

Public Law 96-18  
96th Congress

An Act

To amend the Federal Reserve Act to authorize Federal Reserve banks to lend certain obligations to the Secretary of the Treasury to meet the short-term cash requirements of the Treasury, and for other purposes.

June 8, 1979

[H.R. 3404]

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That (a) section 14(b)(1) of the Federal Reserve Act (12 U.S.C. 355(1)) is amended by striking out “: *Provided, That,*” and all that follows through the end thereof and inserting in lieu thereof a period.

Treasury draw policy, amendment.

(b) Section 14(b)(2) of the Federal Reserve Act (12 U.S.C. 355(2)) is amended by striking out “any agency of the United States” and inserting in lieu thereof the following: “the United States or any agency of the United States, and to lend, under the direction and regulations of the Federal Open Market Committee, any such obligation to the Secretary of the Treasury”.

Federal Reserve banks, open market purchases and sales.

(c) Section 14(b) of the Federal Reserve Act (12 U.S.C. 355) is amended by adding at the end thereof the following new paragraphs:

“(3) In unusual and exigent circumstances and when authorized, for renewable periods not to exceed thirty days, by the Board of Governors of the Federal Reserve System pursuant to an affirmative vote of not less than five members, to buy and sell, without regard to maturities, directly from or to the United States any bonds, notes, or other obligations which are direct obligations of the United States or which are fully guaranteed by the United States as to principal and interest. Such purchases and sales shall be made in accordance with the provisions of section 12A of this Act. The Board of Governors of the Federal Reserve System shall include in their annual report to Congress detailed information with respect to direct purchases and sales from or to the United States under the provisions of this paragraph.

Purchases and sales from or to United States.

“(4) The aggregate amount of obligations acquired directly from the United States or loaned directly to the United States under the authority of this section which is held or loaned at any one time by the twelve Federal Reserve banks shall not exceed \$5,000,000,000.”.

12 USC 263. Inclusion in report to Congress.

SEC. 2. Section 14 of the Federal Reserve Act (12 U.S.C. 353 et seq.) is amended by adding at the end thereof the following new subsection:

Obligations acquired or loaned to the United States, limitation.

“(h) The Secretary of the Treasury shall have the authority to borrow, subject to the approval and rules and regulations of the Federal Open Market Committee, any obligation referred to in subsections (b)(2) and (b)(3) from any Federal Reserve bank and to sell any such obligation in the open market for the purpose of meeting the short-term cash needs of the Treasury. Not later than six months after the date of sale of such an obligation, the Secretary of the Treasury shall repurchase such obligation and return such obligation to the Federal Reserve bank from which such obligation was borrowed. The aggregate of the face amount of obligations borrowed under the authority of this section shall be included, during the period of such borrowing, as part of the public debt subject to the

Treasury, authority to borrow and sell in open market. 12 USC 359a.

Repurchase and return to Federal Reserve banks.

Effective date;  
expiration.  
12 USC 355 note.

limitation imposed by section 21 of the Second Liberty Bond Act (31 U.S.C. 757b)."

SEC. 3. (a) Except for the amendments made by subsection (a) of the first section of this Act, and except for the amendment made by subsection (b) of this section, the amendments made by this Act shall be effective only during the two-year period which begins on the date of enactment of this Act. Upon the expiration of such period, each provision of law amended by this Act, except section 14(b)(1) of the Federal Reserve Act, is amended to read as it did immediately prior to the enactment of this Act.

Ante, p. 35.

(b) Upon the expiration of the two-year period which begins on the date of enactment of this Act, section 14(b)(1) of the Federal Reserve Act (12 U.S.C. 355(1)) is further amended by adding at the end thereof the following new sentence: "Notwithstanding any other provision of this Act, any bonds, notes, or other obligations which are direct obligations of the United States or which are fully guaranteed by the United States as to principal and interest may be bought and sold without regard to maturities but only in the open market."

Approved June 8, 1979.

LEGISLATIVE HISTORY:

HOUSE REPORT No. 96-111 (Comm. on Banking, Finance and Urban Affairs).  
CONGRESSIONAL RECORD, Vol. 125 (1979):  
May 23, considered and passed House.  
May 24, considered and passed Senate.