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Acting Comptroller Urges Banks to Act on Privacy Issues

AVENTURA, Fla. -- Acting Comptroller of the Currency Julie L. Williams told bankers today that privacy has become a competitive issue for their industry and urged them to prove that banks can make self regulation work.

"Through enlightened self regulation, banks can preserve access to customer information without impinging on customers' right to privacy," she said in a [speech](#) before a meeting of the Consumer Bankers Association. "And that will help ensure that our information-driven banking system remains safe, sound, and competitive in the years to come."

Ms. Williams said consumers appreciate the benefits they derive from their relationships with financial institutions and are willing to provide information about themselves in return.

"Consumers want the chance to realize bigger returns on their savings and investments," she said. "They want the opportunity to obtain ancillary banking products and financial products tailored to their specific needs and desires. And they recognize that, in order to deliver those products, financial institutions have a legitimate need for relevant information about their customers."

However, she said, bankers should recognize that public concerns about the proper -- and improper -- accumulation and use of personal information are likely to increase with the continued explosive growth of electronic commerce and the Internet.

Bankers who go the extra mile to satisfy these concerns will be at a material advantage over those that do not, she said. And to the extent that business is perceived as not living up to customer expectations regarding the use and safekeeping of personal information, "pressure will continue to build for government action that could lead to restrictions on your ability to use precious information resources," she added.

Ms. Williams established a Privacy Working Group shortly after becoming acting Comptroller in April. To date, it has found that most banks have adopted privacy policies incorporating such

key principles as recognition of the customer's expectation of privacy; limitations on the use, collection, and retention of customer information; and control over employee access to that information.

However, she added, more banks need to adopt or adapt explicit internal policies and procedures to implement their own privacy principles, while others will need to work harder to bring their existing policies and procedures in line with their statements on privacy and information confidentiality. In some cases, she said, employee training will need to be refocused on privacy issues to ensure that policies are understood and respected.

Drawing again on the work of the OCC's Privacy Working Group, Ms. Williams said too many banks have not complied with the letter or spirit of a provision in the Fair Credit Reporting Act that allows consumers to "opt out" of having their confidential information shared.

"We can find too many disclosure statements that lack specificity, clarity, and simplicity," she said.

The acting Comptroller also highlighted the European Union's privacy directive as a challenge for banks. The directive requires that consumers be given disclosure statements on how personal information will be used and the option of preventing companies from sharing information about them. It also gives consumers specific legal remedies in case personal information is misused.

"And it expressly prohibits the transfer of personal data out of the EU to a third country unless that country ensures an adequate level of privacy protection," she said. "The adoption of practices that meet European privacy standards would not only permit U.S. institutions to continue doing business in the EU, but could also have the effect of promoting higher privacy standards for financial institutions operating in the United States."

"Privacy is clearly an issue that American consumers care about," she added. "Given what we know about the level of consumer anxiety about privacy, when this issue is handled well, it could become a powerful marketing tool and an important source of

customer loyalty."

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