

WHAT IS RED FLAG?

Red Flag is a pattern, practice, or specific activity that indicates the possible existence of identity theft: 681.2(b)(9). Identity theft is fraud committed or attempted using the identifying information of another person without authority. Every state now has statutes covering identity theft. Forty-four states have enacted data breach notification laws that are coupled with identity theft.

▶ The Fair & Accurate Credit Transaction Act (FACTA) was passed in 2003 with final regulations put into place November 2007. Full compliance was originally set at November 2008, but has been shortly delayed to May 2009; risks, however, are not. The following agencies have jointly issued final rules and guidelines with **compliance deadlines**:

- ▶ Federal Trade Commission
- ▶ National Credit Union Administration
- ▶ Department of The Treasury
- ▶ Federal Deposit Insurance Corporation
- ▶ Federal Reserve System
- ▶ Treasury Office of Thrift Supervision
- ▶ Treasury Comptroller of Currency

SOLUTIONARY CAN HELP – STRATEGICALLY AND/OR TACTICALLY

Solutionary has certified security consultants to assist in Red Flag – and all – compliance initiatives using defined security best practices and methodologies customized to each organization’s needs.

▶ For organizations required to comply with PCI, there is about a 20-30% additional level of effort in the PCI assessment to evaluate Red Flag compliance; Solutionary can combine the two engagements for greatest efficiencies and economies of scale.

THE COST OF NON-COMPLIANCE



FACTA specifically calls for penalty in cases of non-compliance. Risks include:

- ▶ Civil penalties and fines
- ▶ Class action law suits
- ▶ Actual damages and/or \$1,000 per victim and up to \$2,500 for every transaction that occurred during non-compliance periods
- ▶ Board/senior management vulnerability for failure to implement, administer and review security program
- ▶ Other implications include:
 - Brand damage
 - Loss of customers
 - Litigation costs (defense)

NON-COMPLIANCE EXPOSES ORGANIZATIONS TO CLAIMS OF NEGLIGENCE.

IDENTITY THEFT STATISTICS

- ▶ Every 12 seconds 3.4 identities are stolen in the United States.
- ▶ Well over 250 million sensitive records have been lost or stolen from databases across the country since January 2005. One out of every two Americans are in them.
- ▶ One out of every five Americans will have their identities stolen this year.
- ▶ Identity theft at its current growth rate will result in every American becoming a victim within five years.
- ▶ 20% of your customers and employees will become a victim.
- ▶ The estimate cost to design, implement, manage and update the required program \$.32 - \$1.03 per ID.
(Number of identities = customers + employees + contract workers + vendors)
- ▶ \$45 billion was lost to identity thieves in 2007 (Source: Feb. 2008 Javelin Identity Fraud Survey Report)
- ▶ Identity theft has been used by Al Qaeda to fund terrorist acts.
- ▶ 61% of identity theft reports to the FTC indicate the report was also not reported to local law enforcement.