

FEDERAL RESERVE BANK  
OF NEW YORK

Circular No. 9408  
November 22, 1982

DEPOSITORY INSTITUTIONS DEREGULATION COMMITTEE  
Establishment of Money Market Deposit Account

To All Depository Institutions, and Others Concerned,  
in the Second Federal Reserve District:

The Depository Institutions Deregulation Committee (DIDC) has approved the offering, beginning December 14, 1982, of a new federally insured money market deposit account. Following is the text of a statement issued November 15 by the DIDC in this matter:

The Depository Institutions Deregulation Committee ("the Committee") today established a new category of deposit account that may be offered by federally insured commercial banks, savings and loan associations, and mutual savings banks. The Committee's action implements section 327 of the Garn-St Germain Depository Institutions Act of 1982, which requires the Committee to authorize depository institutions to offer a deposit instrument that is "directly equivalent to and competitive with money market mutual funds." Institutions may begin to offer this account to customers no sooner than December 14, 1982.

The new insured deposit account has the following principal characteristics:

- The minimum balance must be no less than \$2,500;
- Compliance with the minimum balance requirement may be determined by using an average balance for a period no longer than one month;
- No limitation exists on the amount of interest that may be paid unless the average balance falls below \$2,500, during which period the NOW account ceiling will be imposed;
- Available to all depositors;
- No minimum maturity period is required, but institutions must reserve the right to require at least seven days' notice prior to withdrawal, and may not obligate themselves to pay any fixed or indexed rate for a period greater than one month;
- Up to six transfers per month are permitted, no more than three of which can be effectuated by draft. The minimum denomination of the drafts and the preauthorized or automatic transfers is left to the individual institutions to determine;
- There will be no restrictions on the size and frequency of withdrawals by mail, messenger, or in person. In addition, no restrictions were placed on telephone transfers to other accounts of the depositor at the same institution. Chairman Isaac of the FDIC has requested, however, that the telephone transfer issue be reconsidered at the December 6 meeting of the Committee.
- There are no regulatory restrictions on additional deposits, and sweeps from other accounts are permitted;
- Loans to meet the \$2,500 minimum balance are prohibited;
- The rate of interest and other charges imposed on an overdraft credit arrangement offered in connection with this account must be not less than those imposed on overdrafts for customers that do not possess this account;
- To ensure compliance with the limits of six transfers per month, based on either the date of the draft or date of payment, institutions should either prevent a greater number of transfers or adopt procedures to monitor accounts on an *ex post* basis and contact customers who have a greater number of such transfers.

(OVER)

The Committee notes that the issue of the application of reserve requirements to the new account is subject to the determination of the Federal Reserve Board, which is expected to consider the issue in the near future.

The Committee believes that the deposit instrument authorized by this action is consistent with Congressional intent that depository institutions be permitted to offer a deposit account equivalent to and competitive with money market mutual funds.

Secretary of the Treasury Donald Regan, the Chairman of the Committee, also announced that the Committee will consider at its next meeting, scheduled for December 6, 1982, at 4:00 p.m., other options for further deregulation of accounts. Such options could include consideration of whether to authorize an account similar to the account authorized today but with unlimited transactions. In addition, at the December 6 meeting the Committee will consider seeking public comment on modifying regulations on existing accounts and accelerating the deregulation schedule.

Specific regulations on the new account are currently being prepared by the Committee's staff and will be released shortly.

Additional information regarding the new money market account will be sent to you as soon as it becomes available.

ANTHONY M. SOLOMON,  
*President.*