

Consumer Financial Protection Bureau
1700 G Street NW
Washington, D.C. 20552



June 2, 2020

Briefing memorandum for the Director

Taskforce Meeting on Data Security/Privacy

DATE	Tuesday, June 2, 2020
TIME	3:00 pm – 3:30 pm Eastern
LOCATION	WebEx
PARTICIPANTS	Matt Cameron, Taskforce Staff Director Todd Zywicki, Taskforce Chair Howard Beales, Taskforce Member Nathaniel Weber, Taskforce Chief of Staff Ashlie Tarpley, Taskforce Senior Counsel Teri Alexander, Office of Strategy Senior Analyst Jennifer McClean, Office of Strategy Detailee
STAFF CONTACT	Matt Cameron, Taskforce Staff Director, x [Redacted]
POLICY ASSOCIATE	Andrew Duke, Policy Associate Director, CEEA, x [Redacted]
DIRECTOR APPROVAL	Delicia Hand, Deputy Associate Director, CEEA, x [Redacted]

Objective

The primary objective of this meeting is to provide you with a status update related to the Taskforce on Federal Consumer Financial Law's Report, specifically, Volume 1, Chapter XI Data Security and Privacy.

Timing Considerations

The Taskforce milestone schedule states that first drafts of Volume 1 of its final report will be completed by June 19, 2020.

Background

The Taskforce on Federal Consumer Financial Law intends to generate a two-volume report that will (1) examine the existing legal and regulatory environment facing consumers and financial services providers; and (2) report its recommendations for ways to improve and strengthen consumer financial laws and regulations, including recommendations for resolving conflicting requirements or inconsistencies, reducing unwarranted regulatory burdens in light of market or technological developments, improving consumer understanding of markets and products, and identifying gaps in knowledge that should be addressed through future Bureau research.

During the April 30, 2020 Monthly Check-in with the Taskforce Chair and Staff Director, you requested a follow-up meeting to discuss Volume 1, Chapter XI on Data Security and Privacy in more detail as the Office of Strategy is also conducting a research effort about the Bureau's posture towards cybersecurity oversight and compliance at regulated entities. This briefing is designed to share with you current thinking about the chapter's content and obtain feedback on the direction of the report. Staff leading the Office of Strategy effort will also participate in the meeting as it may inform the scope and direction of their work. By jointly discussing the Taskforce outline, the Bureau will ensure minimal duplication of effort.

Taskforce Progress - Data Privacy and Security

The Taskforce report Volume 1, Chapter XI is titled, "Data Privacy and Security". The focus of the chapter is presented in this outline:

Data Privacy and Security

- a. Transaction Costs Economics
 - Transactions are costly and these costs of closing a deal can impede commerce. Decisions about security/privacy are part of transaction costs in today's economy. Reducing transaction costs can both improve security and make consumers and markets better off.

- b. Failure of the Disclosure Based Approach to Protect Privacy
 - The current regulatory emphasis on disclosures through privacy policies has distracted from the original privacy protection goals of the disclosures. With the focus on the goal of privacy protection, regulators should consider adopting substantive regulations to prohibit or avoid harmful consequences stemming from misuse of consumer data.
- c. Information Sharing Benefits
 - The use of private consumer information can enhance the consumer experience, prevent misconduct, and ultimately improve data security/privacy practices. Secondary uses of shared information originally collected for other purposes is an important building block of fraud control tools.
- d. Costs of Information Sharing
 - There is a downside to the free flow and wide availability of personal consumer information if it increases the risk that information is compromised. And while many people value protecting their personal information, most willingly give up privacy to gain even a small benefit.
- e. Information Security - Fortress Mentality/Data Based Triangulation
 - Traditional barriers used to protect consumer data have never been so vulnerable. It may be time to abandon the fortress model and use traditionally protected private information in multi-factor security systems.
- f. Deliberations on tradeoffs and considerations of potential recommendations will begin the week of June 14, 2020.

Key Points to Make

Thank the attendees on their hard work and proactive coordination

- Let the attendees know you are pleased that they have already met to begin coordinating Taskforce and Office of Strategy efforts and encourage them to remain in contact throughout their work.
- Ask them how they are feeling about the work ahead and if there is any additional support needed to fulfill their missions.

Remind the teams about how their two efforts differ

- Remind them that the scope of the Taskforce work is to analyze and recommend ways to improve and strengthen consumer financial laws and the implementing regulations, and that the Office of Strategy was invited to observe the discussion that might ultimately inform the scope and outputs of a short-term analysis of the Bureau's current authorities.
- Inquire as to what recommendations each team has at the outset of their work, and what questions they are still examining that will help them develop additional recommendations.

Attachments

Tab 1: Taskforce Member Howard Beales Bio

Tab 2: Taskforce Report Chapter Outlines

Tab 3: Taskforce Key Points Document.