

105TH CONGRESS  
2D SESSION

# H. R. 4082

To allow depository institutions to offer interest-bearing transaction accounts and negotiable order of withdrawal accounts to all businesses, to repeal the prohibition on the payment of interest on demand deposits, to require the Board of Governors of the Federal Reserve System to pay interest on certain reserves, and for other purposes.

---

## IN THE HOUSE OF REPRESENTATIVES

JUNE 18, 1998

Mrs. KELLY introduced the following bill; which was referred to the  
Committee on Banking and Financial Services

---

## A BILL

To allow depository institutions to offer interest-bearing transaction accounts and negotiable order of withdrawal accounts to all businesses, to repeal the prohibition on the payment of interest on demand deposits, to require the Board of Governors of the Federal Reserve System to pay interest on certain reserves, 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 “Small Business Inter-  
5       est Checking Act of 1998”.

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 follow-  
8 ing:

9 “(b) Notwithstanding any other provision of law, any  
10 depository institution may permit the owner of any deposit  
11 or account on which interest or dividends are paid to make  
12 up to 24 transfers per month, for any purpose, to another  
13 account of the owner in the same institution. Nothing in  
14 this subsection shall be construed to prevent an account  
15 offered pursuant to this subsection from being considered  
16 a transaction account (as defined in section 19(b) of the  
17 Federal Reserve Act (12 U.S.C. 461(b)) for purposes of  
18 such Act.”.

19 **SEC. 3. AMENDMENTS RELATING TO SAVINGS AND DEMAND**  
20 **DEPOSIT ACCOUNTS AT DEPOSITORY INSTI-**  
21 **TUTIONS.**

22 (a) NOW ACCOUNTS AUTHORIZED FOR ALL BUSI-  
23 NESSES.—Section 2 of Public Law 93–100 (12 U.S.C.  
24 1832(a)(2)) is amended to read as follows:

1 **“SEC. 2. WITHDRAWALS BY NEGOTIABLE OR TRANSFER-**  
2 **ABLE INSTRUMENTS FOR TRANSFERS TO**  
3 **THIRD PARTIES.**

4 “Notwithstanding any other provision of law, any de-  
5 pository institution (as defined in section 3 of the Federal  
6 Deposit Insurance Act) may permit the owner of any de-  
7 posit or account to make withdrawals from such deposit  
8 or account by negotiable or transferable instruments for  
9 the purpose of making payments to third parties.”.

10 (b) **REPEAL OF PROHIBITION ON PAYMENT OF IN-**  
11 **TEREST ON DEMAND DEPOSITS.—**

12 (1) **FEDERAL RESERVE ACT.—**Section 19 of the  
13 Federal Reserve Act (12 U.S.C. 371a) is amended  
14 by striking subsection (i).

15 (2) **HOME OWNERS’ LOAN ACT.—**The 1st sen-  
16 tence of section 5(b)(1)(B) of the Home Owners’  
17 Loan Act (12 U.S.C. 1464(b)(1)(B)) is amended by  
18 striking “savings association may not—” and all  
19 that follows through “(ii) permit any” and inserting  
20 “savings association may not permit any”.

21 (3) **FEDERAL DEPOSIT INSURANCE ACT.—**Sec-  
22 tion 18 of the Federal Deposit Insurance Act (12  
23 U.S.C. 1828) is amended by striking subsection (g).

24 (c) **EFFECTIVE DATE.—**The amendments made by  
25 this section shall take effect on October 1, 2004.

1 **SEC. 4. PAYMENT OF INTEREST ON RESERVES AT FEDERAL**  
2 **RESERVE BANKS.**

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

6 “(12) EARNINGS ON RESERVES.—

7 “(A) IN GENERAL.—Balances maintained  
8 at a Federal reserve bank by or on behalf of a  
9 depository institution to meet the reserve re-  
10 quirements of this subsection applicable with re-  
11 spect to such depository institution shall receive  
12 earnings to be paid by the Federal reserve bank  
13 at least once each calendar quarter at a rate or  
14 rates not to exceed the general level of short  
15 term interest rates.

16 “(B) REGULATIONS RELATING TO PAY-  
17 MENTS AND DISTRIBUTION.—The Board may  
18 prescribe regulations concerning—

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

21 “(ii) the distribution of such earnings  
22 to the depository institutions which main-  
23 tain balances at such banks or on whose  
24 behalf such balances are maintained; and

25 “(iii) the responsibilities of depository  
26 institutions, Federal home loan banks, and

1 the National Credit Union Administration  
2 Central Liquidity Facility with respect to  
3 the crediting and distribution of earnings  
4 attributable to balances maintained, in ac-  
5 cordance with subsection (c)(1)(B), in a  
6 Federal reserve bank by any such entity on  
7 behalf of depository institutions which are  
8 not member banks.”.

9 (b) TECHNICAL AND CONFORMING AMENDMENT.—

10 (1) SECTION 19(b) OF FEDERAL RESERVE  
11 ACT.—Section 19(b)(4) of the Federal Reserve Act  
12 (12 U.S.C. 461(b)(4)) is amended by striking sub-  
13 paragraph (C).

14 (2) SECTION 19(c) OF FEDERAL RESERVE  
15 ACT.—Section 19(c)(1)(A) of the Federal Reserve  
16 Act (12 U.S.C. 461(c)(1)(A)) is amended by striking  
17 “subsection (b)(4)(C)” and inserting “subsection  
18 (b)”.

19 **SEC. 5. INCREASED FEDERAL RESERVE BOARD FLEXIBIL-**  
20 **ITY IN SETTING RESERVE REQUIREMENTS.**

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

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

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

○