

June 6, 2023

VIA E-MAIL TO RULE-COMMENTS@SEC.GOV

Ms. Vanessa Countryman
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: Comment Letter of Federated Hermes, Inc. on the Securities and Exchange Commission's Request for Comment on Regulation S-P (File No. S7-05-23)

Dear Ms. Countryman:

Federated Hermes, Inc. and its subsidiaries ("**Federated Hermes**")¹ submit this comment letter to the U.S. Securities and Exchange Commission (the "**Commission**") regarding the Commission's request for comments on the Commission's proposed amendments to Regulation S-P (the "**Proposal**").²

Federated Hermes fully supports the comments and recommendations of the Securities Industry and Financial Markets Association ("**SIFMA**"), as set forth in its comment letter regarding the Proposal ("**SIFMA Letter**"). We agree with the SIFMA Letter particularly with respect to the need to harmonize the Proposal with other existing and proposed rules and regulations. We also have concerns regarding the proposed contractual and notification obligations and the insufficient proposed compliance period.

The Proposal must be harmonized, including with the Commission's other existing and proposed cybersecurity and systems-protection regulations like Rule 10³, Cybersecurity Risk Management for Investment Advisers, Registered Investment Companies and Business Development Companies⁴, Regulation Systems Compliance and Integrity⁵ and Oversight Requirements for Certain Services

¹ Federated Hermes, Inc. (NYSE: FHI) is a global leader in active, responsible investment management, with \$701 billion in assets under management as of March 31, 2023. We deliver investment solutions that help investors target a broad range of outcomes and provide equity, fixed-income, alternative/private markets, multi-asset and liquidity management strategies to more than 11,000 institutions and intermediaries worldwide. Our clients include corporations, government entities, insurance companies, foundations and endowments, banks and broker-dealers.

² Regulation S-P: Privacy of Consumer Financial Information and Safeguarding Customer Information Securities, Release Nos. 34-97141; IA-6262; IC-34854, 88 Fed. Reg. 20616 (March 15, 2023) (the "**Proposing Release**").

³ Cybersecurity Risk Management Rule for Broker-Dealers, Clearing Agencies, Major Security-Based Swap Participants, the Municipal Securities Rulemaking Board, National Securities Associations, National Securities Exchanges, Security-Based Swap Data Repositories, Security-Based Swap Dealers, and Transfer Agents, Release No. 34-97142 (March 15, 2023)

⁴ Cybersecurity Risk Management for Investment Advisers, Registered Investment Companies, and Business Development Companies, Release Nos. 33-11028; 34-94197; IA-5956; IC-34497 (February 9, 2022)

⁵ Regulation Systems Compliance and Integrity, Release No. 34-97143 (March 15, 2023)

Outsourced by Investment Advisers⁶. Harmonization among the Commission’s regulations, rules of other federal agencies, and federal and state data breach laws would reduce redundancies, overlapping requirements and consumer confusion.

Like SIFMA, we agree that service providers should protect against unauthorized use of or access to customer information. However, any contractual requirements regarding such protection need not be prescriptive. Service providers have varying access to sensitive customer information and, accordingly, such access should not be subject to “one size fits all” contractual requirements, such as the proposed obligation for service providers to notify covered institutions within 48-hours of a security breach. 48-hours appears to be an unjustified specific standard that could be replaced by a more flexible standard, like “notice without unreasonable delay”, as proposed by SIFMA. Further, the Commission should not specify a number of days for its notification compliance requirement. The proposed 30 days is an unjustified and arbitrary number that is likely to be insufficient for proper investigation and notification. Only after proper investigations have been performed should a covered institution be required to provide notices.

Under the Proposal, a new “Federal minimum standard for customer notification”⁷ would be established as covered institutions would be obligated to provide notice to “*individuals whose sensitive customer information was, or is reasonably likely to have been, accessed or used without authorization.*”⁸ However, in addition to the timeframe concerns raised above, covered institutions should only be required to provide notice to its own customers or to the institution that provided the sensitive customer information that was, or is reasonably likely to have been, accessed or used without authorization. Obligating covered institutions to notify individuals outside of that scope may result in confusion and dismissiveness as those individuals may not be aware of any relationship with the covered institution. The institution with the customer relationship should notify any impacted individuals.

The Commission proposes a compliance date of twelve (12) months after the effective date of any adoption of the amendments in the Proposal.⁹ Federated Hermes believes that timeframe would not be a sufficient, especially if covered institutions would be required to enter into new, or amend existing, contracts with service providers, which can be a lengthy process. The Commission should extend the compliance period to a minimum of twenty-four (24) months.

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⁶ Outsourcing by Investment Advises, Release Nos. IA-6176 (October 26, 2022)

⁷ Proposing Release at 4.

⁸ *Id.* at 14.

⁹ *Id.* at 131.

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For all reasons stated in this letter and in the SIFMA Letter, Federated Hermes opposes the Proposal.

Federated Hermes appreciates the opportunity to comment on the Proposal.

Sincerely,



Jeff Aronsohn
Compliance Officer



Madison Dischinger
Corporate Counsel

/

Cc: The Honorable Gary Gensler
The Honorable Hester M. Peirce
The Honorable Caroline A. Crenshaw
The Honorable Mark T. Uyeda
The Honorable Jaime Lizárraga

Division of Investment Management
William Birdthistle, Director
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