

113TH CONGRESS
1ST SESSION

S. 238

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 SENATE OF THE UNITED STATES

FEBRUARY 7, 2013

Mr. LEE (for himself, Mr. CORNYN, and Mr. RUBIO) introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

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,*

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) **SHORT TITLE.**—This Act may be cited as the
5 “Federal Reserve Modernization Act of 2013”.

6 (b) **TABLE OF CONTENTS.**—The table of contents for
7 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-

1 rarely increase the level of employment through mon-
2 etary policy, but such efforts risk the possibility of
3 price inflation and increased business cycle volatility
4 in the future. However, the Federal Reserve can
5 achieve price stability in the long term through mon-
6 etary policy. Price stability is desirable because both
7 price inflation and price deflation damage the U.S.
8 economy. Therefore, to maximize long-term economic
9 growth and achieve the highest sustainable level of
10 real output and employment, price stability should
11 be the objective of monetary policy.

12 (2) Countries whose central bank has a single
13 mandate for price stability generally have a better
14 record of achieving stable prices than countries
15 whose central bank has a mandate that gives equal
16 weight to other objectives such as maximum employ-
17 ment or low interest rates.

18 (3) In general, an overly accommodative mone-
19 tary policy inflates both asset prices and prices for
20 goods and services. However, an overly accommoda-
21 tive monetary policy may sometimes cause a
22 misallocation of capital that inflates asset prices dis-
23 proportionately, creating unsustainable bubbles in
24 asset prices, while price indices for goods and serv-
25 ices do not register significant price inflation. When

1 asset bubbles burst, many investments must be liq-
 2 uidated at considerable cost to the U.S. economy in
 3 terms of lower real output and employment.

4 (4) Price stability cannot always be measured
 5 solely through price indices for goods and services
 6 since such indices exclude changes in asset prices.
 7 Therefore, the Federal Reserve should monitor (A)
 8 the prices of, and the expected returns from, major
 9 asset classes (including equities, residential real es-
 10 tate, commercial and industrial real estate, agricul-
 11 tural real estate, gold and other commodities, cor-
 12 porate bonds, U.S. Government bonds, State and
 13 local government bonds, and other securities), (B)
 14 the value of the U.S. dollar relative to other cur-
 15 rencies, and (C) the value of the United States dol-
 16 lar relative to gold, as metrics to determine whether
 17 the Federal Reserve’s monetary policy is consistent
 18 with long-term price stability.

19 **SEC. 102. PRICE STABILITY MANDATE.**

20 (a) IN GENERAL.—Section 2A of the Federal Reserve
 21 Act (12 U.S.C. 225a) is amended—

22 (1) by striking “goals of maximum employment,
 23 stable prices, and moderate long-term interest rates”
 24 and inserting “goal of long-term price stability”;

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

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

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

5 “(b) PRICE STABILITY METRICS.—

6 “(1) IN GENERAL.—The Board of Governors of
 7 the Federal Reserve System and the Federal Open
 8 Market Committee shall—

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

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

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

17 “(A) take into consideration price indices
 18 of goods and services; and

19 “(B) evaluate, on an ongoing basis—

20 “(i) whether such metrics are com-
 21 prehensively reflecting price movements in
 22 the economy; and

23 “(ii) whether any price movements not
 24 captured by the price indices of goods and
 25 services are causing a significant

1 misallocation of capital in the United
2 States economy.

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

7 “(A) the prices of, and the expected re-
8 turns from, major asset classes (including equi-
9 ties, residential real estate, commercial and in-
10 dustrial real estate, agricultural real estate,
11 commodities, corporate bonds, State and local
12 government bonds, and other securities) and
13 the allocation of capital in financial markets
14 and the broader economy;

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

17 “(C) the value of the United States dollar
18 relative to gold.

19 “(4) PUBLIC DISCLOSURE; REPORT TO THE
20 CONGRESS.—The Board and the Committee shall,
21 with respect to the definition of long-term price sta-
22 bility and the establishment of metrics set pursuant
23 to paragraph (1)—

1 “(A) make such definition and metrics
 2 available to the public on a website maintained
 3 by the Board or the Committee; and

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

7 (b) ADDITIONAL EVALUATIONS AND DETERMINA-
 8 TIONS INCLUDED IN SEMI-ANNUAL REPORT TO CON-
 9 GRESS.—Section 2B(b) of the Federal Reserve Act (12
 10 U.S.C. 225b(b)) is amended—

11 (1) by striking “containing a discussion” and
 12 inserting the following:

13 “containing—

14 “(1) a discussion”;

15 (2) by striking the period and inserting a semi-
 16 colon; and

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

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

20 “(3) a determination of whether the goal of
 21 long-term price stability is being met and, if such
 22 goal is not being met, an explanation of why the goal
 23 is not being met and the steps that the Board and
 24 the Federal Open Market Committee will take to en-
 25 sure that the goal is met in the future;

1 “(4) a description of the main monetary policy
2 instruments used by the Board and the Federal
3 Open Market Committee and a description of the
4 strategy of the Board and the Committee with re-
5 spect to using such instruments to achieve the goal
6 of long-term price stability; and”.

7 **TITLE II—FINANCIAL STABILITY**
8 **AND MORAL HAZARD MITIGA-**
9 **TION ACT**

10 **SEC. 201. FINDINGS.**

11 The Congress finds the following:

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

15 (A) prevent the unnecessary failures of
16 otherwise solvent United States banks and
17 other financial institutions;

18 (B) reduce the likelihood of financial con-
19 tagion and disruptions in United States finan-
20 cial markets; and

21 (C) minimize any adverse effects on real
22 output and employment in the United States
23 economy.

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

1 (A) buy debt securities at fair market
2 value; or

3 (B) provide short-term credit, secured by
4 appropriate collateral in proper margin, to oth-
5 erwise solvent banks and other financial institu-
6 tions that encounter funding difficulties during
7 a financial crisis.

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

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

13 (A) increased economic uncertainty be-
14 cause no one knows with certainty how the Fed-
15 eral Reserve may behave;

16 (B) financially distressed firms seeking po-
17 litical solutions in the form of pressure from
18 Congress or the Administration being placed on
19 the Federal Reserve to act to save them; and

20 (C) a moral hazard problem from financial
21 institutions taking greater risks and increasing
22 leverage based upon assumptions of how the
23 Federal Reserve will act, though there is no for-
24 mal statement assuring how the Federal Re-
25 serve will act.

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

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

10 (A) the Federal Reserve acquired acting as
 11 lender of last resort; and

12 (B) the Federal Reserve does not normally
 13 own for its System Account.

14 (7) Further, to reduce moral hazard, the Fed-
 15 eral Reserve’s lender-of-last-resort policy should
 16 make clear that credit in any form will not be pro-
 17 vided to insolvent banks or other financial institu-
 18 tion.

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

20 (a) IN GENERAL.—Not later than the end of the 1-
 21 year period beginning on the date of the enactment of this
 22 Act, the Board of Governors of the Federal Reserve Sys-
 23 tem shall clearly articulate the Board’s lender-of-last-re-
 24 sort policy.

1 (b) CONSULTATION.—In articulating the policy re-
 2 quired under subsection (a), the Board of Governors shall
 3 consult with—

4 (1) the Federal Reserve bank presidents;

5 (2) the Comptroller of the Currency;

6 (3) the Chairperson of the Federal Deposit In-
 7 surance Corporation;

8 (4) the Securities and Exchange Commission;

9 (5) the Commodity Futures Trading Commis-
 10 sion; and

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

14 **TITLE III—DIVERSIFYING THE**
 15 **FEDERAL OPEN MARKET**
 16 **COMMITTEE TO REFLECT A**
 17 **21ST CENTURY ECONOMY ACT**

18 **SEC. 301. FINDINGS.**

19 The Congress finds the following:

20 (1) The Federal Reserve Act delineates specific
 21 requirements for the seven governors charged with
 22 oversight of the Federal Reserve System.

23 (2) In a reflection of the Federal Reserve Sys-
 24 tem’s decentralized structure that broadly distrib-
 25 utes power and responsibility across the Nation, the

1 Act mandates that the presidentially appointed gov-
2 ernors come from a wide range of geographic loca-
3 tions and professional backgrounds. Specifically, the
4 first undesignated paragraph under section 10 of the
5 Federal Reserve Act states that “In selecting the
6 members of the Board, not more than one of whom
7 shall be selected from any one Federal Reserve Dis-
8 trict, the President shall have due regard to a fair
9 representation of the financial, agricultural, indus-
10 trial, and commercial interests and geographical di-
11 visions of the country.”.

12 (3) The Federal Open Monetary Committee
13 consists of members of the Board of Governors and
14 the President or Vice President of the Federal Re-
15 serve Bank of New York on a permanent basis and
16 rotates voting membership among the remaining Re-
17 gional Reserve Banks.

18 (4) The existing structure of the Federal Open
19 Market Committee places too much authority in the
20 hands of Washington and New York at the expense
21 of the remainder of the United States.

22 (5) Monetary policy should be conducted in the
23 interest of all Americans and that policy goal is best
24 achieved by a Federal Open Market Committee that
25 provides greater representation and voice in policy

1 decisions to the entire Nation as represented by the
 2 Regional Reserve Banks. This objective is best
 3 achieved by reforming the voting membership of the
 4 Federal Open Market Committee to include all Re-
 5 gional Reserve Banks on a permanent basis.

6 **SEC. 302. FEDERAL OPEN MARKET COMMITTEE MEMBER-**
 7 **SHIP.**

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

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

14 (2) by striking “and, beginning with the elec-
 15 tion for the term commencing March 1, 1943, shall
 16 be elected annually as follows: One by the board of
 17 directors of the Federal Reserve Bank of New York,
 18 one by the boards of directors of the Federal Re-
 19 serve Banks of Boston, Philadelphia, and Richmond,
 20 one by the boards of directors of the Federal Re-
 21 serve Banks of Cleveland and Chicago, one by the
 22 boards of directors of the Federal Reserve Banks of
 23 Atlanta, Dallas, and St. Louis, and one by the
 24 boards of directors of the Federal Reserve Banks of
 25 Minneapolis, Kansas City, and San Francisco. In

1 such elections each board of directors shall have one
 2 vote; and the details of such elections may be gov-
 3 erned by regulations prescribed by the committee,
 4 which may be amended from time to time.” and in-
 5 serting “and shall be elected by the board of direc-
 6 tors of the Federal Reserve bank that they are to
 7 represent.”.

8 **TITLE IV—DEMYSTIFICATION OF**
 9 **MONETARY POLICY DECI-**
 10 **SIONS ACT**

11 **SEC. 401. FINDINGS.**

12 The Congress finds the following:

13 (1) A more efficient release of transcripts from
 14 the Federal Reserve would result in better guidance
 15 for market participants, and hence more economi-
 16 cally efficient decision making.

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

1 (3) The Federal Reserve is able to release tran-
 2 scripts more efficiently without compromising their
 3 decision making process.

4 **SEC. 402. RELEASE OF TRANSCRIPTS.**

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

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

11 **TITLE V—EXCHANGE RATE**
 12 **RESPONSIBILITY ACT**

13 **SEC. 501. FINDINGS.**

14 The Congress finds as follows:

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

24 (2) Over the last several decades, Secretaries of
 25 the Treasury have repeatedly used the Exchange

1 Stabilization Fund for purposes that were not envi-
 2 sioned by Congress. To prevent further abuses, the
 3 Exchange Stabilization Fund should be renamed as
 4 the Special Drawing Rights Fund. The Special
 5 Drawing Rights Fund should hold the Special Draw-
 6 ing Rights that the International Monetary Fund
 7 provided to the United States. Any other assets cur-
 8 rently in the Exchange Stabilization Fund should be
 9 liquidated, and the proceeds used to reduce the pub-
 10 lic debt.

11 **SEC. 502. REPORT ON THE EFFECT OF EXCHANGE RATE**
 12 **POLICY.**

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

16 “(5) an analysis of how the policies of the
 17 Board and the Federal Open Market Committee are
 18 affecting the foreign exchange rate value of the
 19 United States dollar.”.

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

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

25 (b) CONFORMING AMENDMENTS.—

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

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

10 (A) in section 131, by striking “Exchange
 11 Stabilization Fund” each place such term ap-
 12 pears in headings and text and inserting “Spe-
 13 cial Drawing Rights Fund”; and

14 (B) in the item relating to section 131 in
 15 the table of contents of such Act, by striking
 16 “Exchange Stabilization Fund” and inserting
 17 “Special Drawing Rights Fund”.

18 (3) INTERNATIONAL FINANCIAL INSTITUTIONS
 19 ACT.—Section 1704 of the International Financial
 20 Institutions Act (22 U.S.C. 262r–3) is amended by
 21 striking “stabilization fund” each place such term
 22 appears and inserting “Special Drawing Rights
 23 Fund”.

24 (4) SPECIAL DRAWING RIGHTS ACT.—The Spe-
 25 cial Drawing Rights Act (22 U.S.C. 286n et seq.) is

1 amended by striking “Exchange Stabilization Fund”
 2 each place such term appears and inserting “Special
 3 Drawing Rights Fund”.

4 (c) REFERENCES.—Any reference in a law, regula-
 5 tion, document, paper, or other record of the United
 6 States to the “Exchange Stabilization Fund” shall be
 7 deemed a reference to the “Special Drawing Rights
 8 Fund”.

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

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

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

17 (1) in subsection (a)(1)—

18 (A) by striking “is available to carry out”
 19 and inserting “is only available to carry out”;
 20 and

21 (B) by striking “, and for investing in obli-
 22 gations of the United States Government those
 23 amounts in the fund the Secretary of the Treas-
 24 ury, with the approval of the President, decides
 25 are not required at the time to carry out this

1 section. Proceeds of sales and investments,
 2 earnings, and interest shall be paid into the
 3 fund and are available to carry out this section.
 4 However, the fund is not available to pay ad-
 5 ministrative expenses”; and

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

8 “(b) FUND ONLY TO HOLD SPECIAL DRAWING
 9 RIGHTS.—Notwithstanding any other provision of law,
 10 only Special Drawing Rights may be deposited into the
 11 Special Drawing Rights Fund.”.

12 (c) CONFORMING AMENDMENTS.—

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

16 (2) SUPPORT FOR EAST EUROPEAN DEMOCRACY
 17 (SEED) ACT OF 1989.—The Support for East Euro-
 18 pean Democracy (SEED) Act of 1989 (22 U.S.C.
 19 5401 et seq.) is amended—

20 (A) in section 101(b)(1), by striking “such
 21 as—” and all that follows through the end of
 22 the paragraph and inserting “such as the au-
 23 thority provided in section 102(c) of this Act.”;
 24 and

1 (B) in section 102(a), by striking “section
2 101(b)—” and all that follows through the end
3 of the subsection and inserting “section 101(b),
4 should work closely with the European Commu-
5 nity and international financial institutions to
6 determine the extent of emergency assistance
7 required by Poland for the fourth quarter of
8 1989.”.

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

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

1 **TITLE VI—CREDIT ALLOCATION**
 2 **NEUTRALITY ACT**

3 **SEC. 601. FINDINGS.**

4 The Congress finds the following:

5 (1) In conducting open market operations, the
 6 Federal Open Market Committee should not allocate
 7 credit among households, firms, and sectors of the
 8 United States economy.

9 (2) To assure the credit allocation neutrality of
 10 open market operations among households, firms,
 11 and sectors of the United States economy, the Fed-
 12 eral Open Market Committee should conduct open
 13 market operations in United States Government se-
 14 curities, and repurchase and reverse repurchase
 15 agreements that have a term of 1 year or less, ex-
 16 cept in unusual and exigent circumstances.

17 **SEC. 602. LIMITATION ON CERTAIN NON-EMERGENCY SECU-**
 18 **RITY PURCHASES.**

19 (a) IN GENERAL.—The Federal Reserve Act (12
 20 U.S.C. 221 et seq.) is amended—

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

23 “(d) EMERGENCY PURCHASING AUTHORITY.—

24 “(1) IN GENERAL.—In unusual and exigent cir-
 25 cumstances, the Committee, by the affirmative vote

1 of at least $\frac{2}{3}$ of the members of the Committee, may
 2 authorize any Federal Reserve bank, during such pe-
 3 riod as the Committee may determine—

4 “(A) to buy and sell, at home or abroad,
 5 bills, notes, revenue bonds, and warrants with a
 6 maturity from date of purchase of not exceed-
 7 ing six months, issued in anticipation of the col-
 8 lection of taxes or in anticipation of the receipt
 9 of assured revenues by any State, county, dis-
 10 trict, political subdivision, or municipality in the
 11 continental United States, including irrigation,
 12 drainage and reclamation districts, and obliga-
 13 tions of, or fully guaranteed as to principal and
 14 interest by, a foreign government or agency
 15 thereof; and

16 “(B) to buy and sell in the open market,
 17 under the direction and regulations of the Com-
 18 mittee, any obligation which is a direct obliga-
 19 tion of, or fully guaranteed as to principal and
 20 interest by, any agency of the United States.

21 “(2) MAXIMUM HOLDING PERIOD.—Any bond,
 22 bill, note, revenue bond, warrant, or other obligation
 23 purchased by a Federal Reserve bank pursuant to
 24 paragraph (1) shall be disposed of before the end of

1 the 5-year period beginning on the end of the period
 2 determined by the Committee under paragraph (1).

3 “(3) REPORT.—The Committee shall provide to
 4 the Committee on Banking, Housing, and Urban Af-
 5 fairs of the Senate and the Committee on Financial
 6 Services of the House of Representatives, not later
 7 than 7 days after the Committee makes an author-
 8 ization under this subsection, a report that in-
 9 cludes—

10 “(A) the justification for the exercise of
 11 authority to provide;

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

14 “(C) the date and amount of the purchases
 15 or sales; and

16 “(D) the material terms of the purchases
 17 or sales.”; and

18 (2) in section 14(b)—

19 (A) in paragraph (1), by striking “bonds
 20 issued under the provisions of subsection (c) of
 21 section 4 of the Home Owners’ Loan Act of
 22 1933, as amended, and having maturities from
 23 date of purchase of not exceeding six months,
 24 and bills, notes, revenue bonds, and warrants
 25 with a maturity from date of purchase of not

1 exceeding six months, issued in anticipation of
2 the collection of taxes or in anticipation of the
3 receipt of assured revenues by any State, coun-
4 ty, district, political subdivision, or municipality
5 in the continental United States, including irri-
6 gation, drainage and reclamation districts, and
7 obligations of, or fully guaranteed as to prin-
8 cipal and interest by, a foreign government or
9 agency thereof,”; and

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

12 “(2) To enter into security repurchase agree-
13 ments and reverse repurchase agreements that have
14 a term of 1 year or less, in accordance with rules
15 and regulations prescribed by the Board of Gov-
16 ernors of the Federal Reserve System.”.

17 (b) TRANSITION PROVISION.—Each Federal Reserve
18 bank that holds bonds, bills, notes, revenue bonds, war-
19 rants, or other obligations purchased under the authority
20 granted by a provision struck under subsection (a)(2) shall
21 dispose of such obligations not later than the end of the
22 5-year period beginning on the date of the enactment of
23 this Act.

1 **TITLE VII—BUREAU OF CON-**
2 **SUMER FINANCIAL PROTEC-**
3 **TION FUNDING ACT**

4 **SEC. 701. FINDINGS.**

5 The Congress finds the following:

6 (1) As our Nation's central bank, the Federal
7 Reserve conducts United States monetary policy and
8 necessarily exercises broad oversight responsibility to
9 ensure the safety, soundness, and smooth func-
10 tioning of the Nation's banking and payments sys-
11 tems.

12 (2) There exists a broad consensus among pol-
13 icymakers, academics, and most informed com-
14 mentators that central bank independence is nec-
15 essary to the proper and effective conduct of mone-
16 tary policy and those regulatory activities necessary
17 for the implementation of such monetary policy.

18 (3) In order to preserve the independence of its
19 activities, the Federal Reserve should remain oper-
20 ationally and financially autonomous within the
21 United States Government.

22 (4) However, those activities that do not relate
23 to the functions listed in paragraph (1) should not
24 occur outside of the constitutionally granted author-

1 ity of Congress to authorize and oversee the expendi-
2 ture of public funds.

3 (5) Therefore, the Bureau of Consumer Finan-
4 cial Protection should be subject to the Federal ap-
5 propriations process to ensure effective Congres-
6 sional oversight over its activities and use of public
7 funds.

8 **SEC. 702. BUREAU OF CONSUMER FINANCIAL PROTECTION**
9 **FUNDING.**

10 (a) IN GENERAL.—Section 1017 of the Consumer Fi-
11 nancial Protection Act of 2010 (12 U.S.C. 5497) is
12 amended—

13 (1) in subsection (a)—

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

17 (B) by striking paragraphs (1), (2), and
18 (3);

19 (C) by redesignating paragraphs (4) and
20 (5) as paragraphs (1) and (2), respectively; and

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

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

23 (ii) by redesignating subparagraph

24 (F) as subparagraph (E);

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

1 (3) by redesignating subsections (d) and (e) as
2 subsections (b) and (c), respectively; and

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

4 (A) by striking paragraphs (1), (2), and
5 (3) and inserting the following:

6 “(1) AUTHORIZATION OF APPROPRIATIONS.—

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

9 (B) by redesignating paragraph (4) as
10 paragraph (2).

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

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