

Introduction

Regulation S-P was adopted by the SEC to address privacy issues concerning the policies and practices over the privacy and overall use and disclosure of personal non-public information. *Regulation S-P* details certain privacy rules promulgated under *Section 504 of the Gramm-Leach Bliley Act*, which requires the SEC, and other federal agencies to adopt rules implementing notification requirements and restrictions on a financial institution's ability to disclose personal nonpublic information about its consumers and/or customers. All such policies and procedures pertaining to *Regulation S-P* shall be effective July 1, 2001, and shall remain in effect hereinafter unless otherwise revised.

11.01 Designations/Responsibilities for Reg. S-P Procedures

The Firm shall assign certain responsibilities to a designated supervisor for the proper execution of Regulation S-P related policies and procedures. The designated person(s) shall be the Firm's central point of contact for any/all communications with regulatory agencies regarding the Firm's privacy policies and procedures.

Designated Supervisor

Please see the Firm's List of Registered and Supervisory Personnel for further details.

11.02 Types of Privacy Notifications

Initial Notification

The Firm must provide a clear and conspicuous privacy notice that accurately reflects the Firm's policies and practices regarding the use and disclosure of personal nonpublic information to their clients. All initial notices must be issued to both "customers" and "consumers" of the Firm as defined by the Rule (*see Section 9.04 Initial Privacy Policy Notifications for definitions*).

Short-form Notification

The Firm may satisfy certain initial notification requirements by providing consumers with a short-form initial notice at the same time as the Firm delivers an opt out notice. In this case, the Firm must provide clear and conspicuous verbiage; must state Firm's policy; and must provide reasonable means for obtaining privacy notice.

Annual Notification

The Firm is required to provide a clear and conspicuous notice to all customers that accurately reflect the Firm's privacy policies and practices on an annual basis during the continuation of the customer relationship. The Firm must issue its privacy policy at least once in any 12 consecutive month period during the continuation of the customer relationship

Revised Notification

The Firm must provide a *revised* privacy notice that accurately reflects the Firm's policies and practices regarding the use and disclosure of personal nonpublic information to their clients. These notices are to be used when disclosing any new categories of information to any nonaffiliated third party, any personal nonpublic information to a new nonaffiliated third party, and any personal nonpublic information about a former customer.

11.03 Required Information on Privacy Notices

At a minimum, the Firm is required to include the following information and disclosures within their Privacy Notices or Privacy Policy Statements for distribution to customers:

Collection of Customer Information

The categories of non-public personal information that the Firm may *collect* such as:

- General customer information;
- Customer transaction information involving the Firm or its affiliates;
- Customer transaction information involving nonaffiliated third parties;
- Consumer-reporting agency information.

Disclosure of Customer Information

The categories of non-public personal information that the Firm may *disclose* such as:

- Categories of personal nonpublic information that you reserve the right to disclose in the future, but do not currently disclose as a few examples to illustrate the types of information in each category; and
- If the Firm reserves the right to disclose ALL of the personal nonpublic information about customers that the Firm collects, then a simple statement shall be sufficient without the use of such examples or categories.

Disclosure to Affiliated/Non-Affiliated Parties

An "affiliation" exists when one company "controls," is controlled by, or is under common control with another company. The definition includes both financial institutions and entities that are not financial institutions. The proposed rule also provided that a broker-dealer, fund, or registered adviser would be considered an affiliate of another company if the other company is regulated under Title V by one of the Agencies, and under that Agency's rules, the other entity would be affiliated with the broker-dealer, fund, or registered adviser.

Therefore, the categories of affiliates and nonaffiliated 3rd parties to whom the Firm may disclose nonpublic personal information, other than those to whom information is disclosed under an exception in *Section 502(e)* of the G-L-B Act such as the following information:

- Financial service providers;
- Non-financial companies;
- Other firms.

Former Customers

The Firm's policies with respect to sharing information about former customers;

Third-Party Service Providers

The categories of information that are disclosed under agreements with 3rd party service providers and joint marketers and the categories of third parties providing the services such as the following:

- List the categories of personal nonpublic information the Firm will disclose; and
- State whether the third party is a service provider that performs marketing services on the Firm's behalf or whether it is a financial institution with which the Firm has a joint marketing agreement.

Opt-Out Clause

A consumer's right to opt out of the disclosure of nonpublic personal information to nonaffiliated third parties;

Disclosure of Information Sharing with Affiliated Companies

Any disclosures regarding affiliate information sharing opt-outs a financial institution is providing under the Fair Credit Reporting Act; and

Security and Protection of Customer Information

The institution's policies and practices with respect to protecting the confidentiality, security, and integrity of nonpublic personal information such as the following information:

- Describe in general terms who is authorized to have access to the information; and
- State whether or not the Firm has security practices and procedures in place to ensure the confidentiality of information in accordance with the Firm's policies.

NOTE: Except as permitted by law, the Firm does not disclose any nonpublic personal information about current or former customers to any non-affiliated third-parties (see Privacy Notice for additional information)..

11.04 Initial Privacy Policy Notifications

The Firm must provide a clear and conspicuous privacy notice that accurately reflects the Firm's policies and practices regarding the use and disclosure of personal nonpublic information to the following clients:

Customers

Under the Rule, a "customer" is defined as any consumer who has a "customer relationship" with a financial institution. As such, customers should be issued initial privacy notices *no later than* the establishment of a customer relationship with the customer.

Consumers

Under the Rule, a "consumer" is defined as any individual (or his or her legal representative) who obtains, from a financial institution, financial products, or services that are to be used primarily for personal, family, or household purposes. Because "financial product or service" includes a financial institution's evaluation of an application or request to obtain a financial product or service, a person becomes a consumer even if the application or request is denied or withdrawn. As such, consumers should be issued initial privacy notices *before* the disclosure any personal nonpublic information about the consumer to any nonaffiliated 3rd parties.

When Initial Privacy Notice is *Not* Required

Any broker/dealer, investment company or investment adviser firm registered with the SEC under the Investment Advisers Act of 1940, is *not required* to provide an initial privacy notice under the following conditions:

- In the event that the Firm does not disclose any personal non-public information about the consumer to any nonaffiliated 3rd party; and
- The Firm does not have a customer relationship with a consumer as in the case of effecting a transaction, opening an account (introducing broker/dealer or otherwise), or enters into an advisory contract.

Exceptions to Allow Subsequent Delivery of Notice

The SEC has allowed for the issuance of the notice to occur within a “reasonable time” after the establishment of a customer relationship under the following circumstances:

- In the event that the establishment of a customer relationship is *not* at the customer’s election (as in the case of a transferred account by a trustee selected by SIPC and appointed by the United States Court);
- If providing the notice would substantially delay the customer’s transaction and the customer agrees to receive such notice at a later time period (as in the case where the customer agrees to enter into a customer relationship involving the prompt delivery of a financial product or services); and
- A nonaffiliated broker/dealer or investment adviser establishes a customer relationship between the Firm and customer without the Firm’s knowledge. ►►

Implementation Strategy

The Firm’s designated supervisor shall review and approve the initial and annual privacy notices to be issued to customers. All reviewed notices should be properly documented and filed as evidence of approval.

The Firm will provide customers with an initial and annual notice of our privacy policies. Each Affiliate is responsible for distributing the initial privacy notification to clients. The Home Office will distribute the annual notification to clients.

Short-Form Initial Notification

The Firm may satisfy certain initial notification requirements of *Regulation S-P* by providing consumers with a short-form initial notice at the same time as the Firm delivers an opt out notice. In accordance with the Rule, a short-form initial notice must include the following information:

- It must be written in a manner that is easy to understand;
- The notification must state the Firm’s privacy policy upon request; and
- It must explain a reasonable means by which a consumer may obtain the Firm’s privacy notice. ►►

Implementation Strategy

Not applicable. The Firm’s does not currently use short-form initial notices and/or opt-out clauses.

11.05 Annual Privacy Policy Notifications

The Firm is required to provide a clear and conspicuous notice to all customers that accurately reflect the Firm's privacy policies and practices on an annual basis or at least once in any twelve (12) consecutive month period during the continuation of the customer relationship.

When Annual Privacy Notice is *Not* Required

The Firm is NOT REQUIRED to provide an annual privacy notice under the following conditions:

- A closed customer account;
- The termination of a customer's investment advisory contract;
- A customer is no longer the owner of record for securities the Firm has issued (for investment companies registered under the Investment Company Act of 1940); and
- If an Investment Company's customer is determined to be a lost security holder as defined in *17CFR240.17a-24(b)*.

11.06 Revised Privacy Policy Notifications

The Firm's privacy policy notice must be revised and issued to its customers based on the following terms and conditions:

- Disclosure of any new category of personal nonpublic information about a customer to any nonaffiliated 3rd party;
- Disclosure of any personal nonpublic information to a new nonaffiliated third party; and
- Disclose any nonpublic personal information about a former customer to a nonaffiliated third party if that person has chosen to opt out of such disclosure. ►►

Implementation Strategy

The Firm's designated supervisor will review and approve any amendments and/or revisions to the Firm's privacy policy to ensure that it complies with the aforementioned requirements. All current and future amendments to the Firm's policy will be maintained at the main office and properly evidenced as an indication of review.

11.07 Delivery of Privacy Policy Notifications

The Firm shall deliver its privacy policy notices to each consumer in writing or in electronic form (if requested by the consumer). Customers will have "received" such a privacy policy notice if one or more of the following delivery methods occur:

- Hand-delivery of a printed notice copy to the consumer;
- Mail delivery of a notice copy to the last known address of the consumer;
- Electronic posting of a notice requiring the consumer to acknowledge receipt as a necessary step in obtaining a financial product or service;

- Electronic posting of a notice requiring the consumer to acknowledge receipt as a necessary step in obtaining a financial product or service.

11.08 **Delivery of Opt-Out Notifications**

If the Firm is required to provide an opt-out notice in accordance with the Rule, the Firm will provide a clear and conspicuous notice to the Firm' consumers that accurately explains their right to opt-out from disclosing personal nonpublic information to nonaffiliated third parties.

The opt-out notice must state the following information:

- The Firm's right to disclose nonpublic personal information about consumers to a nonaffiliated 3rd parties;
- The consumer's right to opt out of such disclosures;
- A reasonable means by which the consumer can exercise their right to opt out;
- A toll-free telephone number for consumers to call and opt out.

The Firm shall allow a reasonable period for the customer or consumer to opt-out of certain disclosures that shall include the following methods:

- By telephone- allow the consumer to opt out by calling a toll-free telephone number within 30 days after the date the Firm mailed the notice;
- By Mail- allow the consumer to opt out by mailing a form within 30 days after the date the Firm mailed the notice;
- By electronic means- if a customer elects to receive an electronic notice through the use of the Firm's Web site in the process of opening an account, the customer shall have thirty (30) days after the date that the customer acknowledged receipt of such notice in conjunction with the opening of the account; and
- Isolated Transaction- for isolated transactions such as the cross-offering of additional services by a broker/dealer or other financial institution, the customer shall receive the notice at the time of the transaction whereby the Firm requests the customer to decide whether to opt out before completion of the transaction.

Note: The Firm understands that it does not provide a reasonable means to opt-out if the only options for the consumer are to (1) write his or her own letter requesting to opt out; (2) to use check-off boxes provided with the initial notice but not with subsequent notices.

Exceptions to Opt-Out Requirements for Service Providers/Joint Marketing Firms

The Firm may share information with a nonaffiliated third party without providing the consumer a right to opt out if the third party is to perform services for (or functions on behalf of) the financial institution, including marketing the institution's own products or services, or financial products or services offered under a joint agreement between two or more financial institutions. However, the Firm is required to fully disclose to the consumer that it will provide this information to the nonaffiliated third party before sharing the information and to enter into a contract with the third party that requires the third party to maintain the confidentiality of the information.

Providing Opt-Out Notification to Consumers with Non-public Personal Information

The Firm understands that it shall comply with the Rule by providing all consumers with the option to opt out to disclosure of any/all personal non-public information regardless of whether the Firm has entered into a customer relationship with the customer. If the Firm has not complied with the Rule, the Firm understands that it may not disclose any personal non-public information about a consumer that may have been collected, either directly or through an affiliate, regardless of whether the Firm collected information before or after receiving the direction to opt-out from the consumer.

Partial Opt-Out Notification

In accordance with the rule, the Firm may allow a consumer to select certain sections of personal nonpublic information or certain nonaffiliated third parties with respect to which the consumer wishes to opt out. ►►

Implementation Strategy

Not applicable. The Firm currently does not share information, except as permitted by law, and, therefore, does not use of any opt-out notices.

11.09 Re-disclosure and Reuse of Personal Non-Public Information

If the Firm *receives* personal non-public information provided under *Section 502(e)* of the G-L-B Act (exceptions), it may disclose the information to its affiliates or to the affiliates of the financial institution from which it received the information. The Firm may also disclose and use the information under the same type of exceptions in the ordinary course of business to carry out the activity covered by the exception under which the institution received the information. Any affiliates of the Firm may disclose and use the information, but only to the extent permissible to the Firm.

If the Firm receives personal non-public information *outside* one of the *Section 502(e)* exceptions, it may disclose the information to the following:

- Its affiliates;
- The affiliates of the financial institution that made the initial disclosure; and
- Any other person if the disclosure would be lawful if made directly by the financial institution from which the information was received.

If a third party receives information from the Firm outside one of the *Section 502(e)* exceptions, the third party may disclose to its affiliates or to the affiliates of the Firm. The third party also may disclose to any other person if the disclosure would be lawful if made by the broker-dealer, fund, or registered adviser. The third party's affiliates may disclose and use the information to the same extent permissible for the third party.

11.10 Safeguarding Customer Information

The Firm has adopted certain policies and procedures that address the administrative, technical, and physical safeguards for the protection of customer information. These policies and procedures are designed to insure the security and confidentiality of customer records and information, protect against

anticipated threats or hazards as well as unauthorized access to customer records or information that may result in harm or inconvenience to a customer. ►►

Implementation Strategy

The Firm's designated supervisor will review the Firm's existing policies with respect to safeguarding customer records and information. In the event that the Firm allows customers to provide certain information to the Firm through an existing website in order to view account activity or otherwise conduct transactions, the Firm will use a minimum of a 128-bit Secure Socket Layer (SSL) encryption security with passwords to ensure a safe transmission of data between the Firm and its customers. Otherwise, all information provided by customers is stored and transmitted in a secure environment, accessible only by a select group of people who are given secure pass codes to access such information.

Physical Security

- Employees are to shred discarded paper records. Only records that are not required to be maintained under the Rule 204-2 are to be discarded.
- Employees are to erase/destroy electronic media before discarding. Only records that are not required to be maintained under the Rule 204-2 are to be discarded.
- Records restricted from general employee access will be kept in locked drawers/rooms.
- The computer is secure and restricted to employee access only.
- The office is secure and restricted from access by outside parties when employees are not present.

Administrative Security

- At the Home Office, the designated supervisor is responsible for monitoring internal access to customer records and information and determining who has access rights to covered information. At the local office, the Affiliate is the designated person responsible for monitoring internal access to customer records and information and determining who has access rights to covered information.
- The designated person will periodically identify and assess the risks that may threaten protected information and adjust procedures to account for changes in technology, the sensitivity of the protected information, and internal or external threats to information security.
- The designated person shall train employees in records safeguarding and records disposal.