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National Association of Federally-Insured Credit Unions

The Honorable Blaine Luetkemeyer
Chairman
Subcommittee on Financial Institutions
and Consumer Credit
House Financial Services Committee
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Wm. Lacy Clay
Ranking Member
Subcommittee on Financial Institutions
and Consumer Credit
House Financial Services Committee
U.S. House of Representatives
Washington, D.C. 20515

February 13, 2018

Re: Tomorrow's hearing, "Examining the Current Data Security and Breach Notification Regulatory Regime"

Dear Chairman Luetkemeyer and Ranking Member Clay:

On behalf of the National Association of Federally-Insured Credit Unions (NAFCU), the only trade association exclusively representing the federal interests of our nation's federally-insured credit unions, I write today in conjunction with tomorrow's hearing on data security. We appreciate the Subcommittee's continued focus on this important topic and need for addressing consumer data security issues. As NAFCU testified before the Subcommittee last November, there is a need for a national data security standard for entities that collect and store consumers' personal and financial information that are not already subject to the same stringent requirements as depository institutions. We are pleased to see the Subcommittee is continuing its work on this important topic.

As our testimony noted, we recognize that a legislative solution is a complex issue, and thus have established a set of guiding principles to help define key issues credit unions would like to see addressed in any comprehensive cyber and data security effort that may advance. These principles include:

- **Payment of Breach Costs by Breached Entities:** NAFCU asks that credit union expenditures for breaches resulting from card use be reduced. A reasonable and equitable way of addressing this concern would be to enact legislation to require entities to be accountable for costs of data breaches that result on their end, especially when their own negligence is to blame.
- **National Standards for Safekeeping Information:** It is critical that sensitive personal information be safeguarded at all stages of transmission. Under the *Gramm-Leach-Bliley Act* (GLBA), credit unions and other depository institutions are required to meet certain criteria for safekeeping consumers' personal information and are held accountable if those criteria are not met through examination and penalties. Unfortunately, there is no comprehensive regulatory structure akin to the GLBA that covers other entities who collect and hold sensitive information. NAFCU strongly supports the passage of legislation requiring any entity responsible for the storage of consumer data to meet standards similar to those imposed on depository institutions under the GLBA.
- **Data Security Policy Disclosure:** Many consumers are unaware of the risks they are exposed to when they provide their personal information. NAFCU believes this problem can be alleviated

by simply requiring merchants to post their data security policies at the point of sale if they take sensitive financial data. Such a disclosure requirement would come at little or no cost to the merchant but would provide an important benefit to the public at large.

- **Notification of the Account Servicer:** The account servicer or owner is in the unique position of being able to monitor for suspicious activity and prevent fraudulent transactions before they occur. NAFCU believes that it would make sense to include entities such as financial institutions on the list of those to be informed of any compromised personally identifiable information when associated accounts are involved.
- **Disclosure of Breached Entity:** NAFCU believes that consumers should have the right to know which business entities have been breached. We urge Congress to mandate the disclosure of identities of companies and merchants whose data systems have been violated so consumers are aware of the ones that place their personal information at risk.
- **Enforcement of Prohibition on Data Retention:** NAFCU believes it is imperative to address the violation of existing agreements and law by those who retain payment card information electronically. Many entities do not respect this prohibition and store sensitive personal data in their systems, which can be breached easily in many cases.
- **Burden of Proof in Data Breach Cases:** In line with the responsibility for making consumers whole after they are harmed by a data breach, NAFCU believes that the evidentiary burden of proving a lack of fault should rest with the negligent entity who incurred the breach.

In the last Congress, NAFCU supported the bipartisan *Data Security Act*, H.R. 2205, which the Financial Services Committee approved in a strong bipartisan vote. We also have been pleased to work with those across industries to try to find common ground on a comprehensive proposal that incorporates ideas from both H.R. 2205 and H.R. 1770, the *Data Security and Breach Notification Act*, from the last Congress. As you prepare legislation on data security, we would urge you to work collaboratively with other Committees that continue to work on this issue to craft a package that can be enacted into law.

On behalf of our nation's credit unions and their more than 110 million members, we thank you for your attention to this important matter. Should you have any questions or require any additional information please contact me or Allyson Browning, NAFCU's Associate Director of Legislative Affairs, at 703-842-2836 or abrowning@nafcu.org.

Sincerely,



Brad Thaler
Vice President of Legislative Affairs

cc: Members of the Subcommittee on Financial Institutions and Consumer Credit