Advocacy Requests an Extension of the Effective Date of the Federal Trade Commission’s Safeguards Rule

On December 9, 2021, the Federal Trade Commission (FTC) published a final rule to amend the Standards for Safeguarding Customer Information (safeguards rule). The effective date of the rule is December 9, 2022. On August 5, 2022, Advocacy submitted a letter to the FTC requesting an extension of the effective date.

- The safeguards rule adds provisions designed to provide covered financial institutions with more guidance on how to develop and implement specific aspects of an overall information security program. These aspects could include access controls, authentication, and encryption. The rule also adds provisions designed to improve the accountability of financial institutions’ information security programs, such as by requiring periodic reports to boards of directors or governing bodies.

- The safeguards rule expands the definition of “financial institution” to include entities engaged in activities the Federal Reserve Board determines to be incidental to financial activities. It also exempts financial institutions that collect less customer information from certain requirements. The rule adds “finders”—companies that bring together buyers and sellers of a product or service—within the scope of the safeguards rule. In addition, the final rule defines several terms and provides related examples in the safeguards rule rather than incorporating them from the Privacy of Consumer Financial Information rule.

- Small entities cannot meet FTC’s deadline because of the labor shortage and a lack of the necessary external resources and equipment.

- Small entities will need to modify their methods for evaluating security risks and the way they document these risks to ensure that service providers meet many of the requirements and amend contracts to reflect the changes.

- Advocacy requested that the FTC extend the effective date of rule to December 9, 2023.

A complete copy of Advocacy’s letter to the FTC is available online. For more information, please contact Jennifer A. Smith, Assistant Chief Counsel, at Jennifer.Smith@sba.gov.