

AMENDMENT TO THE FTC'S SAFEGUARDS RULE: CHANGES FOR NON-BANKING FINANCIAL INSTITUTIONS

On October 27, 2023, the FTC [announced](#) an amendment to the Gramm-Leach-Bliley Safeguards Rule ("**Safeguards Rule**"), which protects consumers by requiring that financial institutions comply with data protection measures to keep customer information secure. The Safeguards Rule initially came into effect in May 2003 and the FTC has increasingly broadened the definition of "financial institution" to ensure that data protection regulations, including data breach response obligations, apply to a greater number of companies.

WHAT IS THE REQUIREMENT?

The new amendment requires non-banking financial institutions within the FTC's jurisdiction to report any data breaches that compromise the information of 500 or more customers. In the event of a qualifying breach, a company's notice to the FTC must include a description of the types of information that were involved in the breach, the timing or date range of the breach, an approximation of the number of consumers affected, and a description of the event triggering the disclosure, among other information. The covered entity must contact the FTC "as soon as possible, and no later than 30 days after discovery of the event" using a form on the FTC's website.

WHO IS COVERED?

The Safeguards Rule applies to [financial institutions](#) subject to the FTC's jurisdiction and that aren't subject to the enforcement authority of another regulator under the Gramm-Leach-Bliley Act. An entity is a "financial institution" if it is engaged in activities that are "financial in nature or incidental to such financial activities" as described in section 4(k) of the *Bank Holding Company Act of 1956*, [12 U.S.C § 1843\(k\)](#). Examples of such financial institutions include mortgage lenders, finance companies, mortgage brokers, account servicers, collection agencies, credit counselors and other financial advisors, tax preparation firms, non-federally insured credit unions and investment advisors that are not required to register with the SEC.

WHEN DOES THE NEW RULE TAKE EFFECT?

The [amendment to the Safeguards Rule](#) will take effect 180 days after publication in the Federal Register.

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