





Can be held at the  
Fed's vault



Fed pays 5.4% interest  
on both: Required and  
Excess Reserves





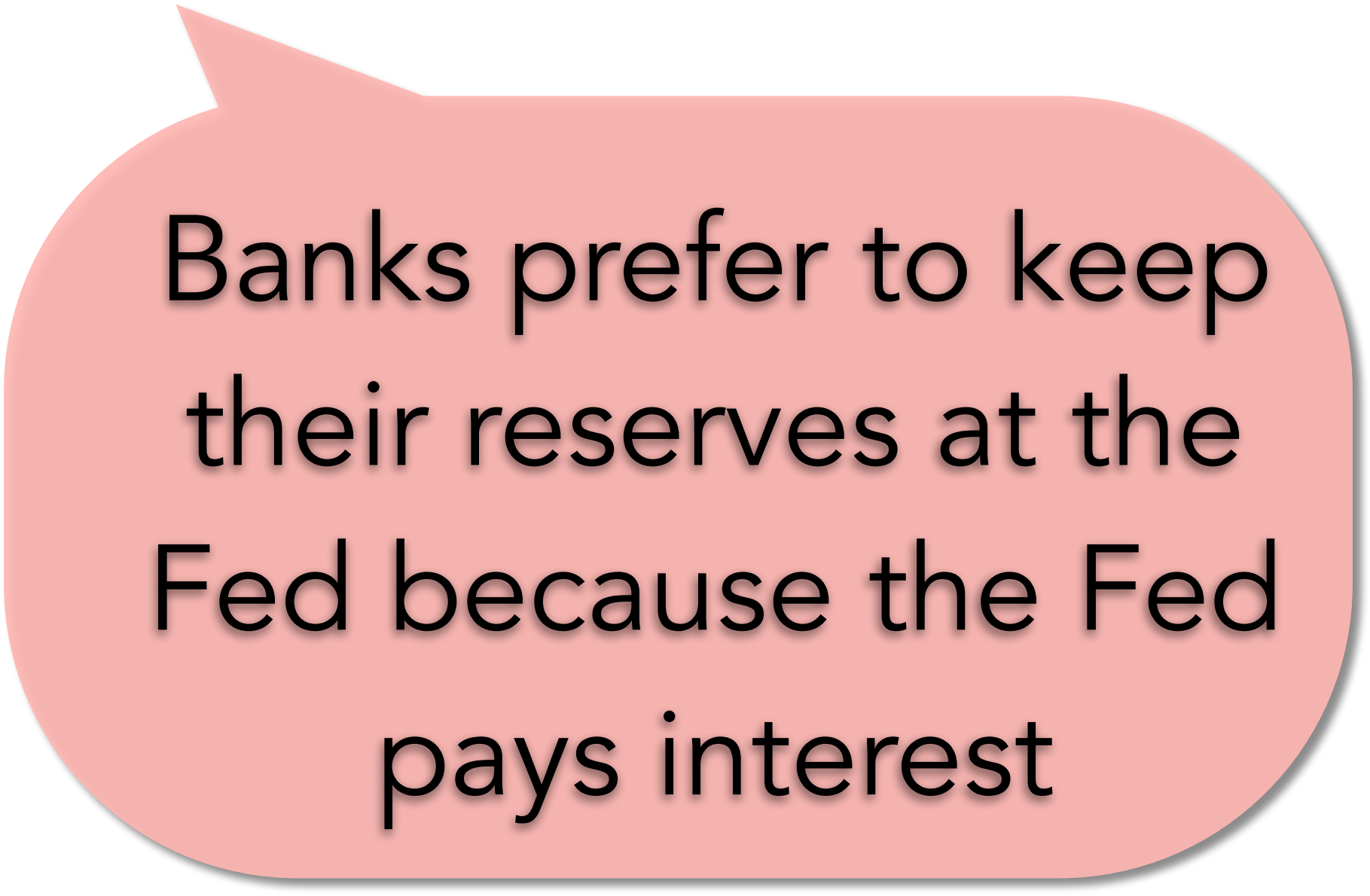
# Bank's Reserves

## Bank A

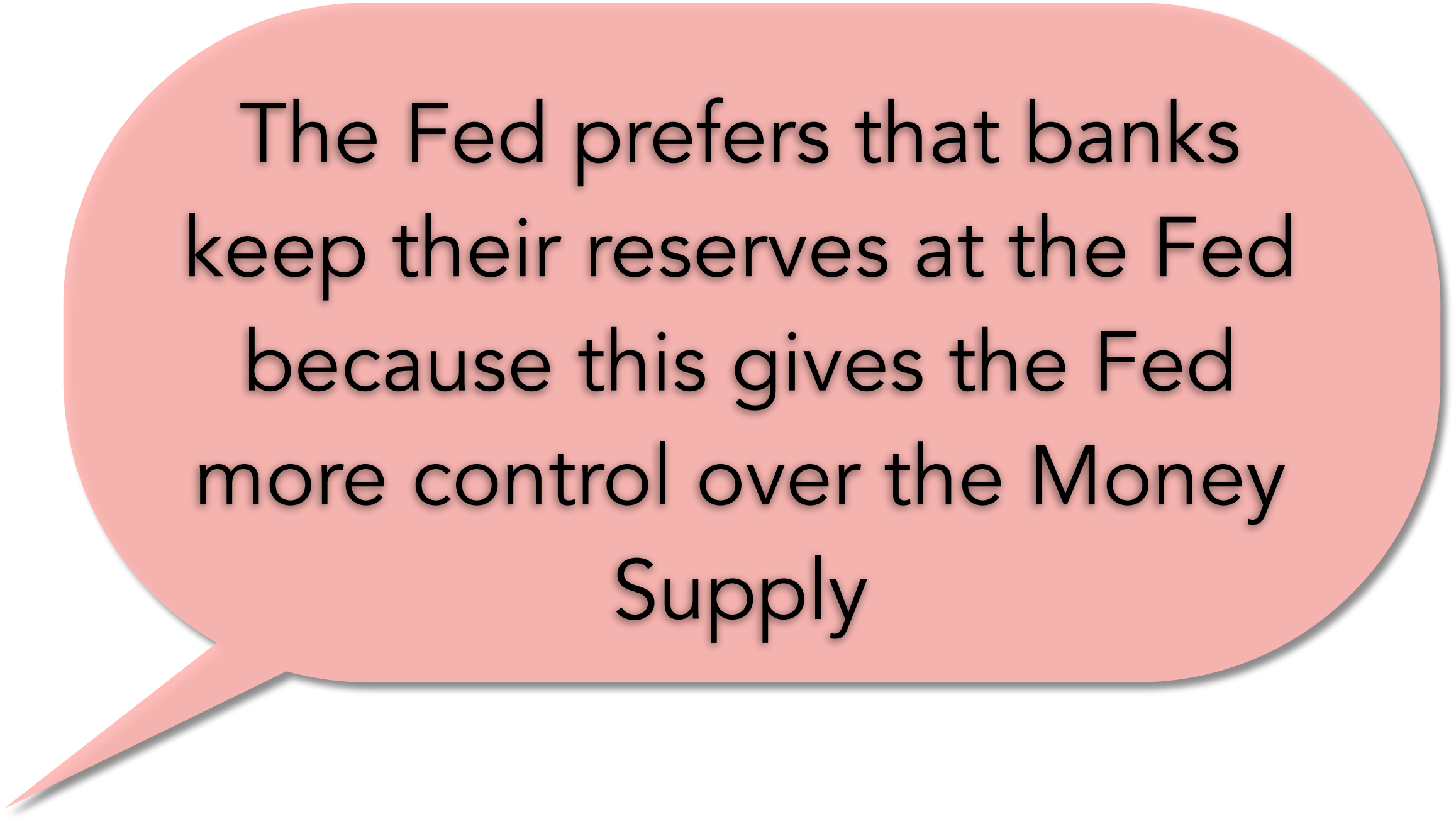
Can be held at the  
bank's vault



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





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



Bank A

Can be held at the bank's vault



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

Fed pays 5.4% interest on both: **Required** and **Excess** Reserves



# THE FED'S "T" ACCOUNT