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The Weekly Sweep: Northeast Regulators Focus on Consumer Protection, Cybersecurity, and Financial Services Compliance

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Regulators and policymakers across the Northeast continue to focus on consumer protection, cybersecurity, and financial services compliance. This week's developments include proposed New York City legislation that could significantly expand private enforcement of consumer protection requirements, a multistate data security settlement addressing third-party vendor oversight, and a $33 million New York enforcement action involving alleged BSA/AML compliance deficiencies.

Key Developments

New York City POWER Act Would Expand Private Consumer Protection Enforcement

The New York City Department of Consumer and Worker Protection (DCWP) proposed the People and Organizations Winning Economic Relief (POWER) legislation to the New York City Council. The proposed legislation would provide a private right of action for unfair methods of competition and unfair, deceptive, abusive, or unlawful acts or practices.

The legislation would permit individual and class actions and allow plaintiffs to seek compensatory, injunctive, and declaratory relief. Small businesses with four or fewer employees and gross revenue of less than $5 million would be exempt from suit, and the legislation would establish a three-year statute of limitations.

If enacted, the legislation could permit private actions for violations of numerous New York City rules that do not currently provide a private right of action, including the recently revised DCWP debt collection rule.

Proposed Legislation

New York and Connecticut Reach Data Security Settlement Addressing Vendor Oversight

The Attorneys General of New York and Connecticut entered into an Assurance of Discontinuance with a health care organization and its IT management provider following a data breach that compromised personal information belonging to approximately 825,000 New York residents and 62,871 Connecticut residents.

The Attorneys General alleged deficiencies involving vendor management and information security practices, including alleged failures to implement common information security policies and procedures, **use commonly accepted security tools**, and adopt an incident response plan.

Under the settlement, the organizations will pay approximately $2.7 million in penalties to New York and Connecticut and are required to strengthen security practices designed to protect private information.

New York Attorney General Press Release

Assurance of Discontinuance

New York DFS Imposes $33 Million Penalty Over Alleged BSA/AML Compliance Deficiencies

The New York Department of Financial Services (DFS) entered into a Consent Order with a foreign bank and its New York branch resolving an investigation into alleged violations of New York Banking Law and deficiencies in the bank's Bank Secrecy Act/anti-money laundering (BSA/AML) compliance program.

DFS alleged gaps in the bank's BSA/AML program, including inadequate customer due diligence and insufficient measures to mitigate heightened money laundering risks associated with certain high-risk clients.

DFS also alleged deficiencies involving due diligence of high-risk correspondent banking relationships, client files, AML risk calculations, and procedures governing correspondent banking relationships.

The Consent Order imposes a $33 million penalty.

DFS Press Release

Consent Order

Why It Matters

These developments reflect continued regulatory attention to both traditional consumer protection requirements and emerging compliance risks involving technology and third-party relationships.

The proposed POWER Act is particularly noteworthy because it could significantly expand private enforcement of New York City consumer protection requirements, including rules that currently do not provide a private right of action. For companies subject to the city's revised debt collection requirements, the proposal could add another layer of potential litigation exposure.

Related Content

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State Watch – Timely updates on state-specific legislative and regulatory activity.

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Hudson Cook will continue to monitor regulatory and enforcement developments across the Northeast.