

FTC's Amended Safeguards Rule: New Reporting Requirements for Non-Banking Financial Institutions Now in Effect

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PRACTICE AREAS

- Data Privacy & Cybersecurity

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On October 27, 2023, the Federal Trade Commission (“FTC”) approved an amendment to the Safeguards Rule (“Amendment”) aimed at enhancing data security measures and transparency in the event of data breaches or security incidents.

Under the Safeguards Rule, non-banking financial institutions such as mortgage brokers, mortgage bankers, motor vehicle dealers, securities brokers and dealers, insurance underwriters and agents, finance companies, and travel agents are required to establish and maintain security programs to protect customer’s information.

As of May 13, 2024, these institutions will be required to report to the FTC unauthorized acquisitions of unencrypted customer information, involving at least 500 customers. The report to the FTC must include at least: (1) the name and contact information of the reporting financial institution; (2) a description of the types of information that were involved in the event; (3) if possible to determine, the date or date range of the notification event; (4) the number of consumers affected; (5) a general description of the notification event; and, (6) whether any law enforcement official has provided the financial institution with a written determination that notifying the public of the breach would impede a criminal investigation or cause damage to national security, and, if that is the case, the means for the FTC to contact the law enforcement official.

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