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MEMORANDUM

November 2, 2021

To Our Clients and Friends

Re: FTC Adopts Changes to Safeguards Rule

The Federal Trade Commission (FTC) has amended its Safeguards Rule to better protect consumers from the growing threat of data breaches and cybersecurity attacks. Some changes become effective 30 days after publication and others become effective one year after publication.

The amended Safeguards Rule adds requirements designed to strengthen financial institutions' information security programs and improve accountability. This includes requiring financial institutions to encrypt all customer data, implement access controls to prevent unauthorized access to data, and utilize multifactor authentication to access data. Institutions will also be required to designate an individual to oversee the information security program and periodically provide reports to the board of directors. Covered institutions must also explain their information sharing practices, specifically the safeguards the institution uses to access, collect, and otherwise handle customer data.

The amended rule also expands the definition of "financial institution" to include non-banking financial institutions, such as mortgage brokers, motor vehicle dealers, and payday lenders, as well as "finders," entities that bring together buyers and sellers of a product or service.

The FTC is also seeking comment on whether to further amend the Safeguards Rule to require covered financial institutions to report certain data breaches and other security events to the Commission.

A copy of the FTC's final and proposed rules are available on our website at <http://schwartzandballen.com/news.html>.

For more information, please call Gilbert Schwartz, Robert Ballen, Heidi Wicker, or Eric Knight at (202) 776-0700.