

Guided Reading Questions for *Notes from the Vault's* "Interest on Reserves"

This month, *Extra Credit* offers a set of guided reading questions for your students to use as they read *Notes from the Vault's* "Interest on Reserves" [article](#) about the monetary policy tool. The post is by Larry Wall, executive director of the Atlanta Fed's Center for Financial Innovation and Stability.

1. What two announcements recently put the spotlight on the interest on reserves tool of monetary policy?
2. How did Federal Reserve member banks with reserves held at the Fed respond to rising interest rates in the 1970s? What did the Federal Reserve propose to counteract the response, and what action did Congress actually take?
3. Prior to the financial crisis, what complaint did banks have about keeping reserves with the Fed?
4. When Congress enacted the Financial Services Regulatory Relief Act of 2006, why did it postpone the Fed's ability to pay interest on reserves until 2011?
5. Why did it become difficult for the Fed to conduct monetary policy by targeting the federal funds rate during the financial crisis?
6. What act of Congress advanced the date on which the Fed could begin paying interest on reserves and when did the Fed implement this authority?
7. How does the author explain the effects of the Fed's interest on reserves on the Fed's remittances to the Treasury?
8. According to the author, what are some possible consequences of eliminating the policy of interest on reserves?