

without creating any of the privacy problems or the overregulation problems that both of us and others have perceived as being contained in the proposed regulations.

Mr. President, I yield the floor.

EXHIBIT No. 1

U.S. SENATE,

Washington, DC, January 12, 1999.

Hon. DONNA TANOUE,

Chairman, Federal Deposit Insurance Corporation, Washington, DC.

DEAR CHAIRMAN TANOUE: On Monday, December 7, 1998, the Federal Deposit Insurance Corporation, Board of Governors of the Federal Reserve, Office of the Comptroller of the Currency and Office of Thrift Supervision, each published in the Federal Register and solicited public comment on proposed regulations requiring insured depository institutions to develop "Know Your Customer" programs. The regulations are intended to enable financial institutions to protect themselves from engaging in transactions designed to facilitate illicit activities and ensure compliance with suspicious activity reporting.

The proposed regulations would require depository institutions to amass a large amount of data about customers and to monitor and analyze customers financial behavior. Institutions would be required to determine: a customers' sources of funds for transactions; "the particular customer's normal and expected transactions involving the bank"; and transactions "that are inconsistent with normal and expected transaction for that particular customer or for customers in the same or similar categories or classes;" and to report suspicious transactions.

I support implementing focused and effective methods to prevent money laundering and to promote law enforcement purposes, but am concerned that these proposed regulations have unintended negative consequences.

The scope of the proposed regulations allows for intrusion into the personal privacy of bank customers by profiling details of customers' lives, activities beyond what may be necessary for the stated regulatory purposes. The proposed regulations also could subject many low- and middle-class citizens who pose little threat of improper activities to such surveillance because there are no threshold limits. The proposed regulations have no minimum transaction size or account size, below which surveillance is not required.

While the proposed regulations would require banks to become huge repositories of personal financial data on their customers, there are no Federal limitations on the bank's use of the transaction data it collects. The bank can sell or share such data without a customer's knowledge or consent. This creates the very real possibility of large scale unwanted breaches of customers' personal financial privacy. Polls and newspaper articles have indicated that Americans are very concerned about their personal privacy, particularly their personal financial data. New business affiliations and technology advances are fueling consumer concerns about the mishandling of personal financial information.

It is evident that the proposed regulations have aroused widespread public concern. I hope that you will take these concerns into account as you proceed with the rulemaking process and develop policies to satisfy current law enforcement needs.

Sincerely,

PAUL S. SARBANES,  
U.S. Senator.

Mr. KERREY addressed the Chair.

The PRESIDING OFFICER. The Senator from Nebraska is recognized.

(The remarks of Mr. KERREY pertaining to the introduction of S. 553 are located in today's RECORD under "Statements on Introduced Bills and Joint Resolutions.")

Mr. KERREY. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. JEFFORDS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. JEFFORDS. Mr. President, I believe we are now in morning business.

#### MORNING BUSINESS

The PRESIDING OFFICER. The hour of 12 noon having arrived, consideration of the bill is concluded and the Senate is in morning business.

The Senator from Vermont is recognized.

(The remarks of Mr. JEFFORDS pertaining to the introduction of S. 556 are located in today's RECORD under "Statements on Introduced Bills and Joint Resolutions.")

#### FEDERAL DEPOSIT INSURANCE CORPORATION'S "KNOW YOUR CUSTOMER" REGULATION

Mr. KERREY. Mr. President, I voted today in support of the Gramm amendment which supports my belief that the FDIC's "Know Your Customer" regulation should be withdrawn. This vote mirrors my earlier action where I had written to FDIC Chairwoman Tanoue asking her to withdraw the regulation.

While I commend FDIC's effort to identify and crack down on illegal activity, I am deeply concerned the "Know Your Customer" regulation will threaten the financial privacy of Nebraska customers.

When federal regulators consider any regulation like "Know Your Customer," the private relationship between customers and their financial institutions should be given the utmost consideration. I believe "Know Your Own Customer" would severely strain this relationship. Customers should feel confident that their financial transactions are done in confidence and not subject to uninvited searches. Bankers in Nebraska already report large cash transactions, violations of federal law and potential money laundering activity without invading the privacy of their customers. "Know Your Customer" would require financial officers to infringe on their customers' privacy, damaging public perception of the banking industry.

On behalf of the many Nebraskans, customers and bankers, who have relayed similar concerns with me, I am

pleased the United States Senate has taken this action. In the meantime, I will remain committed to see that FDIC withdraws the "Know Your Customer" regulation.

#### MESSAGES FROM THE PRESIDENT

Messages from the President of the United States were communicated to the Senate by Mr. Williams, one of his secretaries.

#### EXECUTIVE MESSAGES REFERRED

As in executive session the Presiding Officer laid before the Senate messages from the President of the United States submitting sundry nominations which were referred to the appropriate committees.

(The nominations received today are printed at the end of the Senate proceedings.)

#### EXECUTIVE AND OTHER COMMUNICATIONS

The following communications were laid before the Senate, together with accompanying papers, reports, and documents, which were referred as indicated:

EC-2051. A communication from the Senior Deputy Assistant Administrator, Bureau for Legislative and Public Affairs, U.S. Agency for International Development, transmitting, pursuant to law, the Agency's report on economic conditions in Egypt for 1997 and 1998; to the Committee on Foreign Relations.

EC-2052. A communication from the Secretary of Health and Human Services, transmitting, pursuant to law, the annual report on the National Institutes of Health AIDS Research Loan Repayment Program for fiscal year 1998; to the Committee on Health, Education, Labor, and Pensions.

EC-2053. A communication from the General Counsel of the Corporation for National Service, transmitting, pursuant to law, the report of a rule entitled "Claims Collection" (RIN3045-AA21) received on February 2, 1999; to the Committee on Health, Education, Labor, and Pensions.

EC-2054. A communication from the Federal Register Liaison Officer, Office of Thrift Supervision, Department of the Treasury, transmitting, pursuant to law, the report of a rule entitled "Risk-Based Capital Standards: Construction Loans on Presold Residential Properties; Junior Liens on 1- to 4-Family Residential Properties; and Investments in Mutual Funds. Leverage Capital Standards: Tier 1 Leverage Ratio" (Docket 98-125) received on February 26, 1999; to the Committee on Banking, Housing, and Urban Affairs.

EC-2055. A communication from the Deputy Director for Policy and Programs, Community Development Financial Institutions Fund, Department of the Treasury, transmitting, pursuant to law, the report of a rule entitled "Notice of Funds Availability Inviting Applications for the Community Development Financial Institutions Program — Technical Assistance Component" (No. 982-0154) received on February 2, 1999; to the Committee on Banking, Housing, and Urban Affairs.

EC-2056. A communication from the Director of the Federal Emergency Management Agency, transmitting, a draft of proposed legislation entitled "The National Flood Insurance Act Amendments of 1999"; to the Committee on Banking, Housing, and Urban Affairs.

EC-2057. A communication from the Legislative and Regulatory Activities Division, Office of the Comptroller of the Currency, transmitting, pursuant to law, the report of a rule entitled "Risk-Based Capital Standards: Construction Loans on Presold Residential Properties; Junior Liens on 1- to 4-Family Residential Properties; and Investments in Mutual Funds. Leverage Capital Standards; Tier 1 Leverage Ratio" (Docket 99-01) received on February 26, 1999; to the Committee on Banking, Housing, and Urban Affairs.

EC-2058. A communication from the Director of the Federal Emergency Management Agency, transmitting, a draft of proposed legislation entitled "The Disaster Mitigation Act"; to the Committee on Environment and Public Works.

EC-2059. A communication from the Director of the Office of Regulatory Management and Information, Environmental Protection Agency, transmitting, pursuant to law, the report of a rule entitled "Determination That Pre-existing National Ambient Air Quality Standards for PM-10 No Longer Apply to Ada County/Boise State of Idaho" (FRL6237-9) received on March 1, 1999; to the Committee on Environment and Public Works.

EC-2060. A communication from the Director of the Office of Regulatory Management and Information, Environmental Protection Agency, transmitting, pursuant to law, the report of a rule entitled "Modification of the Ozone Monitoring Season for Alabama, Florida, Georgia, Kentucky, Mississippi and Tennessee" (FRL6237-6) received on March 1, 1999; to the Committee on Environment and Public Works.

EC-2061. A communication from the Director of the Office of Regulatory Management and Information, Environmental Protection Agency, transmitting, pursuant to law, the report of a rule entitled "Regulation of Fuels and Fuel Additives: Extension of the Reformulated Gasoline Program to the St. Louis, Missouri Moderate Ozone Nonattainment Area" (FRL6306-1) received on March 1, 1999; to the Committee on Environment and Public Works.

EC-2062. A communication from the Assistant Secretary of the Army (Civil Works), transmitting, pursuant to law, a report on flood damage reduction projects for the Beargrass Creek Basin in Louisville, Kentucky; to the Committee on Environment and Public Works.

EC-2063. A communication from the Director of the Office of Regulatory Management and Information, transmitting, pursuant to law, the report of a rule entitled "Dicamba; Pesticide Tolerance, Technical Correction" (FRL6049-2) received on February 28, 1999; to the Committee on Agriculture, Nutrition, and Forestry.

EC-2064. A communication from the Administrator of the Agricultural Marketing Service, Department of Agriculture, transmitting, pursuant to law, the report of a rule entitled "Raisins Produced From Grapes Grown in California; Increase in Assessment Rate" (Docket FV99-989-2 IFR) received on February 26, 1999; to the Committee on Agriculture, Nutrition, and Forestry.

EC-2065. A communication from the Administrator of the Agricultural Marketing Service, Department of Agriculture, transmitting, pursuant to law, the report of a rule entitled "Tart Cherries Grown in the States of Michigan, New York, Pennsylvania, Oregon, Utah, Washington, and Wisconsin; Additional Option for Handler Diversion and Receipt of Diversion Credits" (Docket FV99-930-1 IFR) received on March 3, 1999; to the Committee on Agriculture, Nutrition, and Forestry.

EC-2066. A communication from the Comptroller General of the United States, trans-

mitting, pursuant to law, a report on an instance in which the Air Force did not fully implement a recommendation made by the Office of the Comptroller General in connection to a bid protest concerning workload procurement at the Sacramento Air Logistics Center; to the Committee on Governmental Affairs.

EC-2067. A communication from the Director of the Office of Management and Budget, Executive Office of the President, transmitting, pursuant to law, the President's comprehensive Government-wide Performance Plan for fiscal year 2000; to the Committee on Governmental Affairs.

EC-2068. A communication from the Director of the Office of Management and Budget, Executive Office of the President, transmitting, pursuant to law, the Office's report on the Costs and Benefits of Federal Regulations for 1998; to the Committee on Governmental Affairs.

EC-2069. A communication from the Director of the Office of Personnel Management, transmitting, pursuant to law, a report on the Department of Defense Civilian Acquisition Workforce Personnel Demonstration; to the Committee on Governmental Affairs.

EC-2070. A communication from the Director of the Office of Personnel Management, transmitting, pursuant to law, the report of a rule entitled "Prevailing Rate Systems; Removal of Umatilla County, Oregon, from the Spokane, Washington, Nonappropriated Fund Wage Area" (RIN3206-AI10) received on March 2, 1999; to the Committee on Governmental Affairs.

EC-2071. A communication from the Chief Financial Officer of the Export-Import Bank of the United States, transmitting, pursuant to law, the Bank's annual report under the Inspector General Act for fiscal year 1998; to the Committee on Governmental Affairs.

EC-2072. A communication from the Chief of the Regulations Unit, Internal Revenue Service, Department of the Treasury, transmitting, pursuant to law, the report of a rule entitled "Last-in, First-out Inventories" (Rev. Rul. 99-15) received on March 2, 1999; to the Committee on Finance.

EC-2073. A communication from the Chief of the Regulations Unit, Internal Revenue Service, Department of the Treasury, transmitting, pursuant to law, the report of a rule entitled "Rules and Regulations" (Rev. Proc. 99-18) received on March 2, 1999; to the Committee on Finance.

EC-2074. A communication from the Statutory Chairman and the Administrative Chairman of the National Bipartisan Commission on the Future of Medicare, transmitting, pursuant to law, a report on the status of the Commission's recommendations; to the Committee on Finance.

EC-2075. A communication from the Chairman of the United States International Trade Commission, transmitting, a draft of proposed legislation to authorize appropriations for the Commission for fiscal year 2000; to the Committee on Finance.

EC-2076. A communication from the Secretary of Health and Human Services, transmitting, pursuant to law, a report entitled "Proposed Method of Incorporating Health Status Risk Adjusters Into Medicare+Choice Payments" received on March 1, 1999; to the Committee on Finance.

#### INTRODUCTION OF BILLS AND JOINT RESOLUTIONS

The following bills and joint resolutions were introduced, read the first and second time by unanimous consent, and referred as indicated:

By Mr. ALLARD (for himself, Mr. ENZI, Mr. ASHCROFT, and Mr. BROWNBACK):

S. 552. A bill to provide for budgetary reform by requiring a balanced Federal budget and the repayment of the national debt; to the Committee on the Budget and the Committee on Governmental Affairs, jointly, pursuant to the order of August 4, 1977, with instructions that if one Committee reports, the other Committee have thirty days to report or be discharged.

By Mr. GRASSLEY (for himself and Mr. KERREY):

S. 553. A bill to provide additional trade benefits to countries that comply with the provisions of the ILO Convention; to the Committee on Finance.

By Mr. CAMPBELL:

S. 554. A bill to amend section 490 of the Foreign Assistance Act of 1961 to provide alternative certification procedures for assistance for major drug producing countries and major drug transit countries; to the Committee on Foreign Relations.

By Mr. DEWINE (for himself and Mr. VOINOVICH):

S. 555. A bill to amend title 38, United States Code, to authorize the Secretary of Veterans Affairs to continue payment of monthly educational assistance benefits to veterans enrolled at educational institutions during periods between terms if the interval between such periods does not exceed eight weeks; to the Committee on Veterans Affairs.

By Mr. BAUCUS (for himself and Mr. JEFFORDS):

S. 556. A bill to amend title 39, United States Code, to establish guidelines for the relocation, closing, consolidation, or construction of post offices, and for other purposes; to the Committee on Governmental Affairs.

#### SUBMISSION OF CONCURRENT AND SENATE RESOLUTIONS

The following concurrent resolutions and Senate resolutions were read, and referred (or acted upon), as indicated:

By Mr. GRAMS (for himself and Mr. GORTON):

S. Con. Res. 16. A concurrent resolution expressing the sense of the Congress that the Government National Mortgage Association guaranty fee should not be increased to provide increased revenues or the Federal Government to offset other expenditures; to the Committee on Banking, Housing, and Urban Affairs.

#### STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS

By Mr. GRASSLEY (for himself and Mr. KERREY):

S. 553. A bill to provide additional trade benefits to countries that comply with the provisions of the ILO Convention; to the Committee on Finance.

#### THE INTERNATIONAL CHILD WELFARE PROTECTION ACT

Mr. GRASSLEY. Mr. President, I rise today, on behalf of myself and Senator KERREY, to introduce legislation that will chart a new United States approach to the terrible problem of child exploitation in overseas labor markets.

This legislation, the International Child Welfare Protection Act, will target new, additional trade benefits to countries that comply with the provisions of the International Labor Organization's Convention Number 138 concerning the Minimum Age for Admission to Employment, also known as the Minimum Age Convention.