

The Red Flags Rule

Over the last decade, identity theft and fraudulent activity have become a growing concern in all industries. As technology advances so too does criminal activity and the tactics used by identity thieves. In an effort to reduce such activity, the Federal Trade Commission (FTC), the federal bank regulatory agencies, and the National Credit Union Administration developed the Red Flags Rule.

Effective since January 1, 2008, the Red Flags Rule requires "financial institutions" and "creditors" to implement a written *Identity Theft Prevention Program* with respect to "covered accounts" to detect warning signs, also known as "red flags," of identity theft associated with their business. However, at the request of certain Members of Congress, the FTC delayed enforcement of the Rules until June 1, 2010. On May 28, 2010, the FTC announced that they are delaying the enforcement of the Rules through December 31, 2010. Information regarding this decision is available at <http://www.ftc.gov/opa/2010/05/redflags.shtm>.

Although CONEXIS is not a financial institution or a creditor in the traditional sense, the FTC has previously indicated that administrators of flexible spending accounts for which a debit card is issued are "financial institutions" subject to the rule with respect to the debit card related services they provide.

We will provide additional information regarding the Red Flags Rule as it becomes available, including their application to CONEXIS as an administrator of flexible spending accounts with debit cards.