

## SUMMARY OF FEDERAL FINANCIAL SERVICES MODERNIZATION ACT OF 1999 (GRAMM-LEACH-BLILEY ACT)

**WHO** - Congress enacted the Act and on November 12, 1999, the President signed the Act into law

**WHAT** - The Act modernizes the nation's financial industries by breaking down barriers between banking and related areas such as securities and insurance. The Act is made up of seven titles, with the privacy portion of the Act addressed in Title V

**WHEN** - Financial institutions were required to be in full compliance with the Act by July 1, 2001

**TITLE V** - The three primary privacy provisions of Title V of the Act:

1. **Require financial institutions to provide notice of the institution's privacy policies:**
  - a. **Initial notice** - Required to be provided to all customers no later than the time at which the customer relationship is established and required to be provided to all consumers before the sharing of any nonpublic personal information with a nonaffiliated third party
  - b. **Annual notice** - Required to be provided to all customers at least once in any 12 consecutive months during the customer relationship
  - c. **Revised notice** - Required to be provided to all consumers and customers before sharing of any nonpublic personal information with a third party under a materially revised disclosure policy
2. **Place limitations on financial institution's sharing of consumer's nonpublic personal information with nonaffiliated third parties (the Act does not limit the sharing of information with affiliates):**
  - a. **Consumer authorization not required for financial institution to share nonpublic personal information:**
    - (1) **With affiliates**
    - (2) **With nonaffiliated third parties under specific exceptions to perform services for or functions on behalf of the financial institution**
    - (3) **With nonaffiliated third parties under general exceptions, including:**
      - (a) As necessary to effect, administer, or enforce a transaction requested or authorized by the consumer
      - (b) As required under state, federal, or local laws
  - b. **Consumer authorization required for financial institution to share nonpublic personal information with nonaffiliated third parties**
3. **Require the financial institutions to offer consumers a choice regarding the sharing of nonpublic personal information with nonaffiliated third parties. Opt-out notices must inform consumers of the:**
  - a. **Financial institution's information sharing policies**
  - b. **Consumer's right to opt out of that disclosure**

### TERMS

1. **"Affiliate"** includes a financial institution's subsidiaries, the financial institution's holding company, or other company owned by the financial institution's holding company
2. **"Consumer"** is any individual who has obtained a financial product or service from a financial institution for personal, family, or household purposes
3. **"Customer"** is a subset of consumer, specifically, a customer is a consumer with whom a financial institution has a continuing relationship

4. **“Financial institutions”** include banking institutions, insurance institutions, securities institutions, and any other institutions that significantly engage in financial activities
5. **“Nonaffiliated third parties”** are essentially any entities except affiliates
6. **“Nonpublic personal information”** is a subset of “personally identifiable financial information”, and includes:
  - a. Personally identifiable financial information that is not publicly available
  - b. Lists, descriptions, or other groupings that are:
    - (1) Created using personally identifiable financial information that is not publicly available information;  
or
    - (2) Contain personally identifiable financial information that is not publicly available information
7. **“Personally identifiable financial information”** is information a financial institution collects about a consumer in conjunction with providing a financial product or service, and includes the very fact that an individual is a consumer of a financial institution