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Tapes showing meek oversight of Goldman are about to rock Wall Street

By Post Staff Report

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Wall Street is about to be rocked by secretly recorded audio tapes that purport to show a too-cozy relationship between the New York Federal Reserve Bank and the financial institutions it is supposed to regulate.

The 45 hours of tapes, made by Carmen Segarra, a former NY Fed worker, capture former co-workers, whose job was to keep banks like Goldman Sachs in line, instead deferring to the banks, being unwilling to take action and being extremely passive, according to NPR's "This American Life," and ProPublica which obtained the tapes and is scheduled to air a program about the matter Friday night.

Segarra, ironically, was hired by the NY Fed in October 2011 to help toughen up their oversight. She was fired in 2013 after, she claims in a lawsuit, she tried to get Goldman to toe the line on regulations.

The NY Fed has regulators embedded at each of the large banks it oversees. On her first day on the job, Segarra was assigned to Goldman.

The pushback from Goldman started right away. At one of her first meetings, a senior compliance officer at Goldman said certain consumer laws didn't apply to the bank's wealthier clients.

"I was shocked," Segarra tells a reporter for the NPR show, adding that her notes on the meeting had that exact line.

Goldman, through a more seasoned Fed regulator also embedded at the Wall Street bank, told Segarra her notes were wrong.

Segarra said they weren't.

Her more senior colleague asked her to change the notes.

She refused.

That senior colleague would later tell Segarra, according to a transcript of the NPR program, that "credibility at the Fed is about subtleties and about perceptions, as opposed to reality."

Said Segarra: "I found it to be completely incredible."

Goldman and the NY Fed, as an answer to her lawsuit, have denied the charges.

Michael Lewis, best-selling author of “Flash Boys: A Wall Street Revolt” and “Liar’s Poker,” said after listening to the tapes: “The Ray Rice video for the financial sector has arrived.”

David Beim, the Columbia University business professor whose 2009 report on how the NY Fed could improve its oversight of banks — a report which led to Segarra’s hiring — called the ability of banks to co-opt and tame NY Fed workers “regulatory capture.”

