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Libertarians: "Know Your Customer" is wounded — but is it really dead?

Controversial bank-spying law generates 250,000 outraged complaints

WASHINGTON, DC — A regulation that would have required banks to spy on their customers for the federal government appears to have been squashed — for the time being, anyway — thanks in large part to the efforts of the Libertarian Party.

"We have won the first round of the battle against the Know Your Customer regulation," said Steve Dasbach, the party's national director. "But the fight against this dangerous proposal may not be over yet."

On Monday, the head of the Federal Deposit Insurance Corporation announced that "the public has spoken very loudly and clearly." Chairwoman Donna Tanoue said she will urge the FDIC's board to drop the controversial rule at their next meeting on March 23.

The Know Your Customer regulation would have required banks to determine where customers get their money, monitor bank transactions, and report any "unusual activity" to federal law enforcement agencies.

The FDIC backed away from the rule after being hammered by up to 253,000 letters, e-mail messages, and faxes during its public comment period, which ended on March 8. Of those, 171,268 were generated by the Libertarian Party's DefendYourPrivacy.com website.

Online since February 17, the site generated 8,563 signatures a day on an electronic petition against the regulation — or 67.7% of all the comments received by the FDIC.

"The success of our DefendYourPrivacy.com website shows that the computer mouse is mightier than the musket, and that the World Wide Web is the political organizing tool of the 21st Century," said Dasbach. "It also shows that cybercitizens, when given information about threats to their privacy, will make their voices heard."

However, only two of the four agencies that originally sponsored Know Your Customer have said the regulation should be scrapped. While both the FDIC and the Comptroller of the Currency have spoken against the regulation, neither the Office of Thrift Supervision nor the Federal Reserve has taken a public position.

In addition, an FDIC spokesman had stated previously that the agency might withdraw the regulation, but implement Know Your Customer-style requirements as a "policy."

That's why it's too soon to claim the rule is DOA, said Dasbach: "Know Your Customer is wounded, but it isn't dead yet. Even if they decide to kill it — which hasn't happened yet — the same bureaucrats who first proposed this dangerous regulation could quietly bring it back after the public outcry has subsided. Libertarians will stay vigilant."