H.R. 974, THE SMALL BUSINESS INTEREST CHECKING ACT OF 2001
SECTION-BY-SECTION ANALYSIS

Section 1. Short title

This Act may be cited as the Small Business Interest Checking Act of 2001."

Section 2. Interest-bearing transaction accounts authorized for all businesses

This section authorizes depository institutions to offer customers the ability to make 24 transfers per month from an interest-bearing money market deposit account into any other account maintained by that customer at that institution. The Federal Reserve Board is given the authority to permit more than 24 transfers per month, and to determine that the interest-bearing accounts from which funds are transferred are subject to reserve requirements.

Section 3. Payment of interest on reserves at Federal Reserve Banks

This section permits the Federal Reserve to pay interest on the reserves that depository institutions are required to maintain at Federal Reserve Banks, at a rate not to exceed the general level of short-term interest rates. The Federal Reserve is also given authority to prescribe regulations concerning the payment and distribution of earnings to depository institutions that maintain balances at Federal Reserve Banks.

Section 4. Increased Federal Reserve flexibility in setting reserve requirements

This section amends the Federal Reserve Act to eliminate the minimum statutory ratios of 3% against the first $25 million in transaction accounts held at a depository institution and 8% against the amount above that threshold level, thereby giving the Federal Reserve greater flexibility in setting reserve requirements.

Section 5. Transfer of Federal Reserve surpluses

This section provides that during the first five years that the Act is in effect, the revenue loss associated with allowing interest payments on required reserve balances will be offset by requiring the Federal Reserve to remit from its surplus fund to the Treasury an amount equal to the estimated annual net revenue loss.