

106TH CONGRESS
1ST SESSION

H. R. 530

To provide that the “Know Your Customer” regulations proposed by the Federal banking agencies may not take effect unless such regulations are specifically authorized by a subsequent Act of Congress and to require the Federal banking agencies to conduct a comprehensive study on various economic and privacy issues raised by the proposed regulations and submit a report on such study to the Congress, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 3, 1999

Mr. BARR of Georgia (for himself, Mr. DELAY, Mr. BAKER, Mr. CHAMBLISS, and Mr. CAMPBELL) introduced the following bill; which was referred to the Committee on Banking and Financial Services

A BILL

To provide that the “Know Your Customer” regulations proposed by the Federal banking agencies may not take effect unless such regulations are specifically authorized by a subsequent Act of Congress and to require the Federal banking agencies to conduct a comprehensive study on various economic and privacy issues raised by the proposed regulations and submit a report on such study to the Congress, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “‘American Financial
3 Institutions’ Privacy Act”.

4 **SEC. 2. DEFINITIONS.**

5 For purposes of this Act, the following definitions
6 shall apply:

7 (1) DEPOSITORY INSTITUTION; FEDERAL BANK-
8 ING AGENCIES.—The terms “depository institution”
9 and “Federal banking agencies” have the meaning
10 given to such terms in section 3 of the Federal De-
11 posit Insurance Act.

12 (2) “KNOW YOUR CUSTOMER” REGULATION.—

13 (A) IN GENERAL.—The term “‘Know Your
14 Customer’ regulation” means any regulation
15 prescribed by the Secretary or any Federal
16 banking agency which requires any depository
17 institution to establish a program to—

18 (i) determine the identity of the cus-
19 tomers or prospective customers of the de-
20 pository institution;

21 (ii) determine the sources of funds of
22 the institution’s customers;

23 (iii) determine the normal and ex-
24 pected transactions of the institution’s cus-
25 tomers; and

1 (iv) monitor the account activity of
2 each customer for transactions that are in-
3 consistent with the normal and expected
4 transaction of such customer.

5 (B) INCLUSIVE OF FLEXIBLE PRO-
6 GRAMS.—A regulation meets the definition de-
7 scribed in subparagraph (A) if the purposes of
8 the requirements of the regulation are described
9 in such subparagraph whether or not the regu-
10 lation provides depository institutions some
11 flexibility in designing a program to meet such
12 requirements on the basis of the type, size, and
13 complexity of the institution, the types of cus-
14 tomers served by the institution, the nature and
15 extent of the financial activities of the cus-
16 tomers of the institution, and the risk of illegal
17 activities involving such institution or customer.

18 (3) SECRETARY.—The term “Secretary”—

19 (A) means the Secretary of the Treasury;
20 and

21 (B) includes any entity established by the
22 Secretary, such as the Financial Crimes En-
23 forcement Network, to exercise the rights, pow-
24 ers, and duties delegated to such entity by the
25 Secretary.

1 **SEC. 3. PROHIBITION ON “KNOW YOUR CUSTOMER” REGU-**
2 **LATIONS UNLESS SPECIFICALLY AUTHOR-**
3 **IZED BY A SUBSEQUENT ACT OF CONGRESS.**

4 Any “Know Your Customer” regulation prescribed by
5 the Secretary or any Federal banking agency shall not
6 have any force or effect after the date of the enactment
7 of this Act, unless the Secretary or such agency is author-
8 ized to prescribe such regulation by a specific provision
9 in an Act of Congress enacted after the date of the enact-
10 ment of this Act.

11 **SEC. 4. COMPREHENSIVE STUDY REQUIRED.**

12 (a) IN GENERAL.—The Secretary and the Federal
13 banking agencies shall jointly conduct a comprehensive
14 study of—

15 (1) the extent to which any “Know Your Cus-
16 tomer” regulation prescribed by the Secretary or any
17 such agency would—

18 (A) invade the privacy of individual law-
19 abiding Americans and their families; and

20 (B) impinge on the freedom of association
21 and other rights protected under the first 10
22 Amendments to the Constitution of the United
23 States;

24 (2) the effect any such “Know Your Customer”
25 regulation would likely have on traditional banking
26 relationships of individuals and their families;

1 (3) the extent of the economic burden of any
2 “Know Your Customer” regulation on small deposi-
3 tory institutions; and

4 (4) practical alternatives to “Know Your Cus-
5 tomer” regulations.

6 (b) REPORT TO CONGRESS.—The Secretary and the
7 Federal banking agencies shall submit to the Congress a
8 detailed report of the findings and conclusions of the Sec-
9 retary and such agencies in connection with the study con-
10 ducted pursuant to subsection (a), together with such rec-
11 ommendations for legislative or administrative action as
12 the Secretary and such agencies may determine to be ap-
13 propriate.

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