

107TH CONGRESS
1ST SESSION

H. R. 974

To increase the number of interaccount transfers which may be made from business accounts at depository institutions, to authorize the Board of Governors of the Federal Reserve System to pay interest on reserves, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MARCH 13, 2001

Mrs. KELLY (for herself, Ms. CAPITO, and Mr. CANTOR) introduced the following bill; which was referred to the Committee on Financial Services

A BILL

To increase the number of interaccount transfers which may be made from business accounts at depository institutions, to authorize the Board of Governors of the Federal Reserve System to pay interest on reserves, 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 “Small Business Inter-
5 est Checking Act of 2001”.

1 **SEC. 2. INTEREST-BEARING TRANSACTION ACCOUNTS AU-**
2 **THORIZED FOR ALL BUSINESSES.**

3 Section 2 of Public Law 93–100 (12 U.S.C. 1832)
4 is amended—

5 (1) by redesignating subsections (b) and (c) as
6 subsections (c) and (d), respectively; and

7 (2) by inserting after subsection (a) the fol-
8 lowing:

9 “(b) Notwithstanding any other provision of law, any
10 depository institution may permit the owner of any deposit
11 or account which is a deposit or account on which interest
12 or dividends are paid and is not a deposit or account de-
13 scribed in subsection (a)(2) to make up to 24 transfers
14 per month (or such greater number as the Board may de-
15 termine by rule or order), for any purpose, to another ac-
16 count of the owner in the same institution. Nothing in this
17 subsection shall be construed to prevent an account of-
18 fered pursuant to this subsection from being considered
19 a transaction account (as defined in section 19(b) of the
20 Federal Reserve Act for purposes of such Act.”.

21 **SEC. 3. PAYMENT OF INTEREST ON RESERVES AT FEDERAL**
22 **RESERVE BANKS.**

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

26 “(12) EARNINGS ON RESERVES.—

1 “(A) IN GENERAL.—Balances maintained
2 at a Federal reserve bank by or on behalf of a
3 depository institution may receive earnings to
4 be paid by the Federal reserve bank at least
5 once each calendar quarter at a rate or rates
6 not to exceed the general level of short-term in-
7 terest rates.

8 “(B) REGULATIONS RELATING TO PAY-
9 MENTS AND DISTRIBUTION.—The Board may
10 prescribe regulations concerning—

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

13 “(ii) the distribution of such earnings
14 to the depository institutions which main-
15 tain balances at such banks or on whose
16 behalf such balances are maintained; and

17 “(iii) the responsibilities of depository
18 institutions, Federal home loan banks, and
19 the National Credit Union Administration
20 Central Liquidity Facility with respect to
21 the crediting and distribution of earnings
22 attributable to balances maintained, in ac-
23 cordance with subsection (c)(1)(B), in a
24 Federal reserve bank by any such entity on
25 behalf of depository institutions.”.

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

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

8 (1) in subsection (b)(4) (12 U.S.C. 461(b)(4)),
9 by striking subparagraph (C) and redesignating sub-
10 paragraphs (D) and (E) as subparagraphs (C) and
11 (D), respectively; and

12 (2) in subsection (c)(1)(A) (12 U.S.C.
13 461(c)(1)(A)), by striking “subsection (b)(4)(C)”
14 and inserting “subsection (b)”.

15 **SEC. 4. INCREASED FEDERAL RESERVE BOARD FLEXI-**
16 **BILITY IN SETTING RESERVE REQUIRE-**
17 **MENTS.**

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

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

23 (2) in clause (ii), by striking “and not less than
24 8 per centum,” and inserting “(and which may be
25 zero),”.

1 **SEC. 5. TRANSFER OF FEDERAL RESERVE SURPLUSES.**

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

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

8 “(A) IN GENERAL.—In addition to the
9 amounts required to be transferred from the
10 surplus funds of the Federal reserve banks pur-
11 suant to paragraph (1), the Federal reserve
12 banks shall transfer from such surplus funds to
13 the Board of Governors of the Federal Reserve
14 System for transfer to the Secretary of the
15 Treasury for deposit in the general fund of the
16 Treasury, such sums as are necessary to equal
17 the net cost of section 19(b)(12), as estimated
18 by the Office of Management and Budget, in
19 each of the fiscal years 2002 through 2006.

20 “(B) ALLOCATION BY FEDERAL RESERVE
21 BOARD.—Of the total amount required to be
22 paid by the Federal reserve banks under sub-
23 paragraph (A) for fiscal years 2002 through
24 2006, the Board of Governors of the Federal
25 Reserve System shall determine the amount
26 each such bank shall pay in such fiscal year.

1 “(C) REPLENISHMENT OF SURPLUS FUND
2 PROHIBITED.—During fiscal years 2002
3 through 2006, no Federal reserve bank may re-
4 plenish such bank’s surplus fund by the amount
5 of any transfer by such bank under subpara-
6 graph (A).”.

7 (b) TECHNICAL AND CONFORMING AMENDMENT.—
8 Section 7(a) of the Federal Reserve Act (12 U.S.C.
9 289(a)) is amended by adding at the end the following
10 new paragraph:

11 “(3) PAYMENT TO TREASURY.—During fiscal
12 years 2002 through 2006, any amount in the sur-
13 plus fund of any Federal reserve bank in excess of
14 the amount equal to 3 percent of the paid-in capital
15 and surplus of the member banks of such bank shall
16 be transferred to the Secretary of the Treasury for
17 deposit in the general fund of the Treasury.”.

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