

106TH CONGRESS  
2D SESSION

# H. R. 4209

To amend the Federal Reserve Act to require the payment of interest on reserves maintained at Federal reserve banks by insured depository institutions, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

APRIL 6, 2000

Mrs. KELLY (for herself, Mr. MALONEY of Connecticut, and Mr. METCALF) introduced the following bill; which was referred to the Committee on Banking and Financial Services

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## A BILL

To amend the Federal Reserve Act to require the payment of interest on reserves maintained at Federal reserve banks by insured depository institutions, 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,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Bank Reserves Mod-  
5 ernization Act of 2000”.

1 **SEC. 2. PAYMENT OF INTEREST ON RESERVES AT FEDERAL**  
2 **RESERVE BANKS.**

3 (a) IN GENERAL.—Section 19(b) of the Federal Re-  
4 serve Act (12 U.S.C. 461(b)) is amended by adding at  
5 the end the following new paragraph:

6 “(12) EARNINGS ON RESERVES.—

7 “(A) IN GENERAL.—Balances maintained  
8 at a Federal reserve bank by or on behalf of a  
9 depository institution may receive earnings to  
10 be paid by the Federal reserve bank at least  
11 once each calendar quarter at a rate or rates  
12 not to exceed the general level of short-term in-  
13 terest rates.

14 “(B) REGULATIONS RELATING TO PAY-  
15 MENTS AND DISTRIBUTION.—The Board may  
16 prescribe regulations concerning—

17 “(i) the payment of earnings in ac-  
18 cordance with this paragraph;

19 “(ii) the distribution of such earnings  
20 to the depository institutions which main-  
21 tain balances at such banks or on whose  
22 behalf such balances are maintained; and

23 “(iii) the responsibilities of depository  
24 institutions, Federal home loan banks, and  
25 the National Credit Union Administration  
26 Central Liquidity Facility with respect to

1           the crediting and distribution of earnings  
2           attributable to balances maintained, in ac-  
3           cordance with subsection (c)(1)(B), in a  
4           Federal reserve bank by any such entity on  
5           behalf of depository institutions.”.

6           (b) AUTHORIZATION FOR PASS THROUGH RESERVES  
7 FOR MEMBER BANKS.—Section 19(c)(1)(B) of the Fed-  
8 eral Reserve Act (12 U.S.C. 461(c)(1)(B)) is amended by  
9 striking “which is not a member bank”.

10          (c) TECHNICAL AND CONFORMING AMENDMENTS.—  
11 Section 19 of the Federal Reserve Act (12 U.S.C. 461)  
12 is amended—

13           (1) in subsection (b)(4) (12 U.S.C. 461(b)(4)),  
14           by striking subparagraph (C) and redesignating sub-  
15           paragraphs (D) and (E) as subparagraphs (C) and  
16           (D), respectively; and

17           (2) in subsection (c)(1)(A) (12 U.S.C.  
18           461(c)(1)(A)), by striking “subsection (b)(4)(C)”  
19           and inserting “subsection (b)”.

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