

# PRIVACY OF CONSUMERS' FINANCIAL INFORMATION PART 5 PRIVACY NOTICE CONTENT

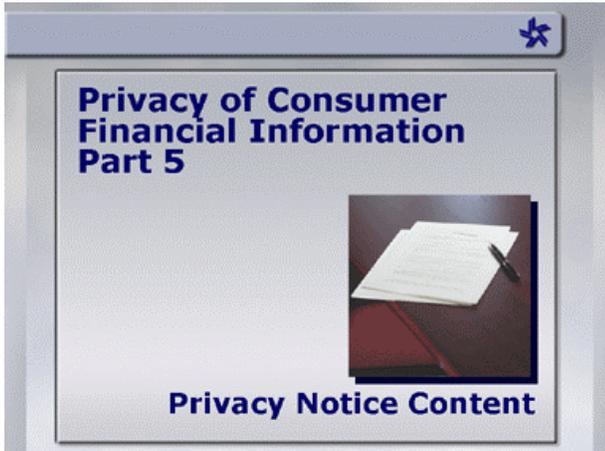
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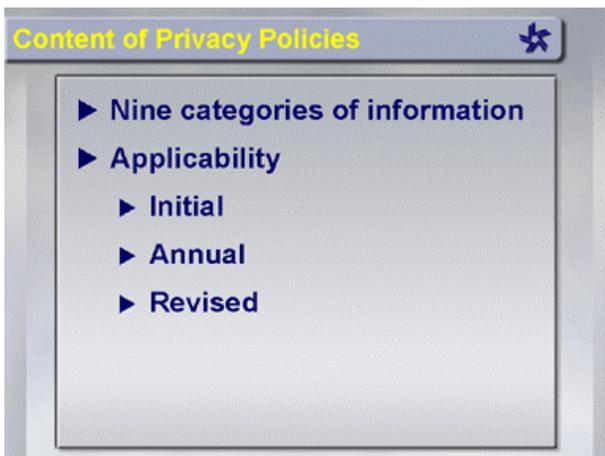
## Slides



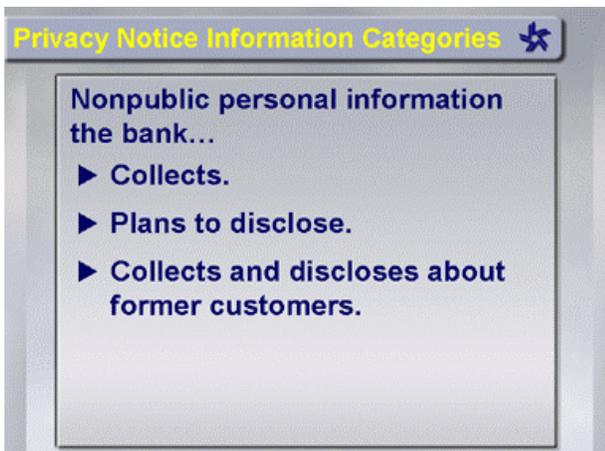
## Narration

The last presentation outlined three types of privacy notices; initial notices, annual notices, and revised notices.

In this presentation, we'll look at what the regulation requires in terms of content for those notices.



There are nine categories of information about which financial institutions are required to disclose information. All of those categories apply to initial, annual, and revised notices alike.



The first categories relate to the privacy-related information itself—that is, what nonpublic personal information does the bank collect and which of that information does the bank plan to disclose.

This aspect of the regulation covers information about not only current customers, but also information about former customers.

Privacy Notice Information Categories

How and with whom:

- ▶ Affiliate and nonaffiliated third party recipients
- ▶ Joint servicing and marketing agreements
- ▶ Affiliate sharing under FCRA

Another three categories relate to how and with whom the bank plans to share information.

Specifically:

- Affiliated and nonaffiliated third party recipients of nonpublic personal information
- Joint servicing and marketing agreements (in situations in which the bank and a third party have agreed jointly to market certain services, such as insurance policies), and
- The sharing of information subject to opt out with affiliates under the Fair Credit Reporting Act

Affiliate Sharing Under FCRA



If a bank provides FCRA disclosures regarding the ability to opt out of information sharing with affiliates, these FCRA notices must be included in the privacy notices.

Affiliate Sharing Under FCRA



In October of two thousand, the agencies issued a proposed rule that would govern the content and delivery of FCRA opt out notices. The rule has not yet been issued in final form, but compliance will likely be required by July first two thousand two.

**FCRA Compliance**

**Institutions must:**

- ▶ Provide an opt out notice

OR

- ▶ Be considered a consumer-reporting agency



However, if a bank plans to share certain information with affiliates, it must still comply with the Fair Credit Reporting Act, which states that institutions must either provide an opt out notice or be considered a consumer reporting agency, if it shares consumer report information with its affiliates.

A press release and a Federal Register notice relating to this issue can be accessed from the menu on the right side of your screen. Both documents were current as of March two thousand and one.

**Privacy Notice Information Categories**

**Final three categories:**

- ▶ Information security practices
- ▶ Notice of right to opt out
- ▶ Disclosures as permitted by law

The final three categories require banks to disclose information about

- The institution's information security practices (as related to safeguarding consumers' nonpublic personal information), about
- Consumers' rights to opt out of having their nonpublic personal information shared, and finally about
- The fact that the bank may, as permitted by law, make disclosures of a customer's nonpublic personal information in some instances and to entities other than those specifically outlined in the notice.

**Rule Assistance for Notices**



- Examples
- Guidance
- Appendix A

While there are nine categories of information that must be disclosed, the rule simplifies disclosure of those categories in several ways.

First, the rule contains a number of examples and practical guidance that financial institutions can use in creating privacy notices.

More specific assistance is offered in Appendix A of the rule.

Rule Assistance for Notices

Appendix A to Part 573—Sample Clauses

Financial institutions, including a group of financial holding company affiliates that use a common privacy notice, may use the following sample clauses, if the clause is accurate for each institution that uses the notice. (Note that disclosure of certain information, such as assets, income, and information from a consumer reporting agency, may give rise to obligations under the Fair Credit Reporting Act, such as a requirement to permit a consumer to opt out.

It provides sample disclosure clauses and stipulates that if a bank uses these clauses in a manner that is accurate for the respective institution, it has accordingly complied with the rule.

You may want to pause this presentation and review these clauses by selecting Appendix A in your right-hand menu.

Rule Assistance for Notices

- ▶ Examples
- ▶ Guidance
- ▶ Appendix A
- ▶ **Simplified notices**
- ▶ **Short-form notices**

The rule also provides, in certain situations, for simplified notices and short-form notices. These options make it much easier for some financial institutions to provide the required privacy notifications.

Simplified Notices

Examples of privacy rule exceptions:

- ▶ **Servicing accounts**
- ▶ **Subpoenas**
- ▶ **Fraud detection**



A simplified notice can be used by a bank that plans to disclose information about customers only under privacy rule exceptions. Those exceptions include events such as servicing the customer's account, in response to subpoena or for the purposes of fraud detection. Exceptions are discussed in more detail later in this series of presentations.

Short-Form Notices



Notification to consumers:

- ▶ Opt out notice and procedures
- ▶ Availability of full privacy notice
- ▶ Instructions for obtaining full notice



A short-form notice is a notice that may be given to consumers who are not customers.

If the bank decides it's going to share information about consumers with nonaffiliated third parties, it may provide a short-form notice that must include the opt out notice (with the associated procedures), a statement that the consumer can obtain a copy of the full privacy notice upon request, and instructions on how to request it.

Short-Form Notices



Example

A short-form notice might be used in situations where a consumer, who is not a customer, must make an immediate decision about whether or not to exercise an opt out—for example, a consumer using another bank's ATM machine.

Privacy Notices



- ▶ Nine categories of information
- ▶ Opt out notice



In addition to the nine categories of information required in privacy notices, banks must also provide an actual opt out notice, which is the topic of the next presentation.