

**TechNet Testimony – HB 2581, Relating to Breaches of Security with Respect to Account Information Associated with Financial Access Devices**

Joanie Deutsch, Executive Director, Northwest, TechNet

House Committee on Business and Labor

March 27, 2017

Chair Holvey and members of the committee, Joanie Deutsch, Executive Director for the Northwest for TechNet, in opposition to HB 2581, relating to breaches of security with respect to account information associated with financial access devices.

TechNet represents over 70 of the nation's leading companies in the fields of information technology, internet media, venture capital, and green tech. We are the national, bipartisan network of technology companies that promotes the growth of the innovation economy.

Unlike every other state breach notice law, the bill seeks to require notice to financial institutions that issue a "financial access device" and any merchant services provider that processes a financial transaction on the person's behalf using account information that is subject to the breach of security. Merchants do not have access to this information, making this requirement unworkable.

This notification is also unnecessary due to the Payment Card Data Security Standard, to which all merchants must agree to in order to handle payment card transactions. The Payment Card Security Standard already requires immediate notification of a breach of credit or debit card information to the payment card network or its card processors. They can notify Card issuing banks or law enforcement in the event of a serious incident and are ideally situated to do that given they have all the required information.

No other state has done what HB 2581 proposes to do. The bill, if adopted, would reduce the incentive for financial institutions to implement fraud screening to detect fraud, instead of canceling cards and making the merchant pay for the full cost of replacing the cards.

Finally, the bill would impose liability on a business if it suffered a breach involving financial account information, under certain circumstances. This provision is unprecedented and unnecessary, when paired with other security laws. Businesses already comply with relevant data security laws and, accordingly, implement sound information security practices that protect the security and confidentiality of personal information.