

**Analysis of Proposed Consent Order to Aid Public Comment**  
***In the Matter of CardSystems Solutions Inc. File No. 052 3148***

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The Federal Trade Commission has accepted, subject to final approval, a consent agreement from CardSystems Solutions Inc. (“CardSystems”) and its successor, Solidus Networks, Inc., doing business as Pay By Touch Solutions (“Pay By Touch”).

The consent agreement has been placed on the public record for thirty (30) days f

The complaint further alleges that several million dollars in fraudulent purchases were made using counterfeit copies of credit and debit cards that contained the same personal information CardSystems had collected from the magnetic stripes of credit and debit cards and then stored on its computer network. After discovering the fraudulent purchases, banks cancelled and re-issued thousands of these credit and debit cards, and consumers holding these cards were unable to use them to access credit and their own bank accounts.

The proposed order applies to personal information from or about consumers that CardSystems and Pay By Touch (as CardSystems' successor) collect in connection with authorization processing. The proposed order contains provisions designed to prevent them from engaging in the future in practices similar to those alleged in the complaint.

Part I of the proposed order requires CardSystems and Pay By Touch to establish and maintain a comprehensive information security program in writing that is reasonably designed to protect the security, confidentiality, and integrity of personal information they collect from or about consumers. The security program must contain administrative, technical, and physical safeguards appropriate to their size and complexity, the nature and scope of their activities, and the sensitivity of the personal information collected. Specifically, the order requires CardSystems and Pay By Touch to:

- Designate an employee or employees to coordinate and be accountable for the information security program.
- Identify material internal and external risks to the security, confidentiality, and integrity of consumer information that could result in unauthorized disclosure, misuse, loss, alteration, destruction, or other compromise of such information, and assess the sufficiency of any safeguards in place to control these risks.
- Design and implement reasonable safeguards to control the risks identified through risk assessment, and regularly test or monitor the effectiveness of the

provide reasonable assurance that the security, confidentiality, and integrity of consumers' personal information has been protected.

Parts III through VII of the proposed order are reporting and compliance provisions. Part III requires CardSystems and Pay By Touch to retain documents relating to their compliance with the order. Part IV requires dissemination of the order now and in the future to persons with responsibilities relating to the subject matter of the order. Part V requires them to notify the Commission of changes in their corporate status. Part VI mandates that CardSystems and Pay By Touch submit compliance reports to the FTC. Part VII is a provision "sunsetting" the order after twenty (20 ) years, with certain exceptions.

This case is similar to the recent FTC cases against BJ's Wholesale Club and DSW Inc., which also involved alleged failures to secure credit and debit card information. As in those cases, CardSystems faces potential liability in the millions of dollars under bank procedures and in private litigation for losses related to the breach.

The purpose of this analysis is to facilitate public comment on the proposed order. It is not intended to constitute an official interpretation of the proposed order or to modify its terms in any way.