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OCC Chief Counsel Julie L. Williams Urges Banks  
To View Compliance Obligations as Part of Customer Relations  
Strategy

SAN FRANCISCO -- Banks must integrate compliance into a broader strategy of customer relations and customer service if they are going to maintain the loyalty of consumers who are increasingly sensitive to how they are treated by financial institutions, said Julie L. Williams, OCC First Senior Deputy Comptroller and Chief Counsel, in a speech before a conference sponsored by the California Bankers Association.

Ms. Williams told her audience that the increasing importance of non-interest earnings has significant implications for bank compliance activities. Compliance may involve highly technical requirements about who can offer a product or service, how and when it can be offered and what disclosures must be provided to customers.

In the area of customer privacy, for example, Ms. Williams said consumers are concerned about how financial institutions are using information about them that they consider personal and private.

"If customers are surprised and upset to learn that their bank has made available to third parties extensive information about their financial transactions -- information which they assumed was confidential -- they probably will not find it very satisfying to be told that the activities in question did not violate the Fair Credit Reporting Act," she added.

The Office of the Comptroller of the Currency has found that the majority of the largest banks, plus numerous other retail banks share information with third party marketers.

The banks usually receive a fee or a share of the fees generated by the marketer -- typically 20 to 25 percent, Ms. Williams said. Some banks have generated millions of dollars in revenue by providing such information, which includes names and addresses, social security numbers and credit card numbers. In some cases, the third party marketers have been allowed to initiate charges against customer credit cards or checking accounts.

"Customers may not feel comforted to be told in these cases that their bank has not violated a law," Ms. Williams said.

"Instead, they are likely to be unhappy, perhaps because they feel betrayed when they discover that their bank has provided other parties with information they consider personal and private, perhaps because they are supremely annoyed by

telemarketer calls that interrupt their evenings at home or perhaps because they see charges or fees on their bank statements that they do not recognize," she added.

Ms. Williams noted that fee income generated from activities such as brokerage, investment advice and insurance sales has become increasingly important to banks and warned that customers can move their business to another institution if they object to a bank's practices.

To maintain customer loyalty, Ms. Williams suggested that banks review their information handling practices and establish clear and straightforward privacy policies.

"Put yourself in your customers' shoes," she said. "Is the policy easy to understand?"

Ms. Williams also recommended that banks doing business with third party marketers should:

- Clearly disclose to customers what information is provided to third party marketers;
- Contractually require third party marketers to maintain the confidentiality of any customer information they receive;
- Maintain control over credit card and checking account numbers to prevent improper use;
- Consider other options for structuring arrangements with third party marketers, such as determining customers' interest in a particular product or service before providing information about them to a third party; and
- Consider giving customers the right to opt out of having their information shared, even if the law doesn't require it.

Banks should recognize that in the compliance area, "what appear to be little mistakes can get banks into a lot of -- expensive -- trouble," Ms. Williams 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.