



October 20, 2000

By Hand and Via Email

Secretary
Federal Trade Commission
Room H-159
600 Pennsylvania Avenue, NW
Washington, DC 20580

Re: G-L-B Act Privacy Safeguards Rule Comment

Dear Sir or Madam:

The Securities Industry Association (“SIA”)¹ appreciates the opportunity to comment on the Federal Trade Commission’s notice seeking comment on developing the administrative, technical, and physical Safeguards Rule to protect customer records and information pursuant to the Gramm-Leach-Bliley Act (“GLB”). Our membership includes more than 740 securities firms, including investment banks, broker-dealers, and mutual fund companies throughout North America. We are supportive of the GLB’s requirement that financial institutions establish standards for the safeguarding of customer records and information, and commend the FTC for seeking public comment on the most appropriate way to achieve the goals of the GLB.

The purpose of this letter is to highlight our concerns that are common to all of the regulations to protect customer information that have been issued or proposed by the regulatory agencies under the GLB. We believe this is important because many of our member firms are now or may become affiliated with institutions subject to your regulations and because it is important that the final regulations issued by the various agencies are, to the extent possible, consistent.

You have asked for comment on whether the FTC rule should be similar to the guidelines issued by the federal banking agencies or the more general rule issued by the Securities and Exchange Commission (“SEC”). We believe the FTC should follow the

¹ SIA member firms are active in U.S. and foreign markets and in all phases of corporate and public finance. The U.S. securities industry manages the accounts of more than 50-million investors directly and tens of millions of investors indirectly through corporate, thrift and pension plans. The industry generates more than \$300 billion of revenues yearly in the U.S. economy and employs more than 600,000 individuals. (More information about SIA is available at our Internet web site, <http://www.sia.com>.)

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approach of the SEC and not the federal banking agencies because the GLB's requirements with respect to the safeguards standards for the FTC and the SEC are different than those for the banking agencies. GLB directs that the banking agencies' safeguards standards be in the form of guidelines or regulations by requiring that they implement the standards in the same manner, to the extent practicable, as standards prescribed pursuant to section 39(a) of the Federal Deposit Insurance Act. Section 39(a) of the FDI Act requires the banking agencies to establish operational and managerial standards for insured depository institutions concerning internal controls, information systems and internal audit systems in the form of guidelines or regulations. No such requirement exists under GLB for the SEC and the FTC.

The SEC's rule simply requires firms to adopt policies and procedures addressing administrative, technical, and physical safeguards to protect customer records and information. In proposing such a general rule, the SEC's release stated, "we believe it more appropriate for each institution to tailor its policies and procedures to its own systems of information gathering and transfer and the needs of its customers." See SEC Release No. 34-42484. The SEC's approach avoided rigid, proscriptive rules that would likely have caused firms to adopt procedures that lacked the flexibility to adapt to changes in technology, in their business, and their own information security requirements.

Our recommendation is that the FTC's rule should follow along the lines of the SEC's rule. However, we believe that whatever form it takes, the FTC's rule should allow financial institutions the utmost flexibility in satisfying the GLB's safeguarding requirements. It is crucial that the rule's requirements be flexible because financial institutions are varied in their kinds and size of operations, structure and lines of business, types of services and products offered, customer base and personnel. Institutions also differ in their risk profiles. The rules must also account for technology, which is changing the way financial services firms to do business almost on daily basis. In short, the rule's requirements must be flexible enough to allow financial institutions to structure their compliance efforts to best suit their businesses, and to adapt to ever advancing technology.

Protecting customer records and information is extremely important for financial institutions and we appreciate the FTC's efforts to obtain public comment on the most appropriate way to satisfy the GLB's goals. We hope that our comments are helpful. If we can provide any further information, please contact the undersigned at (202) 296-9410.

Sincerely,

Alan E. Sorcher
Assistant Vice President and
Assistant General Counsel