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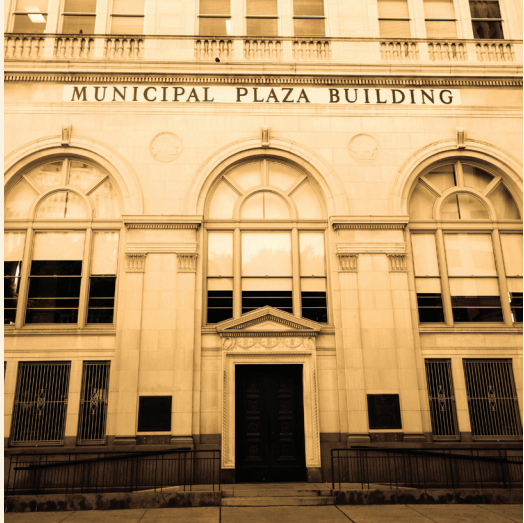
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If your municipality provides utility services with individual customer accounts, your municipality has until August 1, 2009, to adopt and implement written identity theft prevention policies.

The requirements, known as "Red Flag Rules," were issued by the Federal Trade Commission in 2007 as part of the Fair and Accurate Credit Transactions Act of 2003 ("FACT Act") to provide new protections to consumers against the growing problem of identity theft. The FTC originally set a deadline of November 1, 2008, to have programs in place. In October of 2008 the FTC decided to delay enforcement for six months, and has now granted an additional three month delay, until August 1, 2009, to clarify the requirements and allow entities more time to develop and implement appropriate policies.

The Red Flag Rules apply to "financial institutions" and "creditors" with "covered accounts." The FTC has defined creditors as including utility companies and non-profit and government entities that defer payment for goods or services. Covered accounts are defined as accounts used mostly for personal, family, or household purposes and that involve multiple payments or transactions. These include utility accounts. The FTC has taken the position that municipalities and other government entities that provide utility services to residents will be treated as "utilities" under the Red Flag Rules.

Under the Red Flag Rules, your municipality is required to implement a written program to detect the warning signs or "red flags" of identity theft in connection with the opening of new accounts and the maintenance of existing accounts. "Red flags" include, for example, unusual account activity, fraud alerts on a consumer report, or attempted use of suspicious account application documents. Your municipality must also describe policies to prevent and mitigate identity theft and include a plan to update the program and to train staff to effectively implement the program.



See the FTC Website for a description of the requirements and links to **Red Flag Rules guidelines:** <http://www.ftc.gov/bcp/edu/pubs/business/alerts/alt050.shtm>.

The FTC has also released a guide for establishing an identity theft policy, including a template to help entities that have a low risk of identity theft comply with the law, available at <http://www.ftc.gov/opa/2009/05/redflags.shtm>.



QUESTIONS,
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