"Know Your Customer" Stirs up a Hornet's Nest

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The Clinton Administration's stealth plan to monitor everyone's personal bank account has hit a bump in the road. With the public comment score now standing at 20,000-to-18 against the controversial Know Your Customer (KYC) regulation, the once-friendly FDIC (Federal Deposit Insurance Corporation) is rethinking its plan to require every bank to computerize a financial profile on every customer (including the source of all funds) and report "inconsistent" deposits and withdrawals to the federal gestapo.

The KYC regulation was simultaneously announced by the Federal Reserve System, the Office of Thrift Supervision, and the Comptroller of the Currency as well as the FDIC, but those other agencies have not revealed how many negative comments they have received. The information gathered by the KYC spies in your local bank is supposed to feed into a huge database in Detroit called the Suspicious Activity Reporting System, which is administered by FinCEN (Financial Crimes Enforcement Network) and shared with a dozen other agencies.

About 93 percent of the critical comments received by the FDIC came from individuals, not banks. Isn't that interesting. The large number from individuals proves the new power of the Internet to alert the grassroots to Clinton's privacy invading maneuvers.

The small number of complaints from bankers reflects the fact that the American Bankers Association originally endorsed KYC and may have helped to draft it. The big banks are only too happy to use a federal regulation as "cover" for computerizing nosy details about their customers that are so valuable for marketing purposes.

Under current federal law, a bank may sell or transfer any information it acquires about its customers to a third party, such as a direct marketer or another financial institution, without notifying the customer. Your bank can disclose your account balances, certificate of deposit maturity dates and balances, and information about checks written or deposited into your account.

Sen. Paul Sarbanes (D-MD) has introduced S.187, the Financial Information Privacy Act, to require banks to tell their customers what data it sells or shares, to whom and for what purposes, and to give its customers the right to "opt out." That's good as far as it goes, but we also need legislation to stop the banks from giving such information to the government.

Rep. Bob Barr (R-GA) has introduced H.R.530, the American Financial Institutions Privacy Act, to block implementation of the Know Your Customer regulations. Rep. Ron Paul (R-TX) has introduced the Financial Privacy Protection Package to do likewise (H.R.516), and also to sunset the Bank Secrecy Act that has encouraged such overreaching regulations (H.R.518), and also to allow Americans to see their own FinCEN files (H.R.517) (similar to laws that allow us to see our own FBI and credit bureau files).

The stakes for Americans are clearly defined in a timely new book called "The End of Money and the Struggle for Financial Privacy" by Richard W. Rahn, Ph.D., nationally known economist and now a senior fellow with the Seattle-based Discovery Institute. Describing how the new technologies are making rapid and dramatic changes in our lifestyle, he poses the question of whether this will bring us more freedom or less.

The answer depends on whether or not we permit Big Government to conspire with Big Business to monitor not only all our financial transactions, but also our ordinary daily activities. The Big Government advocates are trying to claim that individual control over technological innovation is suspect and a threat to law enforcement.

The major excuse for the Clinton Administration's assault on our financial privacy is "money laundering," most of which comes from the illegal drug trade. But attempts to stop drug use by chasing money launderers have been a costly and spectacular failure, they catch only a few small dealers rather than drug kingpins, and they are a gross invasion of the privacy of law-abiding Americans.

The threat of terrorism is another Clinton excuse for anti-privacy regulations, but there is no evidence that any significant terrorist was ever deterred by the money laundering cops. The billions of dollars wasted in pursuing money laundering has merely increased the power of the politicians to monitor our lives and increased the number of busybody bureaucrats with a vested interest in retaining useless jobs.

Hitler and Stalin gave us the model of how tyranny maintains itself. Pass so many laws that everyone is a potential criminal, and then law enforcement can be arbitrary, selective, and very political.

That's why the Clinton Administration has pushed the creation of hundreds of new federal crimes by legislation and thousands more by federal regulations. Any act of dishonesty in which a mailed item, a telephone call, or a bank deposit plays a role has now become a federal crime.

We simply don't trust the Clinton Administration to have the kind of knowledge about our personal lives that the KYC regulation would provide. You have until March 8 to email your complaint to comments@fdic.gov, or fax it to (202) 898-3838.