

September 15, 2006

Office of the Comptroller of the Currency  
Via E-Mail: [regs.comments@occ.treas.gov](mailto:regs.comments@occ.treas.gov)

RE: OCC Docket Number 06-07

Ladies and Gentlemen,

Thank you for the opportunity to comment on the proposed "Red Flags Rule". Let me begin by stating that I agree that the level of loss due to identity theft and financial fraud, both in monetary terms and in national productivity, certainly is significant. For this reason I do agree that we all must play a part, when we are in a position to do so, in mitigating the impact of such activities. That being said, I would like to address some specific items contained in, and relating to the proposed regulation.

With respect to "...includ[ing] precursors to identity theft." within the scope of this regulation, an example of which is "phishing", I personally receive hundreds of these e-mails a year. I believe it is worthwhile to mention them in Appendix J. However, given the sheer volume of these precursors, putting the onus on businesses to take any action whatsoever regarding them would be hugely wasteful of resources. Obviously if the scam was directed at a particular business, the business would necessarily take some action.

With respect to the compliance burden estimates, it appears to me that the estimates of the initial burden of putting a program in place are reasonably accurate; however the annual training costs are significantly underestimated. Two hours would allow a business of 50 employees 2.4 minutes per employee. Additionally, there is no attempt to quantify the ongoing cost of monitoring and complying with the provisions of this regulation which is also significant.

The text reading "...also states that financial institution or creditor must have a reasonable basis for concluding that a Red Flag does not evidence a risk of identity theft." may not have the intended impact when the regulation is actually put into practice. This idea could have the unintended consequence of making it necessary, depending on how it is interpreted in the field, to document when something is not a problem.

Finally, though this regulation certainly has merit, and individual compliance costs are relatively small, I would suggest that all agency personnel involved in drafting such regulations and guidance do so with the understanding that each "small" compliance cost comes in an environment where gross compliance costs are very significant. Some would, in fact argue that regulatory compliance costs, or more specifically the costs of documenting regulatory compliance, have become so significant that they have already reduced the efficiency of the banking industry as a whole.

Thank you again for the opportunity to comment.

Cordially,

Harry P. Schaller  
The Citizens First National Bank

and then share some more general thoughts on the general make a couple general comments before addressing specific items within the proposed regs