

>>>FAIRVIEW FLASH REPORT <<<

SEC ALERTS INVESTORS, INDUSTRY ON CYBERSECURITY

WHAT IS HAPPENING?

The SEC released two publications today regarding cybersecurity. One publication, a Risk Alert, summarizes observations made by the SEC's Office of Compliance Inspections and Examinations ("OCIE") while examining the cybersecurity practices of over 100 advisers and brokerage firms. The OCIE focused on the policies and procedures firms use to:

- Detect cybersecurity risks;
- Establish cybersecurity policies and procedures;
- Identify and mitigate "risks associated with remote access to client information, funds transfer requests, and third-party vendors"; and
- Discover unauthorized activity.

In its second publication, an Investor Bulletin, the SEC advises investors on protecting online brokerage accounts. The SEC's tips include (1) selecting strong passwords; (2) using two-step verification; and (3) securing mobile devices that are linked to online brokerage accounts.

NEXT STEPS

Cybersecurity will be of primary concern during the 2015 SEC exams. The OCIE's findings provide insight on industry best practice and may also identify areas for advisers to improve their current policies and procedures. The OCIE reported the following:

- Although the vast majority of advisers have adopted written policies and procedures addressing cybersecurity, most "do not address how firms determine whether they are responsible for client losses associated with cyber incidents."
- Most advisers conduct periodic risk assessments to identify cybersecurity threats, but only 32% apply similar requirements to their vendors.
- While 72% of brokers include requirements to address cybersecurity into contracts with business partners and vendors, only 24% of advisers incorporate such requirements.

- Almost all of the examined firms utilize some form of encryption.
- Most of the examinees reported conducting firm-wide inventorying, cataloguing or mapping of their technology resources.

Fairview can assist clients in reviewing their policies and procedures to ensure they are adequately designed to prevent, detect, and respond to cybersecurity issues.

Sources:

[SEC Press Release Dated 2.3.2015](#)

[Risk Alert - Cybersecurity Examination Sweep Summary](#)

[Investor Bulletin: Protecting Your Online Brokerage Accounts from Fraud](#)