

112TH CONGRESS  
2D SESSION

# S. 2247

To amend the Federal Reserve Act to improve the functioning and transparency of the Board of Governors of the Federal Reserve System and the Federal Open Market Committee, and for other purposes.

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## IN THE SENATE OF THE UNITED STATES

MARCH 28, 2012

Mr. LEE introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

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## A BILL

To amend the Federal Reserve Act to improve the functioning and transparency of the Board of Governors of the Federal Reserve System and the Federal Open Market Committee, 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; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the  
5 “Federal Reserve Modernization Act of 2012”.

6 (b) TABLE OF CONTENTS.—The table of contents for  
7 this Act is as follows:

Sec. 1. Short title; table of contents.

TITLE I—SINGLE MANDATE FOR PRICE STABILITY ACT

- Sec. 101. Findings.
- Sec. 102. Price stability mandate.

TITLE II—FINANCIAL STABILITY AND MORAL HAZARD  
MITIGATION ACT

- Sec. 201. Findings.
- Sec. 202. Lender-of-last-resort policy.

TITLE III—DIVERSIFYING THE FEDERAL OPEN MARKET  
COMMITTEE TO REFLECT A 21ST CENTURY ECONOMY ACT

- Sec. 301. Findings.
- Sec. 302. Federal Open Market Committee membership.

TITLE IV—DEMYSTIFICATION OF MONETARY POLICY DECISIONS  
ACT

- Sec. 401. Findings.
- Sec. 402. Release of transcripts.

TITLE V—EXCHANGE RATE RESPONSIBILITY ACT

- Sec. 501. Findings.
- Sec. 502. Report on the effect of exchange rate policy.
- Sec. 503. Renaming of Exchange Stabilization Fund.
- Sec. 504. Conversion to all-SDR Fund.

TITLE VI—CREDIT ALLOCATION NEUTRALITY ACT

- Sec. 601. Findings.
- Sec. 602. Limitation on certain non-emergency security purchases.

TITLE VII—BUREAU OF CONSUMER FINANCIAL PROTECTION  
FUNDING ACT

- Sec. 701. Findings.
- Sec. 702. Bureau of Consumer Financial Protection Funding.

**1 TITLE I—SINGLE MANDATE FOR**  
**2 PRICE STABILITY ACT**

**3 SEC. 101. FINDINGS.**

4 The Congress finds the following:

5 (1) Monetary policy can only affect the level of  
6 employment in the short term because nonmonetary  
7 factors determine the level of employment in the  
8 long term. At best, the Federal Reserve may tempo-  
9 rarily increase the level of employment through mon-

1 etary policy, but such efforts risk the possibility of  
2 price inflation and increased business cycle volatility  
3 in the future. However, the Federal Reserve can  
4 achieve price stability in the long term through mon-  
5 etary policy. Price stability is desirable because both  
6 price inflation and price deflation damage the U.S.  
7 economy. Therefore, to maximize long-term economic  
8 growth and achieve the highest sustainable level of  
9 real output and employment, price stability should  
10 be the objective of monetary policy.

11 (2) Countries whose central bank has a single  
12 mandate for price stability generally have a better  
13 record of achieving stable prices than countries  
14 whose central bank has a mandate that gives equal  
15 weight to other objectives such as maximum employ-  
16 ment or low interest rates.

17 (3) In general, an overly accommodative mone-  
18 tary policy inflates both asset prices and prices for  
19 goods and services. However, an overly accommoda-  
20 tive monetary policy may sometimes cause a  
21 misallocation of capital that inflates asset prices dis-  
22 proportionately, creating unsustainable bubbles in  
23 asset prices, while price indices for goods and serv-  
24 ices do not register significant price inflation. When  
25 asset bubbles burst, many investments must be liq-

1 updated at considerable cost to the U.S. economy in  
2 terms of lower real output and employment.

3 (4) Price stability cannot always be measured  
4 solely through price indices for goods and services  
5 since such indices exclude changes in asset prices.  
6 Therefore, the Federal Reserve should monitor (A)  
7 the prices of, and the expected returns from, major  
8 asset classes (including equities, residential real es-  
9 tate, commercial and industrial real estate, agricul-  
10 tural real estate, gold and other commodities, cor-  
11 porate bonds, U.S. Government bonds, State and  
12 local government bonds, and other securities), (B)  
13 the value of the U.S. dollar relative to other cur-  
14 rencies, and (C) the value of the United States dol-  
15 lar relative to gold, as metrics to determine whether  
16 the Federal Reserve’s monetary policy is consistent  
17 with long-term price stability.

18 **SEC. 102. PRICE STABILITY MANDATE.**

19 (a) IN GENERAL.—Section 2A of the Federal Reserve  
20 Act is amended—

21 (1) by striking “goals of maximum employment,  
22 stable prices, and moderate long-term interest rates”  
23 and inserting “goal of long-term price stability”;

24 (2) by striking “The Board of Governors” and  
25 inserting the following:

1 “(a) IN GENERAL.—The Board of Governors”; and  
2 (3) by adding at the end the following:

3 “(b) PRICE STABILITY METRICS.—

4 “(1) IN GENERAL.—The Board of Governors of  
5 the Federal Reserve System and the Federal Open  
6 Market Committee shall—

7 “(A) define the term ‘long-term price sta-  
8 bility’ for purposes of subsection (a); and

9 “(B) establish metrics that the Board and  
10 the Committee will use to evaluate whether  
11 long-term price stability is being achieved.

12 “(2) ESTABLISHMENT OF METRICS.—In estab-  
13 lishing the metrics described under paragraph  
14 (1)(B), the Board and Committee shall—

15 “(A) take into consideration price indices  
16 of goods and services; and

17 “(B) evaluate, on an ongoing basis—

18 “(i) whether such metrics are com-  
19 prehensively reflecting price movements in  
20 the economy; and

21 “(ii) whether any price movements not  
22 captured by the price indices of goods and  
23 services are causing a significant  
24 misallocation of capital in the United  
25 States economy.

1           “(3) METRIC EVALUATION.—The Board and  
2           Committee shall, with respect to the evaluation proc-  
3           ess required pursuant to paragraph (2)(B), mon-  
4           itor—

5                   “(A) the prices of, and the expected re-  
6                   turns from, major asset classes (including equi-  
7                   ties, residential real estate, commercial and in-  
8                   dustrial real estate, agricultural real estate,  
9                   commodities, corporate bonds, State and local  
10                  government bonds, and other securities) and  
11                  the allocation of capital in financial markets  
12                  and the broader economy;

13                   “(B) the value of the United States dollar  
14                   relative to other currencies; and

15                   “(C) the value of the United States dollar  
16                   relative to gold.

17           “(4) PUBLIC DISCLOSURE; REPORT TO THE  
18           CONGRESS.—The Board and the Committee shall,  
19           with respect to the definition of long-term price sta-  
20           bility and the establishment of metrics set pursuant  
21           to paragraph (1)—

22                   “(A) make such definition and metrics  
23                   available to the public on a website maintained  
24                   by the Board or the Committee; and

1           “(B) each time such definition and metrics  
2           are set or revised, issue a report to the Con-  
3           gress stating such definition and metrics.”.

4           (b) ADDITIONAL EVALUATIONS AND DETERMINA-  
5 TIONS INCLUDED IN SEMI-ANNUAL REPORT TO CON-  
6 GRESS.—Section 2B(b) of the Federal Reserve Act is  
7 amended—

8           (1) by striking “containing a discussion” and  
9           inserting the following:

10 “containing—

11           “(1) a discussion”;

12           (2) by striking the period and inserting a semi-  
13           colon; and

14           (3) by adding at the end the following:

15           “(2) the results of the evaluation process con-  
16           ducted pursuant to section 2A(b)(2)(B);

17           “(3) a determination of whether the goal of  
18           long-term price stability is being met and, if such  
19           goal is not being met, an explanation of why the goal  
20           is not being met and the steps that the Board and  
21           the Federal Open Market Committee will take to en-  
22           sure that the goal is met in the future;

23           “(4) a description of the main monetary policy  
24           instruments used by the Board and the Federal  
25           Open Market Committee and a description of the

1 strategy of the Board and the Committee with re-  
2 spect to using such instruments to achieve the goal  
3 of long-term price stability; and”.

4 **TITLE II—FINANCIAL STABILITY**  
5 **AND MORAL HAZARD MITIGA-**  
6 **TION ACT**

7 **SEC. 201. FINDINGS.**

8 The Congress finds the following:

9 (1) The Federal Reserve performs an essential  
10 function for financial stability by serving as lender  
11 of last resort in order to—

12 (A) prevent the unnecessary failures of  
13 otherwise solvent United States banks and  
14 other financial institutions;

15 (B) reduce the likelihood of financial con-  
16 tagion and disruptions in United States finan-  
17 cial markets; and

18 (C) minimize any adverse effects on real  
19 output and employment in the United States  
20 economy.

21 (2) In acting as the lender of last resort, the  
22 Federal Reserve, may—

23 (A) buy debt securities at fair market  
24 value; or



1           (B) provide short-term credit, secured by  
2           appropriate collateral in proper margin, to oth-  
3           erwise solvent banks and other financial institu-  
4           tions that encounter funding difficulties during  
5           a financial crisis.

6           (3) Nevertheless, in its nearly 100-year history,  
7           the Federal Reserve has never clearly articulated its  
8           lender-of-last-resort policy.

9           (4) The absence of an official lender-of-last-re-  
10          sort policy has led to—

11           (A) increased economic uncertainty be-  
12           cause no one knows with certainty how the Fed-  
13           eral Reserve may behave;

14           (B) financially distressed firms seeking po-  
15           litical solutions in the form of pressure from  
16           Congress or the Administration being placed on  
17           the Federal Reserve to act to save them; and

18           (C) a moral hazard problem from financial  
19           institutions taking greater risks and increasing  
20           leverage based upon assumptions of how the  
21           Federal Reserve will act, though there is no for-  
22           mal statement assuring how the Federal Re-  
23           serve will act.

24           (5) By establishing a formal lender-of-last-re-  
25          sort policy, the Federal Reserve would decrease un-

1       certainty in the market during times of financial cri-  
2       sis and mitigate the moral hazards created by recent  
3       bailouts.

4               (6) An official lender-of-last-resort policy should  
5       provide that once a financial crisis has dissipated,  
6       the Federal Reserve should, in an orderly way, sell  
7       any debt securities that—

8                       (A) the Federal Reserve acquired acting as  
9       lender of last resort; and

10                      (B) the Federal Reserve does not normally  
11       own for its System Account.

12               (7) Further, to reduce moral hazard, the Fed-  
13       eral Reserve’s lender-of-last-resort policy should  
14       make clear that credit in any form will not be pro-  
15       vided to insolvent banks or other financial institu-  
16       tion.

17 **SEC. 202. LENDER-OF-LAST-RESORT POLICY.**

18       (a) IN GENERAL.—Not later than the end of the 1-  
19       year period beginning on the date of the enactment of this  
20       Act, the Board of Governors of the Federal Reserve Sys-  
21       tem shall clearly articulate the Board’s lender-of-last-re-  
22       sort policy.

23       (b) CONSULTATION.—In articulating the policy re-  
24       quired under subsection (a), the Board of Governors shall  
25       consult with—

- 1 (1) the Federal Reserve bank presidents;
- 2 (2) the Comptroller of the Currency;
- 3 (3) the Chairperson of the Federal Deposit In-
- 4 surance Corporation;
- 5 (4) the Securities and Exchange Commission;
- 6 (5) the Commodity Futures Trading Commis-
- 7 sion; and
- 8 (6) such other persons with expertise in finan-
- 9 cial services regulation and monetary policy as the
- 10 Board of Governors may determine appropriate.

11 **TITLE III—DIVERSIFYING THE**  
12 **FEDERAL OPEN MARKET**  
13 **COMMITTEE TO REFLECT A**  
14 **21ST CENTURY ECONOMY ACT**

15 **SEC. 301. FINDINGS.**

16 The Congress finds the following:

17 (1) The Federal Reserve Act delineates specific  
18 requirements for the seven governors charged with  
19 oversight of the Federal Reserve System.

20 (2) In a reflection of the Federal Reserve Sys-  
21 tem's decentralized structure that broadly distrib-  
22 utes power and responsibility across the Nation, the  
23 Act mandates that the presidentially appointed gov-  
24 ernors come from a wide range of geographic loca-  
25 tions and professional backgrounds. Specifically, the

1 first undesignated paragraph under section 10 of the  
2 Federal Reserve Act states that “In selecting the  
3 members of the Board, not more than one of whom  
4 shall be selected from any one Federal Reserve Dis-  
5 trict, the President shall have due regard to a fair  
6 representation of the financial, agricultural, indus-  
7 trial, and commercial interests and geographical di-  
8 visions of the country.”.

9 (3) The Federal Open Monetary Committee  
10 consists of members of the Board of Governors and  
11 the President or Vice President of the Federal Re-  
12 serve Bank of New York on a permanent basis and  
13 rotates voting membership among the remaining Re-  
14 gional Reserve Banks.

15 (4) The existing structure of the Federal Open  
16 Market Committee places too much authority in the  
17 hands of Washington and New York at the expense  
18 of the remainder of the United States.

19 (5) Monetary policy should be conducted in the  
20 interest of all Americans and that policy goal is best  
21 achieved by a Federal Open Market Committee that  
22 provides greater representation and voice in policy  
23 decisions to the entire Nation as represented by the  
24 Regional Reserve Banks. This objective is best  
25 achieved by reforming the voting membership of the

1 Federal Open Market Committee to include all Re-  
2 gional Reserve Banks on a permanent basis.

3 **SEC. 302. FEDERAL OPEN MARKET COMMITTEE MEMBER-**  
4 **SHIP.**

5 Section 12A(a) of the Federal Reserve Act (12  
6 U.S.C. 263(a)) is amended—

7 (1) by striking “five representatives of the Fed-  
8 eral Reserve banks to be selected as hereinafter pro-  
9 vided.” and inserting “1 representative from each of  
10 the Federal Reserve banks.”; and

11 (2) by striking “and, beginning with the elec-  
12 tion for the term commencing March 1, 1943, shall  
13 be elected annually as follows: One by the board of  
14 directors of the Federal Reserve Bank of New York,  
15 one by the boards of directors of the Federal Re-  
16 serve Banks of Boston, Philadelphia, and Richmond,  
17 one by the boards of directors of the Federal Re-  
18 serve Banks of Cleveland and Chicago, one by the  
19 boards of directors of the Federal Reserve Banks of  
20 Atlanta, Dallas, and St. Louis, and one by the  
21 boards of directors of the Federal Reserve Banks of  
22 Minneapolis, Kansas City, and San Francisco. In  
23 such elections each board of directors shall have one  
24 vote; and the details of such elections may be gov-  
25 erned by regulations prescribed by the committee,

1 which may be amended from time to time.” and in-  
2 sserting “and shall be elected by the board of direc-  
3 tors of the Federal Reserve bank that they are to  
4 represent.”.

5 **TITLE IV—DEMYSTIFICATION OF**  
6 **MONETARY POLICY DECI-**  
7 **SIONS ACT**

8 **SEC. 401. FINDINGS.**

9 The Congress finds the following:

10 (1) A more efficient release of transcripts from  
11 the Federal Reserve would result in better guidance  
12 for market participants, and hence more economi-  
13 cally efficient decisionmaking.

14 (2) According to Federal Reserve Chairman  
15 Ben Bernanke, “when the monetary policy com-  
16 mittee regularly provides information about objec-  
17 tives, economic outlook, and policy plans, two bene-  
18 fits result: (1) markets will price assets more effi-  
19 ciently, and (2) a closer alignment between market  
20 participants’ expectations about the course of future  
21 short-term interest rates and” the views of policy-  
22 makers.

23 (3) The Federal Reserve is able to release tran-  
24 scripts more efficiently without compromising their  
25 decisionmaking process.

1 **SEC. 402. RELEASE OF TRANSCRIPTS.**

2 Section 12A(a) of the Federal Reserve Act (12  
3 U.S.C. 263(a)) is amended by adding at the end the fol-  
4 lowing:

5 “(d) **RELEASE OF TRANSCRIPTS.**—The Committee  
6 shall release meeting transcripts to the public not later  
7 than the end of the 3-year period following each meeting.”.

8 **TITLE V—EXCHANGE RATE**  
9 **RESPONSIBILITY ACT**

10 **SEC. 501. FINDINGS.**

11 The Congress finds as follows:

12 (1) The Board of Governors of the Federal Re-  
13 serve System and the Federal Open Market Com-  
14 mittee exercise control over the supply of U.S. dol-  
15 lars, which is a major factor affecting the foreign ex-  
16 change rate value of the United States dollar. There-  
17 fore, the Board of Governors and Federal Open  
18 Market Committee should report to Congress on the  
19 impact of monetary policy on the foreign exchange  
20 rate value of the United States dollar.

21 (2) Over the last several decades, Secretaries of  
22 the Treasury have repeatedly used the Exchange  
23 Stabilization Fund for purposes that were not envi-  
24 sioned by Congress. To prevent further abuses, the  
25 Exchange Stabilization Fund should be renamed as  
26 the Special Drawing Rights Fund. The Special

1 Drawing Rights Fund should hold the Special Draw-  
2 ing Rights that the International Monetary Fund  
3 provided to the United States. Any other assets cur-  
4 rently in the Exchange Stabilization Fund should be  
5 liquidated, and the proceeds used to reduce the pub-  
6 lic debt.

7 **SEC. 502. REPORT ON THE EFFECT OF EXCHANGE RATE**  
8 **POLICY.**

9 Section 2B(b) of the Federal Reserve Act, as amend-  
10 ed by section 102(b), is further amended by adding at the  
11 end the following:

12 “(5) an analysis of how the policies of the  
13 Board and the Federal Open Market Committee are  
14 affecting the foreign exchange rate value of the  
15 United States dollar.”.

16 **SEC. 503. RENAMING OF EXCHANGE STABILIZATION FUND.**

17 (a) IN GENERAL.—Section 5302 of title 31, United  
18 States Code, is amended by striking “stabilization fund”  
19 each place such term appears and inserting “Special  
20 Drawing Rights Fund”.

21 (b) CONFORMING AMENDMENTS.—

22 (1) BALANCED BUDGET AND EMERGENCY DEF-  
23 ICIT CONTROL ACT OF 1985.—Section 255(g)(1)(A)  
24 of the Balanced Budget and Emergency Deficit Con-  
25 trol Act of 1985 (2 U.S.C. 905(g)(1)(A)) is amended



1 by striking “Exchange Stabilization Fund” and in-  
2 serting “Special Drawing Rights Fund”.

3 (2) EMERGENCY ECONOMIC STABILIZATION ACT  
4 OF 2008.—The Emergency Economic Stabilization  
5 Act of 2008 (12 U.S.C. 5211 et seq.) is amended—

6 (A) in section 131, by striking “Exchange  
7 Stabilization Fund” each place such term ap-  
8 pears in headings and text and inserting “Spe-  
9 cial Drawing Rights Fund”; and

10 (B) in the item relating to section 131 in  
11 the table of contents of such Act, by striking  
12 “Exchange Stabilization Fund” and inserting  
13 “Special Drawing Rights Fund”.

14 (3) INTERNATIONAL FINANCIAL INSTITUTIONS  
15 ACT.—Section 1704 of the International Financial  
16 Institutions Act (22 U.S.C. 262r-3) is amended by  
17 striking “stabilization fund” each place such term  
18 appears and inserting “Special Drawing Rights  
19 Fund”.

20 (4) SPECIAL DRAWING RIGHTS ACT.—The Spe-  
21 cial Drawing Rights Act (22 U.S.C. 286n et seq.) is  
22 amended by striking “Exchange Stabilization Fund”  
23 each place such term appears and inserting “Special  
24 Drawing Rights Fund”.

1 (c) REFERENCES.—Any reference in a law, regula-  
2 tion, document, paper, or other record of the United  
3 States to the “Exchange Stabilization Fund” shall be  
4 deemed a reference to the “Special Drawing Rights  
5 Fund”.

6 **SEC. 504. CONVERSION TO ALL-SDR FUND.**

7 (a) FUNDS USED TO REDUCE THE DEBT.—The Sec-  
8 retary of the Treasury shall liquidate all property in the  
9 Special Drawing Rights Fund (as so renamed under sec-  
10 tion 503), other than Special Drawing Rights, and use all  
11 such amounts to reduce the public debt.

12 (b) LIMITATION ON FUND.—Section 5302 of title 31,  
13 United States Code, is amended—

14 (1) in subsection (a)(1)—

15 (A) by striking “is available to carry out”  
16 and inserting “is only available to carry out”;  
17 and

18 (B) by striking “, and for investing in obli-  
19 gations of the United States Government those  
20 amounts in the fund the Secretary of the Treas-  
21 ury, with the approval of the President, decides  
22 are not required at the time to carry out this  
23 section. Proceeds of sales and investments,  
24 earnings, and interest shall be paid into the  
25 fund and are available to carry out this section.

1           However, the fund is not available to pay ad-  
2           ministrative expenses”; and

3           (2) by striking subsection (b) and inserting the  
4           following:

5           “(b) FUND ONLY TO HOLD SPECIAL DRAWING  
6 RIGHTS.—Notwithstanding any other provision of law,  
7 only Special Drawing Rights may be deposited into the  
8 Special Drawing Rights Fund.”.

9           (c) CONFORMING AMENDMENTS.—

10           (1) BRETTON WOODS AGREEMENTS ACT.—Sec-  
11 tion 18 of the Bretton Woods Agreements Act (22  
12 U.S.C. 286e–3) is hereby repealed.

13           (2) SUPPORT FOR EAST EUROPEAN DEMOCRACY  
14 (SEED) ACT OF 1989.—The Support for East Euro-  
15 pean Democracy (SEED) Act of 1989 (22 U.S.C.  
16 5401 et seq.) is amended—

17           (A) in section 101(b)(1), by striking “such  
18 as—” and all that follows through the end of  
19 the paragraph and inserting “such as the au-  
20 thority provided in section 102(c) of this Act.”;  
21 and

22           (B) in section 102(a), by striking “section  
23 101(b)—” and all that follows through the end  
24 of the subsection and inserting “section 101(b),  
25 should work closely with the European Commu-

1           nity and international financial institutions to  
2           determine the extent of emergency assistance  
3           required by Poland for the fourth quarter of  
4           1989.”.

5           (d) TREATMENT OF CERTAIN FUNDS.—Funds that  
6           would otherwise have been deposited into the Special  
7           Drawing Rights Fund (as so renamed under subsection  
8           (a)), but for the amendments made by this section, shall  
9           instead be paid to the Secretary of the Treasury, and the  
10          Secretary of the Treasury shall use such funds to reduce  
11          the public debt.

12          (e) WIND DOWN PERIOD FOR CERTAIN TRANS-  
13          ACTIONS.—Notwithstanding any other provision of this  
14          section, during the 3-year period beginning on the date  
15          of the enactment of this Act, property other than Special  
16          Drawing Rights may be deposited, and maintained, in the  
17          Special Drawing Rights Fund as needed to fulfill any out-  
18          standing obligations on the Fund.

19          **TITLE VI—CREDIT ALLOCATION**  
20                                   **NEUTRALITY ACT**

21          **SEC. 601. FINDINGS.**

22           The Congress finds the following:

23                   (1) In conducting open market operations, the  
24           Federal Open Market Committee should not allocate

1 credit among households, firms, and sectors of the  
 2 United States economy.

3 (2) To assure the credit allocation neutrality of  
 4 open market operations among households, firms,  
 5 and sectors of the United States economy, the Fed-  
 6 eral Open Market Committee should conduct open  
 7 market operations in United States Government se-  
 8 curities, and repurchase and reverse repurchase  
 9 agreements that have a term of 1 year or less, ex-  
 10 cept in unusual and exigent circumstances.

11 **SEC. 602. LIMITATION ON CERTAIN NON-EMERGENCY SECU-**  
 12 **RITY PURCHASES.**

13 (a) IN GENERAL.—The Federal Reserve Act is  
 14 amended—

15 (1) in section 12A, by adding at the end the fol-  
 16 lowing:

17 “(d) EMERGENCY PURCHASING AUTHORITY.—

18 “(1) IN GENERAL.—In unusual and exigent cir-  
 19 cumstances, the Committee, by the affirmative vote  
 20 of at least  $\frac{2}{3}$  of the members of the Committee, may  
 21 authorize any Federal Reserve bank, during such pe-  
 22 riod as the Committee may determine—

23 “(A) to buy and sell, at home or abroad,  
 24 bills, notes, revenue bonds, and warrants with a  
 25 maturity from date of purchase of not exceed-

1           ing six months, issued in anticipation of the col-  
2           lection of taxes or in anticipation of the receipt  
3           of assured revenues by any State, county, dis-  
4           trict, political subdivision, or municipality in the  
5           continental United States, including irrigation,  
6           drainage and reclamation districts, and obliga-  
7           tions of, or fully guaranteed as to principal and  
8           interest by, a foreign government or agency  
9           thereof; and

10           “(B) to buy and sell in the open market,  
11           under the direction and regulations of the Com-  
12           mittee, any obligation which is a direct obliga-  
13           tion of, or fully guaranteed as to principal and  
14           interest by, any agency of the United States.

15           “(2) MAXIMUM HOLDING PERIOD.—Any bond,  
16           bill, note, revenue bond, warrant, or other obligation  
17           purchased by a Federal Reserve bank pursuant to  
18           paragraph (1) shall be disposed of before the end of  
19           the 5-year period beginning on the end of the period  
20           determined by the Committee under paragraph (1).

21           “(3) REPORT.—The Committee shall provide to  
22           the Committee on Banking, Housing, and Urban Af-  
23           fairs of the Senate and the Committee on Financial  
24           Services of the House of Representatives, not later  
25           than 7 days after the Committee makes an author-

1        ization under this subsection, a report that in-  
2        cludes—

3                “(A) the justification for the exercise of  
4                authority to provide;

5                “(B) the identity of the person to or from  
6                which purchases or sales were made;

7                “(C) the date and amount of the purchases  
8                or sales; and

9                “(D) the material terms of the purchases  
10               or sales.”; and

11        (2) in section 14(b)—

12                (A) in paragraph (1), by striking “bonds  
13                issued under the provisions of subsection (c) of  
14                section 4 of the Home Owners’ Loan Act of  
15                1933, as amended, and having maturities from  
16                date of purchase of not exceeding six months,  
17                and bills, notes, revenue bonds, and warrants  
18                with a maturity from date of purchase of not  
19                exceeding six months, issued in anticipation of  
20                the collection of taxes or in anticipation of the  
21                receipt of assured revenues by any State, coun-  
22                ty, district, political subdivision, or municipality  
23                in the continental United States, including irri-  
24                gation, drainage and reclamation districts, and  
25                obligations of, or fully guaranteed as to prin-

1            ciproal and interest by, a foreign government or  
2            agency thereof,”; and

3            (B) by amending paragraph (2) to read as  
4            follows:

5            “(2) To enter into security repurchase agree-  
6            ments and reverse repurchase agreements that have  
7            a term of 1 year or less, in accordance with rules  
8            and regulations prescribed by the Board of Gov-  
9            ernors of the Federal Reserve System.”.

10          (b) TRANSITION PROVISION.—Each Federal Reserve  
11          bank that holds bonds, bills, notes, revenue bonds, war-  
12          rants, or other obligations purchased under the authority  
13          granted by a provision struck under subsection (a)(2) shall  
14          dispose of such obligations not later than the end of the  
15          5-year period beginning on the date of the enactment of  
16          this Act.

17          **TITLE VII—BUREAU OF CON-**  
18          **SUMER FINANCIAL PROTEC-**  
19          **TION FUNDING ACT**

20          **SEC. 701. FINDINGS.**

21          The Congress finds the following:

22                  (1) As our Nation’s central bank, the Federal  
23          Reserve conducts United States monetary policy and  
24          necessarily exercises broad oversight responsibility to  
25          ensure the safety, soundness, and smooth func-



1       tioning of the Nation’s banking and payments sys-  
2       tems.

3               (2) There exists a broad consensus among poli-  
4       cymakers, academics, and most informed com-  
5       mentators that central bank independence is nec-  
6       essary to the proper and effective conduct of mone-  
7       tary policy and those regulatory activities necessary  
8       for the implementation of such monetary policy.

9               (3) In order to preserve the independence of its  
10       activities, the Federal Reserve should remain oper-  
11       ationally and financially autonomous within the  
12       United States Government.

13              (4) However, those activities that do not relate  
14       to the functions listed in paragraph (1) should not  
15       occur outside of the constitutionally granted author-  
16       ity of Congress to authorize and oversee the expendi-  
17       ture of public funds.

18              (5) Therefore, the Bureau of Consumer Finan-  
19       cial Protection should be subject to the Federal ap-  
20       propriations process to ensure effective Congres-  
21       sional oversight over its activities and use of public  
22       funds.

1 **SEC. 702. BUREAU OF CONSUMER FINANCIAL PROTECTION**  
2 **FUNDING.**

3 (a) IN GENERAL.—Section 1017 of the Consumer Fi-  
4 nancial Protection Act of 2010 is amended—

5 (1) in subsection (a)—

6 (A) by amending the heading of such sub-  
7 section to read as follows: “BUDGET, FINAN-  
8 CIAL MANAGEMENT, AND AUDIT.—”;

9 (B) by striking paragraphs (1), (2), and  
10 (3);

11 (C) by redesignating paragraphs (4) and  
12 (5) as paragraphs (1) and (2), respectively; and

13 (D) in paragraph (1), as so redesignated—

14 (i) by striking subparagraph (E); and

15 (ii) by redesignating subparagraph  
16 (F) as subparagraph (E);

17 (2) by striking subsections (b) and (c);

18 (3) by redesignating subsections (d) and (e) as  
19 subsections (b) and (c), respectively; and

20 (4) in subsection (c), as so redesignated—

21 (A) by striking paragraphs (1), (2), and  
22 (3) and inserting the following:

23 “(1) AUTHORIZATION OF APPROPRIATIONS.—

24 There is authorized to be appropriated such funds as  
25 may be necessary to carry out this title.”; and

1                   (B) by redesignating paragraph (4) as  
2                   paragraph (2).

3           (b) EFFECTIVE DATE.—The amendments made by  
4 this section shall take effect on October 1, 2012.

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