

PCI Compliance - It's a Matter of Law (At Least in Some States)

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Recently, the state of Washington enacted a law that allows financial institutions to recover costs relating to credit/debit card breaches from businesses that are careless in protecting credit card data. Large businesses and card processors are the targets of this legislation. Any company—regardless of where it is located—that processes more than 6 million credit card and debit card transactions annually and who provides sells goods or services to Washington residents is subject to the act. There is no liability, however, if the company encrypted the data or was certified compliant with the payment card industry data security standards.

Washington's new law goes into effect on July 1, 2010. Washington is the third state to pass such legislation, joining Nevada and Minnesota.

Why are states passing these laws? Financial institutions often face significant costs in reissuing credit card and debit cards when there has been a data breach at a retailer or a credit card processor. Sometimes they also face costs from fraudulent use of accounts. At times, there's even been litigation over these costs. From a policy perspective, these states have concluded that it's unfair for the banks to sustain these losses if the retailer or credit card processor has been careless with the data. Of course, if your company accepts credit cards, you are probably contractually required to comply with the PCI data security standards already.

If you need help complying with privacy and security requirements, Warner Norcross & Judd LLP can help. Give us a call!

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