Remarks
By
Donna Tanoue
Chairman
Federal Deposit Insurance Corporation
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"Is It Any of Your Business?
Consumer Information, Privacy, and the Financial Services Industry"
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Banks create business opportunities from consumer information databases. Advances in technology have made these information systems exhaustive and economical as they have never before. And bank customers benefit from this through new product and services offerings, faster service, and lower costs.

For example, financial institutions increasingly offer consumers a "one-stop" source for many different financial services and products. By allowing banks to share customer information with affiliates or third-party vendors, consumers can receive consolidated account statements of their financial activity; call a single customer service hotline to inquire about their mortgage, credit card, and investment accounts; and receive loan approvals in minutes rather than days. And, by allowing consumer information to be used for cross-marketing purposes, institutions offer consumers the benefit of customized products and services and access to discounts.

As for faster service, allowing institutions to utilize credit information already in the possession of an affiliate can streamline credit approvals, shortening the time that consumers may wait to receive funds.

And when it comes to cost, as different types of financial services firms merge to offer a wider range of financial products, the consolidation of redundant business units produces savings that will benefit both the consumers and the financial institutions.

There are other sides to this story, however.

In one case an institution sold millions of credit card numbers to a convicted felon who used the information to make more than $46 million in fraudulent charges.

And a poll last year indicates that almost nine out of ten Americans are concerned about threats to their privacy, and almost eight out of ten believe that they have lost all control of how companies use their personal information. Reflecting their constituent's feelings, state legislators introduced more than 1,800 consumer privacy bills in 1998 alone.

The American public has said that privacy is among the things that matter to them most - we must listen.

The tension between the consumer's desire to keep personal information private and the desire of the financial industry to use the information in a variety of ways is at the center of an ongoing discussion on privacy - and it is the reason we are here today.

Many bankers understand that the new value of this information places greater pressure on them to keep the information secure and to use it properly. We know that some do not, and privacy practices, therefore, have not always kept pace with the new demands for this information.

This is one reason that Congress included provisions to clarify and strengthen privacy protections in the Gramm-Leach-Bliley Act. Allowing consumers to opt out of certain information sharing - as the new law mandates -- brings market discipline into play. And it can be an important incentive for banks and other businesses to adopt good privacy practices, if consumers are aware of how their information is being handled.

To implement those provisions, FDIC and the other financial service regulators issued a proposed rule regarding information sharing with unaffiliated third parties. You will hear more specifics about this proposed rule later this morning - and anything that you say in response during that presentation will be part of the official record that we will take into account in developing the final regulation.

Although the new law specifies an opt-out privilege, some privacy advocates are making arguments that the law does not allow adequate protection for consumers. They would prefer that consumers must affirmatively grant permission - or opt-in - prior to any information sharing. Meanwhile, some industry groups have argued that adopting such an opt-in regime would be prohibitively expensive, would hinder efforts to provide consolidated financial services, and would cripple cross-marketing initiatives.

The banking regulators are also drafting a proposed Fair Credit Reporting Act regulation regarding certain information sharing with affiliates, which also would allow consumers to opt out of information sharing.

One of the other interesting issues I hope we will explore later today is how we may read the new law together with existing privacy protections, such as those in the FCRA. Also, to protect consumer privacy without strangling the information economy, we should discuss how to define "nonpublic personal information" and "publicly available information." And another question -- one that is, in some ways, more ambiguous and that requires more judgment to manage -- is how widely should private information be shared within a banking company? We need to think very hard about these and other important questions if we want to craft regulations that protect consumers, support the banking industry, and avoid future litigation.

In order to encourage public comment on the proposed interagency regulation, the FDIC has created an Electronic Public Comment Internet site accessible from the FDIC Home Page. This EPC site was developed to make it easier for consumers to tell us what they think. The comment period is open through March 31, 2000, and the FDIC Home Page is found at www.fdic.gov.

Today's meeting is another important opportunity for consumers, privacy advocates, and the financial services industry to help us do a better job.

Traditionally, bankers have sought to portray themselves, not just as business people, but as professionals. Like doctors and lawyers, bankers are privy to the intimate details of the lives of the people they provide services to: assets and income, debt and dependents, payments and trusts. From the inflow and outflow of this information through a financial institution, one can reconstruct another person's life.

Many people open a passbook account in grade school. From that moment, the bank knows how much money you have. Later, the bank knows the size of your mortgage, and how promptly you pay your bills. Later, you may establish trusts for your children - and the bank will know which children you believe can manage their own money -- and which ones you don't.

For consumers, the banking relationship is personal, and a banker might be chosen, in part, because he or she is trusted to maintain confidences - to protect the details of financial relationships and information. Successful bankers have done so. For years, we have asked the question: "Are banks special?" For many consumers, banks are special because of the trust they have in bankers. In our meeting today, perhaps we can explore ways to preserve this relationship in the new banking environment.

Today, we will hear a broad range of views about consumer privacy in the financial services industry - views from bankers and consumer advocates, regulators and other government officials, privacy experts and Congressional staff. Our distinguished guests will discuss their views in three panels.

Before the discussions begin, we will be treated to a thought-provoking presentation on the power of technology and how it is used in today's marketplace. The presentation will underscore the urgency of developing appropriate safeguards that protect consumer privacy, yet allow consumers to enjoy the many benefits that result from faster, more efficient information sharing.

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