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February 6, 2004

Federal Trade Commission  
Office of the Secretary  
Room 159-H  
600 Pennsylvania Avenue, NW  
Washington, D.C. 20580



Re: Alternative Forms of Privacy Notices, Project No. P034815

Dear Sir or Madam:

On January 20, 2004, the Notices Project from the Center for Information Policy Leadership met with the interagency group working on the Interagency Proposal to Consider Alternative Forms of Privacy Notices under the Gramm-Leach-Bliley Act. At that time, CIPL distributed a spiral-bound book containing the information we presented. This letter is a formal submission of that notebook.

Per your request, we also attach "Suggested Principles to Guide The Financial Services Regulators Privacy Notices Considerations." We trust these principles will assist the agencies in their tasks.

The CIPL Notices Project intends to file additional comments prior to the expiration of the comment period on March 29, 2004.

Thank you for your consideration. If you have any questions about either submission please call me at (404) 888-4274.

Sincerely,

*Martin Abrams*  
7x7

Martin E. Abrams  
Executive Director

MEA/tlf  
Enclosures

## **Suggested Principles to Guide The Financial Services Regulators Privacy Notices Considerations**

1. **GOALS PRINCIPLES: Simplified notices have two goals. It is important that both goals be met.**
  - **First, they should improve consumer comprehension of corporate privacy practices.**
  - **Second, they should facilitate comparison of corporate privacy practices.**

The interagency group should establish benchmarks against which to measure the success of any simplified notice proposal with respect to each of these goals. The research on notices referenced below provides insights on how to establish these benchmarks. For example, a common notice format will facilitate both comprehension and comparisons.

To these ends, we recommend that the interagency group see their efforts as creating a model for transparency. Regulators should also be supportive of national and international standards related to short notices to improve comprehension of relevant data for authorities and advisors as well as consumers.

2. **LEARNING PRINCIPLE: Respect the extensive body of research on how individuals learn from notices.**

The interagency group should rely on the wealth of existing research on effective learning and consumer information processing. This research should guide decisions on establishing consumer education goals for notice forms. It can also guide development of forms that improve consumers' ability to use notice information as a basis for comparing different financial institutions' practices.

The research on education reveals four key lessons:

- **Notices should be short.**

For notices to convey information to the majority of readers, they must contain no more than seven unique topics or messages. Each topic should have no more than four specific points. Any model template developed by the regulators should respect these length limits.

- **Notices must be written using simple language.**

Notices must be written using words that are familiar to the reader. Use of complex or unfamiliar words, such as legal terms or industry jargon will render the notice incomprehensible. Any model template developed by the regulators should include a sample glossary of words that have been tested with consumers to ensure that they meet established comprehension objectives.

- **Notices must share a common format.**

Effective notices utilize the readers' short and long term memories. Notice forms are most successful if consumers can apply what they learned from the notice they saw previously to better understand the notice they see today. Any model template developed by the regulators should provide a format that can be used by all financial institutions as well as other industries. Furthermore, regulators should recognize the need for any model to be applied consistently across the US.

- **Notices must be designed to enhance readability.**

Design elements, such as use of defined text boxes and white space, can significantly enhance readability. Any model template developed by the regulators should use design elements to enhance readability.

**3. FLEXIBILITY PRINCIPLE: Layered notices systems enable organizations to achieve the goals of comprehension and comparison without compromising their ability to accurately describe all corporate information handling practices.**

Because financial institutions have different privacy and information use practices, it is vital that common notice forms and language do not dictate or restrict practices. The design and language must be able to convey the full range of corporate practices.

Layered notices systems provide financial institutions with flexibility. The simplified (or "highlights") notice template allows the organization to provide consumers with the most important information, in a common format, for maximum comprehension and comparison. A complete statement of all privacy and information use practices should be available upon request to any person that wants to understand the full range of corporate practices.

Increasingly, accounts are opened remotely, on the phone, at merchant locations, through the mail and through the Internet. Notices could be on product packaging, on registration or signature cards, or on receipts generated by banking machines. The design and testing should take into consideration the various methods of delivering notices.

**4. TRUST PRINCIPLE: Notices are an important vehicle for corporate branding and trust-building.**

Improving comprehension and comparison will further enhance the ability of financial institutions to build trust and branding with their notice documents. Layout and design of the common elements must be done in a manner that still leaves plenty of room for companies to use their own colors, logos and font styles.

There is also a need for notices across institutions to rebuild the trust and understanding about financial institutions in general. To the extent that financial modernization, as authorized in GLBA, has significant benefits for consumers and institutions, notices should make customers more comfortable in the transition to those benefits.

**5. TESTING PRINCIPLE. Testing is essential.**

To determine if the goals for comprehension and comparison are met, any simplified notices templates and glossaries must be broadly tested with consumers. Testing should also occur with financial institutions to ensure that the forms permit accurate representation of their practices and that implementation of the forms will not present any unforeseen technical or business process obstacles.

Since customer attitudes and ability to read such notices is likely to change with greater familiarity, provisions in the regulation should allow companies to continue testing and refining their notices rather than lock in with what may work today.

