

Bankers Applaud Ruling on Secrecy

The president of the California Bankers Association has applauded the decision of a three-judge federal panel that reporting of domestic banking transactions is unconstitutional.

"The California Bankers Association, representing all of the banks of the state, is pleased that the court, by declaring the domestic portions of the Bank Secrecy Act unconstitutional, has in effect upheld the traditional confidential relationship between banks and their customers," said Andres J. Shephard yesterday.

He said the association believed "that the record-keeping and reporting requirements would have been a gigantic first step in turning on the electronic eye of 1984."

Without Limit

The majority opinion of the panel held that the Bank Secrecy Act, "insofar as it authorizes the Secretary (of the treasury) to require virtually unlimited reporting from banks and their customers of domestic financial transactions as a surveillance device . . . transcends the constitutional limits as laid down by the U.S. Supreme Court."

A Treasury official in Washington, D.C., said yesterday he would withhold opinion until he reads the full decision of the panel.

He did say, however, that it appears that "in substantial part the act has been upheld with one small exception."

\$10,000 Transactions

That exception, he noted, concerns the requirement that banks report cash transactions exceeding \$10,000.

The majority opinion, signed yesterday by U.S. District Judges William Sweigert, San Francisco,

and William East, of Portland, Ore., held, however, that the reporting of foreign banking transactions as well as the keeping of records by banks as required under the act are constitutional.

The California Bankers Association, together with the American Civil Liberties Union of Northern California and the Security National Bank of Walnut Creek, brought suit to enjoin enforcement of the section of the Act dealing with reporting of domestic banking transactions.

Privacy Invasion

The CBA argued that, besides being an invasion of privacy, the section would result in costly and unnecessary paperwork for banks.

Rules making the act effective were to go into effect last July 1, but Sweigert issued a temporary restraining order June 30 pending the hearing by the federal panel.

Judge O. D. Hamlin, of the U.S. Ninth Circuit Court of Appeals, dissented by saying he could see no difference between laws covering domestic and those covering foreign banking transactions.