

**FEDERAL RESERVE BANK
OF NEW YORK**

[Circular No. 7345]
[February 15, 1974]

Assignment of Clearing Numbers to Thrift Institutions

*To All Banks, and Others Concerned,
in the Second Federal Reserve District:*

Following is the text of a statement issued February 14 by the Board of Governors of the Federal Reserve System:

The Board of Governors of the Federal Reserve System said today that the Federal Reserve has begun authorizing issuance of special routing numbers to thrift institutions. The numbers enable these institutions to participate, where authorized by State or Federal law, in the System's check clearance and automated clearing house facilities by routing entries through a Federal Reserve member bank.

The Federal Reserve Bank of Boston has authorized 103 such "pass-through" clearing numbers to mutual savings banks and savings and loan associations in Massachusetts and New Hampshire. In this case, the numbers are used to facilitate the clearing of negotiable orders of withdrawal (NOWs), which function as checks and are written by customers of the thrift institutions against their savings accounts.

The Congress last fall authorized customers of all depository institutions in the two states to write the check-like NOWs on interest-paying savings accounts. Previously, checks could be written only against noninterest-paying demand deposits. Authorization of NOWs created a new type of funds transfer instrument, calling for revision of established clearance practices. The numbers assigned appear as part of the magnetic ink encoding on the lower left corner of such instruments.

The Board also said it is authorizing issuance of similar numbers to mutual savings banks and savings and loan associations, as it becomes necessary, to enable them to make effective use, through participating commercial banks, of facilities operated by the Federal Reserve in automated clearing house arrangements.

Such automated clearing house facilities are in use in California and Georgia in connection with electronic funds transfer systems being operated by groups of private banks. The "pass-through" numbers can be used to afford customers of nonbank depository institutions parallel treatment in the receipt of deposits transferred electronically through automated clearing houses. Thrift institutions making use of such special routing numbers can enable their customers to receive, for example, payroll deposits made electronically through an automated clearing house, by routing the deposit through member banks. Wherever statutory authority permits, and automated facilities exist, these numbers could also be used to accommodate payments arrangements in which customers of thrift institutions agree to allow their accounts to be debited electronically for contractual obligations, such as home insurance premium, rent, mortgage and utility bill payments.

It should be pointed out that the assignment of these routing numbers does not convey any new services to thrift institutions, but rather facilitates more efficient automated provision of these services which thrift institutions and their customers are presently receiving.

The individual identification clearance numbers for thrift institutions are being established in the same manner as numbers identifying banks for check clearance have been established in the past. The thrift institution—as would a bank desiring a number for routing purposes—requests a number from Rand McNally & Company in Chicago, which assists in administering the numbering system used to sort and route checks. Rand McNally informs the appropriate Federal Reserve Bank of the request and the number assigned, and the Reserve Bank authorizes the requesting institution to use the number. The number can then be used for routing purposes in Federal Reserve check processing computers and sorters, and in automated clearing house computers.

Additional copies of this circular will be furnished upon request.

ALFRED HAYES,
President.