

119TH CONGRESS
2D SESSION

S. 4585

To amend the Federal Reserve Act to mandate discount window testing,
and for other purposes.

IN THE SENATE OF THE UNITED STATES

MAY 20, 2026

Mr. WARNER (for himself and Mr. KENNEDY) introduced the following bill;
which was read twice and referred to the Committee on Banking, Hous-
ing, and Urban Affairs

A BILL

To amend the Federal Reserve Act to mandate discount
window testing, 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 “Discount Window Pre-
5 paredness Act”.

6 **SEC. 2. DEMONSTRATION OF ABILITY TO USE THE DIS-**
7 **COUNT WINDOW.**

8 (a) IN GENERAL.—Section 10B of the Federal Re-
9 serve Act (12 U.S.C. 347b) is amended by adding at the
10 end the following:

1 “(c) REQUIREMENT FOR DEPOSITORY INSTITUTIONS
2 TO DEMONSTRATE ABILITY TO SEEK ADVANCES.—

3 “(1) DEFINITIONS.—In this subsection:

4 “(A) APPROPRIATE CONGRESSIONAL COM-
5 MITTEES.—The term ‘appropriate congressional
6 committees’ means the Committee on Banking,
7 Housing, and Urban Affairs of the Senate and
8 the Committee on Financial Services of the
9 House of Representatives.

10 “(B) DEPOSITORY INSTITUTION.—The
11 term ‘depository institution’ means—

12 “(i) any institution the deposits of
13 which are insured under the Federal De-
14 posit Insurance Act (12 U.S.C. 1811 et
15 seq.); or

16 “(ii) an insured credit union, as de-
17 fined in section 101 of the Federal Credit
18 Union Act (12 U.S.C. 1752).

19 “(2) REQUIREMENTS.—Not later than 1 year
20 after the date of enactment of this subsection, any
21 depository institution operating in the United States
22 that is eligible to seek advances under this section
23 shall, pursuant to regulations promulgated under
24 this subsection, conduct testing of such advances
25 and demonstrate, to the satisfaction of the Federal

1 reserve bank at which the depository institution
2 maintains an account, or at which another deposi-
3 tory institution maintains an account on its behalf,
4 and to the primary Federal regulator of the deposi-
5 tory institution, that—

6 “(A) the depository institution has, and
7 maintains on an ongoing basis, all operational
8 and technical capacities necessary to borrow ad-
9 vances in a timely and efficient manner; as
10 demonstrated by such required testing; and

11 “(B) the depository institution maintains
12 collateral with the Federal reserve bank of
13 which it is a member to support borrowing in
14 accordance with the requirements of this sub-
15 section.

16 “(3) REGULATIONS.—Not later than 180 days
17 after the date of enactment of this subsection, the
18 Board, the Federal Deposit Insurance Corporation,
19 the Office of the Comptroller of the Currency, and
20 the National Credit Union Administration shall pro-
21 mulgate final regulations implementing the require-
22 ments under paragraph (2), including:

23 “(A) ASSET THRESHOLDS FOR TESTING
24 REQUIREMENTS.—

1 “(i) LARGER INSTITUTIONS.—For de-
 2 pository institutions having assets greater
 3 than \$100,000,000,000, mandatory testing
 4 shall be required not less frequently than
 5 quarterly, on a schedule determined by the
 6 Board.

7 “(ii) SMALLER INSTITUTIONS.—For
 8 depository institutions having assets not
 9 less than \$10,000,000,000 and not greater
 10 than \$100,000,000,000, mandatory testing
 11 shall be required not less frequently than
 12 semiannually.

13 “(B) VARIATION OF THE SCHEDULE, SIZE,
 14 AND TENOR OF ADVANCES.—The regulations
 15 promulgated under this paragraph may provide
 16 for Federal reserve banks to vary the size,
 17 tenor, and timing of advances required under
 18 this section if the Board determines that—

19 “(i) such variations would be effective,
 20 particularly with respect to reducing stig-
 21 ma associated with advances under this
 22 section; and

23 “(ii) after consultation with affected
 24 depository institutions, such variations

1 would not result in undue added oper-
2 ational burdens or costs.

3 “(C) INCORPORATION OF MANDATORY
4 TESTING INTO SUPERVISION.—The regulations
5 promulgated under this paragraph shall require
6 that each of the Board, the Federal Deposit In-
7 surance Corporation, the Office of the Comp-
8 troller of the Currency, and the National Credit
9 Union Administration—

10 “(i) incorporate an assessment of the
11 readiness of each depository institution to
12 seek advances under this section into the
13 examination activities of the agency with
14 regard to liquidity risk management of the
15 depository institution;

16 “(ii) provide that the regulations and
17 supervisory standards of the agency with
18 regard to liquidity provisioning shall give
19 appropriate, positive consideration to—

20 “(I) the ability of a depository in-
21 stitution to meet the requirements of
22 the regulations promulgated under
23 this paragraph; and

24 “(II) the ability of the depository
25 institution to access liquidity through

1 advances under this section, including
2 the pre-pledged collateral of the de-
3 pository institution.

4 “(D) REPORTING REQUIREMENTS FOR DE-
5 POSITORY INSTITUTIONS.—The regulations pro-
6 mulgated under this paragraph shall require
7 that—

8 “(i) the management of each deposi-
9 tory institution eligible to seek an advance
10 under this section shall establish, and the
11 risk committee or equivalent body of the
12 board of directors of the depository institu-
13 tion shall review and approve, not less fre-
14 quently than annually, the liquidity risk
15 management plans and operational readi-
16 ness of the depository institution to exe-
17 cute such plans, including detailed policies
18 and procedures for seeking advances under
19 this section; and

20 “(ii) once approved, the management
21 described in paragraph (A) shall submit to
22 the Board, the Federal reserve bank of
23 which the depository institution is a mem-
24 ber, and the primary Federal supervisor of
25 the depository institution, a report detail-

1 ing the findings of the reviews required
2 under that subparagraph.

3 “(4) MANDATORY IMPROVEMENTS TO OPER-
4 ATIONS.—Not later than 180 days after the date of
5 enactment of this subsection, the Board and the
6 Federal reserve banks shall implement improvements
7 to advances under this section to ensure that deposi-
8 tory institutions are able to access advances rapidly
9 as needed, including—

10 “(A) changes to operations for advances
11 under this section and Federal Reserve pay-
12 ment services to ensure that a depository insti-
13 tution eligible to obtain advances under this
14 section is able to obtain such advances until at
15 least 8 p.m. each day in each relevant United
16 States time zone;

17 “(B) implementing a secure, computer-
18 based online access platform that depository in-
19 stitutions may use to obtain such advances, in-
20 cluding automating the process of primary cred-
21 it approval if appropriate collateral is pledged;

22 “(C) standardizing technical specifications
23 and operational procedures for such advances
24 across all Federal reserve banks;

1 “(D) implementing procedures for the con-
2 sistent and efficient identification, assignment,
3 and transfer of security interests in collateral
4 that is pledged to secure borrowing between any
5 Federal Home Loan Bank and any Federal re-
6 serve bank;

7 “(E) implementing simplified procedures
8 for depository institutions to pledge small busi-
9 ness loans as collateral for advances under this
10 section, with emphasis on simplified documenta-
11 tion for smaller institutions; and

12 “(F) creating and funding an outreach
13 program to provide information and technical
14 assistance to smaller institutions with regard to
15 accessing advances under this section.

16 “(5) HARMONIZATION.—Not later than 270
17 days after the date of enactment of this subsection,
18 the Board, in consultation with the Federal Housing
19 Finance Administration and the Federal Home Loan
20 Banks, shall promulgate regulations or guidance
21 simplifying and harmonizing, to the greatest extent
22 practicable, policies and procedures for the pledging
23 of collateral for advances under this section, includ-
24 ing for the timely and efficient transfer of collateral

1 between Federal Home Loan Banks and Federal re-
2 serve banks.

3 “(6) FEDERAL RESERVE REPORTING.—

4 “(A) REVIEW.—Not later than 270 days
5 after the date of enactment of this subsection,
6 the Board shall comprehensively review the
7 weekly reporting of its balance sheet, including
8 advances under this section, and consider
9 changes to reduce the risk of market distortions
10 caused by speculative activity regarding such
11 advances, giving particular consideration to—

12 “(i) the breakdown of balance sheet
13 data by district and the manner in which
14 such reporting may contribute to specula-
15 tive activity that threatens the stability of
16 individual depository institutions; and

17 “(ii) the effects of disclosure require-
18 ments described in section 11(s).

19 “(B) REVISED REPORTING METHOD-
20 OLOGY.—Not later than 90 days after the date
21 on which the review required under subpara-
22 graph (A) is completed, the Board shall revise
23 reporting policies as appropriate to address the
24 findings of such review, and if necessary make
25 recommendations to the appropriate congres-

1 sional committees regarding potential statutory
2 changes.

3 “(7) STUDY.—Not later than 1 year after the
4 date of enactment of this subsection, the Board, in
5 consultation with the Comptroller of the Currency,
6 the Federal Deposit Insurance Corporation, and the
7 National Credit Union Administration, shall com-
8 plete a study and submit to the appropriate congres-
9 sional committees a report on additional measures
10 that could be undertaken to reduce the stigma and
11 otherwise improve the process for advances under
12 this section, including—

13 “(A) the pricing and other terms of such
14 advances, especially as they compare to alter-
15 native liquidity sources;

16 “(B) the costs and benefits of any other
17 relevant operational or policy changes; and

18 “(C) recommendations to the appropriate
19 congressional committees regarding any statu-
20 tory changes necessary to reduce the stigma as-
21 sociated with, and otherwise improve the proc-
22 ess for, such advances.”.

○