



BITS
FINANCIAL SERVICES
R O U N D T A B L E

October 9, 2001

Secretary
Federal Trade Commission
Room 159
600 Pennsylvania Avenue, N.W.
Washington, D.C. 20580

Re: Gramm-Leach-Bliley Act Privacy Safeguards Rule, 16 CFR Part 314 - Comment

Dear Sir or Madam:

On behalf of The Financial Services Roundtable, BITS, The Technology Group for The Financial Services Roundtable, and the BITS Information Technology (IT) Service Provider Working Group, we are pleased to submit our comments on the draft of the proposed rules on Standards for Safeguarding Customer Information released August 7, 2001.

The Roundtable and BITS earlier commented on similar guidelines that were issued by the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency and the Office of Thrift Supervision ("Agencies") on the proposed Interagency Guidelines Establishing Standards for Safeguarding Customer Information and Rescission of Year 2000 Standards for Safety and Soundness. The Roundtable and BITS appreciate the work of the Commission in issuing the proposed rule and recognize the challenge the Commission faces in taking steps to ensure that customer information is protected.

The financial services industry is increasingly relying on third-party information technology (IT) service providers to support core functions and the online delivery of financial services. This change coupled with new and dynamic technologies has resulted in new providers unfamiliar with the control, security and privacy requirements of financial institutions under the Agencies' jurisdiction. Therefore, given possible confusion which could result from inconsistent rules and guidelines, the Roundtable and BITS would like to ensure that the organizations you oversee are held to the same standard as are those under the Interagency Guidelines.

The Roundtable and BITS acknowledge that the financial services company is responsible for determining security requirements for service providers based upon their risk assessment of the application, system or service to be outsourced. In addition, as each contractual relationship between a financial institution and service provider is unique, the Commission should not provide further guidance on what safeguards are appropriate.

However, while each financial institution determines the security requirements for the applications, system or service, the Roundtable and BITS believe that implementation of an industry-wide approach to security-related issues will more effectively provide a common understanding among IT

service providers, address known control weaknesses in outsourced IT services, and result in more consistent and appropriate levels of management by financial services companies that outsource IT services.

To that end, the Roundtable and BITS Boards of Directors recently endorsed the attached *BITS Framework for Managing Technology Risk for Information Technology (IT) Service Provider Relationships*. The *Framework* comprehensively covers most aspects of managing IT control, design and management practices where IT services are under consideration for outsourcing or have been outsourced. However, consistent with current regulatory guidance, the *Framework's* recommendations will likely be applied selectively based on a financial services company's risk assessment results. In this way, the *Framework* should be used as reference material, to stimulate firms to ask the right questions and to complement individual institution risk management policies.

Thank you for the opportunity to participate and comment on the FTC rules.

Sincerely,



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