

HCR 32

**URGING CONGRESS, HAWAII FINANCIAL INSTITUTIONS,
AND HAWAII BUSINESSES TO ADOPT LEGISLATION,
POLICIES, AND PROCEDURES TO USE IDENTITY THEFT-
RESISTANT CREDIT CARDS.**



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TO THE COMMITTEE ON TECHNOLOGY AND THE ARTS

THE COMMITTEE ON PUBLIC SAFETY, INTERGOVERNMENTAL AND MILITARY
AFFAIRS

&

THE COMMITTEE ON COMMERCE AND CONSUMER PROTECTION

TWENTY-SEVENTH LEGISLATURE
REGULAR SESSION OF 2014

APRIL 14, 2014
9:45 A.M.

TESTIMONY IN SUPPORT OF H.C.R. 32, URGING CONGRESS, HAWAII FINANCIAL INSTITUTIONS, AND HAWAII BUSINESSES TO ADOPT LEGISLATION, POLICIES, AND PROCEDURES TO USE IDENTITY THEFT-RESISTANT CREDIT CARDS.

TO THE HONORABLE GLENN WAKAI, CHAIR,
AND TO THE HONORABLE WILL ESPERO, CHAIR,
AND TO THE HONORABLE ROSALYN H. BAKER, CHAIR,
AND TO THE HONORABLE CLARENCE K. NISHIHARA, VICE CHAIR,
AND TO THE HONORABLE ROSALYN H. BAKER, VICE CHAIR,
AND TO THE HONORABLE BRIAN T. TANIGUCHI, VICE CHAIR,
AND MEMBERS OF THE COMMITTEES:

The Department of Commerce and Consumer Affairs appreciates the opportunity to offer testimony in support of H.C.R. 32, Urging Congress, Hawaii Financial

Institutions, and Hawaii Businesses to Adopt Legislation, Policies, and Procedures to Use Identity Theft-Resistant Credit Cards. 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

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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.

Encouraging the adoption of identity theft-resistant credit cards is in the interest of Hawaii's consumers.

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



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Presentation To
Senate Committee on Technology and the Arts (TEC)
Senate Committee on Public Safety, Intergovernmental and Military Affairs (PSM)
Senate Committee on Commerce and Consumer Protection (CPN)
April 14, 2014 at 9:45pm
State Capitol Conference Room 414

Testimony with Comments on House Concurrent Resolution 32

TO: The Honorable Glenn Wakai, Chair, TEC
The Honorable Clarence K. Nishihara, Vice Chair, TEC

The Honorable Will Espero, Chair, PSM
The Honorable Rosalyn H. Baker, Vice Chair, PSM

The Honorable Rosalyn H. Baker, Chair, CPN
The Honorable Brian T. Taniguchi, Vice Chair, CPN

Members of the Committees

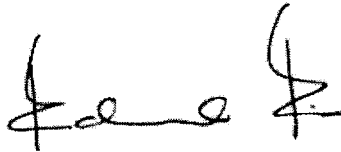
My name is Edward Pei and I am the Executive Director of the Hawaii Bankers Association (HBA). HBA is the trade association representing all FDIC insured depository institutions operating in the State of Hawaii.

Credit card fraud is a huge problem for our industry and protecting consumers is an important priority. House Concurrent Resolution 32 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, Visa and MasterCard, 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, HCR32 seems 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', with a stylized flourish at the end.

Edward Y. W. Pei
Executive Vice President

HAWAII FINANCIAL SERVICES ASSOCIATION

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April 14, 2014

Sen. Glenn Wakai, Chair
Sen. Clarence K. Nishihara, Vice Chair
and members of the Senate Committee on Technology & the Arts

Sen. Will Espero, Chair
Sen. Rosalyn H. Baker, Vice Chair
and members of the Senate Committee on Public Safety, Intergovernmental & Military Affairs

Sen. Rosalyn H. Baker, Chair
Sen. Brian T. Taniguchi, Vice Chair
and members of the Senate Committee Commerce & Consumer Protection
Hawaii State Capitol
Honolulu, Hawaii 96813

Re: **HCR 32 (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, April 14, 2014, 9:45 a.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 this Resolution.


The purpose of this Resolution 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 this Resolution.

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, Visa and Mastercard, 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, HCR 32 seems unnecessary."

Thank you for considering our testimony.



MARVIN S.C. DANG

Attorney for Hawaii Financial Services Association



HAWAII STATE

FEDERAL CREDIT UNION

April 14, 2014

COMMITTEE ON TECHNOLOGY AND THE ARTS

Senator Glenn Wakai, Chair
Senator Clarence K. Nishihara, Vice Chair

COMMITTEE ON PUBLIC SAFETY, INTERGOVERNMENTAL AND MILITARY AFFAIRS

Senator Will Espero, Chair
Senator Rosalyn H. Baker, Vice Chair

COMMITTEE ON COMMERCE AND CONSUMER PROTECTION

Senator Rosalyn H. Baker, Chair
Senator Brian T. Taniguchi, Vice Chair

Dear Chairs and Members:

Presentation on House Concurrent Resolution 32 and House Resolution 16

As the President and CEO of Hawaii State Federal Credit Union, I represent more than 80,000 members of Hawaii State FCU in support of HCR 32 and HR 16.

Identity theft, including Credit Card fraud is a serious problem that affects millions of Americans each year. As a member owned, not for profit financial institution our priority at Hawaii State FCU is protecting the financial well being of our members. Based on the experience in Europe and Asia, the use of EMV chips in credit cards will eliminate most card fraud at retailers and merchants. Therefore, in the interests of protecting our members we have begun offering the first locally issued EMV Chip card, well ahead of the deadlines set by Visa and MasterCard. Unfortunately, until local merchants update point of sale card terminals to accept EMV Chips, we must rely on the outdated fraud prone technology. We hope that the merchants of Hawaii will be proactive in updating their point of sale card terminals to accept these EMV Chip cards to fully protect consumers.

In addition to the EMV Chip, there are many other ways we are working hard to protect the financial security of our members: Members can set up email or mobile alerts to notify them anytime their credit card is used either online or at a merchant. We employ similar technology to allow members to monitor deposits. We also offer identity theft protection and monitoring.

Thank You for the opportunity to submit this testimony.

Andrew Rosen

President and CEO

Hawaii State Federal Credit Union