

106TH CONGRESS
1ST SESSION

H. R. 1435

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

APRIL 15, 1999

Mr. METCALF (for himself, Mr. LEACH, 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,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Small Business Bank-
5 ing Regulatory Relief Act of 1999”.

1 **SEC. 2. AMENDMENTS RELATING TO SAVINGS AND DEMAND**
2 **DEPOSIT ACCOUNTS AT DEPOSITORY INSTI-**
3 **TUTIONS.**

4 (a) INTEREST-BEARING TRANSACTION ACCOUNTS
5 AUTHORIZED FOR ALL BUSINESSES.—Section 2 of Public
6 Law 93–100 (12 U.S.C. 1832) is amended—

7 (1) by redesignating subsections (b) and (c) as
8 subsections (c) and (d), respectively; and

9 (2) by inserting after subsection (a) the fol-
10 lowing:

11 “(b) INTERACCOUNT TRANSFERS.—

12 “(1) IN GENERAL.—Notwithstanding any other
13 provision of law, any depository institution may per-
14 mit the owner of any deposit or account on which in-
15 terest or dividends are paid to make up to 24 trans-
16 fers per month, for any purpose, to another account
17 of the owner in the same institution.

18 “(2) RULE OF CONSTRUCTION.—No provision
19 of this subsection shall be construed as preventing
20 an account offered pursuant to this subsection from
21 being considered a transaction account (as defined
22 in section 19(b) of the Federal Reserve Act (12
23 U.S.C. 461(b)) for purposes of such Act.”.

24 (b) NOW ACCOUNTS AUTHORIZED FOR ALL BUSI-
25 NESSES AFTER SEPTEMBER 30, 2001.—

1 (1) IN GENERAL.—Effective on the date pro-
2 vided in paragraph (3), section 2 of Public Law 93–
3 100 (12 U.S.C. 1832) (as amended by subsection
4 (a) of this section) is amended to read as follows:

5 **“SEC. 2. WITHDRAWALS BY NEGOTIABLE OR TRANSFER-**
6 **ABLE INSTRUMENTS FOR TRANSFERS TO**
7 **THIRD PARTIES.**

8 “(a) IN GENERAL.—Notwithstanding any other pro-
9 vision of law, any depository institution (as defined in sec-
10 tion 3 of the Federal Deposit Insurance Act) may permit
11 the owner of any deposit or account to make withdrawals
12 from such deposit or account by negotiable or transferable
13 instruments for the purpose of making payments to third
14 parties.

15 “(b) ESCROW ACCOUNTS.—With respect to an escrow
16 account, a lender or servicer shall pay interest on such
17 account only if such payments are required by—

18 “(1) a contract between the lender or servicer
19 and the borrower; or

20 “(2) a specific statutory provision of the law in
21 effect in the State in which the property which is se-
22 cured by the loan is located requires the lender or
23 servicer to make such payments.”.

24 (2) REPEAL OF PROHIBITION ON PAYMENT OF
25 INTEREST ON DEMAND DEPOSITS.—

1 (A) FEDERAL RESERVE ACT.—Section
 2 19(i) of the Federal Reserve Act (12 U.S.C.
 3 371a(i)) is amended to read as follows:

4 “(i) [Repealed]”.

5 (B) HOME OWNERS’ LOAN ACT.—The 1st
 6 sentence of section 5(b)(1)(B) of the Home
 7 Owners’ Loan Act (12 U.S.C. 1464(b)(1)(B)) is
 8 amended by striking “savings association may
 9 not—” and all that follows through “(ii) permit
 10 any” and inserting “savings association may
 11 not permit any”.

12 (C) FEDERAL DEPOSIT INSURANCE ACT.—
 13 Section 18(g) of the Federal Deposit Insurance
 14 Act (12 U.S.C. 1828(g)) is amended to read as
 15 follows:

16 “(g) [Repealed]”.

17 (3) EFFECTIVE DATE.—The amendments made
 18 by this subsection shall take effect on October 1,
 19 2001.

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

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

25 “(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 to meet the reserve re-
4 quirements of this subsection applicable with re-
5 spect to such depository institution shall receive
6 earnings to be paid by the Federal reserve bank
7 at least once each calendar quarter at a rate
8 not to exceed the rate earned on the securities
9 portfolio of the Federal Reserve System during
10 the preceding quarter.

11 “(B) REGULATIONS RELATING TO PAY-
12 MENTS AND DISTRIBUTION.—The Board may
13 prescribe regulations concerning—

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

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

20 “(iii) the responsibilities of depository
21 institutions, Federal home loan banks, and
22 the National Credit Union Administration
23 Central Liquidity Facility with respect to
24 the crediting and distribution of earnings
25 attributable to balances maintained, in ac-

1 cordance with subsection (c)(1)(B), in a
2 Federal reserve bank by any such entity on
3 behalf of depository institutions which are
4 not member banks.”.

5 (b) TECHNICAL AND CONFORMING AMENDMENTS.—

6 (1) Section 19(b)(4) of the Federal Reserve Act
7 (12 U.S.C. 461(b)(4)) is amended by striking sub-
8 paragraph (C).

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

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