

Public Workshop and Request for Comments
Private Sector Use of Funds

The Federal Trade Commission's Task Force on Identity Theft through its Strategic Planning process is doing an excellent job of highlighting the increasing problem with identity theft, promoting involvement, and formulating actions to combat it. The statistics cited by the Task Force and other Department of Justice publications clearly illustrate the severity of the problem. We are pleased to have the opportunity to provide comment to the FTC's request for input on the use of Social Security Numbers in the private sector.

We fully support the recommendation of the DOJ to be "stingy" with personal data. If individuals or corporations do not need to hold or display sensitive personal information, the risks of identity theft are reduced significantly. We strongly advocate that the use of Social Security Numbers be substantially reduced or not used at all by the private sector. Further, limiting the exposure of any sensitive data including credit card numbers and supporting identifying data should also be controlled more closely. We believe that it is extraordinarily important that initial identity be established and authenticated, but that once this fundamental exercise is complete the information remains closed to public view, scrutiny, or access.

In applying for bank accounts, credit cards, or other credit oriented financial accounts we assume there are better ways to validate identity and credit worthiness than the use of a social security number. The increasing identity theft itself indicates gathering this type of data to ensure proper identity, is already plagued with a false starting point. With the exception of more secure debit cards as discussed below, however, we will leave comments to institutions in that domain.

Our area of commerce is in online payments where we are a leader in privacy protection. The Department of Justice indicates that identity theft online represents "only" 11.6% of all identity theft. Using the total theft amounts provided by DOJ, this still represents over 1 million stolen identities per year costing more than \$.5B. Important to note, 28% of all theft online or otherwise is through credit cards or 2.8 million persons with a cost of \$1.4B. It is unclear whether this data for credit card abuse or online theft fully accounts for those persons compromised when a company's entire data base is stolen. The information usually required to give with a credit card transaction includes other personal identifying data such as name and address. Recently, new validation processes are intervening to request additional personal information to verify the legitimacy of the transaction including a portion of a social security number. It is also likely, the theft of identity does not necessarily account for singular fraudulent charges that arise from stolen credit card information.

Both the theft of identity during an online payment or during use of a credit card can be avoided; alternatives do exist.

Online payment mechanisms that make a payment immediately ensuring its finality, not subject to credit risk or chargebacks, eliminate the need to provide any personal data across the Internet. By not providing data other than an account number no ability exists for a third party to

know let alone steal an identity. The only need to know an identity might be for shipping purposes. If identity is provided as a shipping address it will not be provided in parallel with a charge card number or bank account information, allowing an identity to be compromised. If a consumer wishes to enhance security further they can use shipping information as disassociated with their accounts as they want. By not providing personal information it will not be residing on a third party server where the owner of the data has no control, and which as seen by example after example can be readily infiltrated.

e-gold has operated for over 10 years with this very premise in mind, consumers should have the opportunity to transact over the Internet without compromising their personal information and merchants should have the opportunity to sell over the Internet without the fear of fraudulent payments and chargebacks. Unfortunately, e-gold has received adverse comments that it is an anonymous system. Any person taking the time to acquire an even limited understanding of the system, however, knows it is not at all anonymous. They have confused anonymity with personal privacy.

All e-gold accounts require identifying data. e-gold maintains a permanent record of all transactions and can easily link every transaction to all other related transactions however distantly they are related. These records include not only the identity of the recipient and the person making the spend, but other transactional data that can only be obtained due to the electronic online nature of an e-gold spend which is traceable in its own right. An e-gold User can not send a money payment or any transfer of value directly into the e-gold system. e-gold Ltd. has no bank accounts and has never owned a dollar, yen or ruble. You can only obtain e-gold from someone who already owns it making the exchange transactions between e-gold and national currency an additional level of establishing identity. The lack of anonymity has repeatedly been of use in investigating potential illicit uses of the e-gold system. The comprehensive forensic investigative features of e-gold exceed those of traditional credit cards and credit card intermediaries such as PayPal offering substantive assistance in stopping not only identity theft, but also other forms of online illicit activity.

As an alternative to credit cards for personal transactions there has been an increase in the use of debit cards. The payment from a debit card is theoretically from established funds, but they may parallel credit cards in being associated with bank accounts and their personal information. Pre-paid credit cards offer a more secure payment for a merchant while offering better protect for an individual. Funding a debit card with a nonrepudiable payment such as e-gold combines the benefits of private and secure online transactions with the benefits of a debit card.

The system offered by e-gold eliminates the "credit" risk to an online merchant, reduces their cost of accepting payments, allows for no risk payments across jurisdictional lines opening new markets for ecommerce, and prevents the potential for identity theft. This form of payment does not facilitate the use of credit which may be critical for some buyers, however, it does provide identity protection and privacy for those persons who do not require transactional credit and who value their privacy. It is a very viable alternative.

We recommend the FTC embrace alternative online systems such as e-gold, help define the regulatory guidelines that should apply, and support their use by consumers and merchants. These systems, especially e-gold, are an immediate means by which identity can be protected while still maintaining a full identity record.

e-gold Ltd.
c/o Gold & Silver Reserve
175 E. Nasa Boulevard, Suite 300
Melbourne, FL 32901