



February 15, 2017

Robert deV. Frierson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Re: Docket No. R-1550----RIN 7100-AE-61
Enhanced Cyber Risk Management Standards

Dear Mr. Frierson:

Consumers Union, the policy and mobilization arm of Consumer Reports¹ and National Consumer Law Center² (on behalf of its low income clients) supports federal banking regulators' efforts to enhance the cyber risk management standards for entities under their supervision, including third-party service providers. The proposed rulemaking would be an important step toward improving the operational resilience of covered entities and reducing the potential impact on the financial system as a whole in the event of a cyberattack.

Consumer trust in the financial system is essential to its functioning. Data breaches and other cyber events that result in the loss of consumer data, even if funds are not actually lost, undermine that trust. Just about daily, a new data breach comes to light. While such incidents do not always lead to identity theft, they do increase consumer anxiety about the security of their personal information. Consumers should not have to bear the costs of a data breach due to

¹ Consumers Union is the policy and mobilization arm of Consumer Reports. Consumers Union is an expert, independent, nonprofit organization whose mission is to work for a fair, just, and safe marketplace for all consumers and to empower consumers to protect themselves. It conducts this work in the areas of financial services reform, food and product safety, telecommunications reform, health care reform, and other areas. Consumer Reports is the world's largest independent product-testing organization. Using its more than 50 labs, auto test center, and survey research center, the nonprofit organization rates thousands of products and services annually. Founded in 1936, Consumer Reports has over 8 million subscribers to its magazine, website, and other publications.

² Since 1969, the nonprofit National Consumer Law Center® (NCLC®) has used its expertise in consumer law and energy policy to work for consumer justice and economic security for low-income and other disadvantaged people, including older adults, in the United States. NCLC's expertise includes policy analysis and advocacy; consumer law and energy publications; litigation; expert witness services, and training and advice for advocates. NCLC works with nonprofit and legal services organizations, private attorneys, policymakers, and federal and state government and courts across the nation to stop exploitive practices, help financially stressed families build and retain wealth, and advance economic fairness.

financial service providers' inadequate data security practices. We support efforts to develop comprehensive cyber risk management standards that would apply broadly to all entities in the banking and payments system.

The 2013 Target breach demonstrated the need for dynamic and strong cybersecurity. The Verizon examination of Target's networks demonstrated that once the hackers gained access to the system, there were no barriers to the attackers gaining "direct and complete access to every single cash register in every Target store."³ Although a covered entity may employ strong cybersecurity measures, valuable information can still be accessed through an attack on a service provider. There should be no weak links in the chain.

We support the Federal Reserve's proposed plan to require an enterprise-wide cyber risk management strategy, and that strategy should extend to third party service providers. The enhanced cyber risk management standards should be applied to covered entities on an enterprise-wide basis, otherwise the cybersecurity of all of the covered entities are possibly at risk. As the Advanced Notice of Proposed Rulemaking (ANPR) notes, our financial sector depends heavily on technology to conduct day-to-day business, and due to the interconnectedness of the covered entities and their third-party service providers, a cyberattack or failure at one entity or service provider could potentially disrupt the entire financial sector.

As the Federal Reserve has proposed, high-level managers in the covered entities should keep cybersecurity in mind. Additionally, covered entities should use regular testing and updates to ensure that their networks are protected. As part of the examination process, examiners should review covered entities' cyber security test results and ensure that systems are frequently tested and updated.

The financial sector is a critical infrastructure and requires sufficient cybersecurity protections. In order to assess these enhanced cybersecurity standards, the agencies should look to other critical infrastructures that are also re-examining their cybersecurity standards. For instance, the Department of Transportation recently released a Notice of Proposed Rulemaking (NPRM) regarding vehicle-to-vehicle communications in self-driving cars. That NPRM proposed requiring automakers to employ 128-bit encryption for these vehicle-to-vehicle communications. The agencies should likewise look to industry standards of encryption and safety in its rulemaking on enhanced cyber risk management standards.

Rules that will enhance cyber risk management address a serious threat to our financial sector. Our financial sector is increasingly dependent on technology to provide services for consumers and organizations. Because of this increased reliance on technology, banks and other financial institutions need to address cybersecurity and ensure that our financial sector is protected against hacks, breaches, and leaks. The proposed rule is therefore squarely in the public interest and for the protection of consumers and the overall financial marketplace.

³ *Inside Target Corp., Days After 2013 Breach*, KREBSONSECURITY (Sept. 15, 2015), <https://krebsonsecurity.com/2015/09/inside-target-corp-days-after-2013-breach/>.

Thank you for the opportunity to comment on this important initiative.

Respectfully submitted,

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