



**NASAA**

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

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January 31, 2018

The Honorable Jack Reed  
United States Senator  
728 Hart Senate Office Building  
Washington, DC 20510

Re: Cybersecurity Disclosure Act of 2017 (S.536)

Dear Senator Reed:

On behalf of the North American Securities Administrators Association (NASAA),<sup>1</sup> I am writing to express support for S. 536, the “Cybersecurity Disclosure Act of 2017,” which would require that publicly traded companies disclose in annual filings with the U.S. Securities and Exchange Commission (SEC) whether any member of their governing body, such as their board of directors or general partner, possess expertise or experience in cybersecurity.

Incentivizing publicly traded companies to consider whether or not they have appropriate cybersecurity expertise on their governing body is a common-sense way to promote greater attention to cybersecurity risk by public corporations. Investors and customers are well-served by policies that encourage companies to consider such risks proactively, as opposed to after a data breach has already occurred, when such investors and customers have already been harmed. Importantly, S. 536 would not require companies to do anything beyond disclosing information; the bill merely nudges companies to act in their own best interests by creating an incentive for them to treat cybersecurity expertise as a priority at the senior leadership level. This is good news for companies and investors.

Cyberattacks on U.S. companies and businesses continue to increase in both frequency and sophistication. As you know, 2016 was another record-breaking year for data breaches, which increased 40% from the prior year to 1,091 total breaches according to the Identity Theft Resource Center.<sup>2</sup> In 2017, I authored an op-ed highlighting the growing concern over the number of cyberattacks perpetrated against companies and the efforts state securities regulators are taking to assist small and mid-sized investment advisers to improve their cybersecurity practices.<sup>3</sup>

Again, NASAA strongly supports your legislation as a measured way of incentivizing and rewarding enhanced cybersecurity expertise at the leadership level, and looks forward to working with you and the bill’s other Senate sponsors to facilitate its enactment. Please do not hesitate to contact

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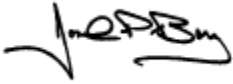
<sup>1</sup> The oldest international organization devoted to investor protection, the North American Securities Administrators, Inc. was organized in 1919. Its membership consists of the securities administrators in the 50 states, the District of Columbia, Canada, Mexico, Puerto Rico and the U.S. Virgin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

<sup>2</sup> Identify Theft Resource Center. “Data Breaches Increase 40 Percent in 2016, Finds New Report from Identify Theft Resource Center and CyberScout”. January 19, 2017. Available at [idtheftcenter.org/2016databreaches.html](http://idtheftcenter.org/2016databreaches.html).

<sup>3</sup> Borg, Joseph P. “Everyone has a Role in Protecting against Cyberattacks”. September 5, 2017. Available at [americanbar.org/content/dam/aba/administrative/business\\_law/newsletters/CL680000/full-issue-201709.authcheckdam.pdf](http://americanbar.org/content/dam/aba/administrative/business_law/newsletters/CL680000/full-issue-201709.authcheckdam.pdf).

me or Michael Canning, NASAA's Director of Policy & Government Affairs, at (202) 797-0900, if NASAA may be of any additional assistance.

Sincerely,

A handwritten signature in black ink, appearing to read 'JP Borg', with a stylized flourish at the end.

Joseph P. Borg  
NASAA President & Alabama Securities Director

CC: The Honorable Susan Collins  
CC: The Honorable Mark Warner  
CC: The Honorable John McCain