

Congress of the United States
Washington, DC 20515

April 23, 2019

The Honorable Jay Clayton
Chairman
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549

Dear Chairman Clayton,

We write in strong support of your recent comments indicating that the Securities and Exchange Commission (SEC or Commission) will significantly limit its collection of retail investors' personally identifiable information (PII) as part of the Consolidated Audit Trail (CAT). We welcome your statement that the Commission will not require retail investors' Social Security numbers to be collected and stored in the CAT. We appreciate the Commission's ongoing work on the CAT and agree that it is important for regulators to be able to oversee the capital markets on a consolidated basis. However, we strongly believe that the CAT can, and should, fulfill its intended purpose without collecting Main Street investors' PII.

We have serious concerns with the federal government's cybersecurity posture in this era of digital hacking and cyber theft. As you know, virtually all of the federal financial regulators have experienced a significant data breach, including the 2016 breach of the SEC's EDGAR system. Furthermore, the government's systems are subject to hundreds of intrusion attempts from foreign governments and other sophisticated parties every day. The U.S. Intelligence Community has warned that these cyber threats are constant and will only continue to grow; and therefore, it is imperative that federal agencies minimize their cybersecurity risks in order to make themselves a less desirable target for cyber criminals.

Identity theft and other financial scams are already substantially harming Americans. A 2018 study conducted by Javelin Strategy and Research reports a record high number of identity fraud victims of 16.7 million in 2017, an increase of one million from the previous year. Furthermore, for the first time ever, more Social Security Numbers than credit card numbers were stolen, and senior citizens are a prime target of criminals who want to steal their hard-earned retirement savings. According to the U.S. Senate Committee on Aging, senior citizens lose nearly \$3 billion a year to various scams. The Consumer Financial Protection Bureau also recently released a report on elder financial abuse, which indicates that the problem is rampant and growing. Identity theft and other scams will likely continue to increase, as the number of exposed consumer PII records increased by 126 percent from 2017 to 2018, according to the Identity Theft Resource Center. We are very concerned that collecting vast amounts of investors' PII in the CAT would invite more data breach attempts by criminals and could very well result in more financial harm to senior citizens and other vulnerable parts of the population.

As you know, the CAT is expected to take in nearly 60 billion records every day and will maintain records on more than 100 million investor accounts. These circumstances alone will make the CAT a target for cyber criminals, and collecting large volumes of investors' PII would only make the CAT an even bigger target.

A poll conducted by Morning Consult in November 2018 indicates that investors with money in the market overwhelmingly oppose the SEC requiring their broker to send PII to the CAT at a rate of 89 percent. We agree with those sentiments, and we believe the Commission is well-equipped to continue monitoring the markets and taking action against bad actors without collecting vast sums of retail investors' PII. This is substantiated by the fact that the SEC has taken nearly 400 enforcement actions pertaining to insider trading in the last eight years.

Thank you for considering the views and concerns of Members of Congress and market participants on this important issue. We appreciate your indication that the Commission will no longer require Social Security numbers to be maintained in the CAT, and that the Commission will continue to work toward limiting the CAT's cybersecurity risks. We hope you will agree that it is not necessary for the CAT to collect retail investors' PII in order for the Commission to continue to monitor the capital markets, and for the CAT to fulfill its intended purpose. We look forward to an update on the cybersecurity profile of the CAT and the Commission's efforts to reduce the amount of sensitive data that will be collected.

Thank you, and we appreciate your attention to this matter.

Sincerely,


Barry Loudermilk
Member of Congress


French Hill
Member of Congress


Ted Budd
Member of Congress


Bill Huizenga
Member of Congress


Warren Davidson
Member of Congress