# 2017 MCUL Government Affairs Federal Issue Brief

## Stopping Merchant Data Breaches

**Background**

In recent years, several major national retailers reported massive data breaches. The list of retailers incurring breached card data continues to grow, and includes national names such as Target, Home Depot, Michaels, Neiman Marcus, Wendy's, among others. The Target breach exposed the card or personal identifying information of nearly 70 million consumers nationwide. Stolen information from this breach began turning up in the illegal marketplace, costing credit unions over $30 million.

The retail industry's self-policing is clearly inadequate. Financial institutions are required to assume the costs related to card replacement, fraud control and member communication.

**Data Breaches Cost Credit Unions**

When a data breach occurs, Michigan credit unions are confronted with numerous costs. On average, credit unions pay $6.38 to replace each credit or debit card. This amount includes member service costs, increased call center volume, and actual card replacement; however it does not include the cost of actual fraud. Retailers do not face the same strict data security standards that financial institutions are subject to under Gramm Leach Bliley (GLBA). Major merchant data breaches expose credit unions to significant monetary costs and reputational risk.

**MCUL Position**

The MCUL supports all efforts to push new ideas and propose new ways to help credit unions in Michigan hold the true bad actors accountable. The MCUL believes that credit unions should have the ability to tell their members where the breach occurred because too often members blame the credit union for the breach.

**Federal data breach legislation should include the following 5 components:**

- Strong national data protection and consumer notification standards with effective enforcement provisions.
- Recognition of robust data protection and notification standards to which credit unions and banks are already subject.
- Preemption of inconsistent state laws and regulations in favor of strong Federal data protection and notification standards.
- Ability for credit unions and banks to inform customers and members about a breach, including where it occurred.
- Shared responsibility for all those involved in the payments system for protecting consumer data. The costs of a data breach should ultimately be borne by the entity that incurs the breach.

**Legislative Status**

Legislation that was introduced in the 114th Session is expected to be reintroduced in the coming weeks.

MCUL
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