



The Red Flags Rule FAQs

› What is the Red Flags Rule?

The Red Flags Rule requires financial institutions and certain creditors to implement a written program to detect, prevent and mitigate identity theft. Financial institutions and creditors are required to maintain their identity theft prevention program on an ongoing basis. The Red Flags Rule became effective January 1, 2008. Compliance was required by November 1, 2008 for financial institutions. Enforcement was suspended for businesses and creditors until November 1, 2009.

› What is a Red Flag?

A *red flag* is a pattern, practice, or specific activity that indicates the possible existence of identity theft.

› What are the impacts of the Red Flags Rule on Deluxe?

Deluxe is required to detect, prevent and mitigate identity theft, both as a service provider that performs activities for financial institutions for their covered accounts and as a provider of credit to our small business customers. Deluxe maintains a written Identity Theft Prevention Program that:

- Provides an analysis of policies and procedures for detecting, preventing and mitigating identity theft in connection with new and existing covered accounts
- Includes reasonable policies and procedures for identifying and responding to relevant red flags for covered accounts, including managing address changes and discrepancies
- Includes training and awareness for employees and service providers
- Includes notification to financial institutions when Deluxe detects potential or confirmed incidents of identity theft
- Was approved by the Deluxe Board of Directors Audit Committee and is reviewed annually by the Board of Directors Audit Committee or other designee
- Includes a change management plan to keep the Program current

› How do Deluxe's contracts reflect the requirements of the Red Flags Rule with financial institutions and Deluxe service providers?

Deluxe has been your trusted partner for more than ninety years. Market changes require proactive responses from service providers. Our role in managing and fulfilling check orders for your account holders requires us to maintain procedures to protect them.

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Deluxe must reflect applicable requirements of the Red Flags Rule in Deluxe's financial institution contracts, letters of participation and service provider agreements.

› **How did Deluxe conduct its risk assessment?**

To identify existing and potential red flags within Deluxe, we conducted an enterprise-wide identity theft risk assessment, which was structured according to key areas. These areas included contractual oversight, order capture and address verification processes and procedures, authentication processes and procedures, and fraud prevention processes and procedures. We reviewed our enterprise-wide risk assessment to define and create our written Program and we update both the assessment and Program on an ongoing basis.

› **What were the results of Deluxe's risk assessment?**

From the enterprise-wide identity theft risk assessment, Deluxe identified risk factors based on the Red Flags Rule that apply to Deluxe and organized these risk factors into ten identity theft risk assessment categories.

Deluxe analyzed each identity theft risk assessment category and the analysis found that Deluxe has controls, policies, processes, and procedures in place for detecting, preventing and mitigating identity theft.

› **What are the components of Deluxe's identity theft prevention program?**

The Identity Theft Prevention Program includes the components of identification of red flags based on risk, detection of red flags on accounts, response processes for red flags and provides for periodic updates to the Program.

The Program is organized as follows:

- Program Foundation (Background, Industry Insights, Deluxe Analysis)
- Program Governance (Development, Approval, Adoption, Oversight)
- Business Segment Analysis (Risk Identification, Analysis, Response)
- Program Maintenance (Ongoing and Annual Change Management)
- Program Administration (Responsibilities of the Deluxe Identity Theft Prevention Program Office)
- Training and Communication

Due to the sensitive nature of internal procedures, they are not published externally. Financial institutions can obtain Deluxe's Identity Theft Prevention Program Financial Institution Overview. This Overview summarizes Deluxe's Identity Theft Prevention Program. Financial institutions can contact their Deluxe Account Manager to receive updated contract amendments and documentation.



› How does Deluxe administer its Red Flags program?

Deluxe has established an Identify Theft Prevention Program Office. Oversight and administration of the Office is performed by Deluxe's Enterprise Risk Council with ongoing reports to Executive Leadership and the Audit Committee of the Board of Directors.

The Deluxe Identity Theft Prevention Program Office has the overall responsibility for administering the Program and consists of key leaders from Deluxe's privacy, legal and information security areas and other relevant areas as may be determined by the Program's evolution.

› Does Deluxe offer identity theft and fraud prevention products and solutions?

The Red Flags Rule creates an increased demand for fraud prevention, detection and security products and solutions. Deluxe offers products and solutions that financial institutions can integrate into their own identity theft prevention programs.

› Deluxe's Fraud and Protection solutions include:

Deluxe Detect[®]	A real-time new applicant screening solution that helps financial institutions: <ul style="list-style-type: none">• Verify identity• Perform compliance list screening• Identify applicants with a history of known fraud or account abuse
IDENTITY GUARD[®] from Intersections Inc.	A consumer-paid service that financial institutions can offer to account holders to help protect themselves from identity theft and includes four levels of service: <ul style="list-style-type: none">• GOOD STARTSM• WATCHFUL EYESM• EXTRA CAUTIONSM• TOTAL PROTECTIONSM
Deluxe ID TheftBlock[®] Basic	An institution-paid identity theft recovery solution that helps financial institution account holders mitigate the consequences of identity theft.
Deluxe ID TheftBlock[®] Plus	Provides the Basic identity theft recovery services noted above, plus these additional features: <ul style="list-style-type: none">• <i>Proactive Credit Report Monitoring</i>• <i>Membership Information</i>• <i>E-mail Alerts</i>• <i>Deluxe[®] Check Order Screening</i>



➤ **Deluxe's Fraud and Protection solutions include (CONT.):**

Deluxe OrderScreenSM	<p>Deluxe's order screening solution for all Magnetic Ink Character Recognition (MICR) products designed to help detect, prevent and mitigate identity theft related to covered accounts in a way that supports the ongoing management of each financial institution's formal identity theft prevention program required by the Red Flags Rules. The service is an important component of Deluxe's Identity Theft Prevention program. Key components include:</p> <ul style="list-style-type: none">• Consistent order screening across MICR products, which helps enable Deluxe to detect fraud and identity theft trends across orders and financial institution clients• Expanded external database comparisons for fraud and identity theft across multiple industries, resulting in improved ability to detect fraud and inconsistencies in personal information• Database comparisons also include Address Watch, a high risk address database provided by a third party service provider, to detect high-risk addresses and anonymous mail-receiving addresses during the order screening process. It verifies if addresses are telephone answering services, check cashing stores, commercial mail receiving agencies, virtual offices, mail forwarding services, USPS physical street addresses, prisons, hotels, known-fraud addresses and other high-risk addresses.• Screening of suspicious orders against an enhanced repository of known identity frauds• Improved ability to identify multiple orders with common shipped-to addresses, which can be an indicator of fraud• Improved logic on address change comparisons to reduce false positives and nuisance alerts• Automated, secure method of delivering order alerts to financial institutions for further investigation• Address Change Reporting for our financial institution clients to track accountholder address changes received by Deluxe
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➤ **Deluxe's Fraud and Protection solutions include (CONT.):**

Deluxe MailCareSM	<p>Deluxe MailCare service provides our financial institution clients with a turnkey solution for undeliverable check packages. Key components include:</p> <ul style="list-style-type: none">• Anticipating and resolving possible non-deliverable issues before the initial package ships• Receipt of undeliverable check packages in a secure Deluxe location• Management and tracking the reason for an undeliverable check package• Taking steps to determine the correct address and any corrections needed to the check order• Verifying history for an undeliverable order to verify that it has not already been replaced and, as necessary, entering a new, corrected order into production• Shredding and secure disposal of undeliverable orders• Communicating with the financial institution on order status and resolution as needed• Obtaining a correct address, reprinting the order, and redelivering the product to the customer via First Class Mail
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