

*Statement of Congressman Michael N. Castle*

*Oversight and Investigations Subcommittee Hearing on  
"Credit Card Data Processing: How Secure Is It"*

*July 21, 2005*

Thank you Chairwoman Kelly and Ranking Member Gutierrez for holding this important hearing today before the Oversight and Investigations Subcommittee. As a member of the full committee but not of this particular subcommittee, I would also like to thank you for the opportunity to attend.

In recent months, a number of "data breaches" have come to light. We know of at least 50 breaches of database security that have occurred since the beginning of 2005 that, taken together, could impact over 51 million Americans. Among the most troublesome is the CardSystem breach we are examining today. The initial reports of 40 million consumer accounts compromised has heightened consumer awareness of this issue. While I am thankful this initial number appears to be well above the number of cards actually exposed, which I understand is closer to 200,000, this is still 200,000 too many. I've read that CardSystems was not following the "Payment Card Industry Data Security Standards" as required by Visa and MasterCard -- if this is true, this is a lapse that should not have occurred.

I strongly believe that something must be done on a federal level to ensure sensitive data is being properly protected. To this end, I am pleased to have introduced legislation today with the Gentlewoman from Ohio, Ms. Pryce, and the Gentleman from Kansas, Dennis Moore, which would address this by creating uniform national security standards for sensitive data as well as consumer notification and mitigation procedures in the unfortunate instance in which a breach occurs.

While our financial institutions, as defined by the Gramm-Leach-Bliley Act, are already required to secure their sensitive data, we must ensure this standard is being enforced and clearly in light of problems in the retail and data broker sector need to ensure it is extended it to all sectors that have sensitive consumer information.

As we examine this and other data breaches, I believe we must understand the facts of each case and use information as we work to create a national standard. Does losing an account number pose the same risk as a breach that includes a consumer's name, address and social security number? When consumers are notified are they taking the proper steps to protect themselves from future harm? And frankly, are they even opening the envelope from the breached entity to inform them that their information has been placed at risk? These are all questions that we must answer as we move forward on legislation and I look forward to hearing from our witnesses today.

The flow of information in our society is important -- it helps consumers everyday with access to credit, price competition, and even with issues related to public safety -- but we must ensure that sensitive information has a standard of protection around it that extends to all sectors handling the data. Simply put we can not have a gap in the system. Madam Chairwoman, I thank you for holding this hearing today and again, I look forward to hearing from each of our witnesses.