

**Summary of  
The Privacy Provisions of the  
Gramm-Leach-Bliley Act  
and Implementing Regulations**

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# **The Gramm-Leach-Bliley Act and Implementing Regulations**

- **GLB Act enacted November 12, 1999**
- **Primary purpose is to permit affiliations between banks, securities firms and insurance companies**
- **Title V is scheduled to be effective November 13, 2000**
- **Compliance required by July 1, 2001**

## **Highlights of Title V and The Agencies' Regulations**

- **Financial institution safeguards**
- **Disclosure obligations**
- **Privacy obligation policy**
- **Privacy notice requirements**
- **Information to be included**
- **Opportunity to opt out**
- **Reuse of information**
- **No disclosure of account numbers**
- **Exceptions**
- **Joint marketing**
- **Rulemaking and enforcement**
- **Applicability of State law**

## **Privacy Obligation Policy**

**Every financial institution has an affirmative and continuing obligation**

- **to respect customer privacy and**
- **to protect the security and confidentiality of customer information**

# **Financial Institution Safeguards**

**Federal agencies and State insurance authorities are required to adopt standards**

- **to protect against threats to security or integrity of customer information**
- **to insure safety and confidentiality of customer information**
- **to protect against unauthorized access**

**Agencies are in the process of establishing these standards**

## **Disclosure Obligations**

- **Who are consumers and customers?**
  - **Consumers are individuals who obtain a financial product or service used primarily for personal, family or household purposes**
  - **Customers are consumers who have a continuing relationship with the financial institution**
- **Financial institutions may not disclose “nonpublic personal information” to “nonaffiliated third parties” without**
  - **notice**
  - **opportunity to “opt out”**

## **What is a Financial Institution?**

**A financial institution is any entity that engages in financial activities, including**

- **banks, savings banks, credit unions**
- **credit card issuers**
- **securities firms**
- **insurance companies**
- **finance and leasing companies**

## **What is Nonpublic Personal Information?**

- **Personally identifiable information collected from consumers**
- **Personally identifiable information collected about consumers**
- **Personally identifiable information resulting from a transaction with consumers**

## **Notice Requirements**

- **A clear and conspicuous privacy notice must be provided when a consumer becomes a customer and annually thereafter**
- **Privacy notice must contain the financial institution's policies and practices on**
  - **Disclosing information to affiliates and nonaffiliated third parties**
  - **Disclosing information of former customers**
  - **Protecting consumer information**

## **Information To Be Included**

- **Categories of information collected**
- **Categories of information shared**
- **Categories of persons information is shared with**
- **Policies to protect confidentiality and security of information**
- **Fair Credit Reporting Act disclosures**

## **Opt Out Form and Methods**

- **Opt out notice must be clear and conspicuous**
- **Notice must explain consumer's right to opt out**
- **Notice must provide a reasonable means to opt out**
  - **reply form**
  - **toll-free telephone number**
  - **e-mail or web options**

## **Redislosure and Reuse of Information**

- **Anyone who receives information from a financial institution may disclose the information to a nonaffiliated third party only to the extent such information could be disclosed by the provider**
- **The rules restrict reuse by third parties**
  - **information can be used only for the purpose for which it originally was provided**

## **Exceptions**

- **Servicing and operational needs**
  - **As necessary to effect, administer or enforce a transaction requested or authorized by the consumer**
- **To comply with legal requirements such as subpoenas, examinations, audits**
- **Other operational exceptions such as to detect or prevent fraud**
- **Joint marketing**

## **Joint Marketing**

- **Permits disclosure of information to a nonaffiliated third party without opt out**
- **Must be between financial institutions**
- **Must disclose to consumers**
- **Must be by agreement**

## **Joint Agreement**

- **Formal written contract**
- **Jointly offer, endorse or sponsor a financial product or service**
- **Third party must agree to maintain confidentiality of information and not use it for other purposes**

## **Prohibition on Disclosing Account Numbers**

- **Financial institutions are prohibited from disclosing a customer's credit card, deposit account and transaction account number to nonaffiliated third parties for use in telemarketing, direct mail marketing or other marketing**
- **Agencies' regulations permit encrypted numbers so long as the recipient cannot decode the number**
- **Account numbers may be provided to service providers to market the financial institution's own products so long as the third party cannot directly initiate charges**

## **Rulemaking and Enforcement**

- **Federal agencies with rulewriting and enforcement authority**
  - Federal Reserve Board
  - Comptroller of the Currency
  - Federal Deposit Insurance Corporation
  - Office of Thrift Supervision
  - National Credit Union Administration
  - Securities and Exchange Commission
  - Federal Trade Commission
- **Insurance companies and agents are subject to the jurisdiction of the state insurance authority**

## **Applicability of State Law**

- **States may enact stronger measures**
- **Many States are considering**
  - Opt in
  - Consumer access to information and correction rights
  - Limits on affiliate sharing