

Statement Of Congresswoman Sue Kelly
House Committee on Financial Services Subcommittee on Financial Institutions
and Consumer Credit hearing on proposals to permit the payment of interest on
business checking accounts and sterile reserves maintained at Federal Reserve
Banks

Tuesday, March 13, 2001; 2:00 p.m. 2128 Rayburn

This afternoon as I was walking over to this hearing I began to notice the signs of spring here in Washington. I could see the buds just emerging on the trees in front of Rayburn, the birds arriving from the south and now I see Governor Meyer here before our subcommittee to discuss interest on business checking accounts and sterile reserves, an additional true signal that spring is here in our nations capital.

I want to quickly thank Chairman Bachus and Ranking Member Waters for agreeing to hold this hearing today. The issues before us are very important and relate to another growing issue that we shall also hold hearings on in this Congress, namely the ability of community banks to attract sufficient deposits to ensure safe and sound operation of our banks. The question I would like to explore with our witnesses today is: How will the repeal of the prohibition of paying interest on corporate demand deposits affect the bottom line of banks?

This afternoon I introduced H.R. 974, the Small Business Interests Checking Act of 2001, a Senate companion has also been introduced today by Senator Charles Schumer. This legislation contains three parts. First, it gives banks the authority to increase their sweep activities from the current six times a month to twenty four; second, it authorizes the Federal Reserve to pay interest on reserves; third, it gives the Federal Reserve greater flexibility in setting reserve requirements. In crafting this legislation I consulted with Federal Reserve, Treasury and the groups before us today to ensure that this legislation could be acceptable by all.

Additionally, Congressmen Toomey and Kanjorski have introduced legislation to repeal the current prohibition on business checking accounts. As has occurred in past years, we anticipate these initiatives to be merged when we mark-up this legislation and of course the length of the transition period will be the biggest issues. I look forward to discussing these issues with our distinguished witnesses that have taken the time to join us here today and working with all of the members of our committee on these issues.

I yield back the balance of my time.