



NASAA

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**NORTH AMERICAN SECURITIES ADMINISTRATORS ASSOCIATION, INC.**

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December 8, 2015

The Honorable Randy Neugebauer  
Chairman  
House Financial Services Subcommittee on Financial Institutions  
2129 Rayburn House Office Building  
Washington DC, 20515

Re: Manager's Amendment to H.R. 2205, The Data Security Act of 2015

Dear Chairman Neugebauer:

On behalf of the North American Securities Administrators Association ("NASAA"),<sup>1</sup> I write to express my support for provisions included in the Manager's Amendment you will be offering to the Data Security Act during its markup tomorrow clarifying the "administrative enforcement" authority that state securities regulators retain under the legislation with regard to state-registered investment advisers.

State securities authorities regulate almost two-thirds of the investment adviser firms in the U.S., and are focused on ensuring that those firms and their representatives are addressing cybersecurity risks inherent in their business model. NASAA appreciates Congressional efforts to consider or create new structures to allow information sharing regarding cybersecurity among law enforcement agencies and regulators, and between government and the financial services industry. However, to be effective, such a framework must include state as well as federal regulators. NASAA continues to urge Congress to include state securities, insurance, and banking regulators in those discussions and in any new framework.

As originally proposed, Section 5 of the Data Security Act would prohibit state securities regulators from exercising any administrative enforcement authority in regard to the data security standards established by the bill with respect to state-registered investment advisers. This provision would tie the hands of state regulators where these advisers are located and do business, and assign sole responsibility for enforcing the new standards to the Federal Trade Commission (FTC), which has no authority to examine state-registered investment advisers, and which is not in a position to monitor or enforce its compliance. NASAA is pleased that the Manager's Amendment to H.R. 2205 would correct this oversight, and clarify that state securities

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<sup>1</sup> The oldest international organization devoted to investor protection, the North American Securities Administrators, Inc. was organized in 1919. Its membership consists of the securities administrators in the 50 states, the District of Columbia, Canada, Mexico, Puerto Rico and the U.S. Virgin Islands. NASAA is the voice of securities agencies responsible for grass-roots investor protection and efficient capital formation.

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regulators will retain exclusive administrative enforcement authority under H.R. 2205 with respect to state-registered advisers.

We appreciate this opportunity to work with you and Congressman Carney to address this issue, and we look forward to continuing to work with you and others in Congress to refine and improve this legislation as it makes its way through the legislative process. Should you have any questions, please do not hesitate to contact me, or Michael Canning, NASAA's Director of Policy, at (202) 737-0900.

Sincerely



Judith M. Shaw  
NASAA President and Maine Securities Administrator

CC: The Honorable John Carney  
Member of Congress