

Summary of Presentation by Larry Ponemon
(appearing by conference call)
GLB Interagency Meeting on the ANPR on Privacy Notices
January 29, 2004
Federal Trade Commission

Participant:

Dr. Larry Ponemon, Chairman and Founder, The Ponemon Institute.

Comments:

Dr. Ponemon discussed his research findings from a Privacy Trust Survey for Retail Banking that was completed in December 2003 by the Ponemon Institute (copy attached). The purpose of the survey is to better understand how consumers perceive the privacy commitments of the banks that they primarily deal with. The survey was a perception-capture study of over 7000 consumers. The survey was not commissioned by a particular bank.

His preliminary findings indicate that there is a link between good disclosures and the level of consumer trust. Relative to other industries, banks are well trusted. Consumer perspectives towards banks are most negative in the Northeast, and most positive in the West and Pacific regions. While convenience appears to be the driving factor for why consumers choose a particular bank, loyalty is also an important factor.

People who were college-educated or had done post-graduate work were more likely to read privacy notices. Similarly, people with higher incomes tended to be more likely to read privacy notices. Women have overall more negative impressions about their banks.

Where a brand is not well known, disclosure becomes increasingly important. Disclosures are viewed as a reflection of the company's commitment to the public.

Privacy Trust Survey for Retail Banking

This confidential draft document provides the audited findings of the Privacy Trust Survey for Retail Banking completed in December 2003. A White Paper will be published by Ponemon Institute providing additional explanation and interpretation of all findings.

The purpose of our survey is to better understand how consumers perceive the privacy commitments of the primary banks that they deal with. This is a perception-capture study and, hence, great care needs to be given before extending these results to actual consumer behaviors and decisions.

The following definitions were used to frame subject responses before answering questions:

- **Personal information** – information about yourself and your family. This information includes name, address, telephone numbers, e-mail address, Social Security number, other personal identification numbers, access codes, age, gender, income, account activity and many other data about you.
- **Privacy commitment** – an obligation by the bank to keep your personal information safe and secure. This includes the commitment not to share your personal information without a just cause or without obtaining your consent to do so.

We have listed 25 banks. Please indicate which banks you are currently a customer of or have been a customer of. Please mark one of the five column headings to express your opinion on how secure and confident you are about your bank(s) privacy commitment to you.

- I **strongly agree (SA)** that my bank is committed to protecting the privacy of my personal information.
- I **agree (A)** that my bank is committed to protecting the privacy of my personal information.
- I **am unsure (U)** that my bank is committed to protecting the privacy of my personal information.
- I **disagree (D)** that my bank is committed to protecting the privacy of my personal information.
- I **strongly disagree (SD)** that my bank is committed to protecting the privacy of my personal information.

	Retail Bank (Top 5 Shown)	Sample	SA	A	U	D	SD	Total	Calc	Score
1	Washington Mutual	328	186	106	9	11	16	328	435	1.33
2	U.S. Bank	312	162	108	24	11	7	312	407	1.30
3	National City	129	61	51	11	2	4	129	163	1.26
4	Fifth Third Bank	87	42	23	13	7	2	87	96	1.10
5	Bank of America	732	242	278	143	52	17	732	676	0.92
6	Confidential									0.85
7	Confidential									0.81
8	Confidential									0.80
9	Confidential									0.74
10	Confidential									0.61
11	Confidential									0.52
12	Confidential									0.51
12	Confidential									0.51
13	Confidential									0.48
14	Confidential									0.47
15	Confidential									0.42
16	Confidential									0.36
17	Confidential									0.33
17	Confidential									0.33
18	Confidential									0.31
19	Confidential									0.27
20	Confidential									0.26
21	Confidential									0.24
22	Confidential									0.23
23	Confidential									0.05
24	Confidential									(0.03)
25	Confidential									(0.13)

If your bank is not included in the 25 banks listed above, please add the bank's name in the spaces marked A and B. Then, mark one of the five column headings to express your opinion on how secure and confident you are about your bank(s) privacy commitment to you.

M&I bank is the only second tier retail bank with a sufficient sample size to validate PTS score.

42	Marshall & Ilsley	32	13	9	7	1	2	32	30	0.94
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For the remainder of this survey, please express your opinions about one bank that you currently have a relationship with (from the above list of 25 or A or B).

The name of bank: [subject selects one primary banking institution as anchor for survey questions]

Total number of subjects	7,002					
Banks rated per subject	1.68					
Channels	Frame	Rate	Resp	Rejects	Sample	Comp
Web	19,500	22%	4,290	179	4,111	\$ 21,450
Telephone	1,083	4%	43	4	39	\$ 390
Mail	18,132	17%	3,082	230	2,852	\$ 14,260
Response Totals	38,715	19%	7,415	413	7,002	\$ 36,100

U.S. Region	Frame	Rate	Resp	Rejects	Sample	Pct%
Northeast	9,194	19%	1,768	112	1,656	24%
Mid-Atlantic	7,098	20%	1,400	93	1,307	19%
Southeast	5,501	19%	1,043	41	1,002	14%
West/Pacific	6,993	20%	1,419	86	1,333	19%
Southwest	4,921	16%	784	40	744	11%
Mid-West	5,008	20%	1,001	41	960	14%
Totals by Region	38,715	19%	7,415	413	7,002	100%

1. How safe is your bank in making sure your personal information is secure, such as account data, credit card numbers, access codes, Social Security number and so forth?

- Very high level of protection
- High level of protection
- Moderately high level of protection
- Low level of protection
- Not sure what my bank is doing to protect personal information

Q1	Full	Pct %	Bot 20	Pct %	Top 5	Pct %	Diff
Very High Level	1,019	15%	831	14%	188	18%	4%
High Level	1,736	25%	1,305	22%	431	40%	18%
Moderately High Level	2,533	36%	2,255	38%	278	26%	12%
Low Level	767	11%	653	11%	114	11%	0%
Not Sure	947	14%	890	15%	57	5%	10%
Totals	7,002	100%	5,934	100%	1,068	100%	0%

2. If your bank had a privacy breach that resulted in the leakage of your personal information to unauthorized people or companies, do you believe it would let you know about the incident?

- Yes
- No
- Unsure

Q2	Full	Pct %	Bot 20	Pct %	Top 5	Pct %	Diff
Yes	4,917	70%	4,092	69%	825	77%	3%
No	1,261	18%	1,127	19%	134	13%	-6%
Unsure	820	12%	712	12%	108	10%	-2%
Totals	6,998	100%	5,931	100%	1,067	100%	0%

3. If your bank was asked to share your personal information with government authorities (including law enforcement), do you believe that it would let you know about the request?

- Yes
 No
 Unsure

Q3	Full	Pct %	Bot 20	Pct %	Top 5	Pct %	Diff
Yes	3,457	49%	2,935	49%	522	49%	0%
No	1,759	25%	1,494	25%	265	25%	0%
Unsure	1,779	25%	1,502	25%	277	26%	1%
Totals	6,995	100%	5,931	100%	1,064	100%	0%

4. How would you like to be notified about a privacy breach concerning the leakage of your personal information (please check all that apply)?

- Telephone call
 E-mail message
 Web site posting
 Written notice (standardized format)
 Announcement in newspapers and popular media
 No communication needed

Q4	Full	Pct %	Bot 20	Pct %	Top 5	Pct %	Diff
Telephone	3,119	26%	2,673	26%	446	25%	-1%
E-Mail	2,268	19%	1,950	19%	318	18%	-1%
Web posting	2,644	22%	2,279	22%	365	21%	-1%
Written notice	2,661	22%	2,277	22%	384	22%	0%
Newspaper	746	6%	611	6%	135	8%	2%
No communications	603	5%	494	5%	109	6%	1%
Totals	12,041	100%	10,284	100%	1,757	100%	0%

5. How many notices of a privacy breach would it take before you lost confidence in your bank's ability to keep your personal information secure?

- One time is enough for me
 Two times is enough for me
 Three times is enough for me
 Four times is enough for me
 More than four times

Q5	Full	Pct %	Bot 20	Pct %	Top 5	Pct %	Diff
One time	1,732	25%	1,356	23%	376	35%	12%
Two times	3,068	44%	2,575	43%	493	46%	2%
Three times	1,071	15%	986	17%	85	8%	9%
Four times	782	11%	710	12%	72	7%	-5%
More than four	348	5%	296	5%	52	5%	0%
Totals	7,001	100%	5,923	100%	1,078	100%	0%

6a. Would you transfer your account to another bank if you did not have confidence in its ability to adequately secure your personal information?

- Yes
 No
 Unsure

Q6A	Full	Pct %	Bot 20	Pct %	Top 5	Pct %	Diff
Yes	4,128	59%	3,395	57%	733	69%	12%
No	1,409	20%	1,276	21%	133	13%	9%
Unsure	1,460	21%	1,267	21%	193	18%	-3%
Totals	6,997	100%	5,938	100%	1,059	100%	0%

6b. If you answered No or Unsure to the above question, what is the main reason you would not move your banking business elsewhere?

- All banks take the same steps to protect my privacy, so transferring my account won't make a difference
 I am loyal to my bank even if they can't secure or protect my personal information
 My bank offers conveniences that I can't find anywhere else
 My bank offers superior benefits and incentives that I can't obtain anywhere else
 Other reasons

Q6B	Full	Pct %	Bot 20	Pct %	Top 5	Pct %	Diff
All banks are the same	342	17%	293	18%	49	16%	-1%
Loyalty	609	31%	483	29%	126	42%	13%
Convenience	645	33%	553	33%	92	30%	-3%
Superior benefits	226	12%	197	12%	29	10%	-2%
Other	140	7%	134	8%	6	2%	-6%
Totals	1,962	100%	1,660	100%	302	100%	0%

Note: While a total of 2,863 subjects responded to 6b, the above table contains the results from 1,962 individual observations that provided only 1 main reason to not move their business elsewhere.

7a. Do you bank online?

- Yes
 No
 Unsure

Q7A	Full	Pct %	Bot 20	Pct %	Top 5	Pct %	Diff	Lyr	Diff
Yes	3,980	57%	3,283	55%	697	66%	11%	54%	12%
No	2,615	37%	2,289	39%	326	31%	8%	42%	-11%
Unsure	380	5%	347	6%	33	3%	-3%	4%	-1%
Totals	6,975	100%	5,919	100%	1,056	100%	0%	100%	0%

7b. If you answered Yes to the above question, are you as confident about the protection of your personal information when banking online as when you bank in a branch office?

- Yes
 No
 Unsure

Q7B	Full	Pct %	Bot 20	Pct %	Top 5	Pct %	Diff
Yes	2,889	74%	2,039	70%	572	82%	12%
No	731	19%	631	22%	100	14%	7%
Unsure	259	7%	235	8%	24	3%	-5%
Totals	3,879	100%	2,905	100%	696	100%	0%

8a. Do you recall receiving a privacy notice or privacy policy from your bank in the past 12 months?

- Yes
 No
 Unsure

Q8A	Full	Pct %	Bot 20	Pct %	Top 5	Pct %	Diff	Lyr	Diff
Yes	4,078	58%	3,279	55%	799	76%	20%	55%	-3%
No	2,256	32%	2,072	35%	184	17%	18%	36%	-4%
Unsure	650	9%	575	10%	75	7%	-3%	9%	0%
Totals	6,984	100%	5,926	100%	1,058	100%	0%	100%	0%

8b. If you received a privacy notice or policy from your bank in the past 12 months, how much time did you spend reading the notice document?

- Did not read the privacy notice
 Did a quick read of the privacy notice
 Did a careful read of the privacy notice
 Did a detailed analysis of the privacy notice

Q8B	Full	Pct %	Bot 20	Pct %	Top 5	Pct %	Diff
Did not read	1,468	36%	1,292	40%	176	22%	18%
Did a quick read	1,408	35%	1,099	34%	309	38%	4%
Did a careful read	690	17%	473	15%	217	27%	12%
Did a detailed analysis	505	12%	394	12%	111	14%	2%
Totals	4,071	100%	3,258	100%	813	100%	0%

9. Do you understand your bank's policy about how your personal information is used?

- Yes
 No
 Unsure

Q9	Full	Pct %	Bot 20	Pct %	Top 5	Pct %	Diff	Lyr	Diff
Yes	2,801	40%	2,157	36%	644	55%	19%	42%	-2%
No	2,929	42%	2,716	46%	213	25%	21%	41%	1%
Unsure	1,263	18%	1,062	18%	201	20%	2%	17%	1%
Totals	6,993	100%	5,935	100%	1,058	100%	0%	100%	0%

10. How would you like to be informed about a bank's privacy commitment (please check if more than one choice applies)?

- Telephone call from the bank
- Verbal communication by bank official or bank teller
- E-mail message
- Web site posting
- Standardized document
- General announcement in newspaper ads or popular media

Q10	Full	Pct %	Bot 20	Pct %	Top 5	Pct %	Diff
Telephone	1,840	15%	1,571	15%	269	15%	0%
Verbal	1,451	12%	1,307	13%	144	8%	-5%
E-Mail	2,983	25%	2,344	23%	539	30%	7%
Web posting	2,071	17%	1,769	17%	302	17%	-1%
Written notice	3,288	27%	2,809	28%	479	27%	-1%
Newspaper	418	3%	360	4%	58	3%	0%
Totals	12,051	100%	10,160	100%	1,791	100%	0%

11. If your bank changed its privacy policy, do you believe it would notify you about the new policy?

- Very Confident
- Confident
- Moderately Confident
- Not Confident
- Unsure

Q11	Full	Pct %	Bot 20	Pct %	Top 5	Pct %	Diff	Lyr	Diff
Very Confident	905	13%	780	13%	225	25%	12%	13%	0%
Confident	2,506	37%	2,066	35%	440	49%	14%	32%	5%
Moderately Confident	1,788	26%	1,648	28%	130	14%	13%	26%	0%
Not Confident	872	13%	801	13%	71	8%	-6%	14%	-1%
Unsure	788	11%	657	11%	41	5%	-7%	15%	-4%
Totals	6,859	100%	5,952	100%	907	100%	0%	100%	0%

12. Do you understand your bank's policy about how your personal information is being shared with other organizations, including other companies that are not affiliated with the bank?

- Yes
- No
- Unsure

Q12	Full	Pct %	Bot 20	Pct %	Top 5	Pct %	Diff	Lyr	Diff
Yes	3,380	49%	2,693	46%	687	66%	20%	43%	6%
No	2,453	35%	2,224	38%	229	22%	16%	34%	1%
Unsure	1,079	16%	955	16%	124	12%	-4%	23%	-7%
Totals	6,912	100%	5,872	100%	1,040	100%	0%	100%	0%

13a. Does your bank give you a choice to "opt out" of the sharing of your personal information with companies that are not affiliated with the bank?

- Yes
- No
- Choice is not needed because my bank does not share with third parties
- Unsure

Q13A	Full	Pct %	Bot 20	Pct %	Top 5	Pct %	Diff
Yes	3,753	54%	3,141	54%	612	55%	1%
No	1,088	16%	921	16%	167	15%	-1%
Do Not Share	1,229	18%	1,028	18%	201	18%	0%
Unsure	856	12%	726	12%	130	12%	-1%
Totals	6,926	100%	5,816	100%	1,110	100%	0%

13b. If you answered Yes to the above question, did you "opt out" of sharing your personal information with companies that are not affiliated with the bank?

- Yes
 No
 Unsure

Q13B	Full	Pct %	Bot 20	Pct %	Top 5	Pct %	Diff
Yes	899	24%	801	26%	98	16%	-9%
No	1,846	49%	1,437	46%	409	67%	21%
Unsure	1,005	27%	903	29%	102	17%	-12%
Totals	3,750	100%	3,141	100%	609	100%	0%

14. Do you believe that your bank would honor your "opt out" request to not share your personal information with companies that are not affiliated with the bank?

- Very Confident
 Confident
 Moderately Confident
 Not Confident
 Unsure

Q14	Full	Pct %	Bot 20	Pct %	Top 5	Pct %	Diff	Lyr	Diff
Very Confident	1,006	14%	780	13%	265	24%	11%	13%	1%
Confident	2,460	35%	2,066	35%	439	40%	5%	32%	3%
Moderately Confident	1,687	24%	1,648	28%	249	23%	-5%	26%	-2%
Not Confident	956	14%	801	13%	113	10%	-3%	14%	0%
Unsure	875	13%	657	11%	40	4%	-7%	15%	-2%
Totals	6,984	100%	5,952	100%	1,106	100%	0%	100%	0%

15. How would you rate the performance of your bank in honoring its policy to protect the privacy of your personal information?

- Very High Rating
 High Rating
 Neutral Rating
 Low Rating
 Very Low Rating

Q15	Full	Pct %	Bot 20	Pct %	Top 5	Pct %	Diff
Very High	1,170	17%	780	13%	287	26%	13%
High	2,990	43%	2,066	35%	596	53%	18%
Neutral	1,571	23%	1,648	28%	105	11%	-17%
Low	857	12%	801	13%	64	5%	-8%
Very Low	335	5%	657	11%	53	5%	-6%
Totals	6,923	100%	5,952	100%	1,105	100%	0%