

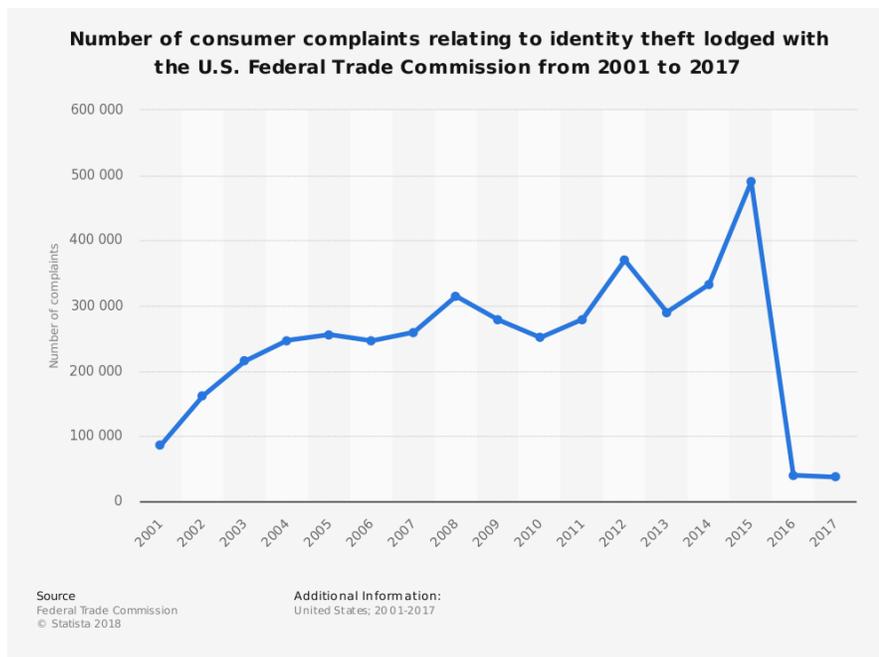
A. General Issues

1. Is there a continuing need for specific provisions of the Rules? Why or why not?

Yes, there is a continuing need for specific provisions of the Rules. Some of the term “Creditor” can be confusing to many business entities. The provisions help to clarify which business entities fall under the terms of the Red Flags Rule.

2. What benefits have the Rules provided to consumers? What evidence supports the asserted benefits?

The rules help to mitigate the risk of identity theft through identity theft prevention programs. In fact, the number of identity theft complaints has significantly decreased from 2015 to 2017.

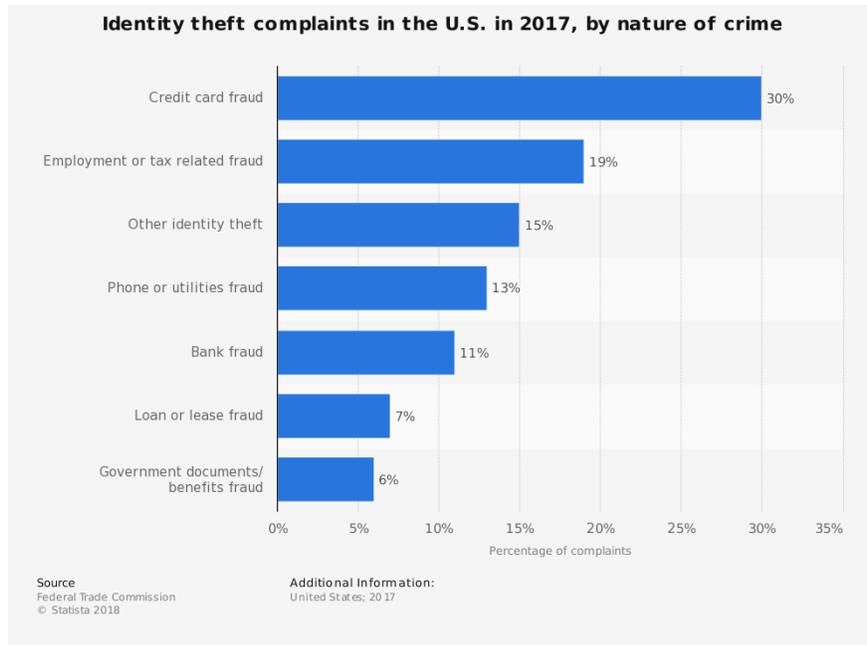


Source: The Federal Trade Commission / Statista

3. What modifications, if any, should be made to the Rules to increase the benefits to consumers?

In 2017 the FTC still received 37,106 identity theft complaints. The Rules should establish more stringent regulations for Credit Card companies, Employment processes, and Tax companies.

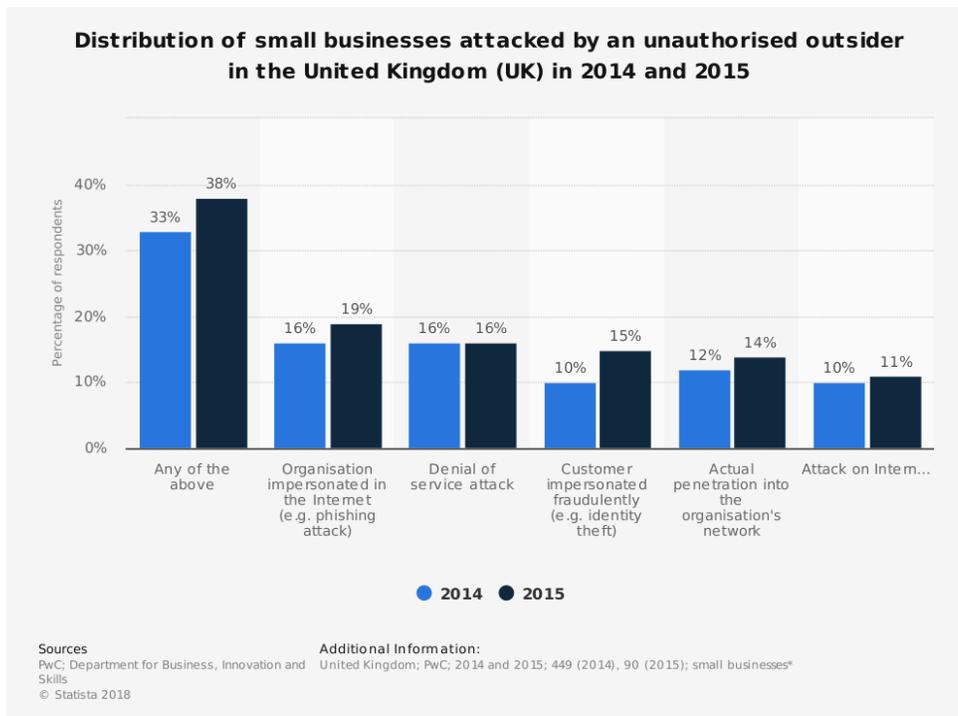
a. What evidence supports the proposed modifications?



Source: The Federal Trade Commission / Statista

b. How would these modifications affect the costs the Rules impose on businesses, including small businesses?

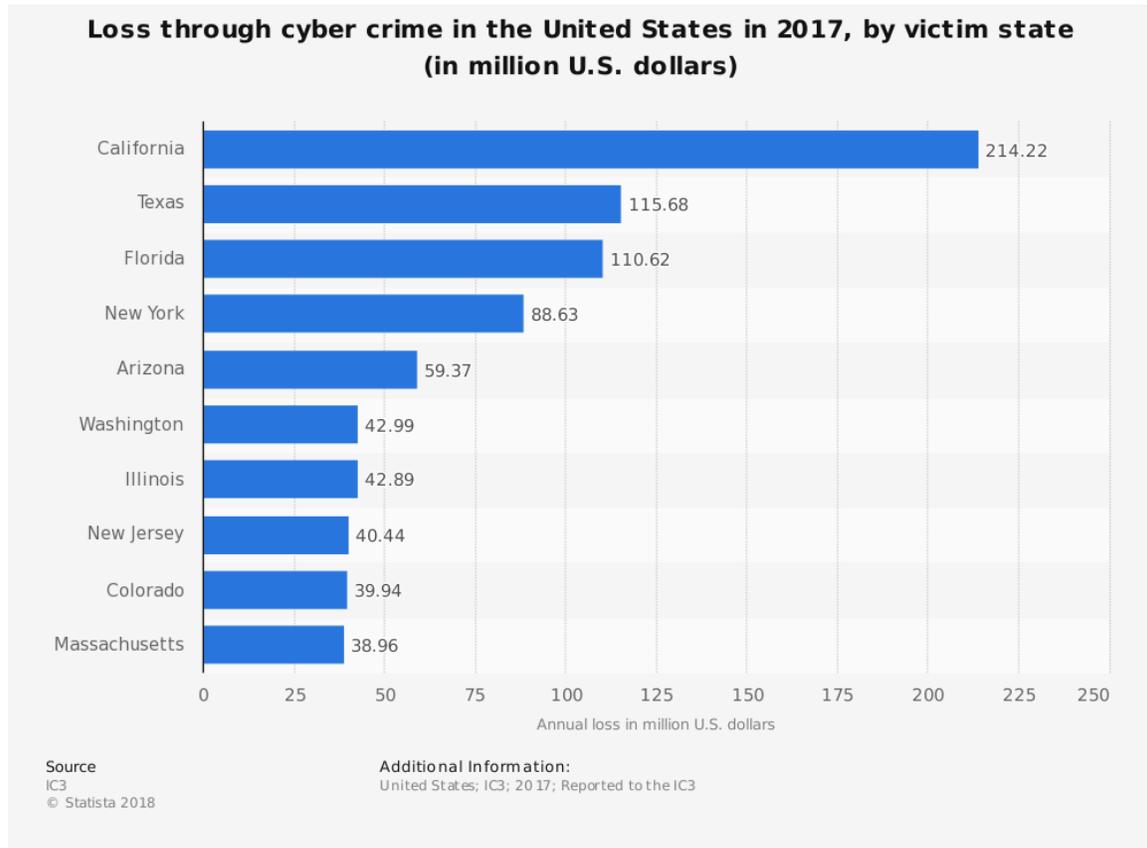
The modifications would help protect small business and mitigate the number of small businesses that are attacked by the impersonation of an organization on the Internet.



Source: The Federal Trade Commission / Statista

4. What significant costs, if any, have the Rules imposed on consumers? What evidence supports the asserted costs?

I don't know what costs the Rules have imposed on consumers. However, I did find information regarding the costs of cybercrimes on US consumers. This may inform the FTC on the amount of costs that could be prevented. For example \$214.22 million USD for just the State of California could be recuperated.



Source: IC3 / Statista

5. What modifications, if any, should be made to the Rules to reduce any costs imposed on consumers?

States with the highest amount of identity theft should follow more stringent standards.

a. What evidence supports the proposed modifications?

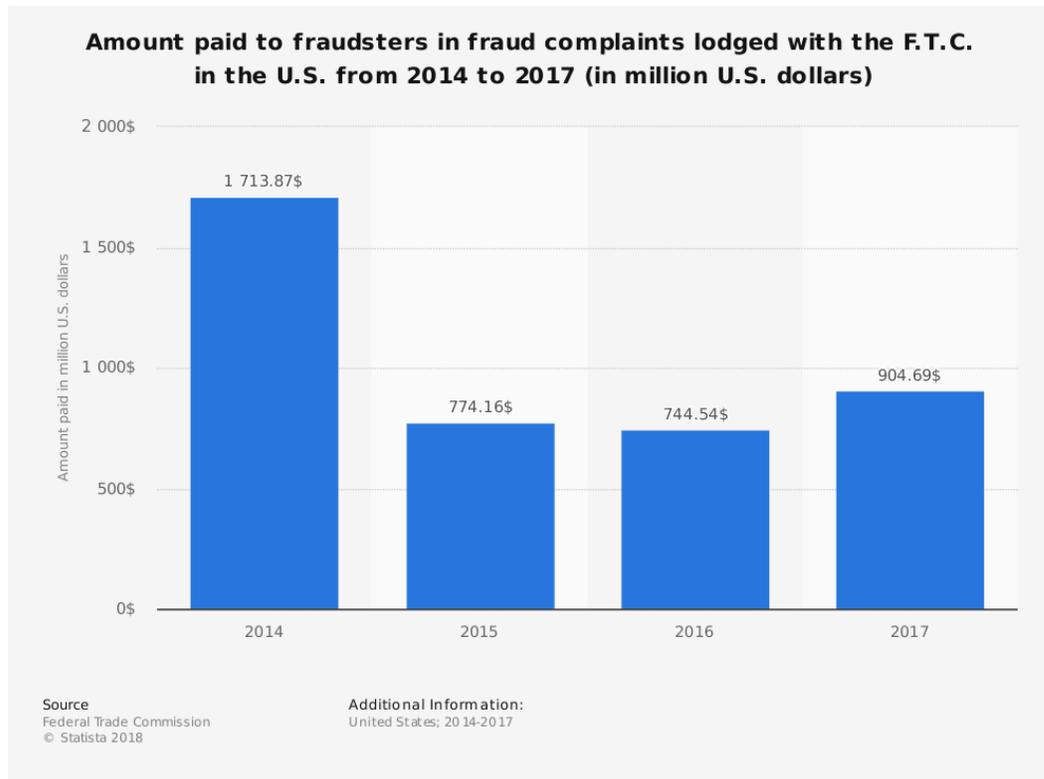
See question 4.

b. How would these modifications affect the benefits provided by the Rules?

These modifications would make the Rules more effective by targeting high risk states.

6. What benefits, if any, have the Rules provided to businesses, including small businesses? What evidence supports the asserted benefits?

The FTC Rules may have helped mitigate the amount paid to fraudsters in fraud complaints but there is no proof that the Red Flag Rules are the cause of this downward trend. Regardless, there is a significant difference in costs from 2014 to 2017. These statistics show that there are some benefits to consumers and businesses from fraud prevention policies.



Source: The Federal Trade Commission / Statista

7. What modifications, if any, should be made to the Rules to increase their benefits to businesses, including small businesses?

There should be a major modification on how credit card identity theft is addressed.

a. What evidence supports the proposed modifications?

According to the FTC and Statista, Credit card fraud comprises 30% of identity theft complaints to the FTC.

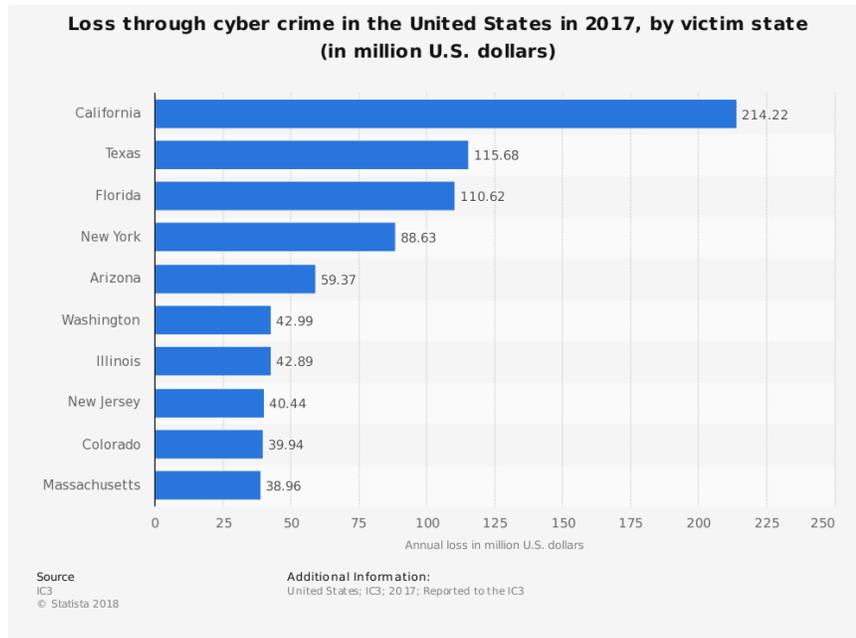
b. How would these modifications affect the costs the Rules impose on businesses, including small businesses?

The ADA estimates that the cost to implement and manage a Red Flags Rule (the “Rule”) program could exceed \$600 for the average dentist. Based on the fact that there are approximately 130,000 dental offices in the U.S., the aggregate cost to dentistry (and ultimately consumers) would be approximately \$79 million.

(Red Flags. (n.d.). Retrieved February 9, 2019, from <https://cdaonline.org/redflags/>)

c. How would these modifications affect the benefits to consumers?

In comparison to the estimated costs for Red Flags Rule compliance, consumers and businesses would save substantial amounts of money by avoiding identity fraud.



Source: IC3 / Statista

8. What significant costs, if any, including costs of compliance, have the Rules imposed on businesses, including small businesses? What evidence supports the asserted costs?
There's the small costs of training and creating a Red Flags Compliance Program.

9. What modifications, if any, should be made to the Rules to reduce the costs imposed on businesses, including small businesses?

The FTC could provide funding or some kind of motivation for small businesses to work on their Red Flags Compliance.

a. What evidence supports the proposed modifications?

Dental offices approximate that training costs are about \$600 for the average dentist. Funding incentives would help to mitigate costs.

b. How would these modifications affect the benefits provided by the Rules?

No, the modifications would only make the Rules more effective by making more businesses compliant.

10. What evidence is available concerning the degree of industry compliance with the Rules?

One way to infer which states are complying with the Rules is to compare the amount of states that have the most identity theft complaints and to check which businesses in those states are the reason that there is an increased risk for identity theft. High Risk states are Michigan, Florida, California, Maryland, Nevada, etc.



Source: The Federal Trade Commission / Statista

11. What modifications, if any, should be made to the Rules to account for changes in relevant technology or economic conditions? What evidence supports the proposed modifications?

Credit cards identity theft can be achieved by reviewing the technology for credit cards to make them more secure.

B. Specific Issues

1. Do the guidelines in appendix A of the Red Flags Rule need updating? If so, what updates should be made?

No changes necessary.

a. What evidence supports the proposed modification?

N/A

2. The Red Flags Rule covers creditors that regularly and in the ordinary course of business: (1) Obtain or use consumer reports in connection with a credit transaction; (2) furnish information to consumer reporting agencies in connection with a credit transaction; or (3) advance funds to or on behalf of a person, based on an obligation of the person to repay the funds or repayable from specific property pledged by or on behalf of the person, unless the expenses for which the funds are advanced are incidental to a service the creditor provides to that person. Is there any other type of creditor that is not subject to the Red Flags Rule that offers or maintains accounts that are subject to a reasonably foreseeable risk of identity theft?

No changes necessary.

a. If so, what type of creditor and what evidence supports that conclusion?

N/A

Bibliography

Identity theft complaints in the U.S., by state, 2017 | Statistic. (n.d.). Retrieved February 9, 2019, from <https://www.statista.com/statistics/587690/identity-theft-complaints-victims-by-state-in-the-us/>

Red Flags. (n.d.). Retrieved February 9, 2019, from <https://cdaonline.org/redflags/>

Regulations.gov - Proposed Rule Document. (n.d.). Retrieved February 9, 2019, from <https://www.regulations.gov/document?D=FTC-2018-0112-0001>