S T A T E   O F   N E W   Y O R K

1855

2009-2010 Regular Sessions

I N S E N A T E

February 9, 2009

Introduced by Sen. KLEIN -- read twice and ordered printed, and when printed to be committed to the Committee on Consumer Protection

AN ACT to amend the general business law, in relation to requiring issuers of credit cards to implement certain fraud prevention measures

THE PEOPLE OF THE STATE OF NEW YORK, REPRESENTED IN SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. Legislative findings and intent. The legislature finds that credit card fraud has a substantial negative impact on the commerce of the state of New York, and that the burden of this fraud is shared jointly by consumers and the financial industry. Most credit card fraud is caused by the use of lost or stolen cards, or by the theft of credit cards or pre-approved credit applications from the mail. The legislature further finds that certain fraud prevention measures have been effective in detecting and reducing credit card fraud, primarily in the verification process. Therefore, it is the purpose of this legislation to provide security and protection against credit card fraud by requiring that as a precondition to a credit card's activation, the authorized holder contact the issuer and provide proof of identity, in certain cases. Also, the legislation prohibits issuers who mail applications of pre-approved credit to residents of this state from indicating on the exterior of the envelope that the enclosed material contains a pre-approved credit application.

S 2. Section 515 of the general business law is amended by adding a new subdivision 3 to read as follows:

3. NO CONSUMER CREDIT CARD ISSUED TO A RESIDENT OF THIS STATE SHALL BE ACTIVATED UNLESS AND UNTIL THE AUTHORIZED HOLDER CONTACTS THE ISSUER VIA A TOLL-FREE NUMBER OR THROUGH ANY OTHER MEDIUM PROVIDED BY THE ISSUER AND PROVIDES THE ISSUER WITH PROOF OF IDENTITY OR PROVIDES THE ISSUER WITH PROOF OF IDENTITY AT THE POINT OF SALE WHEN THE CONSUMER CREDIT CARD IS USED FOR THE FIRST TIME, EXCEPT WHERE THE CARD IS ISSUED IN

EXPLANATION--Matter in ITALICS (underscored) is new; matter in brackets [ ] is old law to be omitted.

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PERSON TO THE AUTHORIZED HOLDER OR WHERE THE CREDIT ACCOUNT IS OPENED IN PERSON BY THE AUTHORIZED HOLDER.

S 3. Section 520 of the general business law is amended by adding a new subdivision 10 to read as follows:

(10) IT SHALL BE UNLAWFUL FOR ANY ISSUER WHO MAILS AN APPLICATION FOR A PRE-APPROVED CREDIT CARD TO A RESIDENT OF THIS STATE TO PRINT ON THE EXTERIOR OF THE ENVELOPE ANY WORDS, PHRASES, OR INDICIA SIGNIFYING THAT THE ENCLOSED MATERIAL CONTAINS A PRE-APPROVED CREDIT CARD APPLICATION OR ANY SUCH RELATED MATERIAL. THIS SECTION APPLIES WHETHER THE PRE-APPROVED CREDIT APPLICATION WAS SOLICITED OR UNSOLICITED.

S 4. This act shall take effect on the one hundred eightieth day after it shall have become a law and shall apply to all credit cards issued on or after such effective date.