

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.

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## 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

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## 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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