

SEC Brings Cybersecurity Enforcement Action Against Registered Adviser

The SEC recently settled an enforcement action against a registered investment adviser based on cybersecurity-related violations of the customer¹ information safeguarding requirements of Regulation S-P (the “Safeguards Rule”). According to the SEC [order](#), hackers had infiltrated the adviser’s third party-hosted web server, which contained the personally identifiable information of more than 100,000 individuals, including the adviser’s clients. Although it could not be determined whether the hackers had actually accessed the personally identifiable information, and there was no evidence of financial harm to any client, the SEC censured the adviser for failing to adopt any written policies and procedures reasonably designed to protect customer records and information (or take other steps), in violation of the Safeguards Rule.

In light of the SEC’s focus in the area, private fund managers and other advisers should assess their current approach to protecting customer information, including compliance with the Safeguards Rule, and should anticipate scrutiny on cybersecurity issues in future SEC exams. See our previous [Kirkland AIM](#) discussing the SEC’s announcement of its 2015 Cybersecurity Examination Initiative.

¹ Under Regulation S-P, “customer” includes an individual who is a private fund investor or otherwise has an advisory relationship with a registered investment adviser.

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