

533

2011-2012 Regular Sessions

I N   S E N A T E

(PREFILED)

January 5, 2011

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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:

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

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

19    3. NO CONSUMER CREDIT CARD ISSUED TO A RESIDENT OF THIS STATE SHALL BE  
20    ACTIVATED UNLESS AND UNTIL THE AUTHORIZED HOLDER CONTACTS THE ISSUER VIA  
21    A TOLL-FREE NUMBER OR THROUGH ANY OTHER MEDIUM PROVIDED BY THE ISSUER  
22    AND PROVIDES THE ISSUER WITH PROOF OF IDENTITY OR PROVIDES THE ISSUER  
23    WITH PROOF OF IDENTITY AT THE POINT OF SALE WHEN THE CONSUMER CREDIT  
24    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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1 PERSON TO THE AUTHORIZED HOLDER OR WHERE THE CREDIT ACCOUNT IS OPENED IN  
2 PERSON BY THE AUTHORIZED HOLDER.

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

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

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