





Can be held at the  
Fed's vault



Fed pays 0.1% interest on both:

Required and Excess Reserves





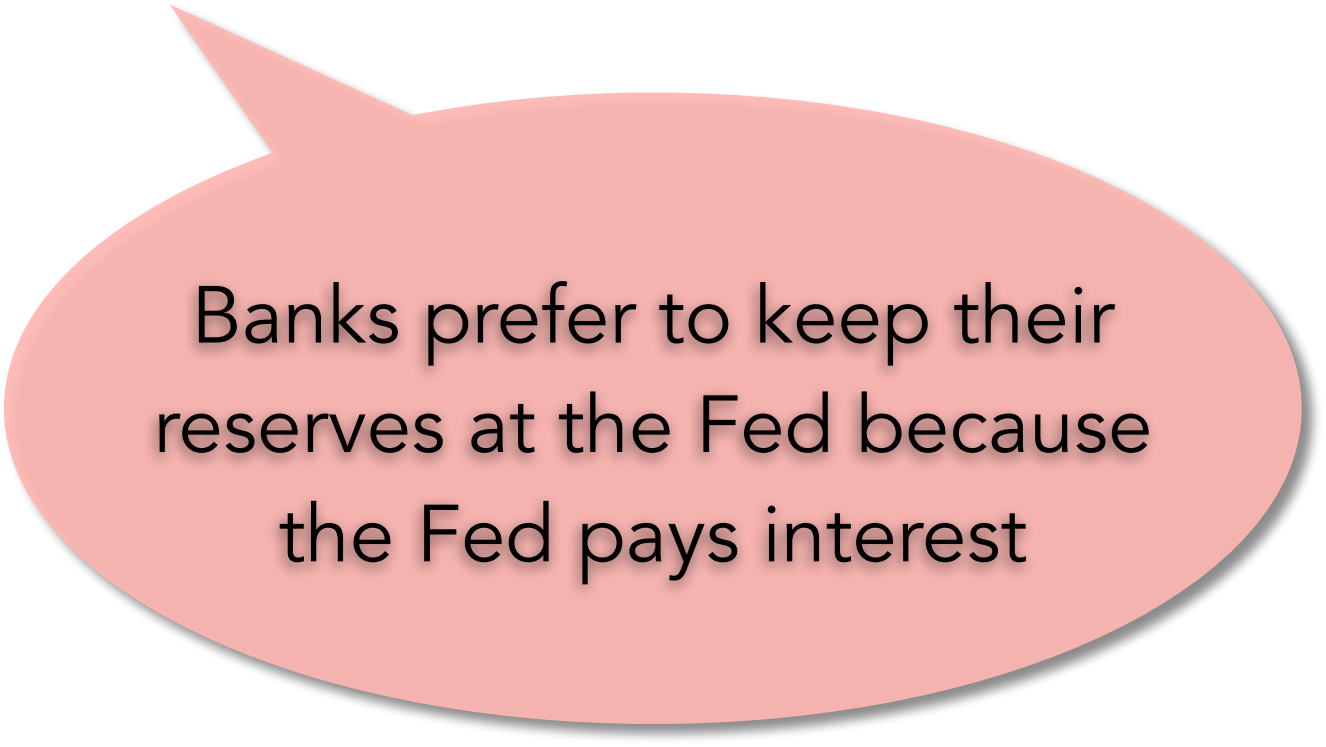
Reserves

## Bank A

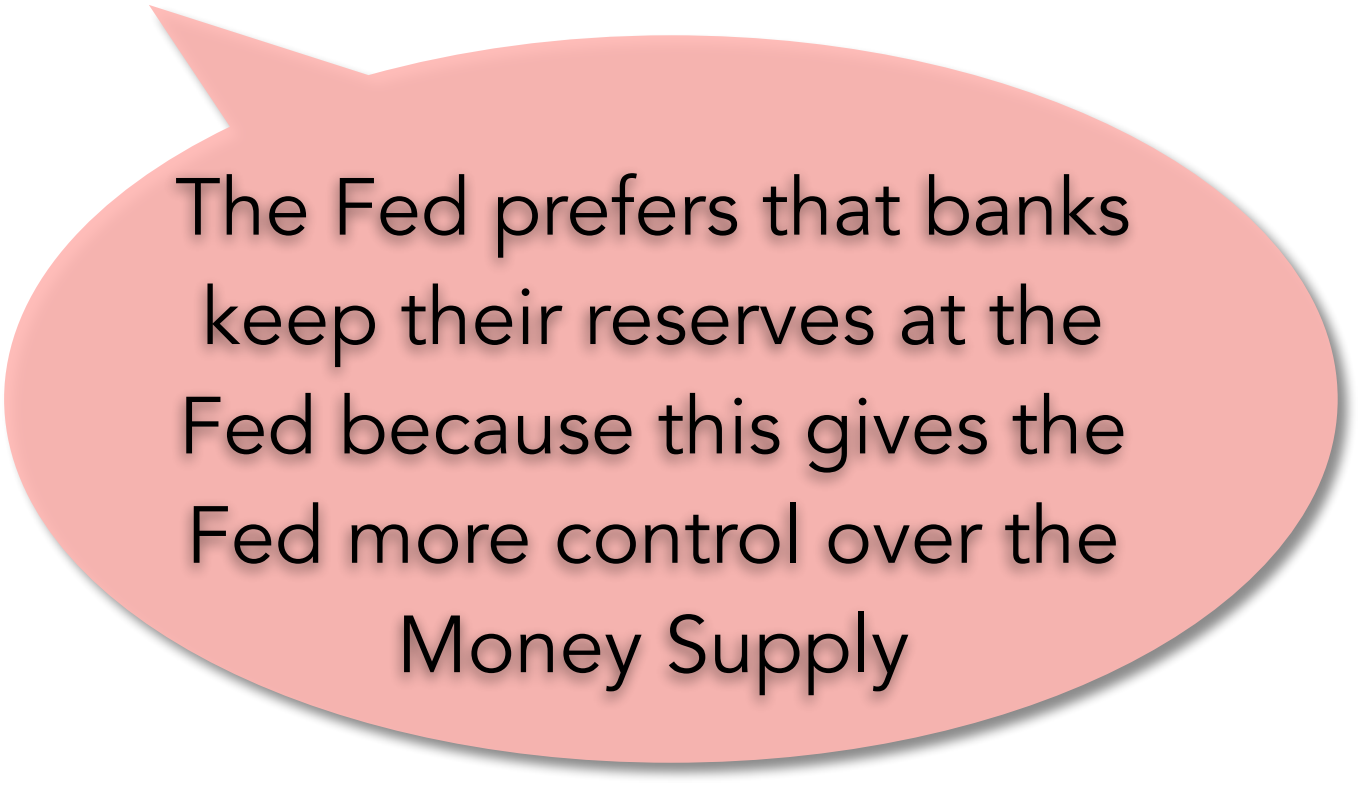
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No Interest



Banks prefer to keep their  
reserves at the Fed because  
the Fed pays interest



The Fed prefers that banks  
keep their reserves at the  
Fed because this gives the  
Fed more control over the  
Money Supply





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Reserves



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Bank A

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# THE FED'S "T" ACCOUNT