

107TH CONGRESS
1ST SESSION

S. 524

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 SENATE OF THE UNITED STATES

MARCH 13, 2001

Mr. SCHUMER introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

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) BUSINESS ACCOUNT TRANSACTIONS AUTHOR-
 10 IZED.—

11 “(1) IN GENERAL.—Notwithstanding any other
 12 provision of law, any depository institution may per-
 13 mit the owner of any deposit or account that is a de-
 14 posit or account on which interest or dividends are
 15 paid and is not a deposit or account described in
 16 subsection (a)(2), to make not more than 24 trans-
 17 fers per month (or such greater number as the
 18 Board may determine, by rule or order), for any
 19 purpose, to another account of the owner in the
 20 same institution.

21 “(2) STATUS AS TRANSACTION ACCOUNT.—
 22 Nothing in this subsection shall be construed to pre-
 23 vent an account offered pursuant to this subsection
 24 from being considered a transaction account (as de-
 25 fined in section 19(b) of the Federal Reserve Act)
 26 for purposes of that Act.”.

1 **SEC. 3. PAYMENT OF INTEREST ON RESERVES AT FEDERAL**
 2 **RESERVE BANKS.**

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

6 “(12) EARNINGS ON RESERVES.—

7 “(A) IN GENERAL.—Balances maintained
 8 at a Federal reserve bank by or on behalf of a
 9 depository institution may receive earnings to
 10 be paid by the Federal reserve bank not less
 11 frequently than once in each calendar quarter,
 12 at a rate or rates not to exceed the general level
 13 of short-term interest rates.

14 “(B) REGULATIONS RELATING TO PAY-
 15 MENTS AND DISTRIBUTION.—The Board may
 16 prescribe regulations concerning—

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

19 “(ii) the distribution of such earnings
 20 to the depository institutions which main-
 21 tain balances at such banks, or on behalf
 22 of which such balances are maintained;
 23 and

24 “(iii) the responsibilities of depository
 25 institutions, Federal home loan banks, and
 26 the National Credit Union Administration

1 Central Liquidity Facility with respect to
 2 the crediting and distribution of earnings
 3 attributable to balances maintained, in ac-
 4 cordance with subsection (c)(1)(B), in a
 5 Federal reserve bank by any such entity on
 6 behalf of depository institutions.”.

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

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

14 (1) in subsection (b)(4) (12 U.S.C. 461(b)(4)),
 15 by striking subparagraph (C) and redesignating sub-
 16 paragraphs (D) and (E) as subparagraphs (C) and
 17 (D), respectively; and

18 (2) in subsection (c)(1)(A) (12 U.S.C.
 19 461(c)(1)(A)), by striking “subsection (b)(4)(C)”
 20 and inserting “subsection (b)”.

21 **SEC. 4. INCREASED FEDERAL RESERVE BOARD FLEXI-**
 22 **BILITY IN SETTING RESERVE REQUIRE-**
 23 **MENTS.**

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

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

4 (2) in clause (ii), by striking “and not less than
 5 8 per centum,” and inserting “(and which may be
 6 zero),”.

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

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

11 “(4) ADDITIONAL TRANSFERS TO COVER IN-
 12 TEREST PAYMENTS FOR FISCAL YEARS 2001
 13 THROUGH 2005.—

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

1 “(B) ALLOCATION BY FEDERAL RESERVE
2 BOARD.—Of the total amount required to be
3 paid by the Federal reserve banks under sub-
4 paragraph (A) for fiscal years 2002 through
5 2006, the Board shall determine the amount
6 that each such bank shall pay in any such fiscal
7 year.

8 “(C) REPLENISHMENT OF SURPLUS FUND
9 PROHIBITED.—During fiscal years 2002
10 through 2006, no Federal reserve bank may re-
11 plenish the surplus fund of that bank by the
12 amount of any transfer by that bank under sub-
13 paragraph (A).”.

14 (b) TECHNICAL AND CONFORMING AMENDMENT.—
15 Section 7(a) of the Federal Reserve Act (12 U.S.C.
16 289(a)) is amended by adding at the end the following
17 new paragraph:

18 “(3) PAYMENT TO TREASURY.—During fiscal
19 years 2002 through 2006, any amount in the sur-
20 plus fund of any Federal reserve bank in excess of
21 the amount equal to 3 percent of the paid-in capital
22 and surplus of the member banks of such bank shall
23 be transferred to the Secretary of the Treasury for
24 deposit in the general fund of the Treasury.”.

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