



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

August 13, 2014

H.R. 3240 **Regulation D Study Act**

*As ordered reported by the House Committee on Financial Services
on July 29, 2014*

H.R. 3240 would direct the Government Accountability Office (GAO) to conduct a study on the impact of reserve requirements on depository institutions (DIs), consumers, and monetary policy. CBO estimates that implementing this legislation would cost less than \$500,000 over the next five years. Such costs would be subject to the availability of appropriated funds. Enacting H.R. 3240 would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply.

Regulation D imposes reserve requirements on certain deposits and other liabilities of DIs. Currently, DIs must hold reserves equal to 3 percent of applicable deposits greater than \$13.3 million, plus an additional 7 percent for total deposits greater than \$89 million. Reserves must be held in the form of vault cash or deposits with a Federal Reserve Bank (FRB). FRBs pay interest on required and excess reserves held with the Federal Reserve.

H.R. 3240 would direct GAO to conduct a study on how Regulation D has been used to conduct monetary policy and how this affects the operational costs of DIs and how consumers manage their accounts. GAO would report to the Congress on the results and any recommendations within one year of enactment. Based on the resources used for similar studies, CBO estimates that producing such a report would cost GAO less than \$500,000 over the next five years.

H.R. 3240 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would not affect the budgets of state, local, or tribal governments.

The CBO staff contact for this estimate is Daniel Hoople. The estimate was approved by Peter H. Fontaine, Assistant Director for Budget Analysis.