

CYBERSECURITY FOR INVESTORS

Alabama Securities Commission Reminds Investors to Discuss Cybersecurity with Their Financial Professionals

MONTGOMERY, ALABAMA (January 28, 2015) With an ever-growing list of financial institutions targeted by organized cyber-attacks, the Alabama Securities Commission (ASC) today issued an advisory reminding investors of the importance of understanding how their personal information is being protected by financial firms. The advisory is posted on the ASC's website at www.asc.alabama.gov.

“The increasing reliance on technology in our daily lives could leave our sensitive financial information more vulnerable to unwanted viewing or theft without proper safeguards in place,” ASC Director, Joseph Borg said.

In September 2014, the North American Securities Administrators Association (NASAA), of which ASC is a member, reported that 62 percent of state-registered investment adviser firms participating in a NASAA pilot survey had undergone a cybersecurity risk assessment, and 77 percent had established policies and procedures related to technology or cybersecurity.

“Investors should think about the safety of their financial information, and talk with their investment professionals about what steps firms are taking to safeguard client information,” Borg said.

To help investors with that discussion, the ASC suggests asking the following questions:

- Has the firm addressed which cybersecurity threats and vulnerabilities may impact its business?
- Does the firm have written policies, procedures, or training programs in place regarding safeguarding client information?
- Does the firm maintain insurance coverage for cybersecurity?
- Has the firm engaged an outside consultant to provide cybersecurity services?
- Does the firm have confidentiality agreements with any third-party service providers with access to the firm's information technology systems?
- Has the firm ever experienced a cybersecurity incident where, directly or indirectly, theft, loss, unauthorized exposure, use of, or access to customer information occurred? If so, has the firm taken steps to close any gaps in its cybersecurity infrastructure?
- Does the firm use safeguards such as encryption, antivirus and anti-malware programs?
- Does the firm contact clients via email or other electronic messaging, and if so, does the firm use secure email and/or any procedures to authenticate client instructions received via email or electronic messaging, to work against the possibility of a client being impersonated?

“As a customer, you have the right to ask these questions and get answers you can understand in writing,” Borg said. “This is all part of the process of doing your due diligence and becoming an informed investor.”

The ASC cautions potential investors to thoroughly scrutinize and research any investment opportunity or offer. Contact the ASC with inquiries concerning securities broker-dealers, agents, investment advisers, investment adviser representatives, financial planners, registration status of securities or debt management programs, to report suspected fraud or to obtain consumer information. The ASC provides free investor education and fraud prevention materials in print, on our website and through educational presentations upon request.

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