



Can be held at the
Fed's vault



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



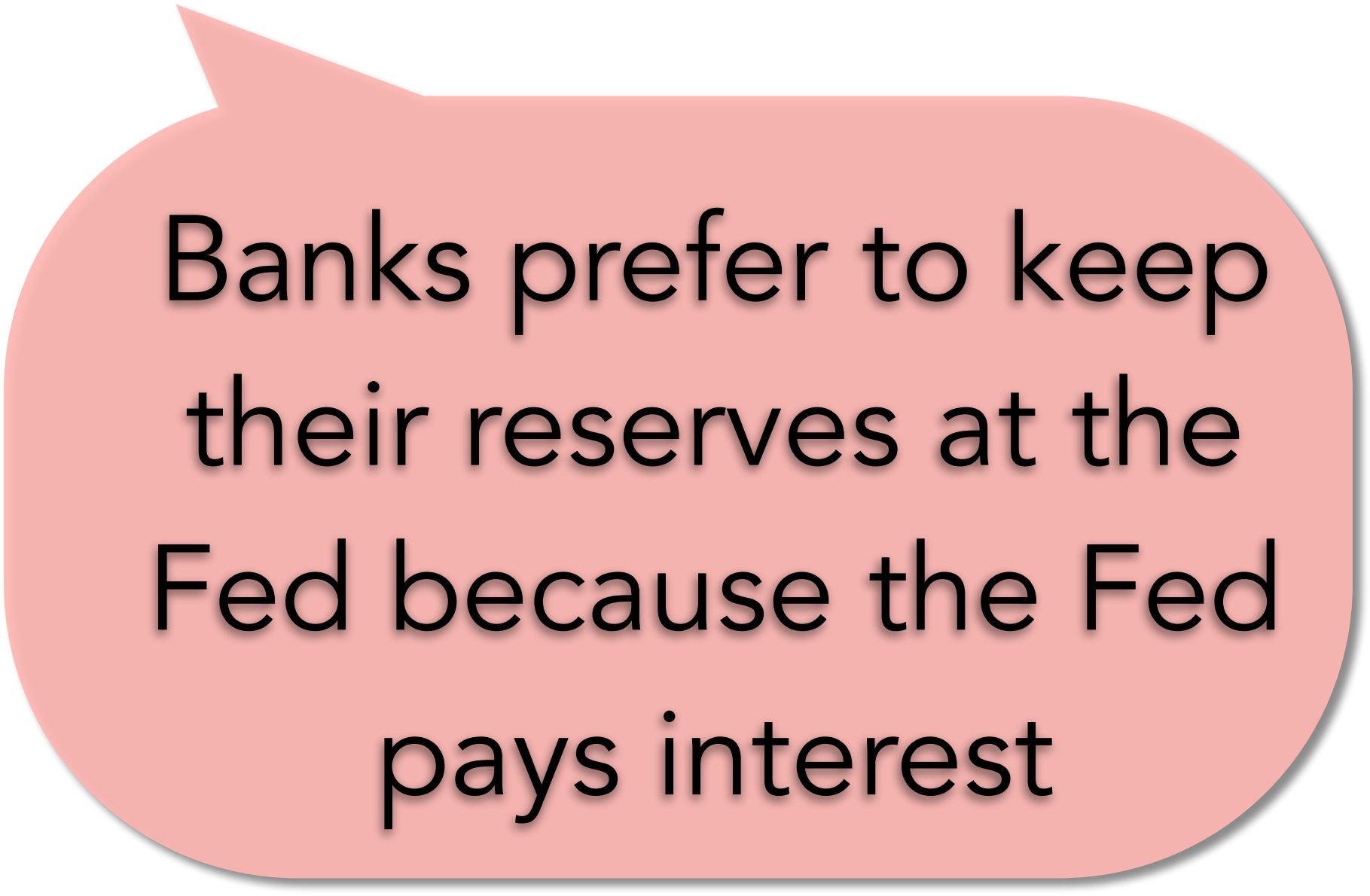
Bank's Reserves

Bank A

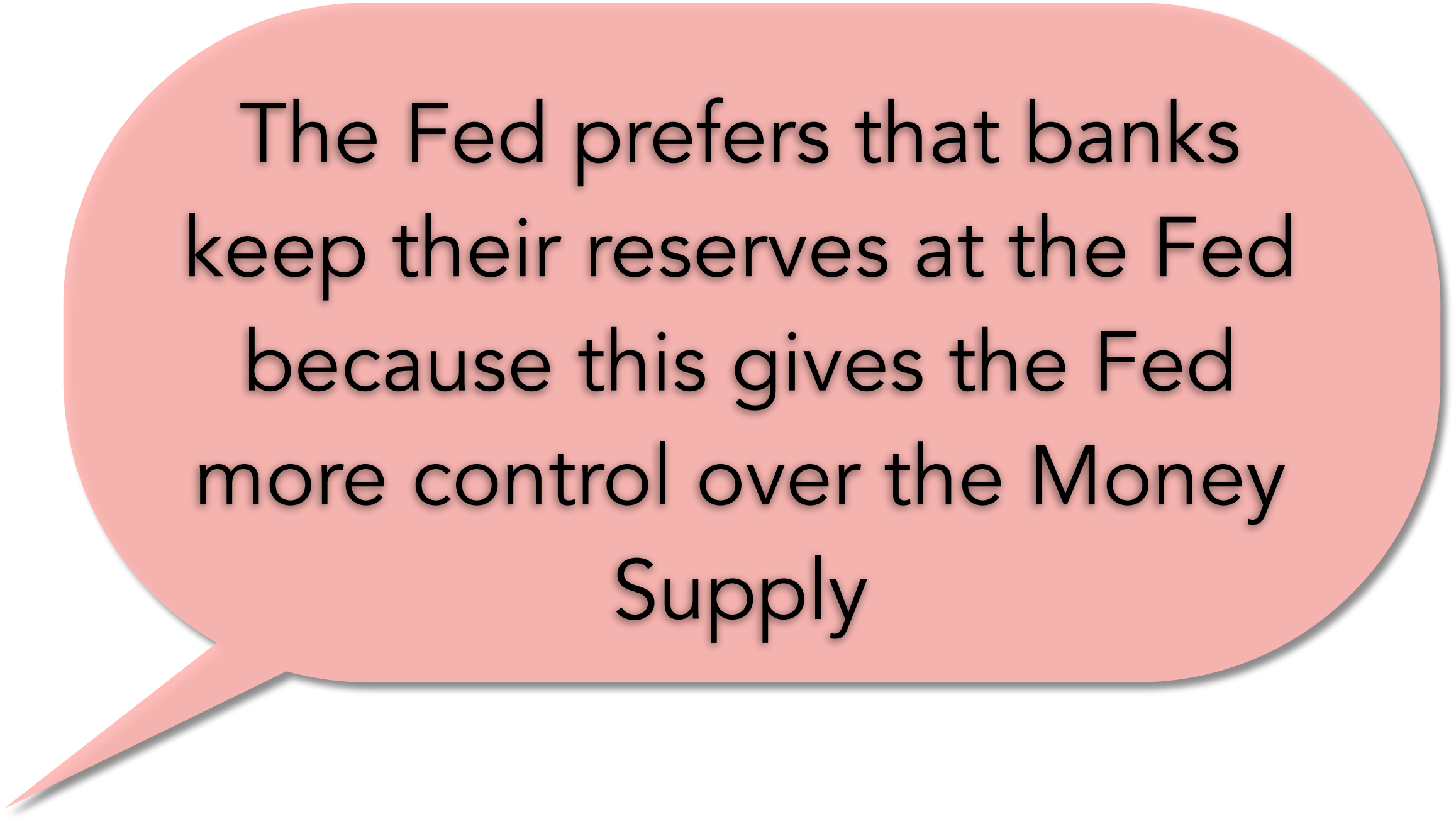
Can be held at the
bank's vault



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