



Sent via Email

11/11/2016

Attorney General Bob Ferguson
Office of the Attorney General
securitybreach@atg.wa.gov

We are writing to notify you that Charles Schwab & Co. Inc. ("Schwab") has discovered unauthorized activity related to the Schwab accounts of certain Washington residents. We believe this activity resulted from what is known as a "Credential Replay" incident, in which criminals use an automated program to test large numbers of login credentials against many different accounts, hoping to achieve coincidental matches. Schwab's own computer systems were not compromised in this incident, and Schwab is not aware of how or from what other site the credentials were obtained.

NATURE OF UNAUTHORIZED ACCESS

Schwab began an investigation into unusual login activity in mid-April and subsequently determined that on or after March 25, 2016, someone unlawfully obtained the usernames and passwords of Washington residents from a non-Schwab account or website and tried them successfully on Schwab.com. This type of Credential Replay incident is made possible when clients use the same username and password on multiple sites. Schwab.com provides online access to clients' names, account numbers, contact information, and other information about their Schwab accounts, including positions and transactions. For most impacted clients, it is not clear whether any of the information available on Schwab.com was successfully accessed by this method. There is a small subset of clients, however, where an unauthorized party did access the client's account and attempted to transfer money out of or place a trade in the account. For almost all of those clients, Schwab prevented any unauthorized money transfers or trades. In very few instances the request was successful, and in those cases Schwab has reimbursed clients for any resulting losses.

NUMBER OF RESIDENTS AFFECTED

975 Washington residents have been affected by this incident. We have been notifying residents by email or regular mail and requiring them to re-set their passwords. Sample client communications are attached for your reference. We continue to monitor our systems for suspicious log-ins, are reminding customers about good password practices, and if the Credential Replay activity continues, we will continue to notify affected residents and require them to change their password.

ADDITIONAL STEPS BEING TAKEN BY THE COMPANY

After discovering the issue, we restricted online account access until we could speak with each affected account holder in order to verify their identity before re-establishing online account access and to discuss steps we suggest they take to protect themselves and their accounts. We have been monitoring the accounts for suspicious activity. We have also notified the Federal Bureau of Investigation and our primary federal regulators and developed controls to block identified perpetrators without indicating to them whether the credentials they have presented are valid.

CONTACT INFORMATION

If you have any questions or need additional information, please contact me:

Max Ruston

Phone: 415-667-1511

Email: max.ruston@schwab.com

Sincerely,

A handwritten signature in black ink, appearing to read "M Ruston". The signature is written in a cursive, slightly slanted style.

Max Ruston

Corporate Privacy Officer

Charles Schwab & Co.



Date

Account number ending in: last three digits

Name
Street address
City, State Zip

NOTICE OF DATA BREACH

What Happened?

We recently mailed you a letter notifying you of unusual login activity in your account shown above. As a reminder, we believe that an unauthorized party obtained your username and password from another website and tried them successfully on Schwab.com.

We've since learned that a request was made by the unauthorized party to transfer money out of and/or place a trade(s) in the account. However, we prevented any money transfer or trade executions in connection with the request.

What Information Was Involved?

As we stated in our prior letter, Schwab.com provides access to clients' names, account numbers, and other information, including positions and transaction history, for any accounts accessible on Schwab.com. Our investigation of this incident indicates that the unauthorized party was able to access, at a minimum, your name, email address, and Schwab account number.

What We Are Doing.

After discovering the unusual login activity, we restricted your access to Schwab.com. If you have not already done so, please call us at the number below to change your username and password in order to restore online access to your account(s). We continue to monitor your account for suspicious activity.

What You Can Do.

We continue to encourage you to closely review your financial accounts and credit reports for the next 12 to 24 months, and report any suspicious or unrecognized activity immediately to local law enforcement and your financial institution(s). If you use the same username and password across multiple websites, we urge you to at a minimum update your passwords so that each is unique.

We'd like to offer you a complimentary two-year credit monitoring subscription from Equifax. To subscribe, please see the enclosed information sheet and use this unique Activation Code: «PromoCode».

If you have any questions or if you haven't yet reestablished your online access, please call us at 1-877-903-1570 or at one of the contact numbers on our website or on your account statements. If you're a client of an independent investment advisor, you may also call your advisor for additional help.

Thank you for the opportunity to serve you. The security of your account is important to us.

Other Important Information

Credit Reporting Agencies

Equifax	TransUnion	Experian
P.O. Box 740241 Atlanta, GA 30374	P.O. Box 2000 Chester, PA 19016	P.O. Box 4500 Allen, TX 75013
Phone: 866-493-9788	Phone: 800-680-7289	Phone: 888-397-3742

If you believe you have been the victim of identity theft, you should report that to your local law enforcement agency and consider contacting the above credit reporting agencies to place a "fraud alert" or "security freeze" on your credit file, which will notify lenders to verify your ID before extending credit in your name. You may need to provide them with a police report, and each agency may charge you up to \$10. Instructions for requesting a free copy of your credit report can be viewed at <https://www.consumer.ftc.gov/articles/0155-free-credit-reports>.

You can contact the Federal Trade Commission to learn more about how to protect yourself from identity theft. Write to the Federal Trade Commission, Consumer Response Center, 600 Pennsylvania Ave. NW, Washington, DC 20580; call 877-FTC-HELP (877-382-4357); or visit their website at <https://www.identitytheft.gov/info-lost-or-stolen>.

Some states provide other resources for their residents:

Iowa Residents: You can also report suspected incidents of identity theft to local law enforcement or the Office of the Iowa Attorney General, 1305 E. Walnut Street, Des Moines, IA 50319; 515-281-5164; <http://www.iowaattorneygeneral.org>.

Maryland Residents: To obtain more information about steps you can take to avoid identity theft, you can contact the Office of the Maryland Attorney General, 200 St. Paul Place, Baltimore, MD 21202; 888-743-0023; www.oag.state.md.us/contact.htm; or the Federal Trade Commission, Consumer Response Center, 600 Pennsylvania Ave. NW, Washington, DC 20580, <https://www.identitytheft.gov/info-lost-or-stolen>.

Massachusetts and West Virginia Residents: Applicable law requires that we notify you that you can also place a security freeze on your credit report to prevent potential credit grantors from accessing your credit report without your consent, by sending a written request to each of the national credit reporting agencies listed above. In order to request a security freeze, you will need to provide the following: (1) your full name, with middle initial and any suffixes; (2) your Social Security number and date of birth; (3) proof of your current address, such as a utility or phone bill, as well as a list of your addresses from the prior five years; (4) a legible photocopy of a government-issued identification card; (5) if you have been a victim of identity theft, a copy of any police report, complaint, or other investigative report you may have filed with local law enforcement; and (6) if you are not a victim of identity theft, payment by check, money order, or credit card. Do not send cash. The credit reporting agency may charge a fee of up to \$10 each to place, temporarily lift, or remove a freeze. To lift or remove a freeze, you must send a written request in accordance with the requirements of each credit reporting agency. Please be aware that placing a security freeze on your credit report may delay, interfere with, or prevent the timely approval of any requests you make for credit, loans, employment, housing, or other services. For more information regarding credit freezes, please contact the credit reporting agencies directly. Under state law, you also have the right to request a copy of any police report filed in connection with this incident.

North Carolina Residents: To obtain more information about steps you can take to avoid identity theft, you can contact the North Carolina Attorney General's Office, 9001 Mail Service Center, Raleigh, NC 27699-9001; 877-5-NO-SCAM (877-566-7226), <http://www.ncdoj.gov>; or the Federal Trade Commission, Consumer Response Center, 600 Pennsylvania Ave. NW, Washington, DC 20580; 877-ID-THEFT (877-438-4338); <https://www.identitytheft.gov/info-lost-or-stolen>.

Oregon Residents: You can also report suspected incidents of identity theft to law enforcement or to the Federal Trade Commission, Consumer Response Center, 600 Pennsylvania Ave. NW, Washington, DC 20580; <https://www.identitytheft.gov/info-lost-or-stolen>.

Vermont Residents: You can learn helpful information about fighting identity theft, placing a security freeze on your credit file, and obtaining a free copy of your credit report on the Vermont Attorney General's website at <http://www.atg.state.vt.us>.



Date

Name

Street Address

City, State Zip

Notice of Unusual Login Activity

What Happened?

We're writing to let you know that we recently discovered unusual login activity in your account, which occurred on or around «Date». We believe that someone may have obtained your username and password from a non-Schwab account or another website that you use, and then tried them successfully on Schwab.com. This type of unauthorized access can occur when the same username and password are used on multiple sites.

We recommend you closely review all accounts you access through Schwab.com and let us know immediately if you see any suspicious or unrecognized activity. We also encourage you to monitor your financial accounts and credit reports for the next 12 to 24 months, and report any suspicious or unrecognized activity to local law enforcement and your financial institution(s).

What Information Was Involved?

Schwab.com provides access to clients' names, account numbers, and other information, including positions and transaction history, for any accounts accessible on Schwab.com.

The fact that such information is available on Schwab.com does not necessarily mean that your information was accessed by the person(s) who used your login credentials. This is because the person(s) involved likely used an automated program to test large numbers of login credentials against many different accounts, both at Schwab and likely at other financial institutions. The fact that this effort yielded a number of coincidental matches, including for your account(s), does not necessarily mean that your account information was accessed.

What We Are Doing.

To protect your confidential information, we restricted your online account access after we discovered the issue. This restriction will remain in place until we speak with you. We continue to monitor your account for suspicious activity.

What You Can Do.

If you haven't spoken with a Schwab representative about this matter yet, please call us at 1-877-903-1570, or at one of the contact numbers on our website or on your account statements, so we can reestablish your

online access and discuss other actions you might want to take. If you're a client of an independent investment advisor, you may also call your advisor for additional help.

Thank you for the opportunity to serve you. The security of your account is important to us.

Section 4: Blank Signature

Rep View: Hidden

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credit card. Do not send cash. The credit reporting agency may charge a fee of up to \$10 each to place, temporarily lift, or remove a freeze. To lift or remove a freeze, you must send a written request in accordance with the requirements of each credit reporting agency. Please be aware that placing a security freeze on your credit report may delay, interfere with, or prevent the timely approval of any requests you make for credit, loans, employment, housing, or other services. For more information regarding credit freezes, please contact the credit reporting agencies directly. Under state law, you also have the right to request a copy of any police report filed in connection with this incident.

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