

Data Security

Issue: Data security breaches are a serious problem for both consumers and businesses. Financial institutions, including credit unions, have been subject to standards on data security since the passage of the *Gramm-Leach-Bliley Act* in 1999. However, retailers and many other entities that handle sensitive personal financial data are not subject to these same standards.

Credit unions also bear a significant cost-burden to reestablish member safety after a data breach. A 2017 NAFCU survey found that credit unions, on average, spent \$362,000 in costs associated with merchant data breaches. Another 2017 NAFCU survey found that nearly 10 percent of respondents' operating budgets were devoted to IT/cybersecurity, and all expect a moderate or significant increase over the next five years.

Despite the fact that many credit unions have implemented sophisticated and effective data security (including cybersecurity) safeguards, attackers adapt to constantly evolving technology and find new ways to penetrate systems. All entities – not just financial institutions – that handle consumer information should be required to comply with comprehensive federal data protection standards.

In July, the Department of the Treasury formally recommended that Congress enact a national data security and breach notification law to protect consumer financial data and notify consumers of a breach in a public and timely manner. In addition to the Treasury recommendations, NAFCU would like to see any comprehensive data security bill include: the payment of associated costs by breached entities, national standards for safekeeping of information, data security policy disclosures, timely and public disclosure of breached entities, enforcement of prohibition on data retention, notification of the account servicer, and the burden of proof shifted to the breached entity.

Legislation: House Financial Services Committee Subcommittee on Financial Institutions and Consumer Credit Chairman Blaine Luetkemeyer (R-MO) and Representative Carolyn Maloney (D-NY) have circulated draft legislation that would establish data protection standards, outline a process for notifications, and recognize financial institutions' compliance with the *Gramm-Leach-Bliley Act*. While that legislation has yet to be officially introduced, it is similar to two NAFCU-backed bipartisan bills that were introduced in the 114th Congress but have yet to be reintroduced in the 115th Congress:

- **H.R. 2205** – the *Data Security Act of 2015*. This bipartisan bill was introduced in May 2015 by House Financial Services Committee Subcommittee on Financial Institutions and Consumer Credit Chairman Randy Neugebauer (R-TX) and Representative John Carney (D-DE). It was reported by the Financial Services Committee with a strong bipartisan vote of 46-9 on December 9, 2015.
- **S. 961** – the *Data Security Act of 2015*. This bipartisan bill, introduced by Senators Tom Carper (D-DE) and Roy Blunt (R-MO), closely aligned with H.R. 2205 by setting data protection standards, outlining a process for notifications, and recognizing financial institutions' compliance with the *Gramm-Leach-Bliley Act*.

NAFCU Ask: We urge Representatives and Senators to support comprehensive data security legislation that addresses the issues important to credit unions.