

ELECTRONIC COMMERCE POLICY

Alternatives Federal Credit Union
02/06/02

The Alternatives Federal Credit Union supports the growth and use of electronic commerce and the evolving electronic technologies for delivering financial products. This technology improves member service & retention, brings efficiencies to Alternatives and enhances our competitive position.

This policy supports the research, development and use of electronic financial services, to include, but not limited to:

- a. Internet Financial Services
- b. Electronic Payment Systems
- c. Electronic Fund Transfers
- d. Web Marketing
- e. ATM/Debit Electronic Disclosures
- f. Electronic Mail

As well as possible future electronic services such as:

- a. E-Statements
- b. Video Kiosks
- c. Stored Value Cards
- d. Digital Signatures
- e. E-Loans

1. RISK ASSESSMENT

In researching and bringing to market electronic financial services, the Board of Directors directs that Senior Management consider the following risk assessments based on the scope and associated risks of the services provided:

- a. Strategic goals, objectives and business needs of Alternatives.
- b. Ability to evaluate and oversee outsourcing relationships.
- c. Importance and criticality of the service to Alternatives.
- d. Defined requirements for the outsourced activity.
- e. Necessary controls and reporting processes.
- f. Contractual obligations and requirements for the service provider.
- g. Contingency/disaster recovery plans, including availability of alternative service providers, costs and resources required to switch service providers.
- h. Ongoing assessment of outsourcing arrangements to evaluate consistency with strategic objectives and service provider performance.
- i. Regulatory requirements and guidance for the business lines affected and technologies used.
- j. Bond/Insurance coverage review for electronic services & electronic crime endorsement.

2. SERVICE PROVIDER & CONTRACTS

- a. Upon completion of the risk assessment, Senior Management must evaluate service providers to determine their ability, both operationally and financially, to meet Alternatives' needs. This review should include the following areas:
 - i. Technical & Industry Expertise
 - ii. Operations & Controls
 - iii. Financial Condition
- b. Contracts should be clearly written and sufficiently detailed to provide assurances for performance, reliability, security, confidentiality and reporting. Senior Management should consider whether the contract is flexible enough to allow for changes in technology and Alternatives' operations. Appropriate legal counsel should review contracts prior to signing.

The level of detail and relative importance of contract provisions will vary with the scope and risks of the services provided. Items to be considered, as appropriate, should include

- i. Scope of Service
- ii. Performance Standards
- iii. Security & Confidentiality
- iv. Controls
- v. Audit
- vi. Reports
- vii. Business Resumption & Contingency Plans
- viii. Sub-contracting & Multiple Service Provider Relationships
- ix. Cost
- x. Ownership & License
- xi. Duration
- xii. Dispute Resolution
- xiii. Indemnification
- xiv. Limitation of Liability
- xv. Termination
- xvi. Assignment

3. COMPLIANCE & OPERATIONS

All federal consumer protection laws and regulations that address electronic financial services must be considered in adopting new technologies and electronic services. Department Managers and compliance officers must be involved in the design, development, implementation and monitoring of electronic financial operations.

Suspicious Activity Reports (SARs) should be filed with the appropriate regulatory agency when Alternatives detects intrusion with electronic services when such intrusion removes, steals, procures or otherwise affects funds of Alternatives or its members; critical Alternatives member information; damages, disables or otherwise affects critical electronic systems.

4. ELECTRONIC COMMERCE COMMITTEE

The Electronic Commerce Committee shall consist at least of the CEO, Computer Specialist, Web master and one Board member.