

THE RED FLAGS RULE

RISK MANAGERS MEETING

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About this Presentation

- The views expressed in this presentation are those of the speaker and not necessarily those of FTC, its staff, or any individual Commissioner.

IDENTITY THEFT AND RED FLAGS RULE

○ COSTS OF IDENTITY THEFT

- 9 Million Consumer Victims Annually
- \$50 Billion in Losses Annually

○ RED FLAGS RULE PROTECTS AGAINST IDENTITY THEFT

- Provides Steps for Businesses to Take
- Complements What Consumers Can Do

WHO IS COVERED BY THE RULE?

FINANCIAL INSTITUTIONS:

Banks, savings and loans, credit unions

CREDITORS:

Businesses that defer payment or bill customers later

COVERED ACCOUNTS:

Consumer accounts for personal, family, or household purposes that permit multiple payments or transactions

HOW TO COMPLY: A FOUR STEP PROCESS

1. IDENTIFY RELEVANT RED FLAGS
2. DETECT RED FLAGS
3. PREVENT/MITIGATE ID THEFT
4. UPDATE YOUR PROGRAM

IDENTIFY RELEVANT RED FLAGS

Alerts from a Credit Reporting Company

Suspicious Documents

Suspicious Personal Identifying Information

Suspicious Account Activity

Notice from Other Sources

IDENTIFY RELEVANT RED FLAGS

New Accounts

Verify identity of consumer

Existing Accounts

Monitor transactions

PREVENT/MITIGATE ID THEFT

Contact Customer

Change Password

Close Account

Cease Collecting

Contact Law Enforcement

UPDATE YOUR PROGRAM

Changes in ID Thieves' Tactics

Changes in Business Structure

Changes in Ways to Prevent/Detect ID Theft

Changes in Customers

Changes in Accounts Offered

ADMINISTERING PROGRAM

1. Program must be written
2. Program must be approved by Board
3. Board or designee must oversee program
4. Train sufficient personnel to run program
5. Monitor activities of service providers
6. Annual reports to Board or designee

ENFORCEMENT BEGINS

JUNE 1, 2010*

* Issued January 1, 2008

NON-COMPLIANCE

INJUNCTIVE RELIEF

CIVIL PENALTY

\$3,500 PER VIOLATION

Each Victim=A Violation

PROPOSED LEGISLATION

H.R. 2221

“Data Accountability and Trust Act”
Passed House; Referred to Senate

Provisions

Establish and implement information security practices

Data breach notification requirement—
preempts breach notification laws of 46 states
and DC

FTC and State Attorneys General Enforcement

Federal Trade Commission

Dallas, TX



THANK YOU!!