The Alliance For Just Money, Inc., respectfully proposes –
for public consideration and Congressional sponsorship and passage –
the following update of H.R.2990 - National Emergency Employment Defense Act of 2011

AMERICAN MONETARY REFORM ACT OF 2025

A BILL

To improve and stabilize the Nation's economy by restoring Congress's power to create and regulate money; to issue debt-free paper and digital money, in addition to current U.S. coin; to re-affirm the power of Congress, specified in Article I Section 8 of the U.S. Constitution, to issue money, and also to issue money pursuant to Juilliard v. Greenman (1884), in the form of paper and digital money as legal tender; to integrate the Federal Reserve System into the Treasury Department; to retire public debt; to modernize and provide stability for the monetary system of the United States; and for other public purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the 'American Monetary Reform Act (AMRA) of 2025.'

SECTION 2. FINDINGS; PURPOSES.

(a) FINDINGS.—The Congress finds as follows:

(1) Congress is stymied by competing forces: a desire to support the nation's economy and an aversion to borrowing money to create programs to do so. This competition can be resolved by restoration of the government's Constitutional authority to create money.

(2) Confidence in the United States' economic leadership at home and around the world is waning, the value of our currency cannot be securely maintained, and our current monetary system offers no path to supporting our economy through investment in rebuilding America's infrastructure without further imposing the burden of further debt.

(3) Under the current Federal Reserve System, the persons responsible for the conduct of United States monetary policy have been unaccountable to Congress and the Nation and have resisted auditing by the Government Accountability Office.

(4) The authority to create money is a sovereign power vested in the Congress under Article I, Section 8 of the Constitution.

(5) The enactment of the Federal Reserve Act in 1913 by Congress effectively delegated the sovereign power to create money to the Federal Reserve System and private financial industry.

(6) This ceding of Constitutional power has contributed materially to a multitude of monetary and financial afflictions, including:

(A) unbridled expansion of national debt, both public and private, totaling over $97 trillion as of February 2024, $34.4 trillion of which is in US Treasury securities;

(B) devaluation of the currency;

(C) sieges of record levels of unemployment and underemployment;

(D) persistent erosion of the ability of Congress to exercise its Constitutional responsibilities to provide resources for the general welfare of all the American people;

(E) excessive reliance on taxation of citizens for raising public revenues;

(F) growing and unreasonable concentration of wealth;

(G) an uncontrollable influence of money in politics, undermining our democracy.

(7) A debt-based monetary system, where money comes into existence primarily through private bank lending, can neither create, nor sustain, a stable economic environment, but has proven to be a source of

chronic financial instability and frequent crisis, as evidenced by the near collapse of the financial system in 2008 and subsequently by the large increase in reserve funds the Federal Reserve has found it necessary to create to maintain liquidity for interbank lending.

(8) The cascade of excess lending with subprime loans and derivatives along with lack of regulation contributed to the collapse of the banking sector in 2008, necessitating taxpayer and Central Bank bailouts to prevent a decline into a full depression. These bailouts helped Wall Street to bounce back, while Main Street struggled. Good faith attempts at further regulation have not changed unsustainable banking fundamentals. The system of money creation and distribution must be changed to create a quality economy for all. Lending is essential in the economy, but coupling money creation to lending has led to excess wealth concentration, financial instability, lack of infrastructure maintenance, and growing and unsustainable debt.

(9) Abolishing private money creation can be achieved with minimal disruption to current banking operations, regulation, and supervision.

(10) The creation of money by private financial institutions as interest-bearing debts should cease once and for all.

(11) Reclaiming the power of the Federal Government to originate money, and to spend or lend money into circulation as needed, removes the undue influence of private financial institutions over public policy and eliminates the need to treat money as a federal liability or to pay interest charges on the Nation's money supply to financial institutions.

(12) An examination of the historical record demonstrates that the exercise of control by the United States Government over the money system has provided moderation in the supply of money and promoted the general welfare and has been indispensable in times of national emergency for generating resources required to support public investment, provide for national defense, and promote the general welfare, and is therefore superior to private control over the money system.

(13) As our money system is a key pillar in maintaining general economic welfare and as the Federal Reserve System and its private banking partners have consistently failed to promote or preserve the general welfare, it is essential that Congress, in the name of protecting the economic lives of the American people and the long-term security of our Nation, reassume the powers and responsibilities granted to it by the Constitution.

(b) PURPOSES.—The purposes of this Act are as follows:

(1) To restore the authority of Congress to create money in all forms, coin, paper and electronic, and regulate the value thereof, to modernize the money system and to provide for its stability through the creation of a public Monetary Authority which shall generate a monetary policy based on the governing principle that the supply of money in circulation should become neither inflationary nor deflationary in and of itself but will be sufficient to allow goods and services to move freely in trade in a balanced manner. The policy shall be designed to maintain the supply of United States Money commensurate with the economy's long run potential to increase citizens' quality of life, so as to promote effectively the goals of a steady value for the currency, satisfactory and sufficient employment, and long-term interest rates that revolve around the cost of providing savings and loan services.

(2) To enable the Federal Government to inject new money into circulation as authorized by Congress under the guidance of the Monetary Authority and to provide means for public investment in capital infrastructure.

(3) To abolish the creation of United States Money (legal tender) by private persons and entities through lending against deposits, by means of fractional reserve banking, or by any other means.

(4) To incorporate the Federal Reserve System into the Executive Branch under the United States Treasury, and to make other provisions for reorganization of the functions of the Federal Reserve System.

(5) To provide for an orderly transition to a public money system.

(6) To make other provisions necessary to accomplish the purposes of this Act.

SECTION 3. DEFINITIONS.

(a) IN GENERAL.—For purposes of this Act, the following definitions shall apply:

(1) CURRENCY.— money exclusively in the form of metallic coins and of paper, including notes, bills, and the like.

(2) DEPOSIT.—The term "deposit"—

(A) has the meaning given such term in section 3(l) of the Federal Deposit Insurance Act; and

(B) includes—

(i) a member account (as defined in section 101(5) of the Federal Credit Union Act) in a credit union; and

(ii) any transaction account.

(3) DEPOSITORY INSTITUTION.—The term "depository institution"—

(A) has the same meaning as in section 3 of the Federal Deposit Insurance Act; and

(B) includes any credit union (as defined in section 101 of the Federal Credit Union Act).

(4) DIGITAL AND ELECTRONIC MONEY.—The terms, "digital money," money "in digital form" or money "in electronic form" refer to money existing only as account entries, devoid of any representation in the form of physical tokens, such as coins or notes. Under the Federal Reserve System preceding enactment of this legislation, money held in accounts in depository institutions fell under this category. Subsequent

to the enactment of this legislation, U.S. Money held in transaction accounts, defined in Section 402(d) of this Act, will fall under this category.

(5) INSTRUMENT OF INDEBTEDNESS OF THE UNITED STATES; TREASURY INSTRUMENTS.—The terms "instrument of indebtedness of the United States" and "Treasury instrument" include any obligation issued under subchapter I of chapter 31 of title 31, United States Code.

(6) MEMBER BANK.—The term "member bank" has the same meaning as in the first section of the Federal Reserve Act.

(7) MONEY.—The term "money" refers to United States Money, as established under Title I.

(8) MONETARY AUTHORITY.—The term "Monetary Authority" means the Monetary Authority established under section 302.

(9) NOTES.—The terms "note" or "notes" refer to currency in the form of paper.

(10) SECRETARY.—The term "Secretary" means the Secretary of the Treasury.

(11) STATE.—The term "State" has the same meaning as in section 3 of the Federal Deposit Insurance Act.

(12) EFFECTIVE DATE.—The term "effective date" means the date determined and published in the Federal Register by the Secretary, during the 90-day period beginning on the date of the enactment of this Act, that—

(A) is not less than 1 year after such date of enactment and not more than 2 years after such date; and

(B) is the date on which the designated provisions of this Act take effect.

(b) TECHNICAL AND CONFORMING AMENDMENT TO THE FDIA.—Section 3(l) of the Federal Deposit Insurance Act (12 U.S.C. 1813(l)) is amended by adding as Subsection (5)(D) the following:

"Such term does not include any amount on which any interest is paid or which is received or held by a bank or savings association pursuant to a loan agreement for a fixed term of time (as determined without regard to any designation on the agreement as a loan, certificate, or other particular instrument)."

SECTION 4. COORDINATION WITH OTHER LAW.

(a) IN GENERAL.—This Act shall supersede any provision of Federal law in effect on the day before the date of the enactment of this Act that is inconsistent with any provision of this Act but only to the extent of such inconsistency.

(b) TECHNICAL AND CONFORMING AMENDMENTS.—Before the end of the 6-month period beginning on the date of the enactment of this Act, the Secretary of the Treasury shall submit to Congress a proposed draft of legislation that, if enacted, would implement such technical and conforming amendments as the Monetary Authority may recommend—

(1) to repeal the provisions of law referred to in subsection (a) that are inconsistent with this Act; and

(2) to further clarify and implement the provisions of this Act.

TITLE I—ORIGINATION OF UNITED STATES MONEY

SECTION 101. EXERCISE OF CONSTITUTIONAL AUTHORITY TO CREATE MONEY.

(a) IN GENERAL.—Pursuant to the exercise by the Congress of the authority contained in clauses 2, 5 and 18 of section 8 of Article I of the Constitution of the United States of America and confirmed in case law (Julliard and Greenman, 1884),

(1) the authority to create money within the United States shall hereafter reside exclusively with the Federal Government; and

(2) the money so created shall be known as United States Money and denominated and expressed as provided in section 5101 of title 31, United States Code.

(b) EXERCISE OF SOVEREIGN POWER.—The creation of United States Money under this Act is the legal expression of the sovereign power of the United States of America and confers upon its bearer an unconditional means of payment.

(c) LIMITATION ON EXPRESSION.—Beginning on the effective date—

(1) only the coin, notes, or other forms of legal tender, including electronic money, originated by the United States Treasury under the authority of this Act, shall be deemed as United States Money; and

(2) it shall be unlawful for any person to designate any credit, note, bond, script or other financial instrument as United States Money.

SECTION 102. UNLAWFUL FOR PERSONS TO CREATE MONEY.

Any person who creates or originates United States Money by lending against deposits, through so-called fractional reserve banking, or by any other means, after the effective date shall be fined under title 18, United States Code, imprisoned for not more than 20 years, or both.

SECTION 103. PRODUCTION OF UNITED STATES MONEY.

(a) COMMENCING FULL PRODUCTION OF UNITED STATES CURRENCY.—Section 5115 of title 31, United States Code, is amended by striking subsections (a) and (b) and inserting the following new subsections:

"(a) IN GENERAL.—In order to furnish suitable notes for circulation as United States Money, the Secretary of the Treasury shall cause plates and dies to be engraved in the best manner to guard against counterfeits and fraudulent alterations, and shall have printed

therefrom and numbered such quantities of such notes of the same denominations as are currently issued."

"(b) FORM AND TENOR.—United States currency notes for circulation as United States Money shall be in form and tenor as directed by the Secretary of the Treasury."

(b) CEASING PRODUCTION OF FEDERAL RESERVE NOTES.—The Secretary of the Treasury shall wind-down and cease production of Federal Reserve notes under the 8th undesignated paragraph of section 16 of the Federal Reserve Act (12 U.S.C. 418) as quickly as practicable after the date of the enactment of this Act, but no later than the effective date, in coordination with the start-up and maintenance of production of United States currency under section 5115 of title 31, United States Code. The Secretary shall ensure that at all times the amount of Federal Reserve notes in circulation is sufficient to meet demand until the production of United States currency is sufficient to meet such demand.

(c) CONTINUING CIRCULATION UNTIL RETIREMENT.—Any Federal Reserve notes in circulation shall continue to be legal tender until retired in accordance with applicable provisions of law.

(d) ISSUANCE OF UNITED STATES MONEY IN ELECTRONIC FORM.—In accordance with Congressional budgetary determination of expenditures and anticipated revenues from taxes, fees and the like, the Secretary will annually, and as needed, originate U.S. Money in digital form to address any negative fund balances resulting from a shortfall in available Government receipts for funding Government appropriations authorized by Congress under law by adding appropriate amounts to the Government's Treasury General Account (TGA), which, by Section 301(c) of this Act, is transferred from the Federal Reserve Bank of New York to the Department of Treasury.

(e) RULE OF CONSTRUCTION.—No provision of this Act shall be construed as preventing the Congress from exercising its constitutional authority to borrow money on the full faith and credit of the United States.

SECTION 104. LEGAL TENDER.

(a) IN GENERAL.—United States Money shall enter into general domestic circulation as full legal tender in payment of all debts public and private.

(b) TECHNICAL AND CONFORMING AMENDMENT.—Section 5103 of title 31, United States Code, is amended by striking "United States coins and currency (including Federal reserve notes and circulating notes of Federal reserve banks and national banks)" and inserting :"United States Money, in electronic form and in the form of coins and currency." Section 5103 of Title 31 will then read, "United States Money, in electronic form and in the form of coins and currency, is legal tender for all debts, public charges, taxes, and dues. Foreign gold or silver coins are not legal tender for debts."

SECTION 105. DISBURSEMENTS TO BE DENOMINATED IN UNITED STATES MONEY.

On the effective date, all United States Government disbursements shall be denominated in United States Money, the unit being the dollar, symbolized as $.

SECTION 106. RETIREMENT OF INSTRUMENTS OF INDEBTEDNESS.

As of the effective date the Secretary shall commence to retire outstanding instruments of indebtedness of the United States by payment in full of the amount legally due the bearer in United States Money, as such amounts become due.

SECTION 107. ACCOUNTING.

(a) IN GENERAL.—The Secretary shall account for the disbursement of United States Money and of current fund balances through accounting reports maintained and published by the Secretary and by departments and agencies of the United States Government.

(b) GAO AUDIT.—The Comptroller General of the United States shall conduct an independent biennial audit.

TITLE II—ENTRY OF UNITED STATES MONEY INTO CIRCULATION

SECTION 201. ENTRY OF UNITED STATES MONEY INTO CIRCULATION.

The Secretary shall cause United States Money to enter into circulation by and through any of the following means:

(1) Any disbursement of funds to accomplish Federal expenditures authorized and appropriated by an Act of the Congress.

(2) Any disbursement to retire outstanding instruments of indebtedness of the Federal Government or the Secretary of the Treasury as such instruments become due.

(3) Any contribution authorized by an Act of the Congress, subject to any limitation established by the Monetary Authority, to the Bank Transition Assistance Fund established in section 403 of this Act.

(4) Any action provided for in the transitional arrangements specified in title IV of this Act, including the conversion of all deposits in transaction accounts into United States Money.

(5) Any exercise of "lender of last resort" emergency authorities under the emergency procedures specified in section 305.

(6) Any purchase of Federal Reserve Bank stock from any of its member banks and of any other assets as prescribed under the Federal Reserve Act as required to accomplish the purposes of section 301.

(7) Any other means, and for any other purpose explicitly authorized by an Act of the Congress that becomes law after the effective date of this Act.

TITLE III—RECONSTRUCTION OF THE FEDERAL RESERVE SYSTEM

SECTION 301. INCORPORATION OF THE FEDERAL RESERVE BANKS INTO THE UNITED STATES GOVERNMENT

(a) GOVERNMENT ACQUISITION OF ALL STOCK OF FEDERAL RESERVE SYSTEM.—On the effective date, the Secretary shall purchase on behalf of the United States all outstanding Federal Reserve stock at current market value denominated in United States Money, including the Federal Reserve Banks, in accordance with provisions of sections 12 U.S.C. 290 and U.S.C. 288.

(b) TRANSFERRED FUNCTIONS.—After the effective date, Treasury shall exercise all functions consistent with this Act which, before such date, were carried out under the direction of the Board of Governors of the Federal Reserve System.

(c) ITEMIZATION BY SECRETARY.—Not less than 90 days before the effective date, the Secretary and the Monetary Authority, established in Section 302 of this Act, shall itemize—

(1) the functions of the Board of Governors of the Federal Reserve System that are transferred to Treasury pursuant to paragraph (2); and

(2) the provisions of the Federal Reserve Act and other provisions of Federal law, relating to the functions so transferred, in the application of which the term Treasury shall be substituted for the term 'Board of Governors of the Federal Reserve System' or 'Board', as the case may be.

(d) ROLE OF BOARD AFTER ENACTMENT.—With effect on the effective date, the Board of Governors of the Federal Reserve System shall be dissolved.

(e) RESPONSIBILITY OF SECRETARY.—The Secretary shall regulate the monetary supply in reasonable accordance with targets established by the Monetary Authority and within the limits established by Congress.

(f) REPORTS ON DISCREPANCIES.—The Secretary shall report to the Congress any discrepancy between any monetary target and the monetary supply in excess of 0.5 percent at the end of each quarter.

(g) TRANSFER OF CERTAIN PERSONNEL.—

(1) IDENTIFYING EMPLOYEES FOR TRANSFER.—The Secretary and the Chairman of the Board of Governors of the Federal Reserve System shall—

(A) jointly determine the additional number of employees in Treasury necessary to perform or support the functions of the Board of Governors that are transferred to Treasury and to the Monetary Authority (if any) pursuant to a provision of or amendment made by this title; and

(B) consistent with the number determined under subparagraph (A), jointly identify employees of the Board of Governors for transfer in a manner that the Secretary and the Board of Governors of the Federal Reserve System, in their sole discretion, determine to be equitable.

(2) IDENTIFIED EMPLOYEES TRANSFERRED.—All employees of the Board of Governors of the Federal Reserve System identified under paragraph (1)(B) shall be transferred to the Monetary Authority or to other divisions within Treasury, as the case may be, for employment.

(3) FEDERAL RESERVE BANK EMPLOYEES.—Employees of any Federal Reserve bank, as of the day before the transfer date for any employees of the Board of Governors of the Federal Reserve System, shall be treated as employees of the Board of Governors for purposes of paragraph (1) and (2).

(h) ROLE OF BOARD AFTER ENACTMENT.—With effect on the effective date, the Board of Governors of the Federal Reserve System shall be dissolved.

SECTION 302. ESTABLISHMENT OF THE UNITED STATES MONETARY AUTHORITY.

(a) MONETARY AUTHORITY.—

(1) ESTABLISHMENT.—

(A) IN GENERAL.— There is hereby established the Monetary Authority as an authority within the Department of the Treasury under the general oversight of the Secretary of the Treasury to annually submit to Congress guidance, based on analysis provided by the Treasury Department and other appropriate sources, as to the appropriate amount of new money to be issued in order to avoid systemic inflation or deflation and to provide additional guidance as needed.

(B) AUTONOMY OF MONETARY AUTHORITY.—The Secretary of the Treasury may not intervene in any matter or proceeding before the Monetary Authority, unless otherwise specifically provided by law.

(C) INDEPENDENCE OF MONETARY AUTHORITY.—The Secretary of the Treasury may not delay, prevent, or intervene in the issuance of any regulation or other determination of the Monetary Authority, including the determination of the amounts of money to be originated and most efficient methods of disbursement consistent with the appropriations of Congress and the statutory objectives of monetary policy as specified in this Act.

(2) MEMBERSHIP.—

(A) IN GENERAL.—The Monetary Authority shall consist of 9 public members, reflecting the diversity of American society, appointed by the President, by and with the advice and consent of the Senate.

(B) TERMS.—

(i) IN GENERAL.—Except as provided in subparagraph (E), each member of the Monetary Authority shall be appointed to a term of 6 years.

(ii) CONTINUATION OF SERVICE.—Each member of the Monetary Authority may continue to serve after the expiration of the term of office to which such member was appointed until a successor has been appointed and qualified.

(C) POLITICAL AFFILIATION.—Not more than 4 of the members of the Monetary Authority may be members of the same political party.

(D) VACANCY.—

(i) IN GENERAL.—Any vacancy on the Monetary Authority shall be filled in the manner in which the original appointment was made.

(ii) INTERIM APPOINTMENTS.—Any member appointed to fill a vacancy occurring before the expiration of the term for which such member's predecessor was appointed shall be appointed only for the remainder of such term.

(E) STAGGERED TERMS.—Of the members first appointed to the Monetary Authority after the enactment of this Act—

(i) 1 shall be appointed for a term of 2 years;

(ii) 2 shall be appointed for a term of 3 years;

(iii) 2 shall be appointed for a term of 4 years;

(iv) 2 shall be appointed for a term of 5 years; and

(v) 2 shall be appointed for the full term of 6 years.

(3) CHAIRPERSON.—One of the members of the Monetary Authority shall be designated by the President as the Chairperson of the Monetary Authority.

(4) DUTIES.—The Monetary Authority shall—

(A) establish monetary supply policy based on data gathered and analyzed by the Department of Treasury, and

(B) carry out such other responsibilities as the President may delegate to the Monetary Authority or that may be provided by an Act of Congress.

(5) GOVERNING PRINCIPLE OF MONETARY POLICY.—The Monetary Authority shall generate a monetary policy based on the governing principle that the supply of money in circulation should not become inflationary nor deflationary in and of itself, but will be sufficient to allow goods and services to move freely in trade in a balanced manner. The policy shall be designed to maintain the supply of United States Money commensurate with the economy's long run potential to increase citizens' quality of life and effectively promote the goals of a steady value for the currency, satisfactory and sufficient employment, and long-term interest rates that revolve around the cost of providing savings and loan services.

(6) MEETINGS.—The Monetary Authority shall meet on a regular basis subject to the call of the Chairperson, the Secretary, or a majority of the members.

(7) PAY.—The members of the Monetary Authority shall receive a salary at annual rates equal to the annual rate determined under the Federal Salary Act of 1967, for an associate justice of the United States Supreme Court.

(8) STAFF.—The Monetary Authority may appoint and establish the pay of such employees as the Monetary Authority determines is appropriate to assist the Monetary Authority to carry out the duties imposed under this section.

SECTION 303. FORECASTING OF DISBURSEMENT REQUIREMENTS.

The Secretary shall—

(1) forecast disbursement requirements on a daily, monthly, and annual basis;

(2) provide such forecasts to Congress and the public;

(3) integrate forecasts with the Federal budget process;

(4) maintain a sufficient research capability to continuously and effectively assess the impact of disbursement of United States Money on all aspects of the domestic and international economies; and

(5) report to the Congress and the public regularly on the economic impact of disbursements of United States Money and the status of the monetary supply.

SECTION 304. LENDER OF LAST RESORT; EMERGENCY PROCEDURES.

(a) RECOMMENDATION OF THE PRESIDENT UPON RECOMMENDATION OF EMERGENCY BOARD.—Neither the Secretary nor the Monetary Authority may exercise any authority under Section 13(3) of the Federal Reserve Act unless—

(1) the Emergency Board established under subsection (b) recommends, upon a vote of 2/3 of the members, to the House of Representatives and the Senate, that the House of Representatives and the Senate adopt a concurrent resolution calling on the President to certify that a national emergency exists which requires the exercise of such authority;

(2) the House of Representatives and the Senate each adopt, by a vote of 2/3 of the members present, a concurrent resolution calling on the President to certify that a national emergency exists which requires the exercise of such authority; and

(3) the President issues a certification that a national emergency exists which requires the exercise of such authority by the Monetary Authority.

(b) EMERGENCY BOARD.—There is established for purposes of this section the Emergency Board which shall consist of the following members:

(1) The President.

(2) The Secretary of Commerce.

(3) The Secretary of Energy.

(4) The Secretary of Labor.

(5) The Secretary of the Treasury.

(6) The Speaker of the House of Representatives.

(7) The minority leader of the House of Representatives.

(8) The majority leader of the Senate.

(9) The minority leader of the Senate.

(10) The chairpersons and ranking members of the Committee on Financial Services and the Committee on Oversight and Government Reform of the House of Representatives.

(11) The chairpersons and ranking members of the Committee on Banking, Housing, and Urban Affairs and the Committee on Homeland Security and Governmental Affairs of the Senate.

(c) RULE OF CONSTRUCTION.—Except as provided in subsection (a), no provision of this Act shall be construed as affecting the authority of the Monetary Authority under Section 13(3) of the Federal Reserve Act.

(d) LENDING TO BANKS DURING THE TRANSITION PERIOD.—A separate method of lending to banks during the transition period following the enactment of this Act is provided for in Section 403 of this Act.

SECTION 305. SAVINGS PROVISIONS AND TRANSFER PROVISIONS.

(a) SAVINGS PROVISIONS.—

(1) EXISTING RIGHTS, DUTIES, AND OBLIGATIONS NOT AFFECTED.—The dissolution of the Federal Reserve System and the transfer of its responsibilities to the federal government shall not affect the validity of any right, duty, or obligation of the United States, the Department of Treasury (as the successor to the Board of Governors of the Federal

Reserve System or any Federal Reserve Bank), or any other person that—

(A) arises under any provision of law relating to any function of the Board of Governors of the Federal Reserve System transferred to Treasury by this title and amendments made by this title; and

(B) existed on the day before the effective date.

(2) CONTINUATION OF SUITS.—This Act shall not abate any proceeding commenced by or against the Board of Governors (or any Federal Reserve Bank) before the effective date with respect to any function of the Board of Governors (or any Federal Reserve Bank) transferred to Treasury by this title, except that Treasury shall be substituted for the Board of Governors (or Federal Reserve bank) as a party to any such proceeding as of the effective date.

TITLE IV—TRANSITIONAL ARRANGEMENTS

SECTION 401. CONVERSION OF FEDERAL RESERVE NOTES.

(a) IN GENERAL.—Before the end of the 120-day period beginning on the date of the enactment of this Act, the Secretary shall establish the rules and procedures for converting outstanding Federal Reserve notes to United States Money of equal face value.

(b) PROVISION OF SUPPLY SUFFICIENT FOR CONVERSION AND ISSUANCE.—Before the end of the 150-day period beginning on the date of the enactment of this Act and as Federal reserve notes are converted to United States Money, the Secretary shall begin providing a sufficient quantity of United States Money to the domestic banking system to allow for conversion of all outstanding Federal reserve notes and the issuance of additional currency as required.

(c) DISBURSAL OF FUNDS.—After the end of the 180-day period beginning on the date of the enactment of this Act, all financial institutions within the United States shall only disburse funds in United States Money, whether

as currency, an addition to an available account balance, or other instrument.

(d) DISPOSAL OF OBSOLETE CURRENCY.—The Secretary shall promptly dispose of (in the manner provided under section 5120(b) of title 31, United States Code, for the disposal of obsolete United States currency) all Federal reserve notes as they are returned in exchange for United States Money.

(e) TECHNICAL AND CONFORMING AMENDMENT.—Effective at the end of the 150-day period beginning on the date of the enactment of this Act, section 16 of the Federal Reserve Act is amended by striking the 8th, 9th, 10th, 11th, and 12th undesignated paragraphs (12 U.S.C. 418, 419, 420, 421, and omitted, respectively).

SECTION 402. REPLACING FRACTIONAL RESERVE BANKING WITH THE LENDING OF UNITED STATES MONEY.

(a) CONVERSION PROCESS.—

(1) DEPOSITS.—

(A) IN GENERAL.—All deposits at any depository institution shall be designated as and treated as United States Money (either cash or an electronic equivalent) and as transaction accounts.

(B) PROHIBITIONS.—In addition to subsection (d), the following provisions shall apply with respect to United States Money on deposit in a transaction account at any depository institution:

(i) INTEREST.—No interest may be paid or may accrue on any United States Money on deposit in a transaction account at any depository institution.

(ii) DEPOSITS AS BAILMENT.—Any United States Money on deposit in a transaction account at any depository institution shall—

(I) be treated as a bailment for the mutual benefit of the parties and terminable at will; and

(II) as property held in trust as bailed property, not be treated as an asset of the depository institution or as a source of credit.

(C) EXCEPTION FOR LONG-TERM SAVINGS.—Subparagraph (B) shall not apply to any liability of a depository institution to a customer for any amount in an account at the depository institution pursuant to a contract that restricts the availability of any such amount for a fixed term and does not permit amounts to be transferred in any manner for the benefit of a third party. These accounts will provide money that depository institutions will lend to meet the borrowing needs of the public. Depository institutions will hold the money taken in for long-term savings in transaction accounts, from which it will be loaned.

(2) OUTSTANDING CREDIT.—Any asset of a depository institution that results from credit extended against, that is attributable to, or that has been accounted for with respect to, amounts described in paragraph (a)(1)(A) of this Section shall, as of the effective date—

(A) be a liability of the depository institution to the Federal Government; and

(B) as the outstanding balance is repaid pursuant to its terms, shall be paid over to the Federal Government.

(3) DEPOSIT IN THE BANK TRANSITION ASSISTANCE FUND.—The monies paid to the Federal Government shall be deposited into the Fund established in section 403.

(4) IN GENERAL.—Before the effective date and subject to the requirements of this section, the Monetary Authority shall establish and publish the accounting rules, pricing, and processes that will convert all bank credit in circulation as of the date of such conversion, into United States legal tender money.

(5) RETENTION OF INTEREST PAYMENTS.—A depository institution may keep as income, any interest payment made by a customer to a depository institution on an outstanding loan for which the depository institution became indebted to the Federal Government under paragraph (2).

(b) TREATMENT OF AMOUNTS ON RESERVE AT A FEDERAL RESERVE BANK.—The Monetary Authority shall determine, by the effective date, how the reserves of a depository institution at a Federal Reserve Bank pursuant to section 19 of the Federal Reserve Act shall be treated, so as to promote a seamless transition to the new system.

(c) ACCOUNTS IN GENERAL.—Before the effective date, the Monetary Authority shall prescribe new lending and accounting regulations for various types of accounts including transaction accounts and time deposit accounts described in subsections (d) and (e).

(d) TRANSACTION ACCOUNTS.—

(1) Money creation through lending, including by depository institutions and any other private financial institutions, sometimes referred to as fractional reserve banking, is ended.—The regulations prescribed under subsection (c) shall provide that—

(A) any depository institution shall have a fiduciary responsibility for the money of any depositor on deposit in a transaction account which—

(i) shall be held for the exclusive use of the account holder; and

(ii) may not be used by a depository institution to fund loans or investments; and

(B) Every dollar of United States Money in a transaction account shall be recorded in a suitable ledger managed by the Department of Treasury in accordance with procedures it develops to ensure proper handling of these accounts by depository institutions; and

(C) a depository institution may charge a reasonable fee for providing transaction account services.

(2) TRANSACTION ACCOUNT DEFINED.—For purposes of this section, the term, "transaction account"—

(A) means a deposit or account on which the depositor or account holder is permitted to make withdrawals by negotiable or transferable instrument, payment orders of withdrawal, electronic transfers, or other similar items for the purpose of making payments or transfers to third persons or others; and

(B) includes demand deposits, negotiable order of withdrawal accounts, savings deposits subject to automatic transfers, and share draft accounts.

(e) UNITED STATES MONEY AS SOURCE OF LOANS.—After the effective date, all lending by depository institutions may be accomplished only by the lending of actual United States Money that is—

(1) loaned to the depository institution in the form of fixed-term savings accounts;

(2) owned by the depository institution from earnings and or capital contributions by investors;

(3) borrowed from the Federal Government; or

(4) borrowed through the issuance of bonds or other interest-bearing securities by the lending bank, to the extent that such bonds or securities are structured in a manner consistent with the purposes of this Act.

SECTION 403. PROTECTION OF THE BANKING INDUSTRY

(a) GENERAL.—The regulations prescribed and actions taken under this section shall be established and taken in a manner that—

(1) encourages private, profit-making money lending activity by banking institutions; and

(2) prohibits the creation of private money through the establishment of lending credit against depository receipts, sometimes referred to as "fractional reserve banking."

(b) ESTABLISHMENT OF THE BANK TRANSITION ASSISTANCE FUND (BTAF).—There is hereby established a transitional loan fund in the Treasury of the United States for lending to banking institutions and for other purposes. The Fund will consist of amounts received from depository institutions under terms specified in Section 402 of this Act.

(1) During the first year of the transition period following enactment of the Act, individual banks will be entitled to borrow from the Fund up to 90% of the amounts which they will have submitted to the Fund from their own loan repayment programs in accordance with Sections 403(a) and 403(b). During the second year following enactment, banks will similarly be entitled to borrow up to 80% of that which they will have submitted to the Fund for that year. The percentages banks can borrow decrease each year after the effective date by decrements of 10% to become zero in ten years.

(2) Loans to banks from the BTAF are intended to provide banks with additional liquidity during the transition period, if it is needed by banks to meet the borrowing needs of the public. Repayment to the BTAF is coupled to the repayment schedule of the loans extended by banks using funds borrowed from the BTAF. As loans which utilize funds borrowed from the BTAF are repaid to the lending institutions, the money received by those institutions will be forwarded to the BTAF. Loans made by banks utilizing BTAF funds are to be restricted in their repayment periods to 30 years or less.

(3) Interest rates on loans to banks from the BTAF will be initially set to equal the Federal Funds rate established by the Federal Reserve over the 3 months prior to the effective date and may be readjusted by the

Secretary in consultation with the Monetary Authority and the banking industry to be appropriate for evolving economic conditions.

(4) Use of money from the Fund by banks may be subject to limitations imposed by Treasury to ascertain that such use is not at variance with Federal goals.

(c) DISTRIBUTION.— The balance in this Fund will rise as loans made by banks prior to the implementation of this Act are repaid. The Secretary shall establish a formula for transfer from this Fund into the Government's Treasury General Account in a manner that gradually reduces the Fund to zero over the period during which the Fund will be receiving repayments of money borrowed from the Fund by the banks.

(d) ADMINISTRATION.— The Bank Transition Assistance Fund shall be administered by the Secretary under such terms and conditions consistent with the purposes of this Act.

TITLE V—ADDITIONAL PROVISIONS

SECTION 501. MONETARY GRANTS TO STATES.

(a) IN GENERAL.—Each year, the Monetary Authority shall instruct the Secretary to disperse grants over a 12-month period to the States on a per capita basis no less than 25 percent of the money created under this title in the prior year. In the first year the amount of such grants shall be 25 percent of the anticipated money creation in that first year.

(b) USE OF GRANTS FOR BROAD-BASED PURPOSES.—The States may use such funds in broadly designated areas of public infrastructure, education, health care and rehabilitation, pensions, and paying for unfunded Federal mandates.

SEC. 502. SOCIAL SECURITY TRUST FUNDS.

The Secretary in consultation with the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds shall submit to Congress any requests to cover impending deficits in

Social Security Trust Fund accounts.

SEC. 503. INITIAL MONETARY DIVIDEND TO CITIZENS.

(a) IN GENERAL.—Before the effective date, the Secretary, in cooperation with the Monetary Authority, shall make recommendations to the Congress for payment of a Citizens Dividend as a tax-free grant to all United States citizens residing in the United States in order to assist in providing liquidity to the banking system at the commencement of this Act.

(b) STUDY OF EFFECTS OF CITIZENS DIVIDEND.—The Secretary shall maintain a thorough study of the effects of the Citizens Dividend observing its effects on production and consumption, prices, morale, and other economic and fiscal factors.