



Data Privacy and Security in the Cloud

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Cloud Computing Trends

- Gartner estimates the cloud market will reach \$150 billion by 2013¹
- IBM CTO estimates 50% reduction in labor costs and 75% improvement in capital utilization²
- Bundling professional services with cloud offerings
- Growing concern over how to meet regulatory privacy and security requirements

¹"Forecast: Sizing the Cloud; Understanding the Opportunities in Cloud Services" – Gartner Research, 2009

²"Keeping Cloud Costs Grounded" - Forbes.com, 2010

Industry-specific Regulations

HIPAA & HITECH

- Health care service providers and business associates

Gramm-Leach-Bliley Act (GLBA)

- Financial institutions

FTC Red Flags Rule

- Financial institutions and creditors

Payment Card Industry Data Security Standard (PCI)

- Organizations processing credit cards

Broad Regulations

Massachusetts Data Privacy Law

- Any organization that stores personally identifiable information about a resident of Mass

European Union Privacy Directive

- Fair Information Practice Principles (FIPP)
- All organizations that collect personal information
- Represented by “moral codes” and guidelines in the U.S., but codified by European Union countries

Common Regulatory Requirements

Privacy and Security Policies

- Includes regular risk assessment
- Access and audit controls
- Enforcement of policies

Encryption

- Includes data in transmission and in storage

Breach Notification

- Depending on the severity, some require notification of media outlets

Jurisdictional Concerns

Federal Rules

- For U.S.-based businesses, compliance with federal rules is mandatory

State Rules

- For businesses operating nationwide, best to take a “highest standard” approach by complying with most stringent state law

International

- US/EU Safe Harbor Certification
- Data transmission beyond EU countries hampered by strict privacy laws

Regulatory Compliance in Cloud Contracts

Free or low-cost services

- Click-wrap contracts
- No opportunity to negotiate
- Cloud service providers attempt to offload regulatory and liability risk

Large-scale, integrated services

- Negotiated contracts
- Storage of specific data types defined
- Regulatory requirements addressed
- Risks balanced with indemnity and insurance

Mitigating Risk in the Cloud

Cloud Service Providers

- Understand the regulatory requirements in your industry or region
- Use indemnity provisions to protect against liability
- Obtain cyber risk insurance
- Encrypt data in motion and in storage

Cloud Customers

- Ensure cloud service providers meet and take some responsibility for your regulatory requirements
- Require cyber risk insurance
- Implement an Acceptable Use policy for your employees to limit exposure on free or low-cost cloud services where contracts cannot be negotiated

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