

MICHAEL G. OXLEY, OH, CHAIRMAN

JAMES A. LEACH, IA
DOUG BEREUTER, NE
RICHARD H. BAKER, LA
SPENCER BACHUS, AL
MICHAEL N. CASTLE, DE
PETER T. KING, NY
EDWARD R. ROYCE, CA
FRANK D. LUCAS, OK
HUBERT W. NEY, OH
SUE W. KELLY, NY
VICE CHAIR
RON PAUL, TX
PAUL E. GILLMOR, OH
JIM RYUN, KS
STEVEN C. LATOURETTE, OH
DONALD A. MANZULLO, IL
WALTER B. JONES, JR., NC
DOUG OSE, CA

MARK GREEN, WI
PATRICK J. TOOMEY, PA
CHRISTOPHER SHAYS, CT
JOHN B. SHADEGG, AZ
VITO FOSSILLA, NY
GARY G. MILLER, CA
MELISSA A. HART, PA
SHELLEY MOORE CAPITO, WV
PATRICK J. TIBERI, OH
MARK R. KENNEDY, MN
TOM FEENEY, FL
JEB HENSARLING, TX
SCOTT GARRETT, NJ
TIM MURPHY, PA
GINNY BROWN-WAITE, FL
J. GRESHAM BARRETT, SC
KATHERINE HARRIS, FL
RICK RENZI, AZ

U.S. House of Representatives
Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

June 23, 2004

BARNEY FRANK, MA, RANKING MEMBER

PAUL E. KANJORSKI, PA
MAXINE WATERS, CA
CAROLYN B. MALONEY, NY
LUIS V. GUTIERREZ, IL
NYDIA M. VELÁZQUEZ, NY
MELVIN L. WATT, NC
GARY L. ACKERMAN, NY
DARLENE HOOLEY, OR
JULIA CARSON, IN
BRAD SHERMAN, CA
GREGORY W. MEEKS, NY

RUBÉN HINOJOSA, TX
KEN LUCAS, KY
JOSEPH CROWLEY, NY
WILLIAM LACY CLAY, MO
STEVE ISRAEL, NY
MIKE ROSS, AR
CAROLYN MCCARTHY, NY
JOE BACA, CA
JIM MATHESON, UT
STEPHEN F. LYNCH, MA
BRAD MILLER, NC
RAHM EMANUEL, IL
DAVID SCOTT, GA
ARTUR DAVIS, AL
CHRIS BELL, TX

DENNIS MOORE, KS
MICHAEL E. CAPUANO, MA
HAROLD E. FORD, JR., TN

BERNARD SANDERS, VT

ROBERT U. FOSTER III
STAFF DIRECTOR

The Honorable Michael G. Oxley
Chairman
Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

Dear Mr. Chairman:

We again request the Committee hold a hearing to review risks associated with foreign outsourcing by U.S. financial institutions and any strategies that are being used by U.S. financial institutions and their regulators to identify, measure, monitor, and control these risks.

The use of foreign outsourcing by U.S. financial institutions and their vendors has increased dramatically in the past five years and is expected to continue to increase in the future. A recent study by Deloitte Consulting predicts that 15 percent of the U.S. financial services industry cost base will move outside the country within the next five years.

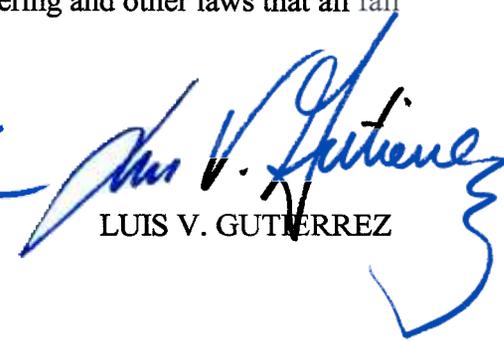
In light of the growing reliance on foreign outsourcing by U.S. financial institutions, we believe it is important for the Committee to examine what dangers are posed by this practice. We are particularly concerned about any risks that foreign outsourcing may pose to U.S. financial institutions' ability to protect the privacy of their customers' personal financial information. In a June 2004 report entitled, "Offshore Outsourcing of Data Services by Insured Institutions and Associated Consumer Privacy Risks," the Federal Deposit Insurance Corporation (FDIC) found that significant foreign outsourcing could create a number of risks for U.S. financial institutions, including that foreign vendors may not have adequate privacy regulations and weak controls may affect customer privacy. The FDIC suggested improvements should be made to encourage identification of undisclosed third-party contracting arrangements. The FDIC also recommended that federal financial regulations should consider creating one shared, central repository of institution notices of outsourcing arrangements for use in analysis, monitoring, and tracking of these arrangements by the Federal Financial Institutions Examination Council.

It is critical that the Committee hold a hearing on this issue to understand the types of risks that are posed by foreign outsourcing and to evaluate what impact this practice may have on the enforcement of U.S. privacy, consumer protection, identity theft, anti-money laundering and other laws that all fall within the jurisdiction of the Committee.

Sincerely,


BARNEY FRANK


BERNARD SANDERS


LUIS V. GUTIERREZ