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# Comptroller Urges Congress to Strengthen Consumer Privacy Protections

WASHINGTON -- Comptroller of the Currency John D. Hawke, Jr. told a House panel today that Congress should consider strengthening the consumer privacy protections included in pending financial modernization legislation.

"A serious question can be raised whether H.R. 10 adequately protects the confidence of customers in the confidentiality of their relationship with their bank," Mr. Hawke said in testimony before the Committee on Banking and Financial Service's Subcommittee on Financial Institutions and Consumer Credit.

The Comptroller told the House panel that the relationship between banks and their customers is built upon the pervasive assumption of customers that their banks will maintain the confidentiality of that relationship.
However, technological advances and competitive pressures have placed a premium on the availability of personal information.

"The way in which banks respond to these pressures is of enormous importance," Mr. Hawke said. "If banks fail to honor customer expectations that personal information will be kept in confidence, they will impair the most priceless asset of their banking franchise -- the trust of their customers."

As a result, the privacy issue has implications for the long-term vitality and stability of the banking system, Mr. Hawke said.

Mr. Hawke noted that President Clinton previously indicated his support for legislation thatwould give consumers control over the use and sharing of all their financial information, both among affiliates and unrelated third parties. Currently, financial institutions can share without limit any information obtained through their experience with a customer. H.R. 10 would bar institutions from sharing account numbers with third parties and would give consumers the right to prohibit the sharing of other information about them.

Mr. Hawke said H.R. 10 takes a measured approach to privacy by allowing consumers notice and choice about the information-sharing practices of their financial institution without impeding the flow of information essential to doing business. But he said the distinction H.R. 10 makes between information sharing with affiliates and nonaffiliates -- allowing customers to opt out with respect to the latter, but not the former -- is likely to erode customer confidence, rather than enhance it.

"The failure to provide protection for the sharing of information with affiliates could have a profound effect -- particularly in a world of expanded financial conglomeration -- on the willingness of customers to maintain the kinds of relationships with the banking system they have in the past," he said.

"While the desire of bankers to take advantage of new cross-marketing opportunities is entirely understandable, a primary objective of policy makers should be to assure that doing so does not cause fundamental damage to the banking system," Mr. Hawke said.

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The OCC charters, regulates and examines approximately 2,400 national banks and 60 federal branches of foreign banks in the U.S., accounting for more than 58 percent of the nation's banking assets. Its mission is to ensure a safe and sound and competitive national banking system that supports the citizens, communities and economy of the United States.

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