

United States House of Representatives  
Committee on Financial Services  
2129 Rayburn House Office Building  
Washington, D.C. 20515

MEMORANDUM

**To:** Members of the Committee on Financial Services

**From:** FSC Majority Staff

**Date:** July 17, 2015

**Subject:** July 22, 2015, Monetary Policy and Trade Subcommittee Hearing titled  
“Examining Federal Reserve Reform Proposals”

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The Subcommittee on Monetary Policy and Trade will hold a hearing on “Examining Federal Reserve Reform Proposals” at 10 a.m. on Wednesday, July 22, 2015, in Room 2128 of the Rayburn House Office Building. This will be a one-panel hearing and will include the following witnesses:

- Dr. John Cochrane, Senior Fellow, Hoover Institution
- Dr. Paul Kupiec, Resident Scholar, American Enterprise Institute
- Dr. Donald Kohn, Senior Fellow, Economic Studies, Brookings Institution
- Dr. John Taylor, Professor of Economics, Stanford University

This hearing will examine legislative proposals to increase accountability and transparency with respect to monetary policy and the operation of the Federal Reserve System.

***H.R. \_\_\_\_: To amend the Federal Reserve Act to establish requirements for policy rules and blackout periods of the Federal Open Market Committee, to establish requirements for certain activities of the Board of Governors of the Federal Reserve System, and to amend title 31, United States Code, to reform the manner in which the Board of Governors of the Federal Reserve System is audited, and for other purposes.***

This legislative proposal requires the Federal Reserve to clearly explain differences between the actual course of monetary policy and a reference policy rule.

The proposal also requires the Federal Reserve to conduct cost-benefit analysis when it adopts new rules. The bill enhances the Federal Reserve’s accountability to Congress in the conduct of regulatory policy and requires transparency about the Federal Reserve’s bank

stress tests and about international financial regulatory negotiations conducted by the Federal Reserve, the Treasury Department, and the Federal Deposit Insurance Corporation. The legislation further requires the Federal Reserve to disclose the salaries of highly paid employees, provides for at least two staff positions to advise each member of the Board of Governors, and requires Fed employees to abide by the same ethical requirements as other federal financial regulators.

The legislation reforms the “blackout period” governing when Federal Reserve Governors and employees may publicly speak on certain matters; alters the membership of the Federal Open Market Committee (FOMC); and reforms the Federal Reserve’s emergency lending powers under Section 13(3) of the Federal Reserve Act. Finally, the legislation requires that the FOMC set interest rates on balances maintained at a Federal Reserve Bank by a depository institution and enhances the Government Accountability Office’s authority to audit Federal Reserve operations.

***H.R. 2912: the “Centennial Monetary Commission Act of 2015”***

Introduced by Representative Brady of Texas, H.R. 2912, the “Centennial Monetary Commission Act of 2015” establishes the Centennial Monetary Commission to study monetary policy including, among other topics, (1) the historical monetary policy of the Federal Reserve; (2) the various operational regimes under which the Federal Reserve may conduct monetary policy; (3) the use of macro-prudential supervision and regulation as a tool of monetary policy; and (4) the Lender-of-Last-Resort function. The Commission is also charged with recommending a course of United States monetary policy going forward and must report to Congress with its findings, conclusions, and recommendations by December 1, 2016.

The Commission has 12 voting members – six appointed by the Speaker of the House and six by the President Pro Tempore of the Senate – and two non-voting members. Of the non-voting members, one is appointed by the Secretary of the Treasury and the other, who must be a president of a Federal Reserve Bank, is appointed by the Chair of the Federal Reserve. The Commission is empowered to hold hearings, take testimony, receive evidence, and administer oaths. The Commission is also authorized to obtain official data from Executive Branch agencies.