



NEIL ABERCROMBIE
GOVERNOR

SHAN S. TSUTSUI
LT. GOVERNOR

STATE OF HAWAII
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
335 MERCHANT STREET, ROOM 310
P.O. Box 541
HONOLULU, HAWAII 96809
Phone Number: 586-2850
Fax Number: 586-2856
www.hawaii.gov/dcca

KEALI'I S. LOPEZ
DIRECTOR

JO ANN M. UCHIDA TAKEUCHI
DEPUTY DIRECTOR

PRESENTATION OF THE
OFFICE OF CONSUMER PROTECTION

TO THE COMMITTEE ON CONSUMER PROTECTION & COMMERCE

TWENTY-SEVENTH LEGISLATURE
REGULAR SESSION OF 2014

MARCH 31, 2014
2:00 P.M.

TESTIMONY IN SUPPORT OF H.C.R. 32 & H.R. 16.

TO THE HONORABLE ANGUS L. K. McKELVEY, CHAIR,
AND TO THE HONORABLE DEREK S. K. KAWAKAMI, VICE CHAIR,
AND MEMBERS OF THE COMMITTEE:

The Department of Commerce and Consumer Affairs appreciates the opportunity to offer testimony in support of H.C.R. 32 & H.R. 16. My name is Bruce Kim. I am the Executive Director of the Office of Consumer Protection ("OCP").

Identity theft is a serious crime with lasting negative repercussions for individual victims. Minimizing the exposure of personal financial information is critical. Whenever a data breach or hacking attack affecting Hawaii consumers occurs, the affected entity is required to notify OCP if the breach involves 1,000 or more Hawaii residents (HRS § 487N-2(f)). Since 2007, when OCP began tracking data breaches involving Hawaii

residents, a minimum of 228,250, or slightly more than 16% of Hawaii consumers, have been the victim of a data breach. Of that number, 68.2% of the impacted consumers resulted from data breaches to general businesses, including retailers. In general, 83.19% of data breaches are caused by hackers or incidents of unauthorized access to protected data.

Last year's Target security breach is an excellent case in point of the need for better credit card security. In that security breach, the point-of-sale ("POS") system used by Target Corporation was breached by hackers who took advantage of lax security at Target's air conditioner vendor to bypass Target's network security and installed malware on Target's POS terminals. That malware "scraped" credit and debit card information at Target's POS terminals, which is to say that it read temporary data stored in the POS terminal memory before it was deleted. This allowed the hackers to obtain customer's credit and debit card numbers, PIN numbers and other protected personal and financial information which could be used by an identity thief. The Target breach exposed sensitive personal and financial information belonging to over 121,000 Hawaii residents to cybercriminals as well as tens of millions more consumers across the nation.

Thank you for the opportunity to offer testimony in support of H.C.R. 32 & H.R. 16. I would be happy to answer any questions the committee may have.

POLICE DEPARTMENT
CITY AND COUNTY OF HONOLULU

801 SOUTH BERETANIA STREET · HONOLULU, HAWAII 96813
TELEPHONE: (808) 529-3111 · INTERNET: www.honolulu-pd.org

KIRK W. CALDWELL
MAYOR



LOUIS M. KEALOHA
CHIEF

DAVE M. KAJIHIRO
MARIE A. MCCAULEY
DEPUTY CHIEFS

OUR REFERENCE **KH-NTK**

March 31, 2014

The Honorable Angus L. K. McKelvey, Chair
and Members
Committee on Consumer Protection
and Commerce
House of Representatives
Hawaii State Capitol
415 South Beretania Street
Honolulu, Hawaii 96813

Dear Chair McKelvey and Members:

Subject: House Resolution No. 16, Urging Congress, Hawaii Financial Institutions, and Hawaii Businesses to Adopt Legislation, Policies, and Procedures to Use Identity Theft-Resistant Credit Cards

I am Keith Horikawa, Captain of the Criminal Investigation Division of the Honolulu Police Department, City and County of Honolulu.

The Honolulu Police Department supports House Resolution No. 16, Urging Congress, Hawaii Financial Institutions, and Hawaii Businesses to Adopt Legislation, Policies, and Procedures to Use Identity Theft-Resistant Credit Cards.

Theft-resistant credit cards, also referred to as "chip and pin" and "chip and sign" credit cards, are well established in the Asian and European markets and have reduced credit card fraud by more than 70 percent through the use of microchip technology in place of traditional magnetic-strip encoding. In Hawaii, credit card fraud accounts for millions of dollars in losses each year and is the most common type of financial crime scheme. Utilizing theft-resistant credit cards would significantly reduce credit card fraud and lessen the victimization of individuals and businesses in Hawaii.

The Honorable Angus L. K. McKelvey, Chair
and Members
Page 2
March 31, 2014

The Honolulu Police Department urges you to support House Resolution No. 16, Urging Congress, Hawaii Financial Institutions, and Hawaii Businesses to Adopt Legislation, Policies, and Procedures to Use Identity Theft-Resistant Credit Cards.

Thank you for the opportunity to testify.

Sincerely,

A handwritten signature in black ink, appearing to read 'Keith Horikawa', with a long horizontal flourish extending to the right.

KEITH HORIKAWA, Captain
Criminal Investigation Division

APPROVED:

A handwritten signature in black ink, appearing to read 'Louis M. Kealoaha', written over a horizontal line.

LOUIS M. KEALOHA
Chief of Police



TEL:
808-524-5161
FAX:
808-521-4120
ADDRESS:
1000 Bishop Street, Suite 301B
Honolulu, HI 96813-4203

Presentation To
House Committee on Consumer Protection and Commerce
March 31, 2014 at 2:10pm
State Capitol Conference Room 325

Testimony with Comments on House Concurrent Resolution 32

TO: The Honorable Angus L. K. McKelvey, Chair
The Honorable Derek S. K. Kawakami, Vice Chair
Members of the Committee

My name is Edward Pei and I am the Executive Director of the Hawaii Bankers Association (HBA). HBA is the trade association representing all FDIC insured depository institutions operating in the State of Hawaii.

Credit card fraud is a huge problem for our industry and protecting consumers is an important priority. House Concurrent Resolution 32 and House Resolution 16 would urge the Congress of the United States to adopt legislation addressing this problem. With the recent high profile data breaches at Target, Neiman Marcus, and others, there has been considerable federal attention directed to this problem. There is a bill, S.1927, the Data Security Act of 2014, currently being addressed in the US Senate and similar legislation is being considered in the House.

HCR 32 also urges Hawaii financial institutions to issue new credit cards embedded with computer chips and for Hawaii businesses to invest in new technologies to process such cards. Actually, the card associations have taken significant steps to encourage card issuers, as well as the merchant community to convert to EMV chip card technology by October, 2015. Accordingly, the banks in Hawaii are currently considering their options and strategies.

With all of these initiatives in progress, both HCR32 and HR16 seem unnecessary.

Thank you for the opportunity to submit this testimony and please let us know if we can provide further information.

A handwritten signature in black ink, appearing to read 'Edward Y. W. Pei', written in a cursive style.

Edward Y. W. Pei
Executive Vice President

HAWAII FINANCIAL SERVICES ASSOCIATION

c/o Marvin S.C. Dang, Attorney-at-Law

P.O. Box 4109

Honolulu, Hawaii 96812-4109

Telephone No.: (808) 521-8521

Fax No.: (808) 521-8522

March 31, 2014

Rep. Angus L.K. McKelvey, Chair
Rep. Derek S.K. Kawakami, Vice Chair
and members of the House Committee on Consumer Protection and Commerce
Hawaii State Capitol
Honolulu, Hawaii 96813

Re: **HCR 32 & HR 16 (URGING CONGRESS, HAWAII FINANCIAL INSTITUTIONS, AND HAWAII BUSINESSES TO ADOPT LEGISLATION, POLICIES, AND PROCEDURES TO USE IDENTITY THEFT-RESISTANT CREDIT CARDS)**
Hearing Date/Time: Monday, March 31, 2014, 2:00 P.M.

I am Marvin Dang, the attorney for the **Hawaii Financial Services Association** (“HFSA”). The HFSA is a trade association for Hawaii’s consumer credit industry. Its members include Hawaii financial services loan companies (which make mortgage loans and other loans, and which are regulated by the Hawaii Commissioner of Financial Institutions), mortgage lenders, and financial institutions.

The HFSA offers **comments** on these Resolutions.

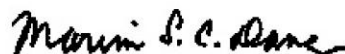
The purpose of these Resolutions is to urge Congress, Hawaii financial institutions, and Hawaii businesses to adopt legislation, policies, and procedures to use identity theft-resistant credit cards.

We understand that the Hawaii Bankers Association (“HBA”) is submitting testimony on these Resolutions.

We concur with the HBA that “credit card fraud is a huge problem for our industry and protecting consumers is an important priority.” The HBA notes that “the card associations have taken significant steps to encourage card issuers, as well as the merchant community to convert to EMV chip card technology by October, 2015.” We understand that banks in Hawaii (and on the mainland) are currently considering their options and strategies.

We agree with the HBA that “[w]ith all of these initiatives in progress, both HCR32 and HR16 seem unnecessary.”

Thank you for considering our testimony.



MARVIN S.C. DANG
Attorney for Hawaii Financial Services Association

kawakami3-Benigno

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, March 27, 2014 9:25 PM
To: CPCtestimony
Cc: teresa.parsons@hawaii.edu
Subject: *Submitted testimony for HR16 on Mar 31, 2014 14:10PM*

HR16

Submitted on: 3/27/2014

Testimony for CPC on Mar 31, 2014 14:10PM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Teresa Parsons	Individual	Support	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

Do not reply to this email. This inbox is not monitored. For assistance please email webmaster@capitol.hawaii.gov