

FTC Safeguard Rule

Introduction



Enacted in 2003, the purpose of the Federal Trade Commission's Standards for Safeguarding Customer Information, the Safeguards Rule for short, is to ensure that entities covered by the Rule maintain safeguards to protect the security of customer information. This rule was amended in 2021 to keep pace with current technology.

Entities the Rule Applies To

The Safeguard Rule applies to financial institutions subject to the FTC's jurisdiction. In other words, a financial institution is defined as an entity engaged in an activity that is financial in nature or is incidental to such financial activities as described in section 4(k) of the Bank Holding Company Act of 1956, 12 U.S.C 1843(k).

The Rule lists 13 examples of entities that are financial institutions according to the Rule.

- Mortgage Lenders
- Payday Lenders
- Finance Companies
- Mortgage Brokers
- Account Servicers
- Check Cashers
- Wire Transferors
- Collection Agencies
- Credit Counselors and other financial advisors
- Tax Preparation Firms
- Non-Federally Insured Credit Unions and Investment Advisors that aren't required to register with the SEC

In June of 2023, the FTC revised the Safeguard Rule to apply to all businesses, regardless of size, that are significantly engaged in providing financial products or services.

- Car Dealerships
- Non-bank Lenders
- Credit-reporting Agencies
- Personal Property or Real Estate Appraisers
- Courier Services

Rule Requirements

The Safeguard Rule entities to develop, implement, and maintain an information security program with administrative, technical, and physical safeguards to protect customer information. Customer information is defined as any record containing nonpublic personal information for that customer.

The information security program must be written and must be appropriate to the size and complexity of business, the nature and scope of your activities and the sensitivity of the information. It must include;

- The security and confidentiality of customer information.
- Protect against anticipated threats or hazards to the security or integrity of that information.
- Protect against unauthorized access to that information that could result in substantial harm or inconvenience to any customer.



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Deadline

The deadline to implement the Safeguard Rule is June 2023.

Required Information Security Elements

The Safeguard Rule identifies nine elements that your information security program must include.

1. Designate a qualified individual to implement and supervise your company's information security program.
2. Conduct a risk assessment.
3. Design and Implement safeguards to control the risks identified through your risk assessment.
 - a. Implement and periodically review access controls.
 - b. Know what you have and where you have it.
 - c. Encrypt customer information on your system and when it's in transit.
 - d. Assess your apps.
 - e. Implement multi-factor authentication for anyone accessing customer information on your system.
 - f. Dispose of customer information securely.
 - g. Anticipate and evaluate changes to your information system or network.
 - h. Maintain a log of authorized users' activity and keep an eye out for unauthorized access.
4. Regularly monitor and test the effectiveness of your safeguards.
5. Train your staff.
6. Monitor your service providers.
7. Keep your information security program current.
8. Create a written incident response plan.
9. Require your Qualified Individual to report to your Board of Director

TAB Compliance Manager

Our Compliance Manager has everything you need to meet the FTC Safeguard Rule. With our Compliance Manager you can simplify the compliance process, while working with an experienced IT partner.

Our Compliance Manager works in all phases of the compliance journey, from the beginning to the maintenance phase. Keeping you on track with pre-loaded policies, controls, and evidence lists available at the click of a button. Let us help you streamline and scale your compliance program.

Compliance deadline for certain revised FTC Safeguards Rule provisions extended to June 2023. (2023, October 5). Federal Trade Commission. <https://www.ftc.gov/business-guidance/blog/2022/11/compliance-deadline-certain-revised-ftc-safeguards-rule-provisions-extended-june-2023>

FTC Safeguards Rule: What Your Business Needs to Know. (2023, October 6). Federal Trade Commission. <https://www.ftc.gov/business-guidance/resources/ftc-safeguards-rule-what-your-business-needs-know>

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CHECKLIST

- ☐ Designate a Qualified Individual to oversee the security program.

- ☐ Conduct a written risk assessment of customer data and systems.

- ☐ Implement safeguards: access controls, encryption, MFA, secure disposal, etc.

- ☐ Perform regular testing and monitoring (e.g., penetration tests, vulnerability scans).

- ☐ Provide ongoing employee training on data security.

- ☐ Oversee service providers and ensure contractual security obligations.

- ☐ Keep the security program current with evolving threats and changes.

- ☐ Develop and maintain an incident response plan.

- ☐ Report annually to the board on program effectiveness.

- ☐ Notify FTC within 30 days of breaches affecting 500+ consumers.
