

# PRIVACY OF CONSUMERS' FINANCIAL INFORMATION PART 1 INTRODUCTION

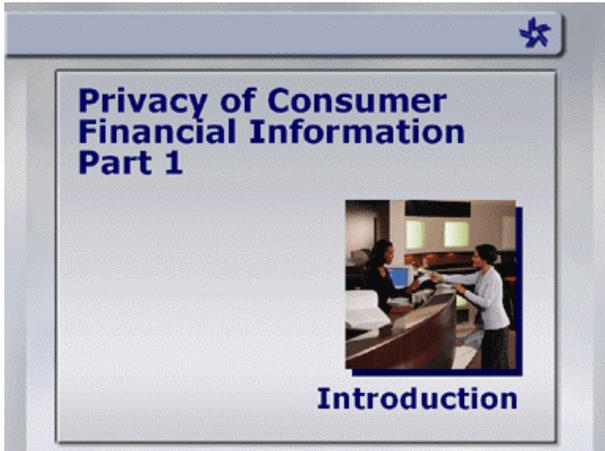
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## Slides

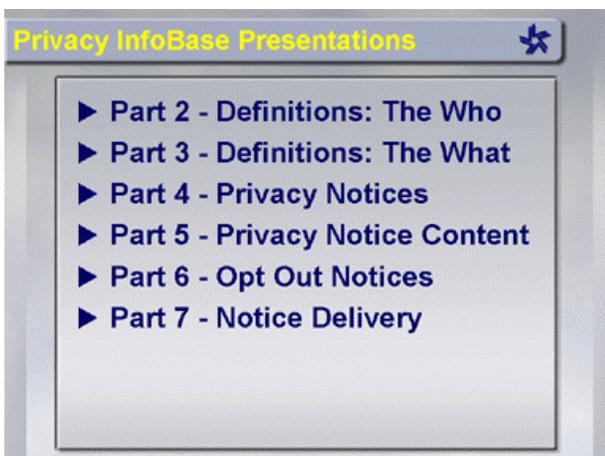
## Narration



The purpose of the presentations in this F-F-I-E-C InfoBase is to provide examiners with a broad introduction to the nation's first effort to enact restrictions on the sharing and sale of consumers' personal financial information.



While much of the regulatory responsibility falls in the consumer compliance area, assuring that customers' personal financial information is appropriately safeguarded will rest in the information systems area.



This introduction is the first piece in a series of twelve presentations that will explain the regulatory implementation of the law.

The next two parts of this training series cover definition of terms.

Then we'll look at some of the regulation's requirements for customer notifications.

Privacy InfoBase Presentations 

- ▶ Part 8 - Exceptions to the Rule
- ▶ Part 9 - Reuse of Information
- ▶ Part 10 - Privacy Exam Procedures
- ▶ Part 11 - 501(b) Security Guidelines
- ▶ Part 12 - 501(b) and Bank Management

And, we'll look at some of the exceptions outlined in the rule, and see how all of this information fits into the privacy exam procedures.

Also, because there is such a direct relationship between privacy and how a bank handles and safeguards customer data, this series will look at some of the security issues outlined in section 501(b) of the law.

Viewing Sequence 



Information in each presentation builds on information from earlier presentations, so it is strongly recommended that you view the presentations in sequential order.

# Privacy



Now let's take a look at why privacy is such an important issue in today's financial institutions.

**Gramm-Leach-Bliley Act**



November 12, 1999

The privacy of consumers' financial information became relevant to regulatory agencies when lawmakers passed the Gramm-Leach-Bliley Act, which was signed into law on November twelfth, nineteen ninety-nine.

The focus of the act was to modernize the nation's financial industries by breaking down barriers between banking and related areas such as securities and insurance.

**Consumer Privacy**



However, as lawmakers were drafting the law, they became aware of perceived abuses of consumer privacy, and they saw an opportunity to protect consumer privacy from such practices as financial institutions selling deposit account numbers to telemarketers.

Consequently, lawmakers included privacy provisions in the Gramm-Leach-Bliley Act.

**The provision...**

- ▶ **Requires disclosure of privacy policies**
- ▶ **Limits instances in which consumer information can be shared**
- ▶ **Gives consumers a chance to protect some of their personal financial information**

The privacy provision protects the privacy of consumers' financial information in three ways, by:

- Requiring disclosure of privacy policies,
- Limiting instances in which consumer information can be shared with nonaffiliated third parties, and
- Giving consumers a chance to stop some of their personal financial information from being shared

**Privacy Provisions**



**12 CFR - Parts  
40, 216, 332,  
573, and 716**

These privacy provisions are the foundation for 12 CFR Parts 40, 216, 332, 716, and 573 Privacy of Consumer Financial Information.

Each of the presentations in the InfoBase is intended to assist you in better understanding the issues surrounding these rules.

**Interagency Codification**



- Part 40 Office of the Comptroller of the Currency**
- Part 216 Federal Reserve Board**
- Part 332 Federal Deposit Insurance Corporation**
- Part 573 Office of Thrift Supervision**
- Part 716 National Credit Union Administration**

Since these presentations are designed for an interagency viewing audience, and the 12 CFR parts are agency specific, this InfoBase training will refer to section numbers only.

**InfoBase Citation Customs**



- ▶ **InfoBase - §\_\_.3(b)(1)**
- ▶ **OCC - § 40.3(b)(1)**
- ▶ **FRB - §216.3(b)(1)**
- ▶ **FDIC - §332.3(b)(1)**
- ▶ **OTS - §573.3(b)(1)**
- ▶ **NCUA - §716.3(b)(1)**

When references to sections are given in slide text, the presentations will replace the part number with a line, as shown in this example. You can then extrapolate the part number for your associated agency.

Generic Terminology



Each of the five FFIEC member agencies adopted regulations that are substantially similar, except for some terminology, such as use of the words bank, financial institution, and credit union, for example.

For purposes of these presentations, the terms bank, financial institution, institution, and *you* will be used as generic and interchangeable terms.

The term customer, defined in a later presentation, is also used to generically include the term member (as used by credit unions.)

Effective Dates

- ▶ Effective Date: November 13, 2000
- ▶ Compliance Date July 1, 2001



Although the regulation went into effect on November thirteenth, two-thousand, institutions were given until July first, two-thousand and one to comply with the practices and processes required by the privacy regulation.

Effective Dates

- ▶ Effective Date: November 13, 2000
- ▶ Compliance Date July 1, 2001
  - ▶ Determine instances in which they share consumer financial information
  - ▶ Provide privacy notices
  - ▶ Provide consumer options

By that date, institutions were directed to determine all of the instances in which they share consumer financial information and to provide a privacy notice to all customers. Institutions sharing information outside of exceptions provided in the law were also required to provide consumers with an opportunity to stop that information sharing.

Examiner Roles in Privacy

- ▶ Congress
- ▶ Banking industry
- ▶ Consumer advocacy



Congress, the banking industry, and consumer advocacy groups will all be paying close attention to how the privacy regulation is implemented and enforced. Since this highly visible area is new territory for both financial institutions and for examiners, there will be many challenges along the way.

It is very important to all parties that you and your agencies are at the forefront of the implementation process because you are going to face serious questions and issues right from the start.

InfoBase Presentations



A Firm Foundation for Privacy Issues

These InfoBase presentations will not make you an expert on privacy issues, but they will lay a firm foundation for your becoming an expert.

In light of that objective, let's first look at some of the definitions necessary for understanding the privacy regulation.