this report was submitted by the employee whose name appears above. This individual certifies that the information provided on this report and on all attached sections is true, complete and correct to the best of his/her knowledge and belief.	
Comments: All transactions occurring during a Federal Open Market Committee trading blackout period were pre-cleared prior to the blackout period.	

Signature

Chief Compliance / Ethics Officer

Chairman / Board of Directors

Chairman / Board of Governors



Schedule A

Name: William Dudley

Reporting Period: 2016

Assets and Income

Please list each asset held in any accounts owned or controlled by you, your spouse, registered domestic partner or minor children that had a fair market value exceeding \$1,000 at the close of and/or generated over \$200 in income during the reporting period.

Please disclose any interest, regardless of its value, in: (i) depository institutions, primary dealers of government securities or their affiliates; (ii) savings and loan holding companies; (iii) systemically important financial institutions; (iv) financial market utilities; or (v) any entity with whom you conduct business on behalf of the Bank.

To remove an item, please click Remove below each line.

NOTE: If you have received a waiver from the Bank for an asset that you are reporting, please check the waiver box at the end of the asset line.

If you have no applicable assets to report, simply check the box below. Do not write "none" or "N/A."

I have no applicable assets to report:

Assets BLOCK A	Value of Assets at close of reporting period BLOCK B	Income: type and amount If None (or less than \$201), no other entry is needed in Block C for that item. BLOCK C		
Asset Name		Type / (If Other, specify)	Amount / Date Only if Honoraria	Waive r
Treasury Inflation Protected Securities Owner: J - Joint	\$250,001-\$500K	Interest	\$1,001-\$25K	Y
I Bond Savings Bond Owner: J - Joint	\$50,001-\$250K	Interest	\$1,001-\$25K	
Federal Reserve Retirement Thrift Plan Owner: E - Employee	Over \$1,000,000	Interest	\$25,001-\$150K	
Pfizer Common Stock Owner: E - Employee	\$1,001-\$50K	Dividends	\$1,001-\$25K	

Schedule A

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Asset Name		Type / (If Other, specify)	Amount / Date Only if Honoraria	Waive r
Fidelity Japan Smaller Company Mutual Fund Owner: E - Employee	\$50,001-\$250K	Dividends	\$201-\$1,000	
Vanguard International Growth Fund (IRA) Owner: J - Joint	\$1,001-\$50K	Dividends	\$201-\$1,000	
Vanguard Small Cap Index Fund (IRA) Owner: J - Joint	\$50,001-\$250K	Dividends	\$201-\$1,000	
Vanguard Admiral Treasury MMMF Owner: J - Joint	Over \$1,000,000	Dividends	\$25,001-\$150K	

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Asset Name		Type / (If Other, specify)	Amount / Date Only if Honoraria	Waive r
Unum Group Common Stock Owner: J - Joint	\$1,001-\$50K	Dividends	\$201-\$1,000	<input type="checkbox"/>
Walt Disney Common Stock Owner: J - Joint	\$50,001-\$250K	Dividends	\$201-\$1,000	<input type="checkbox"/>
Merck Common Stock Owner: J - Joint	\$1,001-\$50K	Dividends	\$201-\$1,000	<input type="checkbox"/>
Vanguard Total Stock Mkt ETF Owner: J - Joint	Over \$1,000,000	Dividends	\$25,001-\$150K	<input type="checkbox"/>

Schedule A

Name: William Dudley

Reporting Period: 2016

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Asset Name		Type / (If Other, specify)	Amount / Date Only if Honoraria	Waive r
Vanguard Energy ETF Owner: J - Joint	\$50,001-\$250K	Dividends	\$1,001-\$25K	
Vanguard FTSE All World Ex US ETF Owner: J - Joint	\$500,001-\$1,000K	Dividends	\$25,001-\$150K	
Vanguard FTSE Developed Markets Owner: J - Joint	\$50,001-\$250K	Dividends	\$1,001-\$25K	
Vanguard Pacific ETF Owner: J - Joint	\$250,001-\$500K	Dividends	\$1,001-\$25K	

Schedule A

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Reporting Period: 2016

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Deutsche Telecom Common Stock Owner: J - Joint	\$1,001-\$50K	Dividends	\$201-\$1,000	
Ishares S&P 500 ETF Owner: J - Joint	\$50,001-\$250K	Dividends	\$1,001-\$25K	
JPM Chase Bank Deposits Owner: J - Joint	\$250,001-\$500K	Interest	None(or less than \$201)	
Northwestern Mutual Life Insurance Policy Owner: E - Employee	\$250,001-\$500K	Dividends	\$1,001-\$25K	
Wells Fargo Bank Deposits Owner: J - Joint	Over \$1,000,000	Interest	\$1,001-\$25K	
Spencer Saving Bank Deposits	\$250,001-\$500K	Interest	\$1,001-\$25K	

Confidential Financial Disclosure Report A - [REDACTED]

Owner: J - Joint				
Citibank Deposits Owner: J - Joint	\$500,001-\$1,000K	Interest	\$201-\$1,000	
JPM Chase Deferred Income Benefit Award Owner: S - Spouse	\$250,001-\$500K	Other Distribution	\$25,001-\$150K	
JPM Chase Profit Sharing (401K) Owner: J - Joint	\$500,001-\$1,000K	Other Investment Gain	None(or less than \$201)	
Goldman Sachs Capital Growth Fund Owner: E - Employee	\$50,001-\$250K	Other Dividends & Capital Gains	\$1,001-\$25K	
Goldman Sachs US Equity Insights Fund Fund Owner: E - Employee	\$50,001-\$250K	Dividends	\$1,001-\$25K	
Vanguard Federal Money Market Fund Owner: J - Joint	None(or less than \$1,001)	Dividends	\$1,001-\$25K	
Vanguard Long Term Tax Exempt Municipal Bond Fund Owner: J - Joint	Over \$1,000,000	Dividends	150,001-\$500K	
Vanguard Prime Money Market Fund Owner: J - Joint	Over \$1,000,000	Interest	\$1,001-\$25K	
I Bond Saving Bonds Owner: S - Spouse	\$50,001-\$250K	Interest	\$1,001-\$25K	
Prudential Life Insurance Policy Owner: S - Spouse	\$1,001-\$50K	Dividends	\$201-\$1,000	
Twin River Community BankCertificate of Deposit Owner: S - Spouse	\$1,001-\$50K	Interest	\$201-\$1,000	
First Citizens BankChecking and Savings Acct Owner: J - Joint	\$1,001-\$50K	Interest	None(or less than \$201)	
Prudential Life Insurance Policy Owner: S - Spouse	\$1,001-\$50K	Interest	None(or less than \$201)	
Vanguard Tax Exempt Money Market Fund	Over \$1,000,000	Dividends	\$1,001-\$25K	

Owner: J - Joint

Schedule B

Name: William Dudley

Reporting Period: 2016

Part I: Transactions

Report any purchase, sale or exchange by you **(E)**, your spouse or registered domestic partner **(S)**, you and your spouse or registered domestic partner **(J)** or a dependent child **(DC)** during the reporting period of any real estate, stocks, bonds, commodity futures and other securities when the amount of the transaction exceeded \$1,000. Include transactions that resulted in a loss. Do not report a transaction involving real estate used solely as your personal residence (unless rented out), or a transaction solely between you, your spouse or dependent child. Check the "Required divestiture" block to indicate sales made pursuant to a divestiture required by the Bank.

) To remove an item, please click Remove below each line.

NOTE: If a transaction is a required divestiture directed by the Bank, please check the Req. Divestiture box at the end of the asset line.

If you have no applicable transactions to report, simply check the box below. Do not write "none" or "N/A."

I have no applicable transactions to report :

Identification of Assets	Owner	Transaction Type	Date (mm/dd/yyyy)	Amount of Transaction	Req. Divestiture
Liberty media Corp Del Ser A Sirius XM Group	J	Sale	12/06/2016	\$1,001-\$50K	
Liberty Interactive Group QVC Group Ser A	J	Sale	12/06/2016	\$1,001-\$50K	
Liberty Media Crop Ser C Sirius XM Group	J	Sale	12/06/2016	\$1,001-\$50K	
Liberty Interactive Ventures Ser A	J	Sale	12/06/2016	\$1,001-\$50K	
Liberty Broadband Ser A	J	Sale	12/06/2016	\$1,001-\$50K	
Liberty Broadband Ser C	J	Sale	12/06/2016	\$1,001-\$50K	
Liberty Expedia Holdings Ser A	J	Sale	12/06/2016	\$1,001-\$50K	
Liberty Global PLC Cl A	J	Sale	12/06/2016	\$1,001-\$50K	
Liberty Global PLC Cl C	J	Sale	12/06/2016	\$1,001-\$50K	

Confidential Financial Disclosure Report A - [REDACTED]

Liberty Global LILAC Shares Cl A	J	Sale	12/06/2016	\$1,001-\$50K	
Discovery Communications New Ser C	J	Sale	12/12/2016	\$1,001-\$50K	
Discovery Communications Ser A	J	Sale	12/12/2016	\$1,001-\$50K	
Liberty Media Corp Ser A	J	Sale	12/16/2016	\$1,001-\$50K	
Liberty Media Corp Ser C	J	Sale	12/16/2016	\$1,001-\$50K	
Liberty Tripadvisor Holdings Cl A	J	Sale	12/16/2016	\$1,001-\$50K	
Express Scripts Holding Co	J	Sale	12/16/2016	\$1,001-\$50K	

Part II: Gifts

To the extent not previously reported in writing, report the source, a brief description, and the value of any of the following received by you, your spouse or domestic partner or child: (1) any single gift having a value of \$20 or more from one covered source*; and (2) any other gifts totaling \$20 or more in value from one covered source. Exclude gifts from relatives and other exempt gifts.

To remove an item, please click Remove below each line.

* A covered source is a person or entity that: (1) does, or seeks to do, business with the Bank; (2) is supervised by the Federal Reserve System; or (3) has interests that are substantially affected by your duties at the Bank. Additionally, an organization, a majority of whose members are covered sources, is also considered a covered source.

If you have no applicable gifts to report, simply check the box below. Do not write "none" or "N/A."

I have no applicable gifts to report :Yes

Source(Name and Address)	Brief Description	Value
		\$ 0

Schedule C

Name: William Dudley

Reporting Period: 2016

Part I: Liabilities

Report any liabilities owed during the reporting period to any of the following by you, your spouse, registered domestic partner, or dependent children: a bank, credit union, savings and loan association, savings bank, trust company, bank holding company, thrift holding company, an affiliate or subsidiary of any of the foregoing, and any entity which, to your knowledge, does or seeks to do business with the Bank.

To remove an item, please click Remove below each line.

If you have no applicable liabilities to report, simply check the box below. Do not write "none" or "N/A."

I have no applicable liabilities to report: Yes

Creditor (Name and Address)	Type of Liability	Debtor (If Other, specify)	Category of Amount or Value

To your knowledge, were any of the foregoing extensions of credit more favorable than offered to a person not employed by the Bank? NO

Part II: Agreements or Arrangements

Report any agreement or arrangement for future employment, leave of absence from or continuation of payment by a former employer (including severance payments), or continuing participation in an employee benefit plan or deferred compensation arrangement. This part applies only to the person filing the report, and not to spouses, registered domestic partners, or children.

To remove an item, please click Remove below each line.

If you have no applicable agreements or arrangements to report, simply check the box below. Do not write "none" or "N/A."

I have no applicable agreements or arrangements to report:

Status and Terms of any Agreement or Arrangement	Parties	Date (mm/yyyy)
Defined Benefit Plan (Retirement at 65)	Goldman Sachs	12/2005

Schedule D

Name: William Dudley

Reporting Period: 2016

Part I: Positions Held Outside the FRB

Positions Held by You

Report any position held by you during the reporting period, whether compensated or not. A position includes but not limited to employee, officer, owner, director, trustee, partner, advisor or consultant of any corporation, firm, partnership or other business enterprise, or any non-profit organization or educational institution. Exclude positions with religious, social, fraternal or political entities, and those solely of an honorary nature.

Relatives in Banking

Also report any position held by your spouse or registered domestic partner, child, parent or sibling with a bank, credit union, savings and loan association, savings bank, trust company, bank holding company, thrift holding company, primary government securities dealer, an affiliate or subsidiary of any of the foregoing, a systemically important financial institution, a financial market utility, and any entity which, to your knowledge, does or seeks to do business with the Bank.

To remove an item, please click Remove below each line.

If you have no applicable positions held outside the FRB to report, simply check the box below. Do not write "none" or "N/A."

I have no applicable positions held outside the FRB to report:

Organization (Name and Address)	Holder	Type of Organization/ (If Other, specify)	Position	From/To (mm/yyyy)
<i>Example: XYZ Non Profit (123 Cleary St, New York, NY 10023)</i>	<i>Employee</i>	<i>Charity</i>	<i>Board member</i>	<i>1/2005 Present</i>
<i>Example: AXYZ Securities, LLC (5 Wall St, New York, NY 10023)</i>	<i>Sibling</i>	<i>Securities Dealer</i>	<i>Analyst</i>	<i>1/2006 Present</i>
Bank for International Settlements	Employee	Other International Organization of Central Banks	Board of Directors	03/2009 12/2016
Wells Fargo	Sibling	Bank	Senior Vice President	01/2007

				12/2016
Economic Club of New York	Employee	Bank	Chairman	07/2014 06/2016

Part II: Other Situations

Describe any other relationship or circumstances that you believe might constitute an actual or apparent conflict of interest or violation of law or Bank policy. Provide all relevant information.

If you have no other situations to report, simply check the box below. Do not write "none" or "N/A."

I have no other situations to report:

Ann E. Darby, my spouse, Chairs the Douglas College Investment Committee that oversees management of the college's endowment.

Audit Trail

Name: William Dudley		Reporting Period: 2016	
Date of Activity	Type of Activity	Updated By	Report Status
08/17/2017 05:26:22 PM	Signed Off	b1mcglg	Signed Off
08/17/2017 05:02:25 PM	Saved	b1bms01	Reviewed - Ready for Sign Off
08/17/2017 05:02:25 PM	Signed Off	b1bms01	Submitted
08/17/2017 05:01:17 PM	Signed Off	b1bms01	Submitted
08/16/2017 01:37:16 PM	Status Change	b1wcd01	Submitted
08/16/2017 01:37:06 PM	Saved	b1wcd01	Saved
08/16/2017 01:36:33 PM	Saved	b1wcd01	Saved
08/16/2017 11:08:41 AM	Signed Off	b1mcglg	Submitted
08/16/2017 11:08:41 AM	Saved	b1mcglg	Saved
08/16/2017 11:08:34 AM	Signed Off	b1mcglg	Submitted
02/08/2017 10:51:51 AM	Status Change	b1wcd01	Submitted
02/08/2017 10:51:45 AM	Saved	b1wcd01	Saved
02/08/2017 10:49:48 AM	Saved	b1wcd01	Saved
02/06/2017 05:48:08 PM	Saved	b1wcd01	Saved
01/25/2017 12:53:31 PM	Saved	b1wcd01	Saved
01/25/2017 12:52:53 PM	Saved	b1wcd01	Saved
01/24/2017 05:11:29 PM	Saved	b1wcd01	Saved
01/24/2017 04:57:11 PM	Saved	b1wcd01	Saved

Definitions

Name: William Dudley

Reporting Period: 2016

Savings and Loan Holding Companies

<https://www.newyorkfed.org/medialibrary/media/aboutthefed/SLHCList.pdf>

Dependent Child

The term "dependent child" means your son, daughter, stepson or stepdaughter if such person is either (1) unmarried, under age 21, and living in your household, or (2) is claimed as a dependent on your federal income tax return.

Registered domestic partner

Two adults, of the same or opposite sex, who have completed the Federal Reserve System Declaration of Domestic Partnership form.

Systemically Important Financial Institution

A nonbank company that has been designated by the Financial Services Oversight Committee as one that, if materially stressed, could pose a threat to financial stability in the US.

<https://www.newyorkfed.org/medialibrary/media/aboutthefed/fsoclist.pdf>

Designated Financial Market Utilities

Any person that manages or operates a multilateral system for the purpose of transferring, clearing, or settling payments, securities, or other financial transactions among financial institutions or between financial institutions and the person.

<https://www.newyorkfed.org/medialibrary/media/aboutthefed/fsoclist.pdf>

Exempt Liabilities

1. A mortgage loan the proceeds of which were used to finance your primary residence unless the loan was incurred within the last six months.
2. a credit card account provided payment on the indebtedness is current and
3. a student loan incurred prior to your employment at the Bank.

MEMORANDUM

JENNER & BLOCK LLP

September 1, 2017

To: Board of Directors of the Federal Reserve Bank of New York

From: Anton R. Valukas
Thomas J. Perrelli
Edward L. Prokop

Subject: Statement on Disclosure Issues at the Federal Reserve Bank of New York

On May 9, 2017, the Board of Directors of the Federal Reserve Bank of New York (“the Bank”) engaged Anton R. Valukas of Jenner & Block LLP (“Jenner”) to conduct an investigation related to the failure of Mr. William C. Dudley, the current President of the Bank, to disclose the employment of his half-sister at Wells Fargo.

To complete the investigation, Jenner (a) reviewed thousands of documents from and relating to the Bank, the Federal Open Market Committee, and Mr. Dudley—including Mr. Dudley’s personal and work emails, text messages and daily calendar, Bank records relating to a broad range of ethics matters, and documents relating to the Bank’s open market operations and supervisory activities; (b) conducted twenty-one interviews, including interviews with members of the Bank’s Legal Group and Ethics Office, members of the Bank’s management committee, certain of Mr. Dudley’s current and former chiefs of staff, Bank personnel involved in Federal Reserve matters relating to Wells Fargo, members of the Audit and Risk Committee, and Mr. Dudley; (c) conducted five interviews with individuals outside the Bank, including former members of the Bank’s Legal Group, current members of other legal groups within the Federal Reserve System, and Mr. Dudley’s half-sister; and (d) examined how similar matters outside of the Bank have been handled.

The investigation focused on the facts surrounding the failure to disclose and the circumstances surrounding the identification of the disclosure issue, a detailed review of whether Mr. Dudley took any action with respect to Wells Fargo, and a review of how prior similar matters have been handled. Mr. Valukas provided a report to the Audit and Risk Committee at its July 27, 2017 meeting.

Background

The relevant facts are as follows: Mr. Dudley first came to work at the Bank in 2007 as the executive vice-president of the Markets Group. At that time, Mr. Dudley filled out a financial disclosure form, which included a section entitled "Positions Held Outside of the FRB." In that section, he did not list his half-sister's employment at Wells Fargo. At that time, his half-sister worked at Wells Fargo managing product development projects to support Wells Fargo business units and customers; in her job, she did not intersect with Federal Reserve personnel and did not have decision-making authority with respect to any issues related to the Federal Reserve. Mr. Dudley certified that his responses on the financial disclosure form were "true, complete, and correct."

Each year since 2007, Mr. Dudley filled out his disclosure form, starting with an auto-populated version of his prior form, and did not disclose his half-sister's employment. His half-sister continued to work at Wells Fargo in similar product development management roles until 2016. On April 17, 2017, Mr. Dudley met with a small group of Federal Reserve personnel to discuss a presentation he was to make on ethics. At that meeting, recent issues from the Bank of England, which involved a regulator's failure to disclose her brother's employment as a senior official at a bank that the Bank of England regulated, were discussed. At that meeting, participants expressed uncertainty as to whether it was necessary for Federal Reserve personnel to disclose sibling employment. Mr. Dudley directed his chief of staff to seek clarification on the issue from the Ethics Office. Upon learning that he was required to list his half-sister's employment with a financial institution and confirming that he had in fact failed to disclose this information during his tenure at the Bank, Mr. Dudley disclosed the failure to identify his half-sister on his financial disclosure form to the Audit and Risk Committee of the Board of Directors on April 20, 2017.

Conclusions

Mr. Dudley's Failure to Disclose His Half-Sister's Employment at Wells Fargo Was Not Intentional

Mr. Dudley's on-boarding at the Bank in 2007 was unusual because the Bank had rarely brought in high-level officials from outside the Bank who had very complex financial holdings. Mr. Dudley's on-boarding was not handled by the Ethics Office, and the focus of the Bank during the process was on addressing conflicts of interest related to his financial holdings. Significant time was spent working through potential conflicts arising out of Mr. Dudley's financial holdings when he joined the Bank in 2007 and again when he was named President in 2009.

Unlike with employees coming to the Bank today, it appears that no one walked through the disclosure form with Mr. Dudley. Mr. Dudley asserts that he did not understand that the section entitled "Positions Held Outside the FRB" required the disclosure of his half-sister's employment and did not notice the sentence, mid-way through the instructions on the form, stating that sibling employment should be disclosed or the example provided in the form which relates to sibling employment at a financial institution. The error then propagated each year as Mr. Dudley did not make changes to this section in subsequent years except in cases where he was reporting his own positions held outside the Bank on the boards of the Bank for International Settlements and the Economic Club of New York.

The following circumstances lend support to the conclusion that Mr. Dudley's error was inadvertent:

- It was known by others in the Bank that Mr. Dudley's half-sister worked at Wells Fargo.
- While Bank personnel appear to be generally aware that the Bank's conflict of interest policies cover certain circumstances involving siblings, there appears to have been some genuine confusion among Bank personnel about the extent to which the Bank's financial disclosure forms specifically require disclosure of sibling employment.
- In filling out the form, Mr. Dudley did disclose his wife's positions outside the Bank, but he did so in the section entitled "Other Situations" rather than in the section entitled "Positions Held Outside the FRB," suggesting that he did not understand the latter section required disclosures about persons other than himself.
- Mr. Dudley never considered his half-sister's employment to present a potential conflict of interest because her positions at Wells Fargo did not involve her working on matters that would intersect with the Federal Reserve and because his positions at the Bank do not involve him intersecting with Wells Fargo.
- While certain types of ethics issues do come to the desk of the Bank President, "relative" waivers, which might involve siblings, do not.
- Mr. Dudley immediately self-reported when he realized his error.

Even if Mr. Dudley Had Disclosed his Half-Sister's Employment at Wells Fargo, the Ethics Office Would Not Have Deemed it Necessary to Prohibit or Limit Any Actions Taken by Mr. Dudley During His Tenure at the Bank

Had Mr. Dudley timely disclosed, it is likely that the Ethics Office would have concluded that no recusal or waiver was required. In past similar cases, the Ethics Office has considered whether an employee would have involvement on matters specific to an institution at which a relative worked, the role of the relative at that institution, and the importance of the employee to the Bank's work. Applying these factors here as the Ethics Office has in other matters – Mr. Dudley did not have supervisory authority over Wells Fargo (the Federal Reserve Bank of San Francisco did), his half-sister did not occupy a high-level decision-making position that would have caused her to intersect with the Federal Reserve, and Mr. Dudley's role on broad policy matters is an important one – the Ethics Office likely would have concluded that no recusal was required, but it would have documented the issue and revisited its analysis in the event that circumstances changed.

In prior cases where a Bank employee has failed to disclose information on his or her disclosure form, the Ethics Office has generally (a) reviewed the circumstances to determine if the error was inadvertent or intentional and (b) investigated to see if the employee took any action on a matter specific to the institution triggering the potential conflict. Where the disclosure was deemed inadvertent and no action was taken with respect to a specific matter that raised a conflict, employees have had to amend and disclose or take other remedial measures such as divesting certain financial holdings. Under such circumstances, the Ethics Office has not taken other employment action against an employee other than by issuing a disciplinary action memorandum that puts the employee on notice of the violation and that future violations could lead to escalation of disciplinary action. This is broadly consistent with how inadvertent failure to disclose has been handled in other institutions.

As noted above, it was recent events at the Bank of England, also involving a failure to disclose a sibling's employment that triggered Mr. Dudley's recognition of his error. In the Bank of England matter, the individual resigned from her position at the Bank of England, but under materially different circumstances. The House of Commons of the United Kingdom Treasury Select Committee published a report which was critical of both her failure to declare formally her brother's employment for several years and her response upon this failure coming to light. The Treasury Select Committee appears to have concluded that (a) after incorrectly stating to the Treasury Select Committee that she had properly disclosed her brother's employment, she corrected her misstatement but failed to adequately reflect on the Bank of England's conflict of interest policy or how

they might apply to her; (b) she should have been well aware of the disclosure requirement because of the responsibilities of her position as the Bank of England's Chief Operating Officer, including her role in the drafting and implementation of the Bank of England's Code of Conduct; (c) she did not appear to appreciate sufficiently the severity of her historic non-compliance; (d) for at least some of her tenure as the Bank of England's Chief Operating Officer, her brother had a position on the bank's group strategy team, which dealt with important regulatory matters; and (e) most importantly, the Deputy Governor's new role on one of the Bank of England's policy committees involves direct microprudential regulation of the bank that employs her brother, including highly commercially-sensitive supervisory judgements, thus making it likely that potential, actual, or perceived conflicts of interest could well have arisen in the future.¹ On these points, and particularly the last, the facts of Mr. Dudley's failure to disclose are significantly different.

Mr. Dudley Did Not Take Action on Matters Specific to Wells Fargo

To ascertain to what extent, if at all, Mr. Dudley was involved in matters specific to Wells Fargo, Jenner reviewed internal Bank documents, publically available information and email correspondence relating to system-wide supervisory functions, open market operations, the Federal Open Market Committee, and other matters directly or indirectly involving Wells Fargo that Bank employees have worked on during Mr. Dudley's tenure at the Bank. In addition, Jenner interviewed senior officials from various divisions of the Bank who have worked on such matters. As discussed in more detail below, we uncovered no evidence that Mr. Dudley took actions in matters specific to Wells Fargo or that he directed Bank personnel with respect to matters specific to Wells Fargo.

As noted above, the Federal Reserve Bank of San Francisco, not the Federal Reserve Bank of New York, is responsible for executing the Federal Reserve System's supervisory policies with respect to financial institutions within the Twelfth Federal Reserve District, including Wells Fargo. While Mr. Dudley certainly received information about Wells Fargo, did supervise personnel employed at the Bank who themselves were involved in making decisions about Wells Fargo, and did make decisions and recommendations on broad policy matters that affected all large financial institutions, including Wells Fargo, we have uncovered no evidence that Mr. Dudley

¹ It should be noted that, notwithstanding the conclusions reached by the Treasury Select Committee, the Bank of England has taken the position that the employee's resignation was a disproportionate response for an "honest mistake" that was "freely admitted." (See Mark Carney, Governor, Bank of Eng., Remarks at the Banking Standards Board Panel "Worthy of Trust? Law, Ethics, and Culture in Banking" 6 (Mar. 21, 2017), <http://www.bankofengland.co.uk/publications/Documents/speeches/2017/speech970.pdf>)

made any decisions or recommendations specific to Wells Fargo or that he involved himself in any matters specifically related to Wells Fargo.

As Bank President, Mr. Dudley is ultimately responsible for all Bank personnel, including personnel who might be assigned to teams working on specific matters related to Wells Fargo, such as system-wide supervisory matters or open market operations. Mr. Dudley also sits on the Federal Open Market Committee. In these roles, he certainly has taken actions, made recommendations, and made decisions that have broadly affected the entire economy including, of course, large financial institutions such as Wells Fargo. Under the Bank's Code of Conduct, employment of a sibling at a financial institution would not trigger recusal from such policy matters, even if they had a material effect on Wells Fargo.

Bank personnel that work on supervisory teams involved in horizontal reviews, including of Wells Fargo, do not report through a chain of command that reaches Mr. Dudley; they report through a Federal Reserve System-wide structure overseen by a multi-disciplinary group comprised of senior officials from various divisions at the Board of Governors and Reserve Banks. We are aware of no evidence that Mr. Dudley took employment or other action with respect to such employees arising out of their supervisory work on matters involving Wells Fargo. Moreover, we found no evidence that Mr. Dudley took action with respect to Wells Fargo on the discrete number of non-supervisory matters involving Wells Fargo that Bank employees have worked on during Mr. Dudley's tenure. Such matters include:

- During the financial crisis, the Bank played a critical role in administering the Term Auction Facility ("TAF") and the Term Asset-Backed Securities Loan Facility ("TALF"). Wells Fargo was among the biggest borrowers under TAF and was selected to participate in TALF as an agent on behalf of TALF borrowers.
- The Bank had some interaction with Wells Fargo in connection with its responsibilities relating to the Maiden Lane transactions and the management of the Maiden Lane assets.
- When the Bank expanded its counterparties for conducting reverse repurchase transactions, Wells Fargo money market funds were among those accepted as counterparties.
- Finally, the Bank reviewed, and ultimately approved, Wells Fargo's application to become a primary dealer.

In fact, the only instances that we have identified in which Mr. Dudley appears to have done anything specific to Wells Fargo were public statements in which he discussed the Bank's focus on culture and in which he was highly critical of Wells Fargo in the wake of the unauthorized account opening allegations; however, it is not his role to take action with respect to Wells Fargo on such matters, and we have found no evidence that he has done so.

Following interviews and a review of Mr. Dudley's work and personal email as well as of his text messages, we also have found no evidence that Mr. Dudley provided information to his half-sister about the operation of the Federal Reserve as it would be relevant to Wells Fargo. We also have found no evidence that Mr. Dudley's half-sister provided information about Wells Fargo to him.

Mr. Dudley's Failure to Disclose his Half-Sister's Employment at Wells Fargo Did Violate the Bank's Disclosure Requirements

Mr. Dudley was required to report his half-sister's employment on his disclosure form. The failure to do so made his form inaccurate. The failure to report is not, however, criminal because the primary federal criminal statute governing conflicts of interest at the Bank (18 U.S.C. 208) does not address siblings; rather, it prohibits only conflicts involving parents, spouses, and children.

The Bank has, however, added a heightened set of disclosure and ethics requirements on Bank employees, including a requirement to disclose sibling employment at a financial institution. Mr. Dudley's failure to disclose thus violated the Bank's Code of Conduct. In addition, the failure to disclose made his certification of the disclosure form inaccurate. As noted above, the Bank's Ethics Office typically responds to a failure to disclose such as Mr. Dudley's by documenting the violation of the Bank's Code of Conduct and notifying the employee that future violations could result in disciplinary action.

ARV/TJP/ELP

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FEDERAL RESERVE BANK *of* NEW YORK

33 LIBERTY STREET, NEW YORK, NY 10045-0001

MEMORANDUM

DATE	8/29/2017
TO	William C. Dudley
FROM	Sara Horowitz
SUBJECT	Failure to Disclose Sibling Affiliation

I write to counsel you for not disclosing your sibling half-sister's employment with Wells Fargo, as required on your annual financial disclosure reports.

On April 20, 2017, you self-reported to the Audit and Risk Committee ("ARC") of the Board of Directors ("Board") that you had failed to disclose your sibling's position during your tenure at the Federal Reserve Bank of New York ("Bank"). You were forthcoming with the ARC about your failure to disclose and expressed contrition about this incident.

To ensure that the Board properly carried out its oversight role, those directors not affiliated with a depository institution or a thrift holding company retained the law firm of Jenner & Block ("Jenner") to perform an independent review. After reviewing thousands of documents and conducting 21 interviews, Jenner concluded: (1) the omission of your sibling's employment was not intentional; (2) had her employment been disclosed, it would not have necessitated recusal from your official duties or a waiver; (3) you have not taken any official action specific to Wells Fargo; and (4) you violated the disclosure requirements in the Code of Conduct, but did not violate any law.

Where employees have self-reported violations that did not pose a conflict of interest and were fully cooperative in investigations, as is the case here, the Bank has documented the violations in memoranda without imposing disciplinary action. Typically, the Ethics Office counsels employees in these situations to be more mindful of their ethics obligations and reminds them that future violations could result in disciplinary action. I understand that the Bank's Chief Ethics Officer has issued you such a memorandum, consistent with the Bank's practice in similar situations.

However, because of the importance of your position, it is appropriate that I, on behalf of the Board, also convey our views on this matter. We recognize that your failure to disclose your sibling's affiliation with a financial institution was inadvertent and relatively minor, and also that you escalated this matter promptly. Nonetheless, as President and CEO of this Bank, you are expected to adhere to the highest standards of compliance with the Bank's Code of Conduct. In this instance, you failed to meet those standards. We expect that you will exercise better care with respect to your disclosure obligations going forward, and you have expressed a commitment to doing so.

[REDACTED]
August 29, 2017

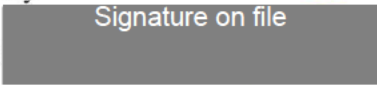
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Further, we understand that the Bank has modified its disclosure form to make clearer that the disclosure obligations extend to reporting particular roles and responsibilities of siblings. In addition, the Bank is revising its onboarding process to best ensure that new employees fully understand their disclosure and other ethics obligations. We do not believe any further action is warranted by this Board or the Bank's Ethics Office and we therefore consider this matter closed.

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FEDERAL RESERVE BANK *of* NEW YORK

33 LIBERTY STREET, NEW YORK, NY 10045-0001

MEMORANDUM	
DATE	8/24/2017
TO	William C. Dudley
FROM	Martin C. Grant 
SUBJECT	Disclosure Violation

This memorandum documents a Code of Conduct violation for not disclosing your sibling's employment on your annual financial disclosure reports.

Your half-sister was employed by Wells Fargo since before you joined the Bank and through the end of 2016. Each year that you completed an annual financial disclosure report, the section entitled *Positions Held Outside the FRB* called for the disclosure of any positions held by a sibling at a bank. You self-reported in April 2017 that you omitted your half-sister's employment information on each of your disclosure reports.

Following your prompt escalation of this matter to the Chief Risk Officer, General Auditor, and Audit and Risk Committee of the Board of Directors, certain board members retained the law firm of Jenner & Block ("Jenner") to perform an independent review. Jenner concluded: (1) the omission of your half-sister's employment was not intentional; (2) had her employment been disclosed, it would not have necessitated recusal from your official duties or a waiver; (3) you have not taken any official action specific to Wells Fargo; and (4) you violated the disclosure requirements in the Code of Conduct, but did not violated any law.

Based on Jenner's conclusions and your self-reporting and full cooperation in investigating this matter, I have determined that no further action is needed at this time. You have been formally counseled by the Chair of the Board of Directors and are aware that a future violation of the Code of Conduct could result in disciplinary action.

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