

106TH CONGRESS  
2D SESSION

**H. R. 4067**

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**AN ACT**

To repeal the prohibition on the payment of interest on demand deposits, and for other purposes.

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## AN ACT

To repeal the prohibition on the payment of interest on  
demand deposits, and for other purposes.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Business Checking  
3 Modernization Act”.

4 **SEC. 2. AMENDMENTS RELATING TO DEMAND DEPOSIT AC-**  
5 **COUNTS AT DEPOSITORY INSTITUTIONS.**

6 (a) INTEREST-BEARING TRANSACTION ACCOUNTS  
7 AUTHORIZED.—

8 (1) FEDERAL RESERVE ACT.—Section 19(i) of  
9 the Federal Reserve Act (12 U.S.C. 371a) is amend-  
10 ed by inserting at the end the following: “Notwith-  
11 standing any other provision of this section, a mem-  
12 ber bank may permit the owner of any deposit, any  
13 account which is a deposit, or any account on which  
14 interest or dividends are paid to make up to 24  
15 transfers per month (or such greater number as the  
16 Board may determine by rule or order), for any pur-  
17 pose, to a demand deposit account of the owner in  
18 the same institution. Nothing in this subsection shall  
19 be construed to prevent an account offered pursuant  
20 to this subsection from being considered a trans-  
21 action account for purposes of this Act.”.

22 (2) HOME OWNERS’ LOAN ACT.—

23 (A) IN GENERAL.—Section 5(b)(1) of the  
24 Home Owners’ Loan Act (12 U.S.C. 1464  
25 (b)(1)) is amended by adding at the end the fol-  
26 lowing new subparagraph:

1           “(G) TRANSFERS.—Notwithstanding any  
2 other provision of this paragraph, a Federal  
3 savings association may permit the owner of  
4 any deposit or share, any account which is a de-  
5 posit or share, or any account on which interest  
6 or dividends are paid to make up to 24 trans-  
7 fers per month (or such greater number as the  
8 Board of Governors of the Federal Reserve Sys-  
9 tem may determine by rule or order under sec-  
10 tion 19(i) to be permissible for member banks),  
11 for any purpose, to a demand deposit account  
12 of the owner in the same institution. Nothing in  
13 this subsection shall be construed to prevent an  
14 account offered pursuant to this subsection  
15 from being considered a transaction account (as  
16 defined in section 19(b) of the Federal Reserve  
17 Act) for purposes of the Federal Reserve Act.”.

18           (B) REPEAL.—Effective at the end of the  
19 3-year period beginning on the date of the en-  
20 actment of this Act, section 5(b)(1) of the  
21 Home Owners’ Loan Act (12 U.S.C. 1464  
22 (b)(1)) is amended by striking subparagraph  
23 (G).

24           (3) FEDERAL DEPOSIT INSURANCE ACT.—Sec-  
25 tion 18(g) of the Federal Deposit Insurance Act (12

1 U.S.C. 1828(g)) is amended by adding at the end  
2 the following new paragraph:

3 “(3) TRANSFERS.—Notwithstanding any other  
4 provision of this subsection, an insured nonmember  
5 bank or insured State savings association may per-  
6 mit the owner of any deposit or share, any account  
7 which is a deposit or share, or any account on which  
8 interest or dividends are paid to make up to 24  
9 transfers per month (or such greater number as the  
10 Board of Governors of the Federal Reserve System  
11 may determine by rule or order under section 19(i)  
12 to be permissible for member banks), for any pur-  
13 pose, to a demand deposit account of the owner in  
14 the same institution. Nothing in this subsection shall  
15 be construed to prevent an account offered pursuant  
16 to this subsection from being considered a trans-  
17 action account (as defined in section 19(b) of the  
18 Federal Reserve Act) for purposes of the Federal  
19 Reserve Act.”.

20 (b) REPEAL OF PROHIBITION ON PAYMENT OF IN-  
21 TEREST ON DEMAND DEPOSITS.—

22 (1) FEDERAL RESERVE ACT.—Section 19(i) of  
23 the Federal Reserve Act (12 U.S.C. 371a) is amend-  
24 ed to read as follows:

25 “(i) [Repealed]”.

1           (2) HOME OWNERS’ LOAN ACT.—The 1st sen-  
2           tence of section 5(b)(1)(B) of the Home Owners’  
3           Loan Act (12 U.S.C. 1464(b)(1)(B)) is amended by  
4           striking “savings association may not—” and all  
5           that follows through “(ii) permit any” and inserting  
6           “savings association may not permit any”.

7           (3) FEDERAL DEPOSIT INSURANCE ACT.—Sec-  
8           tion 18(g) of the Federal Deposit Insurance Act (12  
9           U.S.C. 1828(g)) is amended to read as follows:  
10          “(g) [Repealed]”.

11          (c) EFFECTIVE DATE.—The amendments made by  
12          subsection (b) shall take effect at the end of the 3-year  
13          period beginning on the date of the enactment of this Act.

14          **SEC. 3. INCREASED FEDERAL RESERVE BOARD FLEXI-**  
15                                  **BILITY IN SETTING RESERVE REQUIRE-**  
16                                  **MENTS.**

17          Section 19(b)(2) of the Federal Reserve Act (12  
18          U.S.C. 461(b)(2)) is amended—

19                  (1) in clause (i), by striking “the ratio of 3 per  
20                  centum” and inserting “a ratio not greater than 3  
21                  percent”; and

1           (2) in clause (ii), by striking “and not less than  
2           8 per centum”.

Passed the House of Representatives April 11, 2000.

Attest:

*Clerk.*