

**UNITED STATES OF AMERICA  
FEDERAL TRADE COMMISSION**

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)  
**In the Matter of** )  
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)  
**CARDSYSTEMS SOLUTIONS, INC.,**)  
**a corporation.** )  
\_\_\_\_\_)

**DOCKET NO. C-4168**

**COMPLAINT**

The Federal Trade Commission, having reason to believe that CardSystems Solutions, Inc. (“respondent”) has violated the provisions of the Federal Trade Commission Act, and it appearing to the Commission that this proceeding is in the public interest, alleges:

1. Respondent CardSystems Solutions, Inc. is a Delaware corporation with its principal office or place of business at 6390 East Broadway, Tucson, Arizona 85710.
2. The acts and practices of respondent as alleged in this complaint have been in or affecting commerce, as “commerce” is defined in Section 4 of the Federal Trade Commission Act.

**VIOLATIONS OF THE FEDERAL TRADE COMMISSION ACT**

3. Respondent provides merchants with products and services used to obtain authorization for credit and debit card purchases (“card purchases”) from the banks that issued the cards (“issuing banks”). Last year, respondent provided authorization processing for card purchases totaling at least \$15 billion for approximately 119,000 merchants. In connection with these activities, respondent uses the Internet and a web application program (“web application”) to provide information to client merchants about authorizations that have been performed for them, and to provide information to prospective merchants about the services offered.
4. To obtain approval for a card purchase, merchants typically use respondent’s services to: collect information from the card’s magnetic stripe, including, but not limited to, customer name, card number and expiration date, a security code used to verify electronically that the card is genuine, and certain other information (collectively, “personal information”); format the information into an authorization request; and transmit the request to respondent’s authorization processing computer network. From

there, respondent transmits the request to a computer network operated by or for a bank association (such as Visa or MasterCard) or another entity (such as American Express), which transmits it to the issuing bank. The issuing bank receives the request, approves or declines the purchase, and transmits its response to the merchant over the same computer networks used to process the request. The response includes the personal information that was included in the authorization request the issuing bank received.

5.

9. As set forth in Paragraphs 6, 7, and 8, respondent's failure to employ reasonable and appropriate security measures to protect personal information it stored caused or is likely to cause substantial injury to consumers that is not offset by countervailing benefits to consumers or competition and is not reasonably avoidable by consumers. This practice was, and is, an unfair act or practice.
10. The acts and practices of respondent as alleged in this complaint constitute unfair or deceptive acts or practices in or affecting commerce in violation of Section 5(a) of the Federal Trade Commission Act.

THEREFORE, the Federal Trade Commission this fifth day of September, 2006, has issued this complaint against respondent.

By the Commission, Commissioner Harbour recused.

Donald S. Clark  
Secretary