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National Association of Federally-Insured Credit Unions

June 15, 2020

The Honorable Emanuel Cleaver
Chairman
Subcommittee on National Security,
International Development and
Monetary Policy
Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

The Honorable French Hill
Ranking Member
Subcommittee on National Security,
International Development and
Monetary Policy
Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

Re: Tomorrow's Hearing, "Cybercriminals and Fraudsters: How Bad Actors Are Exploiting the Financial System During the COVID-19 Pandemic"

Dear Chairman Cleaver and Ranking Member Hill:

I am writing on behalf of the National Association of Federally-Insured Credit Unions (NAFCU) to share our thoughts ahead of tomorrow's virtual hearing entitled, "Cybercriminals and Fraudsters: How Bad Actors Are Exploiting the Financial System During the COVID-19 Pandemic." NAFCU advocates for all federally-insured not-for-profit credit unions that, in turn, serve 120 million consumers with personal and small business financial service products.

As we have shared with you previously, credit unions are keenly aware of the hardships their members are facing due to the COVID-19 pandemic and are working around the clock to proactively assist them. This assistance includes warning members about bad actors who will seek to commit fraud to take financial advantage of them. As you know, the pandemic has emboldened bad actors who are seeking to exploit fearful and anxious Americans, and it is vital that credit unions have the ability to alert their members to potential threats. NAFCU appreciates the Subcommittee's attention to this crisis and is supportive of efforts to combat cybercriminals who seek to take advantage of the current pandemic. Cybersecurity is a critical issue for credit unions – according to a 2019 NAFCU survey, credit unions report that the share of their overall budget devoted to cybersecurity has more than doubled over the past five years. Yet, there remain important issues that need to be addressed on this front, even outside of the pandemic. Congress taking action on these issues can help to mitigate Americans' risk of falling prey to fraudulent activity, both during this pandemic and beyond.

First, NAFCU believes there is an urgent need for a national data security standard for those who collect and store consumer information. While depository institutions have had a national standard on data security since the passage of the *Gramm-Leach-Bliley Act (GLBA)* over two decades ago, other entities who handle consumer financial data may not be held to the same rigorous standards or subject to meaningful supervision. Along those same lines, we also believe that there is a need for a uniform national consumer data privacy standard as opposed to a patchwork of standards stemming from different state data privacy laws. Such a standard should recognize what has been

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in place and is working for consumers, credit unions and others under existing laws such as the GLBA. Our nation's current patchwork of data privacy and security laws contributes more to operational and administrative burden rather than the substantive protection of consumers. Furthermore, inconsistent rules can be exploited by bad actors. Although we have been calling on Congress to enact a national standard for years, we believe that action now is critical as more bad actors seek to exploit the current situation. We hope today's hearing can be another step toward achieving these goals.

Second, we believe that the *Bank Secrecy Act* (BSA)/Anti-Money Laundering (AML) system is in need of improvements and reform. NAFCU has consistently recognized the importance of the Financial Crimes Enforcement Network (FinCEN) and BSA/AML requirements in assisting in the prevention of tax evasion, money laundering and terrorist financing. Credit unions support efforts to combat criminal activity in the financial system. Our members have a good working relationship with FinCEN, and they consistently inform us that the publication of periodic BSA/AML guidance is very helpful. However, BSA/AML requirements remain a burden to implement, and we believe that the system is in need of modernization, especially considering the increase in fraud and illicit financial activity during this pandemic. This includes beneficial ownership reform, which is more critical now than ever. We were pleased to see the House pass H.R. 2513, the *Corporate Transparency Act of 2019*, and H.R. 2514, the *COUNTER Act of 2019*, last fall that would help strengthen and improve the BSA/AML system, and we urge you to work with your colleagues in the Senate so that this legislation becomes law.

We thank you for your leadership and ongoing efforts to support American consumers and financial institutions during these uncertain times. We appreciate the opportunity to share our input and look forward to continuing to work with the Subcommittee on these issues. Should you have any questions or require any additional information, please contact me or Sarah Jacobs, NAFCU's Associate Director of Legislative Affairs, at (571) 289-7550.

Sincerely,



Brad Thaler
Vice President of Legislative Affairs

cc: Members of the Subcommittee on National Security, International Development and Monetary Policy