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MEMORANDUM

TO: House Committee on Commerce & Economic Development
Senate Committee on Economic Development, Housing, & General Affairs

FROM: Michael Pieciak, Commissioner

SUBJECT: Personal Information Protection Companies

DATE: January 15, 2020

Dear Representative Marcotte, Senator Sirotkin, and members of the House Committee on Commerce and Economic Development and Senate Committee on Economic Development, Housing, and General Affairs:

Pursuant to Act 205 (2018), I hereby submit this progress report addressing the implementation of Section 2 of Act 205 (Personal Information Protection Companies) and the status of rulemaking pursuant to the Department of Financial Regulation's authority under 8 V.S.A. § 2457 (which specifically refers to the timing and manner of reports).

To date, the Department has not licensed any personal information protection companies (PIPCs), nor has it received any applications by entities for licensure as such.

In the process of writing rules to govern the business of a PIPC, the Department has determined that PIPCs should be subject to the same application, reporting, change of control, reporting, examination, and other requirements as Title 8, Chapter 72 applies to all other non-depository financial licensees. Therefore, the Department has proposed to apply Chapter 72 to PIPCs. Please refer to Sections 1-5 of H.643, an act relating to banking and insurance, sponsored by Representative Marcotte and his committee. With respect to reporting requirements, this would mean that PIPCs would be required to annually file a report with the Commissioner concerning the business and operations conducted in Vermont during the previous calendar year.

Pursuant to its authority under 8 V.S.A. § 2457, the Department has also drafted rules to govern other aspects of the business of a PIPC, "including its protection and safeguarding of personal information and its interaction with third parties with respect to personal information it holds."¹ The Department intends to include procedures in these rules relating to security breaches, document destruction, technical requirements, and the safety and privacy of personal information. However, because the application to PIPCs of Title 8,

¹ 8 V.S.A. § 2457

Chapter 72 would cover many other important non-technological requirements, the Department intends to submit the draft rules once H.643 is enacted or the session concludes.

Please let me know if you have any questions.

All the best,

A handwritten signature in blue ink, appearing to read "Michael Pieciak".

Michael Pieciak
Commissioner