

IAA ADVISER ADVOCACY DAY

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Federal Legislation is Needed to Address Data Breach, Cybersecurity, and Privacy Regulation

Cybersecurity threats are increasing dramatically. It is imperative that policymakers and regulators provide a framework to help companies, including investment advisers, address cyber risks.

We strongly support a **uniform, national approach to cybersecurity**. That includes enactment of federal laws to facilitate cybersecurity information sharing, both among companies and between companies and law enforcement agencies. We also support creation of a **single, national data breach notification regime** that would make it easier for companies to comply with the law and ensure that clients and customers are protected.

Investment advisers – most of which are small businesses – currently face a complex maze of federal and state requirements relating to cybersecurity and the reporting of data breaches. Multiple federal agencies have issued regulations or statements regarding data security and many states also are considering or have issued their own cybersecurity regulations. This results in an array of inconsistent data breach notification laws and regulations that create confusion and needless regulatory burdens. We urge policymakers to adopt a uniform, risk-based standard regarding data breach notification that preempts state regulation in this area.

Data privacy laws are another critically important investor protection area where federal coordination and preemption of state regulation are needed. The advent of the General Data Protection Regulation in Europe in 2018, followed by the California Consumer Privacy Act in 2020, the soon-to-be-effective California Privacy Rights Act, and the recently enacted Virginia Consumer Data Protection Act have prompted other states to consider adopting their own comprehensive data protection laws. Again, a patchwork of state laws with different definitions and requirements makes **implementation and compliance extremely challenging** for investment advisers and underscores the need for a unified federal response.

Numerous legislative proposals have been introduced to address a broad range of cybersecurity and data privacy issues. Congress should move swiftly to consider them.

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