

NR 99-108
FOR IMMEDIATE RELEASE
Contact: Robert M. Garsson (202) 874-5770
December 2, 1999

Comptroller Discusses Benefits for Consumers in Financial
Modernization;
Tells Consumer Conference "Privacy Has Become a Key Competitive
Factor"

WASHINGTON, D.C. -- Comptroller of the Currency John D. Hawke said today that banks should begin competing with each other on the basis of the quality of the privacy protections they offer consumers.

"Privacy has become a key competitive factor -- consumers will choose to do business where they feel their confidentiality is best protected," he said in a speech before the Consumer Federation of America's annual Financial Services Conference.

Mr. Hawke said the newly enacted Gramm-Leach-Bliley Act included ground-breaking protections for consumers, even though it did not go as far as it could have gone. For banks, "respecting a customer's desire for privacy and realizing the benefits of the new law are not mutually exclusive," he added.

Consumers of financial services -- no less than the providers of those services -- depend on the availability and the exchange of information to make the most rational economic choices, he said.

"For the Act's objectives to be fully realized, that is, for competition to work effectively in reducing costs, financial institutions must be free to market the full range of their products to existing customers, and to take advantage of the new synergies and efficiencies," the Comptroller said.

Mr. Hawke said consumers will benefit from the new financial modernization law as increased competition expands convenience and lowers the price of financial services.

The Department of Treasury has estimated that the new law will reduce the cost of financial services by as much as 5 percent, he said. Since American families spend more than \$350 billion a year on financial services, the savings could be in excess of \$18 billion annually, Mr. Hawke said.

The new law will also lead to improvements in the quality of service that consumers receive, Mr. Hawke added.

"One of the advantages of a more competitive marketplace should be that the voices of consumers are better heard by providers seeking to capture market share," he said. As a result, "the service that banks provide should improve as customers more

vigorously exercise their right to choose their suppliers of financial services in a fully competitive environment."

The Comptroller also said the banking industry needs to do a better job of explaining why automated teller machine fees are necessary and proper and to justify them in the court of public opinion.

"The movement to ban these fees has obvious appeal, but I believe it is a case of good intentions gone awry -- it may ultimately hurt the very same consumers it's intended to help," he said.

The Comptroller encouraged his audience to "move beyond the impassioned rhetoric of the moment" and focus instead on educating citizens to become more knowledgeable financial consumers.

"Consumer education is an area where CFA and related organizations have always excelled -- and where we're counting on you to continue making important contributions," he said.

#

The OCC charters, regulates and examines approximately 2,400 national banks and 59 federal branches and agencies of foreign banks in the United States, accounting for 58 percent of the nation's banking assets. Its mission is to ensure a safe, sound and competitive national banking system that supports the citizens, communities and economy of the United States.