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**FTC Settles Its 9<sup>th</sup> Data Breach Case***Tens of Millions of Consumer Credit and Debit Card Numbers Compromised*

In the largest known compromise of financial data to date, CardSystems Solutions, Inc. and its successor, Solidus Networks, Inc., doing business as Pay By Touch Solutions, have agreed to settle Federal Trade Commission charges that CardSystems' failure to take appropriate security measures to protect the confidential information of tens of millions of consumers. According to the FTC, the security breach resulted in millions of dollars in fraudulent purchases. The settlement is the ninth FTC case targeting companies whose security practices compromised consumers' confidential financial information, and the first the Commission has brought against a credit card processor.

“CardSystems kept information it had no reason to keep and then stored it in a way that put consumers' financial information at risk,” said Deborah Platt Majoras, Chairman of the FTC. “Any company that keeps sensitive consumer information must take steps to ensure that the data is held in a secure manner.”

The FTC charged that CardSystems engaged in a number of practices that, taken together, failed to provide reasonable and appropriate security for sensitive consumer information. Specifically, the agency alleges that CardSystems:

- created unnecessary risks to the information by storing it;
- did not adequately assess the vulnerability of its computer network to commonly known or reasonably foreseeable attacks, including “Structured Query Language” injection attacks;
- did not implement simple, low-cost, and readily available defenses to such attacks;
- did not use strong passwords to prevent a hacker from gaining control over computers on its computer network and access to personal information stored on the network;
- did not use readily available security measures to limit access between computers on its network and between its computers and the Internet; and
- failed to employ sufficient measures to detect unauthorized access to personal information or to conduct security investigations.

In addition to the FTC's charges, CardSystems still faces potential liability in the millions of dollars under bank procedures and in private litigation for losses related to the breach.