

THE NATION'S NEWSPAPER

USA TODAY

A GANNETT COMPANY

Newsline

WEEKEND, JUNE 10-12, 2011

Companies pressed to report data breaches

Fessing up can cost, but coverups can be riskier

By Byron Acohido
USA TODAY

Citigroup's acknowledgment Thursday of a major data breach of customer account information is the latest in a string of reported cyberattacks on companies, schools and government agencies that could match or exceed last year's record 597 disclosures.

This was the 251st public notification of a data breach this year, says the Privacy Rights Clearinghouse, a consumer education project.

Cybercriminals are actively probing corporate networks for weaknesses, and businesses face unprecedented pressure to let consumers know when they've been hacked.

"Even the best in the business are susceptible to cyber vulnerabilities," says Rep. Jim Langevin, D-R.I., who is spearheading an effort to pass major cybersecurity legislation in Congress this year. "However, when companies come forward as quickly as possible, it limits damage to their customers and helps maintain the public's trust in their services." He criticized Citigroup for taking a month to notify customers after discovering the breach during routine monitoring. Names, account numbers and e-mail addresses were taken, the bank says.

Other high-profile breach disclosures: e-mail marketer Epsilon, Nasdaq, Sony, Google and defense contractors RSA, Lockheed Martin, L-3 Communications and Northrop Grumman.

"There are more breaches, and companies are actually more likely to disclose them than they were two years ago," says Mike Paquette, chief strategy officer at Top Layer Security.

Covering up a data breach has become risky business. Organizations could violate data-loss-disclosure laws now in force in 46 states, or open themselves up to shareholder lawsuits.

"Lying on a public filing or covering up is a much bigger problem than admitting to a cybersecurity breach," says Steven Sprague, CEO of security firm Wave Systems.

Fessing up can cost. A recent survey by Ponemon Institute and Symantec of 51 cases found that a data breach cost, on average, \$7.2 million per breach to make things right. "And costs continue to climb," says Andrew Herlands, director of security strategy at Application Security.

"Consumers are at the mercy of the entities that hold our information," says Paul Stephens, Privacy Rights' director of policy. "That's why everyone needs to be vigilant in monitoring their credit reports and online accounts for fraudulent activities."

► **FDIC wants banks to boost data security, 2B**