

FTC Delays Enforcement of Red Flags Rule

**Federal Trade Commission Delays
Enforcement of “Red Flags Rule”
until June 1, 2010**

Last week, we sent you a Client Alert about the November 1 deadline to comply with the Federal Trade Commission’s Red Flags Rule. That Rule requires financial institutions and “creditors” with “covered accounts” to develop and implement written identity theft prevention programs.

The terms, “creditors” and “covered accounts” are defined so broadly that many companies who do not deal directly with consumers and are not operating in industries that have experienced identity theft problems would still have to comply.

The broad reach of the Rule generated significant controversy. Late last week under pressure from Congress, the FTC postponed enforcement of the Rule until June 1, 2010. Meanwhile, Congress is considering legislation that would exclude some small businesses from having to comply with the Rule and would require the FTC to issue new regulations allowing other companies to apply for exemptions. The delay announced on October 30 is the fourth time the FTC has postponed enforcement of the new Rule.

We will keep you informed as the new compliance deadline approaches. We are confident that the application of the Rule will be narrowed to focus mainly on companies that deal directly with consumers in industries that are experiencing significant identity theft issues.

In the meantime, please contact us if you have any questions.

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