

# Union Calendar No. 313

106<sup>TH</sup> CONGRESS  
2<sup>D</sup> SESSION

# H. R. 4067

[Report No. 106-568]

To repeal the prohibition on the payment of interest on demand deposits,  
and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

MARCH 23, 2000

Mr. METCALF (for himself and Mr. LEACH) introduced the following bill;  
which was referred to the Committee on Banking and Financial Services

APRIL 11, 2000

Additional sponsors: Mr. KANJORSKI, Ms. HOOLEY of Oregon, and Mr.  
BEREUTER

APRIL 11, 2000

Reported with an amendment, committed to the Committee of the Whole  
House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in *italie*]

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## A BILL

To repeal the prohibition on the payment of interest on  
demand deposits, 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.**

2 This Act may be cited as the “Business Checking  
3 Modernization Act”.

4 **SEC. 2. AMENDMENTS RELATING TO DEMAND DEPOSIT AC-**  
5 **COUNTS AT DEPOSITORY INSTITUTIONS.**

6 (a) **REPEAL OF PROHIBITION ON PAYMENT OF IN-**  
7 **TEREST ON DEMAND DEPOSITS.—**

8 (1) **FEDERAL RESERVE ACT.—**Section 19(i) of  
9 the Federal Reserve Act (12 U.S.C. 371a) is amend-  
10 ed to read as follows:

11 “(i) [Repealed]”.

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

18 (3) **FEDERAL DEPOSIT INSURANCE ACT.—**Sec-  
19 tion 18(g) of the Federal Deposit Insurance Act (12  
20 U.S.C. 1828(g)) is amended to read as follows:

21 “(g) [Repealed]”.

22 (b) **EFFECTIVE DATE.—**The amendments made by  
23 subsection (a) shall take effect at the end of the 1-year  
24 period beginning on the date of the enactment of this Act.

1 **SECTION 1. SHORT TITLE.**

2       *This Act may be cited as the “Business Checking Mod-*  
3 *ernization Act”.*

4 **SEC. 2. AMENDMENTS RELATING TO DEMAND DEPOSIT AC-**  
5 **COUNTS AT DEPOSITORY INSTITUTIONS.**

6       (a) *INTEREST-BEARING TRANSACTION ACCOUNTS AU-*  
7 *THORIZED.—*

8           (1) *FEDERAL RESERVE ACT.—Section 19(i) of*  
9 *the Federal Reserve Act (12 U.S.C. 371a) is amended*  
10 *by inserting at the end the following: “Notwith-*  
11 *standing any other provision of this section, a mem-*  
12 *ber bank may permit the owner of any deposit, any*  
13 *account which is a deposit, or any account on which*  
14 *interest or dividends are paid to make up to 24*  
15 *transfers per month (or such greater number as the*  
16 *Board may determine by rule or order), for any pur-*  
17 *pose, to a demand deposit account of the owner in the*  
18 *same institution. Nothing in this subsection shall be*  
19 *construed to prevent an account offered pursuant to*  
20 *this subsection from being considered a transaction*  
21 *account for purposes of this Act.”.*

22           (2) *HOME OWNERS’ LOAN ACT.—*

23           (A) *IN GENERAL.—Section 5(b)(1) of the*  
24 *Home Owners’ Loan Act (12 U.S.C. 1464 (b)(1))*  
25 *is amended by adding at the end the following*  
26 *new subparagraph:*

1           “(G) *TRANSFERS.*—*Notwithstanding any*  
2 *other provision of this paragraph, a Federal sav-*  
3 *ings association may permit the owner of any*  
4 *deposit or share, any account which is a deposit*  
5 *or share, or any account on which interest or*  
6 *dividends are paid to make up to 24 transfers*  
7 *per month (or such greater number as the Board*  
8 *of Governors of the Federal Reserve System may*  
9 *determine by rule or order under section 19(i) to*  
10 *be permissible for member banks), for any pur-*  
11 *pose, to a demand deposit account of the owner*  
12 *in the same institution. Nothing in this sub-*  
13 *section shall be construed to prevent an account*  
14 *offered pursuant to this subsection from being*  
15 *considered a transaction account (as defined in*  
16 *section 19(b) of the Federal Reserve Act) for pur-*  
17 *poses of the Federal Reserve Act.”.*

18           (B) *REPEAL.*—*Effective at the end of the 3-*  
19 *year period beginning on the date of the enact-*  
20 *ment of this Act, section 5(b)(1) of the Home*  
21 *Owners’ Loan Act (12 U.S.C. 1464 (b)(1)) is*  
22 *amended by striking subparagraph (G).*

23           (3) *FEDERAL DEPOSIT INSURANCE ACT.*—*Section*  
24 *18(g) of the Federal Deposit Insurance Act (12 U.S.C.*

1     1828(g)) is amended by adding at the end the fol-  
2     lowing new paragraph:

3             “(3) *TRANSFERS.*—Notwithstanding any other  
4     provision of this subsection, an insured nonmember  
5     bank or insured State savings association may permit  
6     the owner of any deposit or share, any account which  
7     is a deposit or share, or any account on which inter-  
8     est or dividends are paid to make up to 24 transfers  
9     per month (or such greater number as the Board of  
10    Governors of the Federal Reserve System may deter-  
11    mine by rule or order under section 19(i) to be per-  
12    missible for member banks), for any purpose, to a de-  
13    mand deposit account of the owner in the same insti-  
14    tution. Nothing in this subsection shall be construed  
15    to prevent an account offered pursuant to this sub-  
16    section from being considered a transaction account  
17    (as defined in section 19(b) of the Federal Reserve  
18    Act) for purposes of the Federal Reserve Act.”.

19    (b) *REPEAL OF PROHIBITION ON PAYMENT OF INTER-*  
20 *EST ON DEMAND DEPOSITS.*—

21             (1) *FEDERAL RESERVE ACT.*—Section 19(i) of  
22    the Federal Reserve Act (12 U.S.C. 371a) is amended  
23    to read as follows:

24    “(i) [Repealed]”.

1           (2) *HOME OWNERS’ LOAN ACT.*—*The 1st sentence*  
2 *of section 5(b)(1)(B) of the Home Owners’ Loan Act*  
3 *(12 U.S.C. 1464(b)(1)(B)) is amended by striking*  
4 *“savings association may not—” and all that follows*  
5 *through “(i) permit any” and inserting “savings as-*  
6 *sociation may not permit any”.*

7           (3) *FEDERAL DEPOSIT INSURANCE ACT.*—*Section*  
8 *18(g) of the Federal Deposit Insurance Act (12 U.S.C.*  
9 *1828(g)) is amended to read as follows:*  
10 *“(g) [Repealed]”.*

11           (c) *EFFECTIVE DATE.*—*The amendments made by sub-*  
12 *section (b) shall take effect at the end of the 3-year period*  
13 *beginning on the date of the enactment of this Act.*

14 **SEC. 3. INCREASED FEDERAL RESERVE BOARD FLEXIBILITY**  
15 **IN SETTING RESERVE REQUIREMENTS.**

16           Section 19(b)(2) of the Federal Reserve Act (12 U.S.C.  
17 461(b)(2)) is amended—

18           (1) in clause (i), by striking “the ratio of 3 per  
19 centum” and inserting “a ratio not greater than 3  
20 percent”; and

21           (2) in clause (ii), by striking “and not less than  
22 8 per centum”.

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