

MEMO# 16577

September 25, 2003

SENATE COMMITTEE APPROVES BILL TO MAKE NATIONAL STANDARD FOR INFORMATION SHARING AMONG AFFILIATES PERMANENT

[16577] September 25, 2003 TO: BOARD OF GOVERNORS No. 50-03 FEDERAL LEGISLATION MEMBERS No. 18-03 PRIMARY CONTACTS - MEMBER COMPLEX No. 78-03 PUBLIC INFORMATION COMMITTEE No. 33-03 PRIVACY ISSUES WORKING GROUP No. 5-03 RE: SENATE COMMITTEE APPROVES BILL TO MAKE NATIONAL STANDARD FOR INFORMATION SHARING AMONG AFFILIATES PERMANENT On September 23, the Senate Banking Committee approved the National Consumer Credit Reporting System Improvement Act of 2003 by voice vote. The legislation, introduced by Chairman Richard Shelby (R-AL), would renew and make permanent the uniform national standards for credit reporting set forth in the Fair Credit Reporting Act (FCRA). The legislation also enhances consumer protections in areas such as identity theft and credit report accuracy. The key component of the legislation is the reauthorization of FCRA. Absent the legislation's permanent extension of FCRA, a uniform national standard for financial privacy would be jeopardized because FCRA preempts state laws that would restrict the sharing of financial information among affiliates. The Institute supports a single, nationwide standard for the sharing of customer information that does not unduly burden fund shareholders or the financial institutions that serve them. Another notable provision in the reported bill involves the sharing of consumer information among affiliated companies. The legislation would require affiliated entities that share certain information for purposes of marketing solicitations to provide notice to consumers of such sharing and allow them to opt out of receiving such solicitations. Exempted from the opt-out requirement are entities with preexisting customer relationships, affiliates that provide certain servicing functions, and contacts that are initiated by the consumer or otherwise authorized. 2 On September 10, the House of Representatives approved H.R. 26221, which also would permanently extend the preemption provisions of FCRA, but does not include the affiliate opt- out provision. We will keep you informed of further developments. Matthew P. Fink President 1 See Institute Memorandum [16529], dated September 12, 2003.