

# Information Notice

## New FTC Red Flags Rule Template

### Executive Summary

FINRA has developed a new, optional template that firms may use as a guide when fulfilling their requirements under the Federal Trade Commission's (FTC's) Red Flags Rule. The Red Flags Rule, which implements obligations imposed by the Fair and Accurate Credit Transactions Act of 2003 (FACT Act), requires specified firms to create a written Identity Theft Prevention Program (ITPP) that is designed to identify, detect and respond to "red flags"—patterns, practices or specific activities—that could indicate identity theft.

If a firm chooses to use this template as a guide, it must adapt it to reflect the individual firm's business situation. Without such analysis and modification, the firm's ITPP will not comply with regulatory requirements.

The Red Flags Rule requires firms to prepare an ITPP if they are either a "financial institution" or a "creditor" and offer "covered accounts." FINRA anticipates that most member firms will be required to prepare an ITPP under the Red Flags Rule. Even if it does not have to prepare an ITPP now, a firm must have internal controls to periodically review its operations and prepare an ITPP if it later becomes a financial institution or creditor that offers covered accounts. See *Regulatory Notice 08-69* for details.

The FTC Red Flags Rule template is available at [www.finra.org/customer/protection/redflags](http://www.finra.org/customer/protection/redflags). For more information on the FACT Act, see the *Federal Register* notice at [www.ftc.gov/os/fedreg/2007/november/071109redflags.pdf](http://www.ftc.gov/os/fedreg/2007/november/071109redflags.pdf).

Questions about this *Notice* may be directed to:

- ▶ John Komoroske, Vice President, Member Relations, at (202) 728-8475; or
- ▶ Patricia Albrecht, Assistant General Counsel, at (202) 728-8026.

Questions about complying with the FTC Red Flags Rule may be directed to [RedFlags@ftc.gov](mailto:RedFlags@ftc.gov).

July 1, 2009

### Suggested Routing

- ▶ Compliance
- ▶ Internal Audit
- ▶ Legal
- ▶ Operations
- ▶ Senior Management
- ▶ Systems
- ▶ Training

### Key Topics

- ▶ Covered Accounts
- ▶ Creditors
- ▶ FACT Act
- ▶ Identity Theft
- ▶ Privacy
- ▶ Red Flags

### Referenced Rules & Notices

- ▶ FTC Red Flags Rule
- ▶ Regulatory Notice 08-69