

SCHWARTZ & BALLEN LLP
1990 M STREET, N.W. • SUITE 500
WASHINGTON, DC 20036-3465
(202) 776-0700

FACSIMILE
(202) 776-0720

www.schwartzandballen.com

MEMORANDUM

July 27, 2004

To Our Clients and Friends

Re: Treasury Report on the Information Sharing Practices of Financial Institutions

As required by the Gramm-Leach-Bliley Act (“GLB Act”), the Secretary of the Treasury (the “Treasury”) has conducted a study on information sharing practices among financial institutions and their affiliates.¹ The Treasury has submitted its findings along with recommendations for legislative and administrative actions to Congress.

THE REPORT

After discussing comments received from the financial services industry, consumer groups, state insurance authorities and the public, the report presents the Treasury’s conclusions, findings and recommendations.

The Treasury study makes the following general conclusions:

- financial services providers and customers have a strong interest in promoting security of financial information
- information sharing has increased consumer access to a wider variety of financial services at lower costs
- identity theft not only disrupts individual lives, but also impairs commerce
- uniform national standards for information sharing are essential for economic growth and for fighting identity theft
- customers need to understand more easily the information sharing practices of financial institutions

¹ A copy of our prior memorandum concerning the study can be found at http://www.schwartzandballen.com/2002_memoranda.html.

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The Treasury made the following key findings that should be taken into account in considering the effectiveness of programs for the security of financial institutions:

- the goals of the GLB Act to inform consumers of policies on the use of personal information have not been adequately met
- businesses and consumers have a strong interest in accurate and up-to-date credit records
- businesses have a strong interest in not annoying customers with unwanted solicitations
- identity theft is a major problem that has serious costs to consumers and businesses
- timely business access to ample and accurate information can deter identity theft

The Treasury study makes the following recommendations:

- develop easy to read, easy to use GLB Act notices
- enlist consumers to help correct errors in their credit reports
- encourage financial institutions to implement new technologies, policies and practices to detect, deter, pursue and punish those engaged in identity theft and fraud.

A copy of the report is available at
http://www.schwartzandballen.com/whats_new.html.

If you have any questions, please call Gilbert Schwartz, Robert Ballen or Tom Fox at (202) 776-0700.