

HOUSE BILL REPORT

SJM 8004

*As Reported By House Committee on:
Financial Institutions & Insurance*

Brief Description: Requiring a complete audit of the Federal Reserve System.

Sponsor(s): Senators Metcalf, Conner and Moore.

Brief History:

Reported by House Committee on:
Financial Institutions & Insurance, April 5, 1991, DP.

**HOUSE COMMITTEE ON
FINANCIAL INSTITUTIONS & INSURANCE**

Majority Report: *Do pass.* Signed by 9 members:
Representatives Dellwo, Chair; Zellinsky, Vice Chair;
Broback, Ranking Minority Member; Mielke, Assistant Ranking
Minority Member; Anderson; Inslee; Paris; Schmidt; and
Winsley.

Minority Report: *Do not pass.* Signed by 2 members:
Representatives R. Johnson and R. Meyers.

Staff: John Conniff (786-7119).

Background: In 1913, Congress created the Federal Reserve System, which is comprised of public and private entities to serve as this nation's central bank. The system includes a seven-member board of governors, the 12 regional federal reserve banks, the Federal Open Market Committee (FOMC), the Federal Advisory Council, and privately-owned member commercial banks.

As the central bank, the primary role of the system is to conduct the national monetary policy through three primary mechanisms. The FOMC exclusively directs and regulates open market trading, which consists of the purchase and sale of government and other securities by the reserve banks. The system also establishes member bank reserve requirements and regulates member bank borrowing from the federal reserve banks. By employing these three means, the system can influence the availability and cost of bank reserves, bank credit, and money.

During the 101st Congress, a measure sponsored by more than 60 congressional members was introduced to require a complete audit of the Federal Reserve System. While this measure did not gain approval, support for such an audit has continued to be expressed.

Summary of Bill: Congress is requested to enact legislation requiring a complete audit of the Federal Reserve System.

Fiscal Note: Not requested.

Testimony For: None.

Testimony Against: None.

Witnesses: None.