

## MEMORANDUM

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

**From:** FSC Majority Staff

**Date:** January 5, 2018

**Subject:** January 10, 2018, Monetary Policy and Trade Subcommittee Hearing entitled “A Further Examination of Federal Reserve Reform Proposals”

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The Subcommittee on Monetary Policy and Trade will hold a hearing on “A Further Examination of Federal Reserve Reform Proposals” at 2 p.m. on Wednesday, January 10, 2018, in Room 2128 of the Rayburn House Office Building. This will be a one-panel hearing and will include the following witnesses:

- Dean Baker, Co-Director and Senior Economist at the Center for Economic and Policy Research (CEPR)
- Dr. Norbert Michel, Director of the Heritage Foundation’s Center for Data Analysis
- Alex Pollock, Distinguished Senior Fellow at the R Street Institute
- Dr. George Selgin, Director of the Cato Institute’s Center for Monetary and Financial Alternatives

The hearing will examine the following legislative proposals:

**H.R. xxxx, to amend the Federal Reserve Act to establish requirements for salaries, financial disclosures, and office staff of the Board of Governors of the Federal Reserve System, and for other purposes.**

To be introduced by Rep. Mooney, this discussion draft of legislation requires the Fed to post on a public website the annual salary and the benefits of any employees whose salary exceeds that of a GS-15 federal employee. It also provides for at least two staff positions to advise each member of the Board of Governors who would be able to provide advice to the Governors independent of the Chairman’s influence. This section also subjects Federal Reserve employees to the same ethical standards as Securities and Exchange Commission employees.

**H.R. xxxx, to amend the Federal Reserve Act to establish a blackout period for public communications by the Federal Open Market Committee, and for other purposes.**

To be introduced by Rep. Tenney, this discussion draft of legislation clarifies that the Federal Open Market Committee's (FOMC) "blackout period," a Federal Reserve policy that prohibits Federal Reserve Governors and officials from speaking in public on any matter during the week prior to the FOMC meeting and immediately following the FOMC meeting, begins immediately after midnight on the day that is one-week before the meeting and ends at midnight on the day after the meeting takes place. The draft also clarifies that the blackout period does not apply to answering technical questions specific to data releases or to testimony regarding the Federal Reserve's supervisory and prudential functions.

**H.R. xxxx, to amend the Federal Reserve Act to bring the non-monetary policy related functions of the Board of Governors of the Federal Reserve System into the appropriations process, and for other purposes.**

To be introduced by Rep. Davidson, this discussion draft of legislation subjects the non-monetary policy functions of the Federal Reserve System to the annual Congressional Appropriations process.

**H.R. xxxx, to amend the Federal Reserve Act to modify the appointment process for presidents of Federal Reserve Banks.**

To be introduced by Rep. Pittenger, this discussion draft of legislation restores the ability of Class A District Bank directors to engage in any aspect of search for and hiring their bank's president and CEO, which the Dodd-Frank Wall Street Reform and Consumer Protection Act eliminated (P.L. 111-203)

**H.R. xxxx, to amend the Federal Reserve Act to revise the membership of Federal Open Market Committee, and for other purposes.**

To be introduced by Rep. Williams, this discussion draft of legislation provides for each Federal Reserve District representative to fully participate in every FOMC meeting so that monetary policy decisions can accurately reflect the level, quality, and distribution of economic activity throughout the Federal Reserve System.

**H.R. xxxx, to amend the Federal Reserve Act to require the Federal Open Market Committee to establish interest rates on balances maintained at a Federal Reserve Bank by depository institutions.**

This discussion draft of legislation amends Section 19(b)(12)(a) of the Federal Reserve Act to specify that the full FOMC shall be responsible for setting the interest rates on reserves. Currently, decisions to change these monetary policy rates are made by Governors of the Federal Reserve Board.

The Financial Services Regulatory Relief Act of 2006 authorized the Federal Reserve Banks to pay interest on balances held by or on behalf of depository institutions at Reserve Banks, subject to regulations of the Board of Governors, effective October 1, 2011. The effective date of this authority was advanced to October 1, 2008 by the Emergency Economic Stabilization Act of 2008.

Given that the FOMC now employs interest rates on both required and excess reserves as monetary policy rates, members of the FOMC should vote on the levels of those rates. Under Regulation D (Reserve Requirements for Depository Institutions, 12 CFR Part 204), however, “interest on balances maintained at Federal Reserve Banks by or on behalf of an eligible institution shall be established by the Board in accordance with this section, at a rate or rates not to exceed the general level of short-term interest rates.”

**H.R. xxxx, to amend the Federal Reserve Act to require the Vice Chairman for Supervision of the Board of Governors of the Federal Reserve System to provide a written report, and for other purposes.**

This discussion draft of legislation requires the Federal Reserve’s Vice Chairman for Supervision to provide, as part of the statutorily required semi-annual testimony to the House Financial Services and Senate Banking Committees, a report on the status of proposed and anticipated rulemakings. The discussion raft also requires that if the Vice Chairman for Supervision position is vacant, the Vice Chairman of the Board of Governors must fulfill the statutory requirement for semi-annual testimony.