

September 29, 2025

The Honorable John Thune
Majority Leader
United States Senate
S-230, The Capitol
Washington, DC 20510

The Honorable Chuck Schumer
Minority Leader
United States Senate
S-221, The Capitol
Washington, DC 20510

Dear Majority Leader Thune and Minority Leader Schumer:

As representatives of banks of all sizes in every state and corner of the U.S., we write to share our deep concern with Senator Paul's amendment to the National Defense Authorization Act that would eliminate the payment of interest on bank reserves held at the Federal Reserve.

These modest incentives, similar to paying interest on Treasury bills, support financial stability, ensure liquidity in our foundational interbank payment system, and create an important link in the chain of monetary policy transmission.

Eliminating interest on reserves would not reduce federal spending, but it would disrupt the important work underway to bring down interest rates and disproportionately harm small banks, undermining their ability to lend into their communities.

The complex market operations that underpin our financial system and economy rely on a close partnership between the Federal Reserve, the U.S. Treasury, and our nation's nearly 4,500 banks. Paying interest on the balances banks hold in their reserve accounts is not a profit center for financial institutions, it is simply one of the many signals that glue our critical financial ecosystem together.

While we feel strongly that the Fed should be allowed to pay interest on reserve balances, we feel equally strongly that these important issues that implicate monetary policy and bank lending are better debated and considered through the regular order committee process, and we would be happy to participate in such a process to share the perspective of our collective membership.

Thank you for your consideration.

Sincerely,

American Bankers Association
Alabama Bankers Association
Alaska Bankers Association
Arizona Bankers Association
Arkansas Bankers Association
California Bankers Association
Colorado Bankers Association
Connecticut Bankers Association
DC Bankers Association

Delaware Bankers Association
Florida Bankers Association
Georgia Bankers Association
Hawaii Bankers Association
Idaho Bankers Association
Illinois Bankers Association
Indiana Bankers Association
Iowa Bankers Association
Kansas Bankers Association

Kentucky Bankers Association
Louisiana Bankers Association
Maine Bankers Association
Maryland Bankers Association
Massachusetts Bankers Association
Michigan Bankers Association
Minnesota Bankers Association
Mississippi Bankers Association
Missouri Bankers Association
Montana Bankers Association
Nebraska Bankers Association
Nevada Bankers Association
New Hampshire Bankers Association
New Jersey Bankers Association
New Mexico Bankers Association
New York Bankers Association
North Carolina Bankers Association
North Dakota Bankers Association

Ohio Bankers League
Oklahoma Bankers Association
Oregon Bankers Association
Pennsylvania Bankers Association
Puerto Rico Bankers Association
Rhode Island Bankers Association
South Carolina Bankers Association
South Dakota Bankers Association
Tennessee Bankers Association
Texas Bankers Association
Utah Bankers Association
Vermont Bankers Association
Virginia Bankers Association
Washington Bankers Association
West Virginia Bankers Association
Wisconsin Bankers Association
Wyoming Bankers Association