

Department of Legislative Services
Maryland General Assembly
2020 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 274
Economic Matters

(Delegate C. Watson)

Finance

Financial Institutions - Security Questions and Measures

This bill requires a financial institution to allow a customer to choose from at least two security question options for each security question if the customer is required to provide an answer to a security question in connection with the provision of an account. The bill also prohibits a financial institution from using a customer's mother's maiden name as a means of safeguarding access to the account. The bill applies only prospectively and may not be applied (or interpreted to) have any effect on (or application to) any customer accounts created before its October 1, 2020 effective date.

Fiscal Summary

State Effect: The bill does not materially affect State finances or operations. Enforcement can be handled with existing resources.

Local Effect: None.

Small Business Effect: Potential meaningful.

Analysis

Current Law/Background: A "financial institution" means any financial institution of the type supervised under the Financial Institutions Article, whether or not State-chartered.

Maryland law does not currently address which security questions a financial institution may ask in connection with a consumer account.

The Office of the Commissioner of Financial Regulation (OCFR) provides assistance to Maryland consumers by investigating complaints of questionable business practices involving State-chartered, licensed, and registered financial institutions under its supervision and authority.

Small Business Effect: Any small financial institutions that operate in the State must modify security protocols in order to comply with the bill. However, the amount of any such costs – or the number of affected small businesses – cannot be determined at this time.

Additional Comment: Many financial institutions are chartered at the federal level and are not subject to State supervision. For instance, OCFR advises that the bill likely has no effect on federally chartered banks.

Additional Information

Prior Introductions: None.

Designated Cross File: SB 160 (Senators Kagan and Reilly) - Finance.

Information Source(s): Maryland Department of Labor; Department of Legislative Services

Fiscal Note History: First Reader - January 31, 2020
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