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Yellen: Fed Eyeballs on Large Firms.

Regulators will continue to scrutinize large financial firms for risk management, internal controls, and governance, Federal Reserve chair Janet Yellen said Tuesday night in New York.

“Large firms still have room for improvement in this area, and supervisors will be watching closely,” Yellen said in her keynote address during the Citizens Budget Commission’s 83rd annual awards dinner at the Pierre Hotel.

“It is unfortunate that I need to underscore this, but we expect the firms we oversee to follow the law and to operate in an ethical manner. Too often in recent years, bankers at large institutions have not done so, sometimes brazenly,” she said. “These incidents, both individually and in their totality, raise legitimate questions of whether there may be pervasive shortcomings in the values of large financial firms that might undermine their safety and soundness.”

Yellen, the first female Federal Reserve chair and a Brooklyn native, received the watchdog organization’s medal for high public service.

According to Yellen, the Fed’s actions since the financial crisis of 2008 helped improve oversight of large financial institutions, which she defined as firms whose financial distress would pose a significant risk to financial stability—“firms that are, in that sense, ‘systemically important.’ ”

She cited the Basel III international agreement, the Dodd-Frank Act, stress testing and a yearly review of how firms are planning future capital needs. The Fed expects to release its latest review within days.

“Capital stress testing for banks is not new but the Federal Reserve has employed it much more extensively since the crisis,” she said.

Yellen added that the Fed itself must share some blame for not having looked more broadly at the financial system.

“In the decades of relative financial stability leading up to the crisis, it is fair to say that the Fed focused too much on individual firms and not enough on their role in the financial system and the implications of those firms’ operations for financial stability,” she said.

Last week, Yellen told the House Financial Services Committee that the Fed is working with other banking agencies to identify municipal securities that could be treated as high-quality liquid assets under rules requiring banks to maintain liquidity coverage ratios.

Yellen, a Brown University graduate and professor emeritus from the University of California, Berkeley, began her four-year term as Fed chair on Feb. 3, 2014. Previously she served four years as vice chair.

“Janet Yellen’s presence says a lot about the importance of the CBC,” said New York Mayor Bill de Blasio. “We certainly have enough checks and balances for offering critiques and ideas. [CBC

president] Carol Kellermann is a strong and persistent presence.”

De Blasio presented the commission’s prize for public service innovation to the Mayor’s Office of Data Analytics.

The office creates a citywide data platform and implements the city’s open-data law. A major project last year was its implementation of universal pre-kindergarten, which involved adding 36,321 seats to full-day, pre-K capacity, an expansion of more than 170%.

Other projects included implementation of the city’s first comprehensive business census, which maps all commercial activity and enables the city to target resources to small businesses affected by Hurricane Sandy, and the Fire Department’s risk-based inspections system, which helps the city predict and inspect buildings most at risk of serious fires.

ClaimStat, which operates within city Comptroller Scott Stringer’s office, received honorable mention.

The CBC also honored Douglas Durst and H. Dale Hemmerdinger for their 20 years as trustees.

THE BOND BUYER

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