

113TH CONGRESS
1ST SESSION

H. R. 1174

To amend the Federal Reserve Act to improve the functioning and transparency of the Board of Governors of the Federal Reserve System and the Federal Open Market Committee, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MARCH 14, 2013

Mr. BRADY of Texas (for himself, Mrs. BACHMANN, Mr. BENTIVOLIO, Mrs. BLACKBURN, Mr. BONNER, Mr. BRIDENSTINE, Mr. BROUN of Georgia, Mr. BURGESS, Mr. COLE, Mr. CONAWAY, Mr. DUFFY, Mr. DUNCAN of South Carolina, Mr. FLORES, Ms. FOXX, Mr. FRANKS of Arizona, Mr. GOHMERT, Mr. GOWDY, Mr. GRAVES of Missouri, Mr. HUIZENGA of Michigan, Ms. JENKINS, Mr. JOHNSON of Ohio, Mr. SAM JOHNSON of Texas, Mr. JONES, Mr. JORDAN, Mr. KINGSTON, Mr. LABRADOR, Mr. LAMALFA, Mr. LAMBORN, Mr. LANCE, Mr. LANKFORD, Mr. LONG, Mr. LUCAS, Mr. LUETKEMEYER, Mrs. LUMMIS, Mr. MARCHANT, Mr. MCCLINTOCK, Mr. MILLER of Florida, Mr. MULLIN, Mr. MULVANEY, Mr. NEUGEBAUER, Mr. PEARCE, Mr. PETRI, Mr. PITTS, Mr. RIBBLE, Mr. ROKITA, Mr. SCALISE, Mr. SMITH of Texas, Mr. STUTZMAN, Mr. THORNBERRY, Mr. WALBERG, Mr. WEBER of Texas, and Mr. WOODALL) introduced the following bill; which was referred to the Committee on Financial Services

A BILL

To amend the Federal Reserve Act to improve the functioning and transparency of the Board of Governors of the Federal Reserve System and the Federal Open Market Committee, 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; TABLE OF CONTENTS.**

2 (a) SHORT TITLE.—This Act may be cited as the
3 “Sound Dollar Act of 2013”.

4 (b) TABLE OF CONTENTS.—The table of contents for
5 this Act is as follows:

Sec. 1. Short title; table of contents.

TITLE I—SINGLE MANDATE FOR PRICE STABILITY ACT

Sec. 101. Findings.

Sec. 102. Price stability mandate.

TITLE II—FINANCIAL STABILITY AND MORAL HAZARD
MITIGATION ACT

Sec. 201. Findings.

Sec. 202. Lender-of-last-resort policy.

TITLE III—DIVERSIFYING THE FEDERAL OPEN MARKET
COMMITTEE TO REFLECT A 21ST CENTURY ECONOMY ACT

Sec. 301. Findings.

Sec. 302. Federal Open Market Committee membership.

TITLE IV—DEMYSTIFICATION OF MONETARY POLICY DECISIONS
ACT

Sec. 401. Findings.

Sec. 402. Release of transcripts.

TITLE V—EXCHANGE RATE RESPONSIBILITY ACT

Sec. 501. Findings.

Sec. 502. Report on the effect of exchange rate policy.

Sec. 503. Renaming of Exchange Stabilization Fund.

Sec. 504. Conversion to all-SDR Fund.

TITLE VI—CREDIT ALLOCATION NEUTRALITY ACT

Sec. 601. Findings.

Sec. 602. Limitation on certain non-emergency security purchases.

TITLE VII—BUREAU OF CONSUMER FINANCIAL PROTECTION
FUNDING ACT

Sec. 701. Findings.

Sec. 702. Bureau of Consumer Financial Protection Funding.

1 **TITLE I—SINGLE MANDATE FOR**
2 **PRICE STABILITY ACT**

3 **SEC. 101. FINDINGS.**

4 The Congress finds the following:

5 (1) Monetary policy can only affect the level of
6 employment in the short term because nonmonetary
7 factors determine the level of employment in the
8 long term. At best, the Federal Reserve may tempo-
9 rarily increase the level of employment through mon-
10 etary policy, but such efforts risk the possibility of
11 price inflation and increased business cycle volatility
12 in the future. However, the Federal Reserve can
13 achieve price stability in the long term through mon-
14 etary policy. Price stability is desirable because both
15 price inflation and price deflation damage the U.S.
16 economy. Therefore, to maximize long-term economic
17 growth and achieve the highest sustainable level of
18 real output and employment, price stability should
19 be the objective of monetary policy.

20 (2) Countries whose central bank has a single
21 mandate for price stability generally have a better
22 record of achieving stable prices than countries
23 whose central bank has a mandate that gives equal
24 weight to other objectives such as maximum employ-
25 ment or low interest rates.

1 (3) In general, an overly accommodative mone-
2 tary policy inflates both asset prices and prices for
3 goods and services. However, an overly accommoda-
4 tive monetary policy may sometimes cause a
5 misallocation of capital that inflates asset prices dis-
6 proportionately, creating unsustainable bubbles in
7 asset prices, while prices indices for goods and serv-
8 ices do not register significant price inflation. When
9 asset bubbles burst, many investments must be liq-
10 uidated at considerable cost to the U.S. economy in
11 terms of lower real output and employment.

12 (4) Price stability cannot always be measured
13 solely through price indices for goods and services
14 since such indices exclude changes in asset prices.
15 Therefore, the Federal Reserve should monitor (A)
16 the prices of, and the expected returns from, major
17 asset classes (including equities, residential real es-
18 tate, commercial and industrial real estate, agricul-
19 tural real estate, gold and other commodities, cor-
20 porate bonds, U.S. Government bonds, State and
21 local government bonds, and other securities), (B)
22 the value of the U.S. dollar relative to other cur-
23 rencies, and (C) the value of the United States dol-
24 lar relative to gold, as metrics to determine whether

1 the Federal Reserve’s monetary policy is consistent
2 with long-term price stability.

3 **SEC. 102. PRICE STABILITY MANDATE.**

4 (a) IN GENERAL.—Section 2A of the Federal Reserve
5 Act is amended—

6 (1) by striking “maintain long run growth of
7 the monetary and credit aggregates commensurate
8 with the economy’s long run potential to increase
9 production, so as to promote effectively the goals of
10 maximum employment, stable prices, and moderate
11 long-term interest rates” and inserting “pursue the
12 goal of long-term price stability, in order to achieve
13 the maximum sustainable rate of output growth and
14 the maximum level of employment through time”;

15 (2) by striking “The Board of Governors” and
16 inserting the following:

17 “(a) IN GENERAL.—The Board of Governors”; and

18 (3) by adding at the end the following:

19 “(b) PRICE STABILITY METRICS.—

20 “(1) IN GENERAL.—The Board of Governors of
21 the Federal Reserve System and the Federal Open
22 Market Committee shall—

23 “(A) define the term ‘long-term price sta-
24 bility’ for purposes of subsection (a); and

1 “(B) establish metrics that the Board and
2 the Committee will use to evaluate whether
3 long-term price stability is being achieved.

4 “(2) ESTABLISHMENT OF METRICS.—In estab-
5 lishing the metrics described under paragraph
6 (1)(B), the Board and Committee shall—

7 “(A) take into consideration price indices
8 of goods and services; and

9 “(B) evaluate, on an ongoing basis—

10 “(i) whether such metrics are com-
11 prehensively reflecting price movements in
12 the economy; and

13 “(ii) whether any price movements not
14 captured by the price indices of goods and
15 services are causing a significant
16 misallocation of capital in the United
17 States economy.

18 “(3) METRIC EVALUATION.—The Board and
19 Committee shall, with respect to the evaluation proc-
20 ess required pursuant to paragraph (2)(B), mon-
21 itor—

22 “(A) the prices of, and the expected re-
23 turns from, major asset classes (including equi-
24 ties, residential real estate, commercial and in-
25 dustrial real estate, agricultural real estate,

1 commodities, corporate bonds, State and local
2 government bonds, and other securities) and
3 the allocation of capital in financial markets
4 and the broader economy;

5 “(B) the value of the United States dollar
6 relative to other currencies; and

7 “(C) the value of the United States dollar
8 relative to gold.

9 “(4) PUBLIC DISCLOSURE; REPORT TO THE
10 CONGRESS.—The Board and the Committee shall,
11 with respect to the definition of long-term price sta-
12 bility and the establishment of metrics set pursuant
13 to paragraph (1)—

14 “(A) make such definition and metrics
15 available to the public on a website maintained
16 by the Board or the Committee; and

17 “(B) each time such definition and metrics
18 are set or revised, issue a report to the Con-
19 gress stating such definition and metrics.”.

20 (b) ADDITIONAL EVALUATIONS AND DETERMINA-
21 TIONS INCLUDED IN SEMI-ANNUAL REPORT TO CON-
22 GRESS.—Section 2B(b) of the Federal Reserve Act is
23 amended—

24 (1) by striking “containing a discussion” and
25 inserting the following:

1 “containing—

2 “(1) a discussion”;

3 (2) by striking the period and inserting a semi-
4 colon; and

5 (3) by adding at the end the following:

6 “(2) the results of the evaluation process con-
7 ducted pursuant to section 2A(b)(2)(B);

8 “(3) a determination of whether the goal of
9 long-term price stability is being met and, if such
10 goal is not being met, an explanation of why the goal
11 is not being met and the steps that the Board and
12 the Federal Open Market Committee will take to en-
13 sure that the goal is met in the future; and

14 “(4) a description of the main monetary policy
15 instruments used by the Board and the Federal
16 Open Market Committee and a description of the
17 strategy of the Board and the Committee with re-
18 spect to using such instruments to achieve the goal
19 of long-term price stability.”.

20 **TITLE II—FINANCIAL STABILITY**
21 **AND MORAL HAZARD MITIGA-**
22 **TION ACT**

23 **SEC. 201. FINDINGS.**

24 The Congress finds the following:

1 (1) The Federal Reserve performs an essential
2 function for financial stability by serving as lender
3 of last resort in order to—

4 (A) prevent the unnecessary failures of
5 otherwise solvent United States banks and
6 other financial institutions;

7 (B) reduce the likelihood of financial con-
8 tagion and disruptions in United States finan-
9 cial markets; and

10 (C) minimize any adverse effects on real
11 output and employment in the United States
12 economy.

13 (2) In acting as the lender of last resort, the
14 Federal Reserve, may—

15 (A) buy debt securities at fair market
16 value; or

17 (B) provide short-term credit, secured by
18 appropriate collateral in proper margin, to oth-
19 erwise solvent banks and other financial institu-
20 tions that encounter funding difficulties during
21 a financial crisis.

22 (3) Nevertheless, in its nearly 100-year history,
23 the Federal Reserve has never clearly articulated its
24 lender-of-last-resort policy.

1 (4) The absence of an official lender-of-last-re-
2 sort policy has led to—

3 (A) increased economic uncertainty be-
4 cause no one knows with certainty how the Fed-
5 eral Reserve may behave;

6 (B) financially distressed firms seeking po-
7 litical solutions in the form of pressure from
8 Congress or the Administration being placed on
9 the Federal Reserve to act to save them; and

10 (C) a moral hazard problem from financial
11 institutions taking greater risks and increasing
12 leverage based upon assumptions of how the
13 Federal Reserve will act, though there is no for-
14 mal statement assuring how the Federal Re-
15 serve will act.

16 (5) By establishing a formal lender-of-last-re-
17 sort policy, the Federal Reserve would decrease un-
18 certainty in the market during times of financial cri-
19 sis and mitigate the moral hazards created by recent
20 bailouts.

21 (6) An official lender-of-last-resort policy should
22 provide that once a financial crisis has dissipated,
23 the Federal Reserve should, in an orderly way, sell
24 any debt securities that—

1 (A) the Federal Reserve acquired acting as
2 lender of last resort; and

3 (B) the Federal Reserve does not normally
4 own for its System Account.

5 (7) Further, to reduce moral hazard, the Fed-
6 eral Reserve's lender-of-last-resort policy should
7 make clear that credit in any form will not be pro-
8 vided to insolvent banks or other financial institu-
9 tion.

10 **SEC. 202. LENDER-OF-LAST-RESORT POLICY.**

11 (a) IN GENERAL.—Not later than the end of the 1-
12 year period beginning on the date of the enactment of this
13 Act, the Board of Governors of the Federal Reserve Sys-
14 tem shall clearly articulate the Board's lender-of-last-re-
15 sort policy.

16 (b) CONSULTATION.—In articulating the policy re-
17 quired under subsection (a), the Board of Governors shall
18 consult with—

19 (1) the Federal Reserve bank presidents;

20 (2) the Comptroller of the Currency;

21 (3) the Chairperson of the Federal Deposit In-
22 surance Corporation;

23 (4) the Securities and Exchange Commission;

24 (5) the Commodity Futures Trading Commis-
25 sion; and

1 (6) such other persons with expertise in finan-
2 cial services regulation and monetary policy as the
3 Board of Governors may determine appropriate.

4 **TITLE III—DIVERSIFYING THE**
5 **FEDERAL OPEN MARKET**
6 **COMMITTEE TO REFLECT A**
7 **21ST CENTURY ECONOMY ACT**

8 **SEC. 301. FINDINGS.**

9 The Congress finds the following:

10 (1) The Federal Reserve Act delineates specific
11 requirements for the seven governors charged with
12 oversight of the Federal Reserve System.

13 (2) In a reflection of the Federal Reserve Sys-
14 tem’s decentralized structure that broadly distrib-
15 utes power and responsibility across the Nation, the
16 Act mandates that the presidentially appointed gov-
17 ernors come from a wide range of geographic loca-
18 tions and professional backgrounds. Specifically, the
19 first undesignated paragraph under section 10 of the
20 Federal Reserve Act states that “In selecting the
21 members of the Board, not more than one of whom
22 shall be selected from any one Federal Reserve Dis-
23 trict, the President shall have due regard to a fair
24 representation of the financial, agricultural, indus-

1 trial, and commercial interests and geographical di-
2 visions of the country.”.

3 (3) The Federal Open Monetary Committee
4 consists of members of the Board of Governors and
5 the President or Vice President of the Federal Re-
6 serve Bank of New York on a permanent basis and
7 rotates voting membership among the remaining Re-
8 gional Reserve Banks.

9 (4) The existing structure of the Federal Open
10 Market Committee places too much authority in the
11 hands of Washington and New York at the expense
12 of the remainder of the United States.

13 (5) Monetary policy should be conducted in the
14 interest of all Americans and that policy goal is best
15 achieved by a Federal Open Market Committee that
16 provides greater representation and voice in policy
17 decisions to the entire Nation as represented by the
18 Regional Reserve Banks. This objective is best
19 achieved by reforming the voting membership of the
20 Federal Open Market Committee to include all Re-
21 gional Reserve Banks on a permanent basis.

22 **SEC. 302. FEDERAL OPEN MARKET COMMITTEE MEMBER-**
23 **SHIP.**

24 Section 12A(a) of the Federal Reserve Act (12
25 U.S.C. 263(a)) is amended—

1 (1) by striking “five representatives of the Fed-
2 eral Reserve banks to be selected as hereinafter pro-
3 vided.” and inserting “1 representative from each of
4 the Federal Reserve banks.”; and

5 (2) by striking “and, beginning with the elec-
6 tion for the term commencing March 1, 1943, shall
7 be elected annually as follows: One by the board of
8 directors of the Federal Reserve Bank of New York,
9 one by the boards of directors of the Federal Re-
10 serve Banks of Boston, Philadelphia, and Richmond,
11 one by the boards of directors of the Federal Re-
12 serve Banks of Cleveland and Chicago, one by the
13 boards of directors of the Federal Reserve Banks of
14 Atlanta, Dallas, and St. Louis, and one by the
15 boards of directors of the Federal Reserve Banks of
16 Minneapolis, Kansas City, and San Francisco. In
17 such elections each board of directors shall have one
18 vote; and the details of such elections may be gov-
19 erned by regulations prescribed by the committee,
20 which may be amended from time to time.” and in-
21 serting “and shall be elected by the board of direc-
22 tors of the Federal Reserve bank that they are to
23 represent.”.

1 **TITLE IV—DEMYSTIFICATION OF**
2 **MONETARY POLICY DECI-**
3 **SIONS ACT**

4 **SEC. 401. FINDINGS.**

5 The Congress finds the following:

6 (1) A more efficient release of transcripts from
7 the Federal Reserve would result in better guidance
8 for market participants, and hence more economi-
9 cally efficient decisionmaking.

10 (2) According to Federal Reserve Chairman
11 Ben Bernanke, “when the monetary policy com-
12 mittee regularly provides information about objec-
13 tives, economic outlook, and policy plans, two bene-
14 fits result: (1) markets will price assets more effi-
15 ciently, and (2) a closer alignment between market
16 participants’ expectations about the course of future
17 short-term interest rates and” the views of policy-
18 makers.

19 (3) The Federal Reserve is able to release tran-
20 scripts more efficiently without compromising their
21 decisionmaking process.

22 **SEC. 402. RELEASE OF TRANSCRIPTS.**

23 Section 12A(a) of the Federal Reserve Act (12
24 U.S.C. 263(a)) is amended by adding at the end the fol-
25 lowing:

1 “(d) RELEASE OF TRANSCRIPTS.—The Committee
2 shall release meeting transcripts to the public not later
3 than the end of the 3-year period following each meeting.”.

4 **TITLE V—EXCHANGE RATE**
5 **RESPONSIBILITY ACT**

6 **SEC. 501. FINDINGS.**

7 The Congress finds as follows:

8 (1) The Board of Governors of the Federal Re-
9 serve System and the Federal Open Market Com-
10 mittee exercise control over the supply of U.S. dol-
11 lars, which is a major factor affecting the foreign ex-
12 change rate value of the United States dollar. There-
13 fore, the Board of Governors and Federal Open
14 Market Committee should report to Congress on the
15 impact of monetary policy on the foreign exchange
16 rate value of the United States dollar.

17 (2) Over the last several decades, Secretaries of
18 the Treasury have repeatedly used the Exchange
19 Stabilization Fund for purposes that were not envi-
20 sioned by Congress. To prevent further abuses, the
21 Exchange Stabilization Fund should be renamed as
22 the Special Drawing Rights Fund. The Special
23 Drawing Rights Fund should hold the Special Draw-
24 ing Rights that the International Monetary Fund
25 provided to the United States. Any other assets cur-

1 rently in the Exchange Stabilization Fund should be
 2 liquidated, and the proceeds used to reduce the pub-
 3 lic debt.

4 **SEC. 502. REPORT ON THE EFFECT OF EXCHANGE RATE**
 5 **POLICY.**

6 Section 2B(b) of the Federal Reserve Act, as amend-
 7 ed by section 102(b), is further amended by adding at the
 8 end the following:

9 “(5) an analysis of how the policies of the
 10 Board and the Federal Open Market Committee are
 11 affecting the foreign exchange rate value of the
 12 United States dollar.”.

13 **SEC. 503. RENAMING OF EXCHANGE STABILIZATION FUND.**

14 (a) IN GENERAL.—Section 5302 of title 31, United
 15 States Code, is amended by striking “stabilization fund”
 16 each place such term appears and inserting “Special
 17 Drawing Rights Fund”.

18 (b) CONFORMING AMENDMENTS.—

19 (1) BALANCED BUDGET AND EMERGENCY DEF-
 20 ICIT CONTROL ACT OF 1985.—Section 255(g)(1)(A)
 21 of the Balanced Budget and Emergency Deficit Con-
 22 trol Act of 1985 (2 U.S.C. 905(g)(1)(A)) is amended
 23 by striking “Exchange Stabilization Fund” and in-
 24 serting “Special Drawing Rights Fund”.

1 (2) EMERGENCY ECONOMIC STABILIZATION ACT
2 OF 2008.—The Emergency Economic Stabilization
3 Act of 2008 (12 U.S.C. 5211 et seq.) is amended—

4 (A) in section 131, by striking “Exchange
5 Stabilization Fund” each place such term ap-
6 pears in headings and text and inserting “Spe-
7 cial Drawing Rights Fund”; and

8 (B) in the item relating to section 131 in
9 the table of contents of such Act, by striking
10 “Exchange Stabilization Fund” and inserting
11 “Special Drawing Rights Fund”.

12 (3) INTERNATIONAL FINANCIAL INSTITUTIONS
13 ACT.—Section 1704 of the International Financial
14 Institutions Act (22 U.S.C. 262r–3) is amended by
15 striking “stabilization fund” each place such term
16 appears and inserting “Special Drawing Rights
17 Fund”.

18 (4) SPECIAL DRAWING RIGHTS ACT.—The Spe-
19 cial Drawing Rights Act (22 U.S.C. 286n et seq.) is
20 amended by striking “Exchange Stabilization Fund”
21 each place such term appears and inserting “Special
22 Drawing Rights Fund”.

23 (c) REFERENCES.—Any reference in a law, regula-
24 tion, document, paper, or other record of the United
25 States to the “Exchange Stabilization Fund” shall be

1 deemed a reference to the “Special Drawing Rights
2 Fund”.

3 **SEC. 504. CONVERSION TO ALL-SDR FUND.**

4 (a) FUNDS USED TO REDUCE THE DEBT.—The Sec-
5 retary of the Treasury shall liquidate all property in the
6 Special Drawing Rights Fund (as so renamed under sec-
7 tion 503), other than Special Drawing Rights, and use all
8 such amounts to reduce the public debt.

9 (b) LIMITATION ON FUND.—Section 5302 of title 31,
10 United States Code, is amended—

11 (1) in subsection (a)(1)—

12 (A) by striking “is available to carry out”
13 and inserting “is only available to carry out”;
14 and

15 (B) by striking “, and for investing in obli-
16 gations of the United States Government those
17 amounts in the fund the Secretary of the Treas-
18 ury, with the approval of the President, decides
19 are not required at the time to carry out this
20 section. Proceeds of sales and investments,
21 earnings, and interest shall be paid into the
22 fund and are available to carry out this section.
23 However, the fund is not available to pay ad-
24 ministrative expenses”; and

1 (2) by striking subsection (b) and inserting the
2 following:

3 “(b) FUND ONLY TO HOLD SPECIAL DRAWING
4 RIGHTS.—Notwithstanding any other provision of law,
5 only Special Drawing Rights may be deposited into the
6 Special Drawing Rights Fund.”.

7 (c) CONFORMING AMENDMENTS.—

8 (1) BRETTON WOODS AGREEMENTS ACT.—Sec-
9 tion 18 of the Bretton Woods Agreements Act (22
10 U.S.C. 286e–3) is hereby repealed.

11 (2) SUPPORT FOR EAST EUROPEAN DEMOCRACY
12 (SEED) ACT OF 1989.—The Support for East Euro-
13 pean Democracy (SEED) Act of 1989 (22 U.S.C.
14 5401 et seq.) is amended—

15 (A) in section 101(b)(1), by striking “such
16 as—” and all that follows through the end of
17 the paragraph and inserting “such as the au-
18 thority provided in section 102(c) of this Act.”;
19 and

20 (B) in section 102(a), by striking “section
21 101(b)—” and all that follows through the end
22 of the subsection and inserting “section 101(b),
23 should work closely with the European Commu-
24 nity and international financial institutions to
25 determine the extent of emergency assistance

1 required by Poland for the fourth quarter of
2 1989.”.

3 (d) TREATMENT OF CERTAIN FUNDS.—Funds that
4 would otherwise have been deposited into the Special
5 Drawing Rights Fund (as so renamed under subsection
6 (a)), but for the amendments made by this section, shall
7 instead be paid to the Secretary of the Treasury, and the
8 Secretary of the Treasury shall use such funds to reduce
9 the public debt.

10 (e) WIND DOWN PERIOD FOR CERTAIN TRANS-
11 ACTIONS.—Notwithstanding any other provision of this
12 section, during the 3-year period beginning on the date
13 of the enactment of this Act, property other than Special
14 Drawing Rights may be deposited, and maintained, in the
15 Special Drawing Rights Fund as needed to fulfill any out-
16 standing obligations on the Fund.

17 **TITLE VI—CREDIT ALLOCATION**
18 **NEUTRALITY ACT**

19 **SEC. 601. FINDINGS.**

20 The Congress finds the following:

21 (1) In conducting open market operations, the
22 Federal Open Market Committee should not allocate
23 credit among households, firms, and sectors of the
24 United States economy.

1 (2) To assure the credit allocation neutrality of
 2 open market operations among households, firms,
 3 and sectors of the United States economy, the Fed-
 4 eral Open Market Committee should conduct open
 5 market operations in United States Government se-
 6 curities, and repurchase and reverse repurchase
 7 agreements that have a term of 1 year or less, ex-
 8 cept in unusual and exigent circumstances.

9 **SEC. 602. LIMITATION ON CERTAIN NON-EMERGENCY SECU-**
 10 **RITY PURCHASES.**

11 (a) IN GENERAL.—The Federal Reserve Act is
 12 amended—

13 (1) in section 12A, by adding at the end the fol-
 14 lowing:

15 “(d) EMERGENCY PURCHASING AUTHORITY.—

16 “(1) IN GENERAL.—In unusual and exigent cir-
 17 cumstances, the Committee, by the affirmative vote
 18 of at least $\frac{2}{3}$ of the members of the Committee, may
 19 authorize any Federal reserve bank, during such pe-
 20 riod as the Committee may determine—

21 “(A) to buy and sell, at home or abroad,
 22 bills, notes, revenue bonds, and warrants with a
 23 maturity from date of purchase of not exceed-
 24 ing six months, issued in anticipation of the col-
 25 lection of taxes or in anticipation of the receipt

1 of assured revenues by any State, county, dis-
2 trict, political subdivision, or municipality in the
3 continental United States, including irrigation,
4 drainage and reclamation districts, and obliga-
5 tions of, or fully guaranteed as to principal and
6 interest by, a foreign government or agency
7 thereof; and

8 “(B) to buy and sell in the open market,
9 under the direction and regulations of the Com-
10 mittee, any obligation which is a direct obliga-
11 tion of, or fully guaranteed as to principal and
12 interest by, any agency of the United States.

13 “(2) MAXIMUM HOLDING PERIOD.—Any bond,
14 bill, note, revenue bond, warrant, or other obligation
15 purchased by a Federal reserve bank pursuant to
16 paragraph (1) shall be disposed of before the end of
17 the 5-year period beginning on the end of the period
18 determined by the Committee under paragraph (1).

19 “(3) REPORT.—The Committee shall provide to
20 the Committee on Banking, Housing, and Urban Af-
21 fairs of the Senate and the Committee on Financial
22 Services of the House of Representatives, not later
23 than 7 days after the Committee makes an author-
24 ization under this subsection, a report that in-
25 cludes—

1 “(A) the justification for the exercise of
2 authority to provide;

3 “(B) the identity of the person to or from
4 which purchases or sales were made;

5 “(C) the date and amount of the purchases
6 or sales; and

7 “(D) the material terms of the purchases
8 or sales.”; and

9 (2) in section 14(b)—

10 (A) in paragraph (1), by striking “bonds
11 issued under the provisions of subsection (c) of
12 section 4 of the Home Owners’ Loan Act of
13 1933, as amended, and having maturities from
14 date of purchase of not exceeding six months,
15 and bills, notes, revenue bonds, and warrants
16 with a maturity from date of purchase of not
17 exceeding six months, issued in anticipation of
18 the collection of taxes or in anticipation of the
19 receipt of assured revenues by any State, coun-
20 ty, district, political subdivision, or municipality
21 in the continental United States, including irri-
22 gation, drainage and reclamation districts, and
23 obligations of, or fully guaranteed as to prin-
24 cipal and interest by, a foreign government or
25 agency thereof,”; and

1 (B) by amending paragraph (2) to read as
2 follows:

3 “(2) To enter into security repurchase agreements
4 and reverse repurchase agreements that have a term of
5 1 year or less, in accordance with rules and regulations
6 prescribed by the Board of Governors of the Federal Re-
7 serve System.”.

8 (b) TRANSITION PROVISION.—Each Federal reserve
9 bank that holds bonds, bills, notes, revenue bonds, war-
10 rants, or other obligations purchased under the authority
11 granted by a provision struck under subsection (a)(2) shall
12 dispose of such obligations not later than the end of the
13 5-year period beginning on the date of the enactment of
14 this Act.

15 **TITLE VII—BUREAU OF CON-**
16 **SUMER FINANCIAL PROTEC-**
17 **TION FUNDING ACT**

18 **SEC. 701. FINDINGS.**

19 The Congress finds the following:

20 (1) As our Nation’s central bank, the Federal
21 Reserve conducts United States monetary policy and
22 necessarily exercises broad oversight responsibility to
23 ensure the safety, soundness, and smooth func-
24 tioning of the Nation’s banking and payments sys-
25 tems.

1 (2) There exists a broad consensus among pol-
2 icymakers, academics, and most informed com-
3 mentators that central bank independence is nec-
4 essary to the proper and effective conduct of mone-
5 etary policy and those regulatory activities necessary
6 for the implementation of such monetary policy.

7 (3) In order to preserve the independence of its
8 activities, the Federal Reserve should remain oper-
9 ationally and financially autonomous within the
10 United States Government.

11 (4) However, those activities that do not relate
12 to the functions listed in paragraph (1) should not
13 occur outside of the constitutionally granted author-
14 ity of Congress to authorize and oversee the expendi-
15 ture of public funds.

16 (5) Therefore, the Bureau of Consumer Finan-
17 cial Protection should be subject to the Federal ap-
18 propriations process to ensure effective Congres-
19 sional oversight over its activities and use of public
20 funds.

21 **SEC. 702. BUREAU OF CONSUMER FINANCIAL PROTECTION**
22 **FUNDING.**

23 (a) IN GENERAL.—Section 1017 of the Consumer Fi-
24 nancial Protection Act of 2010 is amended—

25 (1) in subsection (a)—

1 (A) by amending the heading of such sub-
 2 section to read as follows: “BUDGET, FINAN-
 3 CIAL MANAGEMENT, AND AUDIT.—”;

4 (B) by striking paragraphs (1), (2), and
 5 (3);

6 (C) by redesignating paragraphs (4) and
 7 (5) as paragraphs (1) and (2), respectively; and

8 (D) in paragraph (1), as so redesignated—

9 (i) by striking subparagraph (E); and

10 (ii) by redesignating subparagraph

11 (F) as subparagraph (E);

12 (2) by striking subsections (b) and (c);

13 (3) by redesignating subsections (d) and (e) as
 14 subsections (b) and (c), respectively; and

15 (4) in subsection (c), as so redesignated—

16 (A) by striking paragraphs (1), (2), and

17 (3) and inserting the following:

18 “(1) AUTHORIZATION OF APPROPRIATIONS.—

19 There is authorized to be appropriated such funds as
 20 may be necessary to carry out this title.”; and

21 (B) by redesignating paragraph (4) as
 22 paragraph (2).

23 (b) EFFECTIVE DATE.—The amendments made by
 24 this section shall take effect on October 1, 2013.

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