



Can be held at the
Fed's vault



Fed pays 0.1% interest on both:

Required and Excess Reserves

A close-up, angled view of a thick stack of US one hundred dollar bills. The bills are fanned out slightly, showing the portrait of Benjamin Franklin and the number '100'. A blue rubber band is wrapped around the stack, securing it. The lighting is soft, highlighting the texture of the paper and the metallic sheen of the ink.

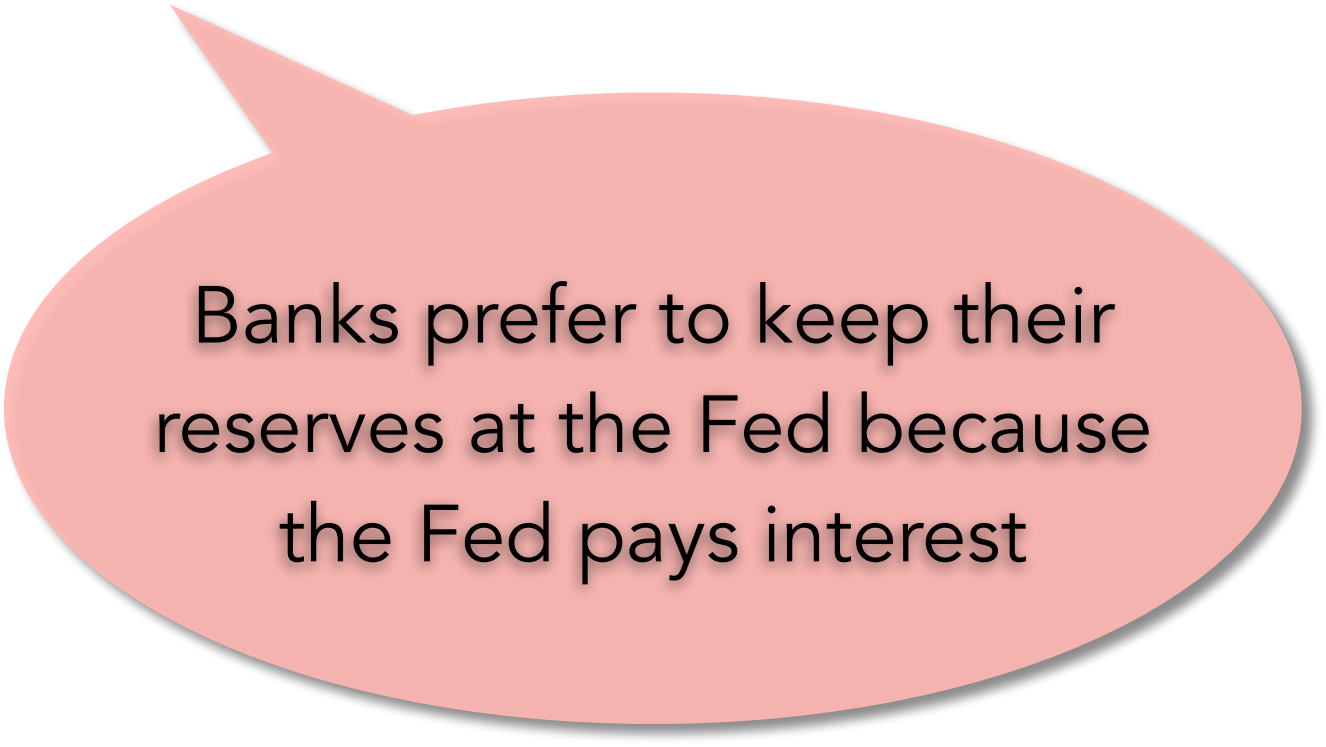
Reserves

Bank A

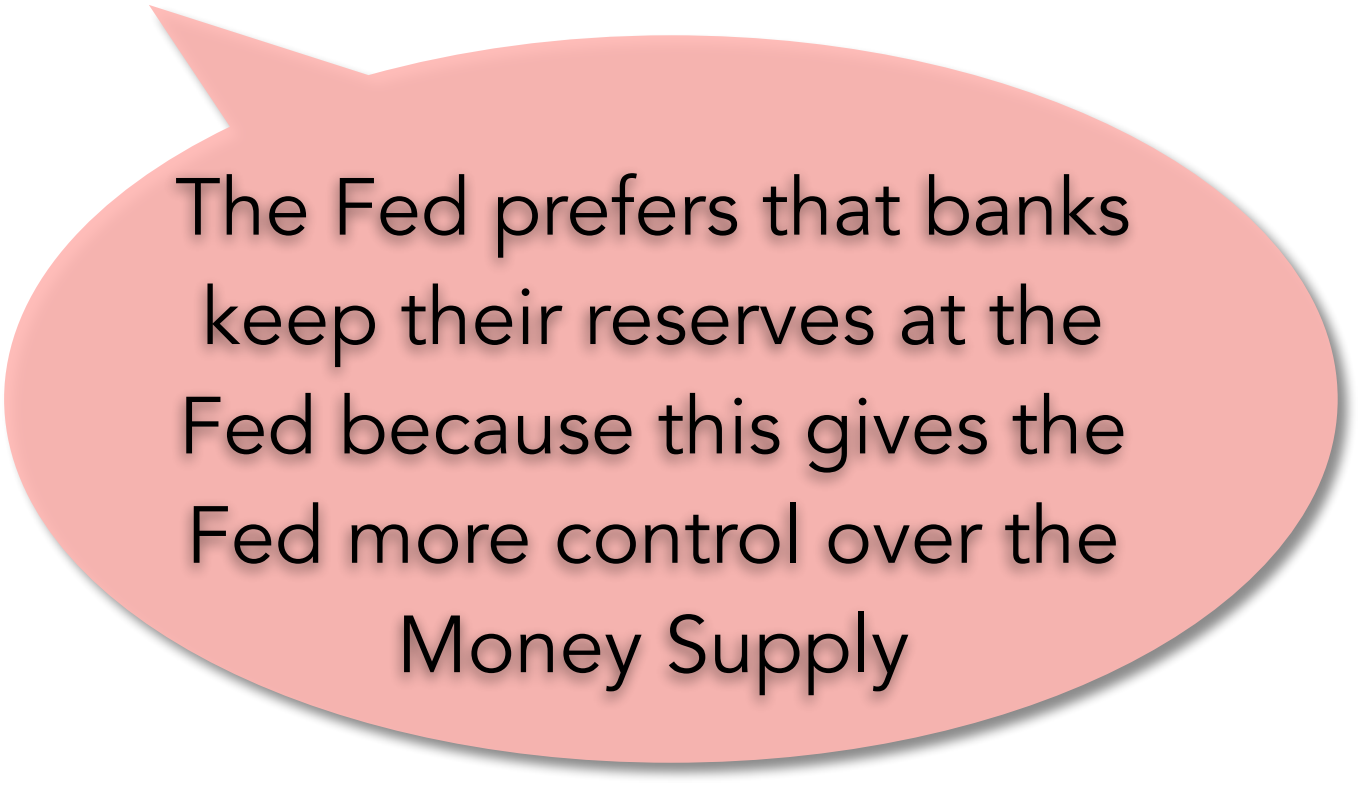
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No Interest



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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THE FED'S "T" ACCOUNT