



Creditors Lagging in Red Flag Rules

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The majority of the roughly 2 million entities that must comply with the government's Red Flag rules by the Nov. 1 deadline are creditors rather than financial companies, according to the San Diego regulatory compliance software provider Compliance Coach Inc.

Sai Huda, Compliance Coach's chief executive, said that the Red Flag rules require financial companies and creditors to monitor and act on specific warning signs, such as suspicious purchases of merchandise that could later be resold for cash.

"Lots of entities must come into compliance" with the Red Flag rules, "and many aren't aware of it," Mr. Huda said.

He predicted that a significant number of these companies will not be able to meet the pending deadline.

The Federal Trade Commission defines creditors as any entities that regularly extend, renew, or continue credit, such as automobile dealerships.

The FTC, the federal bank regulatory agencies, and the National Credit Union Administration passed the Red Flag rules as part of the Fair and Accurate Credit Transactions Act in 2003.

The regulation went into effect at the start of this year, and full compliance is mandatory starting Nov. 1.

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