

NR 99-26
Board of Governors of the Federal Reserve System
Federal Deposit Insurance Corporation
Office of the Comptroller of the Currency
Office of Thrift Supervision

March 23, 1999

Proposed "Know Your Customer" Rule

On December 7, 1998, the Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency, and Office of Thrift Supervision (the "Agencies") published for public comment a proposed "Know Your Customer" rule. The public comment period for the proposal ended on March 8, 1999.

After reviewing the comments, the Agencies have reevaluated the proposed "Know Your Customer" rule and have decided to withdraw it.

The Agencies received an unprecedented number of comments on the proposal from the public, banking organizations, industry trade associations, and members of Congress. Most of the comments reflect public concern over the privacy of information that would be collected and held by financial institutions, and many addressed the expected burden the proposed rule would impose on banks and savings associations.

The Agencies are sensitive not only to the concerns raised by the commenters, but also to the need to ensure that the institutions we regulate adhere to the nation's anti-money laundering statutes, including the Bank Secrecy Act. The Agencies agree that there must be an appropriate balance between these legitimate interests.

The Agencies' withdrawal of the proposed rule does not diminish in any manner our long-standing support for the anti-money laundering provisions of the Bank Secrecy Act. Over the past 15 years, banking organizations and law enforcement authorities have forged a vital partnership to fight financial crime. This partnership will continue, and will evolve as technology and other factors intensify the challenges we face.

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