

119TH CONGRESS  
2D SESSION

# S. 4585

To amend the Federal Reserve Act to mandate discount window testing,  
and for other purposes.

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IN THE SENATE OF THE UNITED STATES

MAY 20, 2026

Mr. WARNER (for himself and Mr. KENNEDY) introduced the following bill;  
which was read twice and referred to the Committee on Banking, Hous-  
ing, and Urban Affairs

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## A BILL

To amend the Federal Reserve Act to mandate discount  
window testing, 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 “Discount Window Pre-  
5 paredness Act”.

6 **SEC. 2. DEMONSTRATION OF ABILITY TO USE THE DIS-**  
7 **COUNT WINDOW.**

8 (a) IN GENERAL.—Section 10B of the Federal Re-  
9 serve Act (12 U.S.C. 347b) is amended by adding at the  
10 end the following:

1       “(c) REQUIREMENT FOR DEPOSITORY INSTITUTIONS  
2 TO DEMONSTRATE ABILITY TO SEEK ADVANCES.—

3               “(1) DEFINITIONS.—In this subsection:

4                       “(A) APPROPRIATE CONGRESSIONAL COM-  
5 MITTEES.—The term ‘appropriate congressional  
6 committees’ means the Committee on Banking,  
7 Housing, and Urban Affairs of the Senate and  
8 the Committee on Financial Services of the  
9 House of Representatives.

10                      “(B) DEPOSITORY INSTITUTION.—The  
11 term ‘depository institution’ means—

12                               “(i) any institution the deposits of  
13 which are insured under the Federal De-  
14 posit Insurance Act (12 U.S.C. 1811 et  
15 seq.); or

16                               “(ii) an insured credit union, as de-  
17 fined in section 101 of the Federal Credit  
18 Union Act (12 U.S.C. 1752).

19               “(2) REQUIREMENTS.—Not later than 1 year  
20 after the date of enactment of this subsection, any  
21 depository institution operating in the United States  
22 that is eligible to seek advances under this section  
23 shall, pursuant to regulations promulgated under  
24 this subsection, conduct testing of such advances  
25 and demonstrate, to the satisfaction of the Federal

1       reserve bank at which the depository institution  
 2       maintains an account, or at which another deposi-  
 3       tory institution maintains an account on its behalf,  
 4       and to the primary Federal regulator of the deposi-  
 5       tory institution, that—

6               “(A) the depository institution has, and  
 7               maintains on an ongoing basis, all operational  
 8               and technical capacities necessary to borrow ad-  
 9               vances in a timely and efficient manner; as  
 10              demonstrated by such required testing; and

11              “(B) the depository institution maintains  
 12              collateral with the Federal reserve bank of  
 13              which it is a member to support borrowing in  
 14              accordance with the requirements of this sub-  
 15              section.

16              “(3) REGULATIONS.—Not later than 180 days  
 17              after the date of enactment of this subsection, the  
 18              Board, the Federal Deposit Insurance Corporation,  
 19              the Office of the Comptroller of the Currency, and  
 20              the National Credit Union Administration shall pro-  
 21              mulgate final regulations implementing the require-  
 22              ments under paragraph (2), including:

23                      “(A) ASSET THRESHOLDS FOR TESTING  
 24                      REQUIREMENTS.—

1           “(i) LARGER INSTITUTIONS.—For de-  
 2           pository institutions having assets greater  
 3           than \$100,000,000,000, mandatory testing  
 4           shall be required not less frequently than  
 5           quarterly, on a schedule determined by the  
 6           Board.

7           “(ii) SMALLER INSTITUTIONS.—For  
 8           depository institutions having assets not  
 9           less than \$10,000,000,000 and not greater  
 10          than \$100,000,000,000, mandatory testing  
 11          shall be required not less frequently than  
 12          semiannually.

13          “(B) VARIATION OF THE SCHEDULE, SIZE,  
 14          AND TENOR OF ADVANCES.—The regulations  
 15          promulgated under this paragraph may provide  
 16          for Federal reserve banks to vary the size,  
 17          tenor, and timing of advances required under  
 18          this section if the Board determines that—

19               “(i) such variations would be effective,  
 20               particularly with respect to reducing stig-  
 21               ma associated with advances under this  
 22               section; and

23               “(ii) after consultation with affected  
 24               depository institutions, such variations

1 would not result in undue added oper-  
2 ational burdens or costs.

3 “(C) INCORPORATION OF MANDATORY  
4 TESTING INTO SUPERVISION.—The regulations  
5 promulgated under this paragraph shall require  
6 that each of the Board, the Federal Deposit In-  
7 surance Corporation, the Office of the Comp-  
8 troller of the Currency, and the National Credit  
9 Union Administration—

10 “(i) incorporate an assessment of the  
11 readiness of each depository institution to  
12 seek advances under this section into the  
13 examination activities of the agency with  
14 regard to liquidity risk management of the  
15 depository institution;

16 “(ii) provide that the regulations and  
17 supervisory standards of the agency with  
18 regard to liquidity provisioning shall give  
19 appropriate, positive consideration to—

20 “(I) the ability of a depository in-  
21 stitution to meet the requirements of  
22 the regulations promulgated under  
23 this paragraph; and

24 “(II) the ability of the depository  
25 institution to access liquidity through

1 advances under this section, including  
2 the pre-pledged collateral of the de-  
3 pository institution.

4 “(D) REPORTING REQUIREMENTS FOR DE-  
5 POSITORY INSTITUTIONS.—The regulations pro-  
6 mulgated under this paragraph shall require  
7 that—

8 “(i) the management of each deposi-  
9 tory institution eligible to seek an advance  
10 under this section shall establish, and the  
11 risk committee or equivalent body of the  
12 board of directors of the depository institu-  
13 tion shall review and approve, not less fre-  
14 quently than annually, the liquidity risk  
15 management plans and operational readi-  
16 ness of the depository institution to exe-  
17 cute such plans, including detailed policies  
18 and procedures for seeking advances under  
19 this section; and

20 “(ii) once approved, the management  
21 described in paragraph (A) shall submit to  
22 the Board, the Federal reserve bank of  
23 which the depository institution is a mem-  
24 ber, and the primary Federal supervisor of  
25 the depository institution, a report detail-

1                   ing the findings of the reviews required  
2                   under that subparagraph.

3                   “(4) MANDATORY IMPROVEMENTS TO OPER-  
4                   ATIONS.—Not later than 180 days after the date of  
5                   enactment of this subsection, the Board and the  
6                   Federal reserve banks shall implement improvements  
7                   to advances under this section to ensure that deposi-  
8                   tory institutions are able to access advances rapidly  
9                   as needed, including—

10                   “(A) changes to operations for advances  
11                   under this section and Federal Reserve pay-  
12                   ment services to ensure that a depository insti-  
13                   tution eligible to obtain advances under this  
14                   section is able to obtain such advances until at  
15                   least 8 p.m. each day in each relevant United  
16                   States time zone;

17                   “(B) implementing a secure, computer-  
18                   based online access platform that depository in-  
19                   stitutions may use to obtain such advances, in-  
20                   cluding automating the process of primary cred-  
21                   it approval if appropriate collateral is pledged;

22                   “(C) standardizing technical specifications  
23                   and operational procedures for such advances  
24                   across all Federal reserve banks;

1           “(D) implementing procedures for the con-  
2           sistent and efficient identification, assignment,  
3           and transfer of security interests in collateral  
4           that is pledged to secure borrowing between any  
5           Federal Home Loan Bank and any Federal re-  
6           serve bank;

7           “(E) implementing simplified procedures  
8           for depository institutions to pledge small busi-  
9           ness loans as collateral for advances under this  
10          section, with emphasis on simplified documenta-  
11          tion for smaller institutions; and

12          “(F) creating and funding an outreach  
13          program to provide information and technical  
14          assistance to smaller institutions with regard to  
15          accessing advances under this section.

16          “(5) HARMONIZATION.—Not later than 270  
17          days after the date of enactment of this subsection,  
18          the Board, in consultation with the Federal Housing  
19          Finance Administration and the Federal Home Loan  
20          Banks, shall promulgate regulations or guidance  
21          simplifying and harmonizing, to the greatest extent  
22          practicable, policies and procedures for the pledging  
23          of collateral for advances under this section, includ-  
24          ing for the timely and efficient transfer of collateral



1       between Federal Home Loan Banks and Federal re-  
2       serve banks.

3               “(6) FEDERAL RESERVE REPORTING.—

4               “(A) REVIEW.—Not later than 270 days  
5       after the date of enactment of this subsection,  
6       the Board shall comprehensively review the  
7       weekly reporting of its balance sheet, including  
8       advances under this section, and consider  
9       changes to reduce the risk of market distortions  
10      caused by speculative activity regarding such  
11      advances, giving particular consideration to—

12              “(i) the breakdown of balance sheet  
13              data by district and the manner in which  
14              such reporting may contribute to specula-  
15              tive activity that threatens the stability of  
16              individual depository institutions; and

17              “(ii) the effects of disclosure require-  
18              ments described in section 11(s).

19              “(B) REVISED REPORTING METHOD-  
20              OLOGY.—Not later than 90 days after the date  
21              on which the review required under subpara-  
22              graph (A) is completed, the Board shall revise  
23              reporting policies as appropriate to address the  
24              findings of such review, and if necessary make  
25              recommendations to the appropriate congres-

1           sional committees regarding potential statutory  
2           changes.

3           “(7) STUDY.—Not later than 1 year after the  
4           date of enactment of this subsection, the Board, in  
5           consultation with the Comptroller of the Currency,  
6           the Federal Deposit Insurance Corporation, and the  
7           National Credit Union Administration, shall com-  
8           plete a study and submit to the appropriate congres-  
9           sional committees a report on additional measures  
10          that could be undertaken to reduce the stigma and  
11          otherwise improve the process for advances under  
12          this section, including—

13                 “(A) the pricing and other terms of such  
14                 advances, especially as they compare to alter-  
15                 native liquidity sources;

16                 “(B) the costs and benefits of any other  
17                 relevant operational or policy changes; and

18                 “(C) recommendations to the appropriate  
19                 congressional committees regarding any statu-  
20                 tory changes necessary to reduce the stigma as-  
21                 sociated with, and otherwise improve the proc-  
22                 ess for, such advances.”.

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