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July 23, 2004

Office of the Comptroller of the Currency
250 E Street S.W.
Public Reference Room, Mail Stop 1-5
Washington, D.C. 20219
Docket No. 04-13

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551
Docket No. R-119

Re: FACT Act Disposal Rule

Dear Sir or Madam:

HSBC North America Holdings Inc. ("HNAH") submits this comment letter in response to the Proposed Rule ("Proposed Rule") issued by the Office of the Comptroller of the Currency ("OCC"), the Board of Governors of the Federal Reserve System (the "Board"), the Federal Deposit Insurance Corporation, and the Office of Thrift Supervision (together, the "Agencies"), regarding the disposal of consumer information by banks, savings banks, and bank holding companies. HNAH is a registered financial holding company with various U.S. banking and nonbanking subsidiaries, including two national banks, Household Bank (SB) NA and HSBC Bank USA, N.A. These two banks, as well as many of their affiliates, furnish and/or use consumer information for commercial purposes, and thus would be subject to the Proposed Rule. We appreciate this opportunity to submit comments.

New section 628 of the Fair Credit Reporting Act ("FCRA") requires the Agencies to issue regulations, with respect to entities under their jurisdiction, requiring any entity "that maintains or otherwise possesses consumer information, or any compilation of consumer information, derived from consumer reports for a business purpose to properly dispose of any such information or compilation." The Agencies have proposed to amend existing information security regulations implemented pursuant to the Gramm Leach Bliley Act ("Information Security Guidelines") to incorporate this requirement.

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The proposed amendments avoid setting forth prescriptive methods of compliance. HNAH supports this approach, subject to the comments listed below.

I. Definition of "Consumer Information":

Section 628 requires its implementing regulations to address the treatment of "consumer information, or **any** compilation of consumer information, derived from consumer reports for a business purpose." The Agencies' definition of "consumer information" in the Proposed Rule generally tracks this statutory description, which we agree is appropriate. We **also** agree with the Agencies' statement in the preamble that information which is not personally identifiable should not be covered by the rule. However, for purposes of clarify, we would suggest that this interpretation be carried through to the final rule, e.g., so that "consumer information" would be defined as "any personally identifiable record about an individual . . ."

II. Compliance Obligations:

The Agencies propose to amend the Information Security Guidelines to require each covered entity to "develop, implement, and maintain, as part of **its** information security program, measures to **properly** dispose of consumer information in a manner consistent with the disposal of customer information." HNAH agrees that **this** standard is appropriate, as it would require that the disposal of consumer information be subject to the same risk-based analysis and protection applicable to customer information.

We would suggest, however, that the Agencies delete the reference to the disposal of consumer information from the "objectives" of the Information Security Guidelines. The broad objectives of the Information Security Guidelines are those that were specified by **Congress** in the Gramm Leach Bliley Act ("GLBA") as the necessary objectives for information security programs, and there is no indication that Congress intended for Section 628 to establish a new, specific objective for the Information **Security** Guidelines. We also note that one result of including the disposal of consumer information as an objective of the Information Security Guidelines is that it appears to result in the requirement of **specific** contractual provisions pertaining to the disposal of consumer information in relevant service provider contracts. We do not believe that this additional documentation is necessary or otherwise furthers the purpose of Section 628, since the contractual provisions pertaining to the existing objectives of the Information Security Guidelines **would** already address the substance of the requirement. Moreover, the requirement for specific contractual language appears to be incongruous with the Agencies' intent to treat the disposal of consumer information consistently with the disposal of customer information. Specifically, banks and other covered entities need not specifically address the disposal of customer information in their contracts with service providers. Furthermore, many service providers will have independent obligations to dispose of consumer information properly as a result of the final rule

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issued by the Federal Trade Commission and the Securities and Exchange Commission under Section 628. As a result, while the Proposed Rule could result in significant regulatory burden on banks and other covered entities, as they would be required to review and potentially revise each and every service provider contract, the result would be few, if any, consumer benefits.

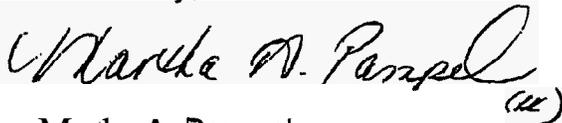
III. Effective Dates:

The Agencies propose to make the final rule effective three months after publication. We suggest that six months would be more appropriate. Although the final rule will not likely require wholesale changes to information security programs, covered entities will need to evaluate and assess the impact of the regulations. Moreover, most covered entities are concurrently working to implement the many other new provisions of the FCRA. Therefore, we suggest a six month timeframe for compliance. Also, if the Agencies retain an approach requiring contracts with service providers to be amended as a result of the final rule, we suggest that covered entities be given two years from the effective date of the final rule to review, revise, and execute amendments to existing contracts.

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HNAH and its subsidiaries appreciate this opportunity to comment on the Proposed Rule. If you have any questions regarding this letter, please feel free to contact me at (847) 564-7941.

Yours truly,



Martha A. Pampel
Associate General Counsel
HSBC North America Holdings Inc.