

FEDERAL RESERVE BANK *of* NEW YORK

33 LIBERTY STREET, NEW YORK, NY 10045-0001

2012 Financial Disclosure Information Packet for President William C. Dudley

Attached is the 2012 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 2012, a waiver permitting Mr. Dudley to serve as Vice Chairman of the Economic Club of New York, and related materials. No other waivers were issued to Mr. Dudley in 2012.

Mr. Dudley’s 2012 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 also 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.

Waiver Granted to Mr. Dudley. New York Fed employees are subject to a number of ethics rules and policies, including the conflict of interest statute set forth at 18 U.S.C. Section 208. As a general matter, Section 208 prohibits Bank employees from participating in any Federal Reserve matter in which they knowingly have a financial interest that would likely be affected by that matter.

Section 208 also, however, allows employees to receive waivers of this prohibition, contingent on a showing that the financial interest is not so substantial as to affect the services that are being provided to the Bank by the employee. Any proposed waiver is subject to careful review and consideration before it is granted. The Bank's president is responsible for deciding whether to grant a Section 208 waiver to all other Bank employees. Before making a final determination as to whether to grant a waiver, the Bank's president will review a briefing memo prepared by the Bank's Ethics Office, or in some cases, the Bank's General Counsel, which sets forth an initial recommendation as to whether the waiver should be granted, based on a determination as to whether the employee's services are necessary and whether or not the employee's judgment would be compromised by the financial interest. Where the Section 208 waiver concerns the Bank's president, the Bank's Board of Directors, acting in consultation with the Bank's General Counsel, Corporate Secretary and Chief Compliance and Ethics Officer, reviews the briefing materials, and votes to grant or deny the waiver. In addition, all Section 208 waivers are reported to the Audit and Risk Committee, a subcommittee of the Bank's Board of Directors.

Mr. Dudley received one Section 208 waiver in 2012. Copies of this waiver and related materials are set forth in this information packet. In brief, a Section 208 waiver was granted to Mr. Dudley permitting him to serve as Vice Chairman of the Economic Club of New York ("ECNY"), a tax-exempt, nonpartisan organization whose mission is to promote study and discussion of social, economic and political questions.

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. Copies of these materials are attached.

Confidential Financial Disclosure Report A - RESTRICTED F.R.

General Information	
Name: William Dudley	Reporting Period: 2012
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"/> <p>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.</p>	
<p>Comments: A Section 208 waiver was issued allowing Mr. Dudley to serve as Vice Chairman to the Economic Club of New York. On March 6, 2013, the OGE published a final rule amending the regulation that describes financial interests that are exempt from the prohibition in 18 U.S.C. § 208(a). See 78 Fed. Reg. 14437-14442. These amendments include a new exemption permitting Government employees to participate in particular matters affecting the financial interests of nonprofit organizations in which they serve in an official capacity as officer, director or trustee. Under this revised rule, 208 waivers of the type Mr. Dudley received this year are no longer necessary.</p>	

Chief Compliance / Ethics Officer

Signatures

Date: 8/15/13

Chairman / Board of Directors

Date: 8/21/13

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Chairman / Board of Governors

Date: _____

Schedule A				
Name: William Dudley			Reporting Period: 2012	
<p>Assets and Income</p> <p>Please list each asset held in any accounts owned or controlled by you, your spouse, 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</p> <p>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; or (iii) any entity with whom you conduct business on behalf of the Bank.</p> <p>To remove an item, please click Remove below each line.</p> <p>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.</p> <p>If you have no applicable assets to report, simply check the box below. Do not write "none" or "N/A."</p> <p>I have no applicable assets to report:</p>				
Assets	Value of Assets at close of reporting period	Income: type and amount If None (or less than \$201), no other entry is needed in Block C for that item.		
BLOCK A	BLOCK B	BLOCK C		
Asset Name		Type / (If Other, specify)	Amount / Date Only if Honoraria	Waiver
Treasury Inflation Protected Securities Owner: E - Employee	\$500,001-\$1,000K	Interest	\$25,001-\$150K	Y
I Bond Savings Bond Owner: E - Employee	\$50,001-\$250K	Interest	\$1,001-\$25K	
Federal Reserve Retirement Thrift Plan Owner: E - Employee	Over \$1,000,000	Dividends	\$25,001-\$150K	
Pfizer Common Stock Owner: E - Employee	\$1,001-\$50K	Dividends	\$201-\$1,000	

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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	Waiver
Fidelity Japan Smaller Company Mutual Fund Owner: E - Employee	\$50,001-\$250K	Dividends	\$1,001-\$25K	
Vanguard International Growth Fund (IRA) Owner: J - Joint	\$1,001-\$50K	Dividends	\$201-\$1,000	
Vanguard Small Cap Index Fund (IRA) Owner: J - Joint	\$1,001-\$50K	Dividends	\$201-\$1,000	
Vanguard Admiral Treasury MMMF Owner: J - Joint	Over \$1,000,000	Dividends	\$1,001-\$25K	

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BLOCK A	BLOCK B	BLOCK C		
Asset Name		Type / (If Other, specify)	Amount / Date Only if Honoraria	Waiver
Unum Group Common Stock Owner: J - Joint	\$1,001-\$50K	Dividends	\$201-\$1,000	
Windstream Corp. Common Stock Owner: J - Joint	\$1,001-\$50K	Dividends	None(or less than \$201)	
Discovery Communications Common Stock Series A Owner: J - Joint	\$1,001-\$50K	Dividends	None(or less than \$201)	
Discovery Communications Common Stock Series C Owner: J - Joint	\$1,001-\$50K	Dividends	None(or less than \$201)	

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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	Waiver
Liberty Media Corporation Common Stock Owner: J - Joint	\$1,001-\$50K	Dividends	None(or less than \$201)	
Express Script Holdings Common Owner: J - Joint	\$1,001-\$50K	Dividends	None(or less than \$201)	
Sunrise Senior Living Common Stock Owner: J - Joint	\$1,001-\$50K	Dividends	None(or less than \$201)	
Liberty Global Common Stock Class A Owner: J - Joint	\$1,001-\$50K	Dividends	None(or less than \$201)	

Schedule A				
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Asset Name		Type / (if Other, specify)	Amount / Date Only if Honoraria	Waive r
Liberty Media New Liberty Cap Common Stock Cl A Owner: J - Joint	\$1,001-\$50K	Dividends	None(or less than \$201)	<input type="checkbox"/>
Liberty Global Common Series C Owner: J - Joint	\$1,001-\$50K	Dividends	None(or less than \$201)	<input type="checkbox"/>
Walt Disney Common Stock Owner: J - Joint	\$1,001-\$50K	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"/>
Vanguard Energy ETF Owner: J - Joint	\$50,001-\$250K	Dividends	\$1,001-\$25K	<input type="checkbox"/>

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Vanguard FTSE All World Ex US ETF Owner: J - Joint	\$500,001-\$1,000K	Dividends	\$25,001-\$150K	
Vanguard MSCI EAFE ETF Owner: J - Joint	\$50,001-\$250K	Dividends	\$1,001-\$25K	
Vanguard Pacific ETF Owner: J - Joint	\$250,001-\$500K	Dividends	\$1,001-\$25K	
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	\$50,001-\$250K	Interest	\$201-\$1,000	
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 Owner: J - Joint	\$50,001-\$250K	Interest	\$1,001-\$25K	
Citibank Deposits Owner: J - Joint	\$250,001-\$500K	Interest	\$1,001-\$25K	
JPM Chase Deferred Income Benefit Award Owner: J - Joint	\$500,001-\$1,000K	Other Distribution	\$25,001-\$150K	
JPM Chase Deferred Compensation Owner: J - Joint	\$250,001-\$500K	Other Distribution	\$25,001-\$150K	
JPM Chase Profit Sharing (401K) Owner: J - Joint	\$500,001-\$1,000K	Other Investment Gain	\$25,001-\$150K	
Goldman Sachs Capital Growth Fund Owner: E - Employee	\$50,001-\$250K	Other Dividends & Capital Gains	\$1,001-\$25K	
Goldman Sachs Structured US Equity Fund Owner: E - Employee	\$1,001-\$50K	Dividends	\$201-\$1,000	

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Vanguard Federal Money Market Fund Owner: J - Joint	\$250,001-\$500K	Dividends	None(or less than \$201)	
Vanguard Intermediate Tax Exempt Municipal Bond Fund Owner: J - Joint	Over \$1,000,000	Dividends	150,001-\$500K	
Liberty Interactive common stock Ser A Owner: J - Joint	\$1,001-\$50K	Interest	None(or less than \$201)	
Vanguard Prime Money Market Fund Owner: J - Joint	Over \$1,000,000	Interest	\$201-\$1,000	
Liberty Interactive Ventures Ser A Common Owner: E - Employee	\$1,001-\$50K	Dividends	None(or less than \$201)	
I Bond Saving Bonds Owner: S - Spouse	\$50,001-\$250K	Interest	None(or less than \$201)	

Schedule B

Name: William Dudley

Reporting Period: 2012

Part I: Transactions

Report any purchase, sale or exchange by you **(E)**, your spouse or domestic partner **(S)**, you and your spouse or 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
Medco Health Common for Express Scrips Holding Common	J	Exchange	04/03/2012	\$1,001-\$50K	
Liberty Interactive Corp Ventures Common	J	Distribution	08/15/2012	\$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

Confidential Financial Disclosure Report A - RESTRICTED F.R.

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: 2012									
<p>Part I: Liabilities</p> <p>Report any liabilities owed during the reporting period to any of the following by you, your spouse, 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.</p> <p>To remove an item, please click Remove below each line.</p> <p>If you have no applicable liabilities to report, simply check the box below. Do not write "none" or "N/A."</p> <p>I have no applicable liabilities to report: Yes</p> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th style="width: 30%; padding: 5px;">Creditor (Name and Address)</th> <th style="width: 25%; padding: 5px;">Type of Liability</th> <th style="width: 20%; padding: 5px;">Debtor (If Other, specify)</th> <th style="width: 25%; padding: 5px;">Category of Amount or Value</th> </tr> </thead> <tbody> <tr> <td style="height: 20px;"> </td> <td> </td> <td> </td> <td> </td> </tr> </tbody> </table> <p style="margin-top: 10px;">To your knowledge, were any of the foregoing extensions of credit more favorable than offered to a person not employed by the Bank? NO</p>				Creditor (Name and Address)	Type of Liability	Debtor (If Other, specify)	Category of Amount or Value				
Creditor (Name and Address)	Type of Liability	Debtor (If Other, specify)	Category of Amount or Value								
<p>Part II: Agreements or Arrangements</p> <p>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, domestic partners, or children.</p> <p>To remove an item, please click Remove below each line.</p> <p>If you have no applicable agreements or arrangements to report, simply check the box below. Do not write "none" or "N/A."</p> <p>I have no applicable agreements or arrangements to report:</p> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th style="width: 50%; padding: 5px;">Status and Terms of any Agreement or Arrangement</th> <th style="width: 25%; padding: 5px;">Parties</th> <th style="width: 25%; padding: 5px;">Date (mm/yyyy)</th> </tr> </thead> <tbody> <tr> <td style="padding: 5px;">Defined Benefit Plan (Retirement at 65)</td> <td style="padding: 5px;">Goldman Sachs</td> <td style="padding: 5px;">12/2005</td> </tr> </tbody> </table>				Status and Terms of any Agreement or Arrangement	Parties	Date (mm/yyyy)	Defined Benefit Plan (Retirement at 65)	Goldman Sachs	12/2005		
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: 2012	
<p>Part I: Positions Held Outside the FRB</p> <p>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. Also report any position held by your spouse or 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, and any entity which, to your knowledge, does or seeks to do business with the Bank.</p> <p>To remove an item, please click Remove below each line.</p> <p>If you have no applicable positions held outside the FRB to report, simply check the box below. Do not write "none" or "N/A."</p> <p>I have no applicable positions held outside the FRB to report:</p>				
Organization (Name and Address)	Holder	Type of Organization/ (If Other, specify)	Position	From/To (mm/yyyy)
Bank for International Settlements	Employee	Other International Organization of Central Banks	Board of Directors	03/2009 12/2012
Economic Club of New York	Employee	Other Forum for Speakers on Economic Issues	Vice Chairman	01/2012 12/2012
<p>Part II: Other Situations</p> <p>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.</p> <p>If you have no other situations to report, simply check the box below. Do not write "none" or "N/A."</p> <p>I have no other situations to report:</p>				
Ann E. Darby, my spouse, Chairs the Douglas College Investment Committee that oversees management of the college's endowment.				

Confidential Financial Disclosure Report A - RESTRICTED F.R.

Audit Trail			
Name: William Dudley		Reporting Period: 2012	
Date of Activity	Type of Activity	Updated By	Report Status
08/09/2013 01:42:10 PM	Saved	b1mxglg	Reviewed - Ready for Sign Off
08/09/2013 01:42:10 PM	Signed Off	b1mxglg	Reviewed - Ready for Sign Off
08/09/2013 01:35:20 PM	Signed Off	b1mxglg	Reviewed - Ready for Sign Off
08/09/2013 01:35:08 PM	Signed Off	b1mxglg	Reviewed - Ready for Sign Off
08/09/2013 01:34:09 PM	Saved	b1mxglg	Reviewed - Ready for Sign Off
08/09/2013 01:34:09 PM	Signed Off	b1mxglg	Reviewed - Ready for Sign Off
08/09/2013 01:33:25 PM	Signed Off	b1mxglg	Reviewed - Ready for Sign Off
08/09/2013 01:29:24 PM	Saved	b1mxglg	Reviewed - Ready for Sign Off
08/09/2013 01:29:23 PM	Signed Off	b1mxglg	Reviewed - Ready for Sign Off
08/09/2013 01:28:47 PM	Signed Off	b1mxglg	Reviewed - Ready for Sign Off
08/07/2013 11:09:19 AM	Signed Off	b1emb03	Reviewed - Ready for Sign Off
08/07/2013 11:08:36 AM	Signed Off	b1emb03	Reviewed - Ready for Sign Off
08/06/2013 03:12:42 PM	Signed Off	b1mxglg	Reviewed - Ready for Sign Off
08/06/2013 03:12:42 PM	Saved	b1mxglg	Reviewed - Ready for Sign Off
08/06/2013 03:12:12 PM	Signed Off	b1mxglg	Reviewed - Ready for Sign Off

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Date of Activity	Type of Activity	Updated By	Report Status
08/06/2013 12:09:50 PM	Saved	b1emb03	Reviewed - Ready for Sign Off
08/06/2013 12:09:50 PM	Signed Off	b1emb03	Submitted
08/06/2013 12:09:29 PM	Signed Off	b1emb03	Submitted
04/24/2013 08:03:17 AM	Status Change	b1wcd01	Submitted
04/24/2013 08:03:13 AM	Saved	b1wcd01	Saved
04/24/2013 08:02:53 AM	Saved	b1wcd01	Saved
04/23/2013 07:15:14 AM	Saved	b1wcd01	Saved
04/23/2013 07:01:47 AM	Saved	b1wcd01	Saved
04/23/2013 06:59:48 AM	Saved	b1wcd01	Saved
04/15/2013 10:52:49 AM	Saved	b1wcd01	Saved

Definitions	
Name: William Dudley	Reporting Period: 2012
Savings and Loan Holding Companies http://www.newyorkfed.org/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.	
Exempt Liabilities <ol style="list-style-type: none">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 and3. a student loan incurred prior to your employment at the Bank.	

FEDERAL RESERVE BANK *of* NEW YORK

33 LIBERTY STREET, NEW YORK, NY 10045-0001

MEMORANDUM		INTERNAL FR
DATE	5/7/2012	
TO	The Board of Directors of the Federal Reserve Bank of New York	
FROM	Martin C. Grant	signature
SUBJECT	Recommendation for a Section 208 Waiver	

I recommend that the Bank issue a waiver pursuant to Section 208(b)(1) of Title 18 of the United States Code ("Section 208") to address a potential conflict of interest presented by William C. Dudley's proposed service as Vice Chairman of the Economic Club of New York (the "ECNY") in his official capacity as President and Chief Executive Officer of the Federal Reserve Bank of New York (the "Bank").

Background

Mr. Dudley replaced former Bank President Tim Geithner as an ECNY trustee. On February 17, 2011, the Audit and Operational Risk Committee of the Bank's Board of Directors authorized Mr. Dudley to serve on the Executive Committee of the ECNY's Board of Trustees.

The ECNY is a tax-exempt, nonpartisan organization whose mission it is to promote the study and discussion of social, economic and political questions. It sponsors periodic luncheon and dinner meetings at which prominent speakers address current events of interest to the financial community. The ECNY states that it "promotes no agenda, and it takes no sides on issues. It exists solely to provide a serious, structured forum in which selected top leaders, from both the U.S. and abroad, can address its members and their invited guests."¹

The Bank's senior management has agreed that attendance at the ECNY's meetings is appropriate given the high quality of speakers, the nature of topics covered, and the broad business exposure that attendance provides. Indeed, the Bank's Strategic Vision encourages Bank employees to invest in global relationships and enhance and develop collaborations with counterparts at other agencies.

The ECNY's 2011 account statements indicate that the ECNY invests predominantly in a stock index fund and a short-term bond index fund. The bond index fund tracks the performance of one- to five-year government securities and holds United States Treasury securities.²

¹ THE ECONOMIC CLUB OF NEW YORK, <http://www.econclubny.org/aboutus.asp> (last visited Apr. 23, 2012).

² Approximately 70 percent of the fund is currently invested in Treasury and Agency securities. As of December 31, 2011, the ECNY held approximately \$608,729 in this fund. The ECNY's total investments as of that date were approximately \$1,750,660.

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Additionally, the ECNY generates nominal returns on savings and temporary cash investments, but it derives the majority of its revenue from membership dues, donations, and fees from speaking engagements and dinners.

Mr. Dudley will obtain no financial benefit from his position as Vice Chairman, and he does not have a personal financial interest in the ECNY. However, because Mr. Dudley will serve as Vice Chairman in his official capacity at the Bank, the Office of Legal Counsel of the United States Justice Department (“OLC”) and the Office of Government Ethics (“OGE”) might regard all his actions as Vice Chairman as “Bank actions.”

Mr. Dudley fully disclosed this potentially disqualifying interest to the Bank’s Ethics Office and has provided all the information necessary to make a determination as to whether a waiver would be appropriate under the circumstances.

Statutory Prohibition

Section 208(a)(1) of Title 18 of the United States Code prohibits Bank employees and officers from participating in a proceeding, application, request for ruling or other determination, contract, claim, controversy, charge, accusation or other particular matter in which the employee or officer, or certain related parties, including organizations in which the employee serves as officer, director, trustee, general partner or employee have a financial interest, if the employee has knowledge of such interest.

The OLC has stated that monetary policy actions taken by the Federal Reserve are “particular matters” subject to 18 U.S.C. § 208 and that such actions could have a direct and predictable effect on the value of certain government securities. Consequently, Federal Reserve Bank presidents may hold United States Treasury Bills with a maturity of one year or less only if they are held to maturity, unless unusual circumstances exist. They are also permitted to purchase or hold United States Treasury bonds or notes (including shares of mutual funds whose investments are concentrated in such bonds or notes) having a total market value of no more than \$50,000. These longer-term government securities or mutual fund shares should be bought only with the intent to hold them as long-term investments and should not be sold while the individual is employed by the Federal Reserve System, except in unusual circumstances and after consultation with the Bank’s ethics officer.³

Section 208(b)(1) provides that the prohibition in Section 208(a) shall not apply if the officer or employee in question first advises the government official responsible for the employee’s appointment of the nature of the financial interest, makes full disclosure of the

³ See Voluntary Guide to Conduct for Senior Officials, FRAM § 2-026.1. See also 5 C.F.R. § 2640.202.

financial interest, and receives a written determination that the interest is not so substantial as to be deemed likely to affect the integrity of the services expected of the employee.⁴

A 1996 opinion from the OLC elaborated that Section 208 “would prevent a government employee from serving on the board of directors of an outside organization in his or her official capacity, in the absence of: (1) statutory authority or a release of fiduciary obligations by the organization that might eliminate the conflict of interest; or (2) a waiver of the requirements of 208(a), pursuant to 18 U.S.C. § 208(b).⁵

Section 2640.301(b) of Title 5 of the Code of Federal Regulations lists factors that may be considered before granting a Section 208 waiver. These factors include, among others: the nature and value of the disqualifying financial interest; the nature and importance of the official’s role in the government matter that could have a direct and predictable effect on the organization; and adjustments that may be made in the employee’s duties that would reduce or eliminate the likelihood that the integrity of the employee’s services would be questioned by a reasonable person.

Recommendation

As explained below, the Bank should issue Mr. Dudley a Section 208 waiver allowing him to serve as the ECNY’s Vice Chairman because: (1) Mr. Dudley’s work at the Bank is unlikely to have a direct and predictable effect on the ECNY; and (2) Mr. Dudley’s financial interest in the ECNY is not so substantial as to be deemed likely to affect the integrity of the services that the Bank would expect to receive from him.

1. Mr. Dudley’s work is unlikely to have a direct and predictable effect on the ECNY.

It is difficult to foresee circumstances where Mr. Dudley would be called upon to exercise his discretion or judgment in his capacity as Bank President that would have a direct and predictable effect on the ECNY. The ECNY is not an entity that is supervised or regulated by the Bank, nor does it provide services or products to the Bank or have interests that would generally be affected by any actions or determinations made at the Bank.

⁴ For officers of the Bank, the government official responsible for their appointment is the Bank’s Board of Directors.

⁵ The OGE has issued a proposed rule that would obviate the need for a Section 208 waiver under these circumstances. The proposed rule would permit Bank employees to participate in particular matters affecting the financial interests of nonprofit organizations in which they serve in an official capacity, notwithstanding the employees’ imputed financial interest. See 76 Fed. Reg. 85 (May 3, 2011) (to be codified at 5 C.F.R. pt. 2640).


2. Mr. Dudley's financial interest in the ECNY is not so substantial as to be deemed likely to affect the integrity of the services that the Bank would expect to receive from him.

The only foreseeable conflict of interest stems from the imputation of the ECNY's investments to Mr. Dudley. The financial interest imputed to Mr. Dudley, however, is not so substantial as to impugn the integrity of Mr. Dudley's service at the Bank. Although Mr. Dudley will participate personally and substantially in monetary policy actions at the Bank as the Bank's President and a permanent member of the Federal Open Market Committee, he will not participate in any discussions or decisions regarding investment activities at the ECNY.

Finally, as a matter of principle, Mr. Dudley will recuse himself from any ECNY matter that may create the appearance of or an actual conflict of interest.

Mr. Dudley acknowledges, by signing in the space below, that he has read this memorandum and agrees to abide by its terms:

signature

William C. Dudley 
President
Federal Reserve Bank of New York

BMS:MCG/gv

c: Thomas C. Baxter
James P. Bergin
Christine M. Cumming
William C. Dudley
Yasamine Hashemi
Michael A. Held
Barry M. Schindler