

Union Calendar No. 580

106TH CONGRESS
2^D SESSION

H. R. 4209

[Report No. 106-983]

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.

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

OCTOBER 17, 2000

Additional sponsors: Mr. GONZALEZ, Mr. HILL of Montana, Mr. FORBES, Mr. WATT of North Carolina, and Mr. SMITH of New Jersey

OCTOBER 17, 2000

Reported with amendments, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in *italic*]

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”.

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

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

11 “(12) EARNINGS ON RESERVES.—

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

19 “(B) REGULATIONS RELATING TO PAY-
 20 MENTS AND DISTRIBUTION.—The Board may
 21 prescribe regulations concerning—

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

24 “(ii) the distribution of such earnings
 25 to the depository institutions which main-

1 tain balances at such banks or on whose
2 behalf such balances are maintained; and
3 “~~(iii)~~ the responsibilities of depository
4 institutions, Federal home loan banks, and
5 the National Credit Union Administration
6 Central Liquidity Facility with respect to
7 the crediting and distribution of earnings
8 attributable to balances maintained, in ac-
9 cordance with subsection ~~(e)(1)(B)~~, in a
10 Federal reserve bank by any such entity on
11 behalf of depository institutions.”.

12 (b) ~~AUTHORIZATION FOR PASS THROUGH RESERVES~~
13 ~~FOR MEMBER BANKS.~~—Section 19~~(e)(1)(B)~~ of the Fed-
14 eral Reserve Act (12 U.S.C. 461~~(e)(1)(B)~~) is amended by
15 striking “which is not a member bank”.

16 (c) ~~TECHNICAL AND CONFORMING AMENDMENTS.~~—
17 Section 19 of the Federal Reserve Act (12 U.S.C. 461)
18 is amended—

19 (1) in subsection ~~(b)(4)~~ (12 U.S.C. 461~~(b)(4)~~),
20 by striking subparagraph ~~(C)~~ and redesignating sub-
21 paragraphs ~~(D)~~ and ~~(E)~~ as subparagraphs ~~(C)~~ and
22 ~~(D)~~, respectively; and

23 (2) in subsection ~~(e)(1)(A)~~ (12 U.S.C.
24 461~~(e)(1)(A)~~), by striking “subsubsection ~~(b)(4)(C)~~”
25 and inserting “subsubsection ~~(b)~~”.

1 **SECTION 1. SHORT TITLE.**

2 *This Act may be cited as the “Bank Reserves Mod-*
 3 *ernization Act of 2000”.*

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

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

9 *“(12) EARNINGS ON RESERVES.—*

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

17 *“(B) REGULATIONS RELATING TO PAY-*
 18 *MENTS AND DISTRIBUTION.—The Board may*
 19 *prescribe regulations concerning—*

20 *“(i) the payment of earnings in ac-*
 21 *cordance with this paragraph;*

22 *“(ii) the distribution of such earnings*
 23 *to the depository institutions which main-*
 24 *tain balances at such banks or on whose be-*
 25 *half such balances are maintained; and*

1 “(iii) the responsibilities of depository
2 institutions, Federal home loan banks, and
3 the National Credit Union Administration
4 Central Liquidity Facility with respect to
5 the crediting and distribution of earnings
6 attributable to balances maintained, in ac-
7 cordance with subsection (c)(1)(B), in a
8 Federal reserve bank by any such entity on
9 behalf of depository institutions.”.

10 (b) *AUTHORIZATION FOR PASS THROUGH RESERVES*
11 *FOR MEMBER BANKS.*—Section 19(c)(1)(B) of the Federal
12 Reserve Act (12 U.S.C. 461(c)(1)(B)) is amended by strik-
13 ing “which is not a member bank”.

14 (c) *TECHNICAL AND CONFORMING AMENDMENTS.*—
15 Section 19 of the Federal Reserve Act (12 U.S.C. 461) is
16 amended—

17 (1) in subsection (b)(4) (12 U.S.C. 461(b)(4)), by
18 striking subparagraph (C) and redesignating sub-
19 paragraphs (D) and (E) as subparagraphs (C) and
20 (D), respectively; and

21 (2) in subsection (c)(1)(A) (12 U.S.C.
22 461(c)(1)(A)), by striking “subsection (b)(4)(C)” and
23 inserting “subsection (b)”.

1 **SEC. 3. TRANSFER OF FEDERAL RESERVE SURPLUSES.**

2 (a) *IN GENERAL.*—Section 7(b) of the Federal Reserve
3 Act (12 U.S.C. 290) is amended by adding at the end the
4 following new paragraph:

5 “(4) *ADDITIONAL TRANSFERS TO COVER INTER-*
6 *EST PAYMENTS FOR FISCAL YEARS 2001 THROUGH*
7 *2005.*—

8 “(A) *IN GENERAL.*—*In addition to the*
9 *amounts required to be transferred from the sur-*
10 *plus funds of the Federal reserve banks pursuant*
11 *to paragraph (1), the Federal reserve banks shall*
12 *transfer from such surplus funds to the Board of*
13 *Governors of the Federal Reserve System for*
14 *transfer to the Secretary of the Treasury for de-*
15 *posit in the general fund of the Treasury, such*
16 *sums as are necessary to equal the net cost of sec-*
17 *tion 19(b)(12), as estimated by the Office of*
18 *Management and Budget, in each of the fiscal*
19 *years 2001 through 2005.*

20 “(B) *ALLOCATION BY FEDERAL RESERVE*
21 *BOARD.*—*Of the total amount required to be paid*
22 *by the Federal reserve banks under subparagraph*
23 *(A) for fiscal years 2001 through 2005, the*
24 *Board of Governors of the Federal Reserve Sys-*
25 *tem shall determine the amount each such bank*
26 *shall pay in such fiscal year.*

1 “(C) *REPLENISHMENT OF SURPLUS FUND*
2 *PROHIBITED.—During fiscal years 2001 through*
3 *2005, no Federal reserve bank may replenish*
4 *such bank’s surplus fund by the amount of any*
5 *transfer by such bank under subparagraph (A).”.*

6 (b) *TECHNICAL AND CONFORMING AMENDMENT.—Sec-*
7 *tion 7(a) of the Federal Reserve Act (12 U.S.C. 289(a)) is*
8 *amended by adding at the end the following new paragraph:*

9 “(3) *PAYMENT TO TREASURY.—During fiscal*
10 *years 2001 through 2005, any amount in the surplus*
11 *fund of any Federal reserve bank in excess of the*
12 *amount equal to 3 percent of the paid-in capital and*
13 *surplus of the member banks of such bank shall be*
14 *transferred to the Secretary of the Treasury for de-*
15 *posit in the general fund of the Treasury.”.*

Amend the title so as to read: “A bill to amend the Federal Reserve Act to authorize the payment of interest on reserves maintained at Federal reserve banks by insured depository institutions, and for other purposes.”.

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