

108TH CONGRESS
1ST SESSION

S. 553

To allow all businesses to make up to 24 transfers each month from interest-bearing transaction accounts to other transaction accounts, to require the payment of interest on reserves held for depository institutions at Federal reserve banks, and for other purposes.

IN THE SENATE OF THE UNITED STATES

MARCH 6, 2003

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

A BILL

To allow all businesses to make up to 24 transfers each month from interest-bearing transaction accounts to other transaction accounts, to require the payment of interest on reserves held for depository institutions at Federal reserve banks, 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 “Business Checking
5 Freedom Act of 2003”.

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 of Gov-
15 ernors of the Federal Reserve System may determine by
16 rule or order), for any purpose, to another account of the
17 owner in the same institution. An account offered pursu-
18 ant to this subsection shall be considered a transaction
19 account for purposes of section 19 of the Federal Reserve
20 Act unless the Board of Governors of the Federal Reserve
21 System determines otherwise.”.

22 **SEC. 3. PAYMENT OF INTEREST ON RESERVES AT FEDERAL**
23 **RESERVE BANKS.**

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

1 “(12) EARNINGS ON RESERVES.—

2 “(A) IN GENERAL.—Balances maintained
3 at a Federal reserve bank by or on behalf of a
4 depository institution may receive earnings to
5 be paid by the Federal reserve bank at least
6 once each calendar quarter at a rate or rates
7 not to exceed the general level of short-term in-
8 terest rates.

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

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

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

18 “(iii) the responsibilities of depository
19 institutions, Federal home loan banks, and
20 the National Credit Union Administration
21 Central Liquidity Facility with respect to
22 the crediting and distribution of earnings
23 attributable to balances maintained, in ac-
24 cordance with subsection (c)(1)(A), in a

1 Federal reserve bank by any such entity on
2 behalf of depository institutions.

3 “(C) DEPOSITORY INSTITUTIONS DE-
4 FINED.—For purposes of this paragraph, the
5 term ‘depository institution’, in addition to the
6 institutions described in paragraph (1)(A), in-
7 cludes any trust company, corporation orga-
8 nized under section 25A or having an agree-
9 ment with the Board under section 25, or any
10 branch or agency of a foreign bank (as defined
11 in section 1(b) of the International Banking Act
12 of 1978).”.

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

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

20 (1) in subsection (b)(4) (12 U.S.C. 461(b)(4)),
21 by striking subparagraph (C) and redesignating sub-
22 paragraphs (D) and (E) as subparagraphs (C) and
23 (D), respectively; and

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

4 **SEC. 4. INCREASED FEDERAL RESERVE BOARD FLEXI-**
5 **BILITY IN SETTING RESERVE REQUIRE-**
6 **MENTS.**

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

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

12 (2) in clause (ii), by striking “and not less than
13 8 per centum,” and inserting “(and which may be
14 zero),”.

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

16 (a) IN GENERAL.—Section 7(b) of the Federal Re-
17 serve Act (12 U.S.C. 289(b)) is amended by adding at
18 the end the following new paragraph:

19 “(4) ADDITIONAL TRANSFERS TO COVER IN-
20 TEREST PAYMENTS FOR FISCAL YEARS 2003
21 THROUGH 2007.—

22 “(A) IN GENERAL.—In addition to the
23 amounts required to be transferred from the
24 surplus funds of the Federal reserve banks pur-
25 suant to subsection (a)(3), the Federal reserve

1 banks shall transfer from such surplus funds to
2 the Board for transfer to the Secretary of the
3 Treasury for deposit in the general fund of the
4 Treasury, such sums as are necessary to equal
5 the net cost of section 19(b)(12) in each of the
6 fiscal years 2003 through 2007.

7 “(B) ALLOCATION BY FEDERAL RESERVE
8 BOARD.—Of the total amount required to be
9 paid by the Federal reserve banks under sub-
10 paragraph (A) for fiscal years 2003 through
11 2007, the Board shall determine the amount
12 each such bank shall pay in such fiscal year.

13 “(C) REPLENISHMENT OF SURPLUS FUND
14 PROHIBITED.—During fiscal years 2003
15 through 2007, no Federal reserve bank may re-
16 plenish such bank’s surplus fund by the amount
17 of any transfer by such bank under subpara-
18 graph (A).”.

19 (b) TECHNICAL AND CONFORMING AMENDMENT.—
20 Section 7(a) of the Federal Reserve Act (12 U.S.C.
21 289(a)) is amended by adding at the end the following
22 new paragraph:

23 “(3) PAYMENT TO TREASURY.—During fiscal
24 years 2003 through 2007, any amount in the sur-
25 plus fund of any Federal reserve bank in excess of

1 the amount equal to 3 percent of the paid-in capital
2 and surplus of the member banks of such bank shall
3 be transferred to the Secretary of the Treasury for
4 deposit in the general fund of the Treasury.”.

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