

[DISCUSSION DRAFT]

117TH CONGRESS
1ST SESSION

H. R. _____

To amend the Federal Reserve Act to require the Board of Governors of the Federal Reserve System to implement countercyclical capital buffers when the Federal Open Market Committee raises interest rates, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

M____. _____ introduced the following bill; which was referred to the Committee on _____

A BILL

To amend the Federal Reserve Act to require the Board of Governors of the Federal Reserve System to implement countercyclical capital buffers when the Federal Open Market Committee raises interest rates, and for other purposes.

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. SHORT TITLE.**

4 This Act may be cited as the “Countercyclical Capital
5 Buffer Act”

1 **SEC. 2. IMPLEMENTATION OF COUNTERCYCLICAL CAPITAL**
2 **BUFFERS WHEN RAISING INTEREST RATES.**

3 The Federal Reserve Act (12 U.S.C. 221 et seq.) is
4 amended by inserting after section 12A the following:

5 **“SEC. 12B. IMPLEMENTATION OF COUNTERCYCLICAL CAP-**
6 **ITAL BUFFERS WHEN RAISING INTEREST**
7 **RATES.**

8 “(a) IN GENERAL.—If the Federal Open Market
9 Committee raises the target for the Federal funds rate,
10 the Board of Governors shall, effective at the end of the
11 1-year period beginning on the date of such target raise,
12 implement a countercyclical capital buffer (as described
13 under appendix A to part 216 of title 12, Code of Federal
14 Regulations) in an amount—

15 “(1) of not less than 2.5 percent, if the Com-
16 mittee raises the target to 2 percent or more;

17 “(2) of not less than 1.75 percent, if the Com-
18 mittee raises the target to 1 percent or more, but
19 less than 2 percent; and

20 “(3) of not less than 1 percent, if the Com-
21 mittee raises the target to more than 0.25 percent,
22 but less than 1 percent.

23 “(b) REDUCING OR ELIMINATING COUNTERCYCLICAL
24 CAPITAL BUFFERS.—The Board of Governors may reduce
25 a countercyclical capital buffer—

1 “(1) to not less than 1.75 percent, if the Com-
2 mittee lowers the target to 2 percent or less, but
3 more than 1 percent;

4 “(2) to not less than 1 percent, if the Com-
5 mittee lowers the target to 1 percent or less, but
6 more than 0.25 percent; and

7 “(3) to below 1 percent (including to 0 per-
8 cent), if the Committee lowers the target to 0.25
9 percent or less.”.