

118TH CONGRESS  
1ST SESSION

# H. R. 3242

To amend the Federal Reserve Act to establish a permanent Bank Term Funding Program to provide member banks and other depository institutions with short-term liquidity against long-term assets.

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## IN THE HOUSE OF REPRESENTATIVES

MAY 11, 2023

Mr. LUETKEMEYER introduced the following bill; which was referred to the Committee on Financial Services

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## A BILL

To amend the Federal Reserve Act to establish a permanent Bank Term Funding Program to provide member banks and other depository institutions with short-term liquidity against long-term assets.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. FEDERAL RESERVE BANK TERM FUNDING PRO-**  
4 **GRAM.**

5 The Federal Reserve Act (12 U.S.C. 221 et seq.) is  
6 amended by inserting after section 10B the following:

1 **“SEC. 10C. BANK TERM FUNDING PROGRAM.**

2 “(a) IN GENERAL.—There is established a Bank  
3 Term Funding Program, under which a Federal reserve  
4 bank may, subject to rules established by the Board of  
5 Governors of the Federal Reserve System, make advances  
6 to eligible borrowers, subject to eligible collateral pledged  
7 by an eligible borrower.

8 “(b) PROGRAM REQUIREMENTS.—In making ad-  
9 vances under the Bank Term Funding Program—

10 “(1) advances may only be made in an amount  
11 up to the amount of the eligible collateral pledged,  
12 but advances shall be made with recourse beyond the  
13 pledged collateral;

14 “(2) advances shall be made at a fixed rate  
15 equal to the one-year overnight index swap rate plus  
16 10 basis points, as of the day the advance is made;

17 “(3) collateral shall be valued at par value and  
18 margin shall be 100 percent of par value;

19 “(4) borrowers shall be allowed to prepay with-  
20 out penalty;

21 “(5) advances shall be made available with a  
22 term of up to 1 year; and

23 “(6) a Federal reserve bank may not charge the  
24 borrower a fee.

25 “(c) DEFINITIONS.—In this section:

1           “(1) ELIGIBLE BORROWER.—The term ‘eligible  
2 borrower’ means any U.S. federally-insured bank,  
3 savings association, or credit union or a U.S. branch  
4 or agency of a foreign bank that is eligible for pri-  
5 mary credit (as defined under section 201.4(a) of  
6 title 12, Code of Federal Regulations).

7           “(2) ELIGIBLE COLLATERAL.—The term ‘eligi-  
8 ble collateral’ includes any collateral eligible for pur-  
9 chase by the Federal reserve banks in open market  
10 operations (as described under section 201.108(b) of  
11 title 12, Code of Federal Regulations).”.

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