HOUSE MEMORIAL 37

44TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 1999

INTRODUCED BY

Raymond G. Sanchez

A MEMORIAL

REQUESTING BANK REGULATORS TO WITHDRAW THE PROPOSED KNOW YOUR

CUSTOMER REGULATIONS.

WHEREAS, federal bank regulating agencies have proposed
regulations to develop and create a know your customer program
by April 1, 2000 and have requested responses regarding the
program by March 8, 1999; and

WHEREAS, the proposed know your customer program
regulates national banks, state member and nonmember banks,
state-chartered branches and agencies of foreign banks and
will apply to deposit accounts, loan accounts and any other
type of account involving the receipt or disbursal of funds;
and

WHEREAS, the proposed know your customer regulations
require each bank to determine its customers' personal and

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1   business backgrounds and sources of funds, to determine the

2   normal and expected transactions of its customers, to surveil

3   account activity for transactions that are inconsistent with

4   those normal and expected transactions and to maintain

5   documentation of the information gathered; and

6   WHEREAS, the proposed know your customer regulations

7   encourage each bank to classify customers into varying

8   categories based on factors such as the types of accounts

9   maintained, the types of transactions conducted and the

10   potential risk of illicit activities that may be possible with

11   such accounts and transactions; and

12   WHEREAS, the proposed know your customer regulations also

13   require each bank to investigate and to file a five-page

14   suspicious activity report on transactions of its customers

15   that may be suspicious or potentially illegal, or to telephone

16   law enforcement officials if a potential violation could

17   require immediate attention; and

18   WHEREAS, many banking customers perform transactions that

19   may be unexpected or unusual, such as relating to a one-time

20   inheritance, a payroll bonus, a lottery win or sale of

21   property, and such unexpected or unusual transactions may

22   subject them to suspicion and surveillance under the know your

23   customer program; and

24   WHEREAS, the proposed know your customer regulations

25   conflict with existing federal law regarding financial

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1   privacy; and

2   WHEREAS, many bank officials agree with the compliance

3   director of the Atlanta-based Sun Trust bank that the proposed

4   know your customer program "turns us into surveillance agents

5   for the government"; and

6   WHEREAS, the acting comptroller of the currency has

7   repeatedly warned banking officials that existing systems of

8   voluntary safeguards for customer information security, bank

9   privacy policies and information sharing are inadequate and

10 regularly compromised by private information brokers, and that

11 many banks are not in compliance with the privacy provisions

12 of the Fair Credit Reporting Act; and

13   WHEREAS, eighty-one percent of the people polled by

14 Scripps Howard news service and Ohio university believe that

15 financial and other personal information about themselves is

16 unprotected, insecure and unsafe;

17   NOW, THEREFORE, BE IT RESOLVED BY THE HOUSE OF

18 REPRESENTATIVES OF THE STATE OF NEW MEXICO that the bank

19 regulating agencies be urged to withdraw the proposed know

20 your customer regulations; and

21   BE IT FURTHER RESOLVED that copies of this memorial be

22 transmitted to the federal deposit insurance corporation, the

23 board of governors of the federal reserve system, the

24 department of the treasury, the national credit union

25 administration and the New Mexico congressional delegation.

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FORTY-FOURTH LEGISLATURE

FIRST SESSION, 1999

March 11, 1999

Mr. Speaker:

Your **BUSINESS AND INDUSTRY COMMITTEE,** to whom has been referred

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has had it under consideration and reports same with recommendation that it **DO PASS.**

Respectfully submitted,

_____

Debbie A. Rodella, Vice Chairwoman

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Adopted _____   Not Adopted _____

5

6   (Chief Clerk)   (Chief Clerk)

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8   Date _____

9

10   The roll call vote was 11 For 0 Against

11   Yes: 11

     Excused: Hobbs

12   Absent: None

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underscored material = new
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