

FEDERAL RESERVE BANK
OF NEW YORK

Circular No. 8958
November 21, 1980

Depositors Eligible to Maintain NOW Accounts

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

Effective December 31, 1980, the Depository Institutions Deregulation and Monetary Control Act of 1980 authorizes depository institutions (except credit unions) in all parts of the Nation to offer Negotiable Order of Withdrawal (NOW) accounts. (At the present time, NOW accounts can be offered only by depository institutions located in New England, New York, and New Jersey.)

In this connection, we are providing the following general information regarding NOW account eligibility. Those generally found *eligible* to maintain NOW accounts at member banks include:

- individuals
- sole proprietors
- husband and wife operating unincorporated businesses
- local housing authority
- residential tenants' security deposits
- independent school districts
- redevelopment authority
- escrow funds (provided entire beneficial interest is held by individuals or qualifying organizations)
- labor unions
- trust and other fiduciary accounts (provided entire beneficial interest is held by individuals or qualifying organizations)
- pension funds
- trade associations

Those generally found *ineligible* to maintain NOW accounts at member banks include:

- realty or real estate investment trusts
- credit unions
- Blue Cross/Blue Shield and similar plans
- military exchanges and purchasing cooperatives
- hospital districts
- State and local governmental units (except those qualifying above)
- partnerships operated for profit
- professional corporations
- business corporations
- trustees in bankruptcy (unless entire beneficial interest in the bankrupt's funds is held by individuals or qualifying organizations)
- political parties or campaign committees

The current interest rate ceiling of 5 percent on NOW accounts will remain in effect until December 31, 1980, when it will be raised to 5¼ percent.

(over)

We have previously issued guidelines regarding the advertising of NOW accounts and the advertising of plans for the automatic transfer of funds from savings to checking accounts (ATS accounts). These guidelines — contained in our Circulars Nos. 8931 and 8434, respectively — will continue in effect.

Questions concerning eligibility for NOW accounts and advertising guidelines may be directed to our Regulations Division (Tel. No. 212-791-5914).

ANTHONY M. SOLOMON,
President.