

105TH CONGRESS
1ST SESSION

H. R. 2323

To allow depository institutions to offer negotiable order of withdrawal accounts to all businesses, to repeal the prohibition on the payment of interest on demand deposits, to require the Board of Governors of the Federal Reserve System to pay interest on certain reserves, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JULY 31, 1997

Mr. METCALF (for himself, Mr. LAZIO of New York, and Mr. KANJORSKI) introduced the following bill; which was referred to the Committee on Banking and Financial Services

A BILL

To allow depository institutions to offer negotiable order of withdrawal accounts to all businesses, to repeal the prohibition on the payment of interest on demand deposits, to require the Board of Governors of the Federal Reserve System to pay interest on certain 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,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Small Business Bank-
3 ing Act of 1997”.

4 **SEC. 2. AMENDMENTS RELATING TO SAVINGS AND DEMAND**
5 **DEPOSIT ACCOUNTS AT DEPOSITORY INSTI-**
6 **TUTIONS.**

7 (a) NOW ACCOUNTS AUTHORIZED FOR ALL BUSI-
8 NESSES.—Section 2 of Public Law 93–100 (12 U.S.C.
9 1832(a)(2)) is amended to read as follows:

10 **“SEC. 2. WITHDRAWALS BY NEGOTIABLE OR TRANSFER-**
11 **ABLE INSTRUMENTS FOR TRANSFERS TO**
12 **THIRD PARTIES.**

13 “Notwithstanding any other provision of law, any de-
14 pository institution (as defined in section 3 of the Federal
15 Deposit Insurance Act) may permit the owner of any de-
16 posit or account to make withdrawals from such deposit
17 or account by negotiable or transferable instruments for
18 the purpose of making payments to third parties.”.

19 (b) REPEAL OF PROHIBITION ON PAYMENT OF IN-
20 TEREST ON DEMAND DEPOSITS.—

21 (1) Section 19 of the Federal Reserve Act (12
22 U.S.C. 371a) is amended by striking subsection (i).

23 (2) The 1st sentence of section 5(b)(1)(B) of
24 the Home Owners’ Loan Act (12 U.S.C.
25 1464(b)(1)(B)) is amended by striking “savings as-
26 sociation may not—” and all that follows through

1 “(ii) permit any” and inserting “savings association
2 may not permit any”.

3 (3) Section 18 of the Federal Deposit Insurance
4 Act (12 U.S.C. 1828) is amended by striking sub-
5 section (g).

6 **SEC. 3. 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 to meet the reserve re-
15 quirements of this subsection applicable with re-
16 spect to such depository institution shall receive
17 earnings to be paid by the Federal reserve bank
18 at least once each calendar quarter at a rate
19 not to exceed the rate earned on the securities
20 portfolio of the Federal Reserve System during
21 the preceding quarter.

22 “(B) REGULATIONS RELATING TO PAY-
23 MENTS AND DISTRIBUTION.—The Board may
24 prescribe regulations concerning—

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

3 “(ii) the distribution of such earnings
4 to the depository institutions which main-
5 tain balances at such banks or on whose
6 behalf such balances are maintained; and

7 “(iii) the responsibilities of depository
8 institutions, Federal home loan banks, and
9 the National Credit Union Administration
10 Central Liquidity Facility with respect to
11 the crediting and distribution of earnings
12 attributable to balances maintained, in ac-
13 cordance with subsection (c)(1)(B), in a
14 Federal reserve bank by any such entity on
15 behalf of depository institutions which are
16 not member banks.”.

17 (b) TECHNICAL AND CONFORMING AMENDMENT.—

18 (1) Section 19(b)(4) of the Federal Reserve Act
19 (12 U.S.C. 461(b)(4)) is amended by striking sub-
20 paragraph (C).

21 (2) Section 19(c)(1)(A) of the Federal Reserve
22 Act (12 U.S.C. 461(c)(1)(A)) is amended by striking
23 “subsection (b)(4)(C)” and inserting “subsection
24 (b)”.

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