

FEDERAL RESERVE BANK  
OF NEW YORK

[ Circular No. 7831 ]  
March 5, 1976

AMENDMENTS TO REGULATION Q  
NOW Accounts Authorized in New England States

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

The Board of Governors of the Federal Reserve System has amended its Regulation Q, "Interest on Deposits," to permit member commercial banks to offer Negotiable Orders of Withdrawal (NOW) accounts in States in which Federal law permits the establishment of such accounts. In this connection, the Board of Governors issued the following statement on March 1:

The Board of Governors of the Federal Reserve System today amended its Regulation Q to permit member commercial banks throughout New England to offer NOW accounts to their customers.

The action was taken in light of legislation effective February 27, 1976, authorizing NOW accounts in four additional New England States. Congress previously authorized NOW accounts in Massachusetts and New Hampshire on an experimental basis.

A customer holding a NOW account may write Negotiable Orders of Withdrawal (NOWs) against the account and at the same time receive interest on the funds retained in the account.

In submitting the amendments for publication in the *Federal Register*, the Board of Governors made the following additional statement:

The Board of Governors of the Federal Reserve System has amended Regulation Q (12 CFR 217) in light of recent legislation (P.L. 94-222) authorizing Negotiable Orders of Withdrawal (NOW) accounts in the States of Maine, Connecticut, Rhode Island, and Vermont. The amendments are technical in nature and are intended only to extend the existing provisions of Regulation Q regarding the offering of NOW accounts to member banks in those States in which Federal law permits such accounts. The amendments also clarify the types of depositors that may be offered NOW accounts by member banks.

The first amendment adds a sentence to § 217.1(e) (3) to make clear the fact that NOW accounts may not be maintained where any beneficial interest is held by a corporation, partnership, association, or other organization operated for profit or not operated primarily for religious, philanthropic, charitable, educational, fraternal, or other similar purposes. In addition, the provision relating to maintenance of NOW accounts established prior to May 16, 1975, by certain governmental units has been eliminated because all such accounts were required to have been terminated by December 31, 1975 (see 40 FR 17885).

The second amendment eliminates the reference to the States of Massachusetts and New Hampshire contained in § 217.5(c) (3) to provide that the restrictions relating to manner of payment of savings deposits do not apply to deposits subject to negotiable orders of withdrawal, the issuance of which is authorized by Federal law.

The final amendment modifies § 217.6(i) to limit NOW account advertising of member banks, to the extent practicable, to media directed toward residents of the States in which Federal law authorizes such accounts and eliminates references to Massachusetts and New Hampshire. The provision also restricts all other solicitations of NOW accounts, to the extent practicable, only to persons residing or employed in the States in which Federal law authorizes such accounts and to persons who are customers of member banks in those States on the effective date of this amendment.

This action was taken pursuant to the Board's authority under § 19 of the Federal Reserve Act (12 U.S.C. 371b) to prescribe rules governing the payment and advertisement of interest on deposits.

Because these amendments are technical in nature only and do not result in any substantive changes to the provisions of Regulation Q, the Board finds that good cause exists for dispensing with notice and public participation referred to in § 553(b) of Title 5 of the United States Code with respect to these amendments. The

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Board has determined that such procedures are unnecessary in view of the nature of the amendments. In addition, in view of the technical nature of the amendments and in order to enable member banks to offer NOW accounts to the public as soon as possible, the Board finds good cause to make the amendments effective immediately.

Enclosed is a copy of the amendments to Regulation Q. You may address any questions thereon to our Bank Regulations Department.

Additional copies of the enclosure will be furnished upon request.

PAUL A. VOLCKER,  
*President.*

Board of Governors of the Federal Reserve System

INTEREST ON DEPOSITS

AMENDMENT TO REGULATION Q

Effective March 1, 1976, §§217.1(e)(3), 217.5(c)(3), and 217.6(i) are amended to read as follows:

SECTION 217.1—DEFINITIONS

\* \* \*

(e) Savings Deposits.

\* \* \*

(3) In those States where banks are permitted to offer deposits subject to negotiable orders of withdrawal, such deposits may be maintained if such deposits consist of funds deposited to the credit of or in which the entire beneficial interest is held by one or more individuals, or a corporation, association, or other organization operated primarily for religious, philanthropic, charitable, educational, fraternal, or other similar purposes, and not operated for profit. Deposits in which any beneficial interest is held by a corporation, partnership, association or other organization operated for profit or not operated primarily for religious, philanthropic, charitable, educational, fraternal, or other similar purposes may not be classified as deposits subject to negotiable orders of withdrawal.

SECTION 217.5—WITHDRAWAL OF SAVINGS DEPOSITS

\* \* \*

(c) Manner of payment of savings deposits.

\* \* \*

(3) The provisions of this paragraph do not apply to deposits subject to negotiable orders of withdrawal that are authorized by Federal law.

\* \* \*

SECTION 217.6—ADVERTISING OF INTEREST ON DEPOSITS

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(i) **Negotiable orders of withdrawal.** In addition to compliance with the other paragraphs of this section, member banks offering accounts subject to negotiable orders of withdrawal, to the extent practicable, shall limit every advertisement, announcement or solicitation made in any newspaper, magazine, radio, television or other media to such facilities directed toward residents of the States in which Federal law authorizes the issuance of such accounts. All other advertisement, announcements and solicitations of such accounts, including direct mailing, circulars, and notices, whether written or oral, to the extent practicable, shall be directed only to persons residing or employed in the States in which Federal law authorizes the issuance of accounts subject to negotiable orders of withdrawal and to persons who are customers of member banks in those States on the effective date of this amendment.

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