

CLIENT ALERT: JULY 29, 2009

**FTC RED FLAGS RULE TAKES EFFECT ON AUGUST 1, 2009.
ARE YOU READY?**

The Federal Trade Commission will begin enforcing the Red Flags Rule on August 1, 2009. This regulation governs the ways in which a business or organization must monitor its computer systems and client data for potential incidents of identity theft, and respond appropriately to any identified incidents. Specifically, each entity subject to the Red Flags Rule must create, implement, and maintain a written Identity Theft Prevention Program designed to detect warning signs (i.e., red flags) of security breaches and identity thefts in its daily operations. The Identity Theft Prevention Program must also identify the steps that will be taken to mitigate the harm in each identity theft incident and prevent similar incidents from occurring in the future.

Most businesses and organizations that provide products or services to their clients and then bill clients after providing those products or services are subject to the Red Flags Rule. Failure to comply can result in fines of up to \$2,500 per violation.

For a more detailed description of the Red Flags Rule, please review our client alert on this topic dated May 1, 2009, available at <http://www.kb-law.com/articles/alerts.php>.

Please contact Attorney Becca Rausch at rtausch@kb-law.com to discuss whether the Red Flags Rule applies to your organization and, if so, what steps should be taken to achieve compliance.