

## SEC's 2015 Cybersecurity Examination Initiative for Investment Advisers

On September 15, 2015, the Office of Compliance Inspections and Examinations (“OCIE”) of the Securities and Exchange Commission (the “SEC”) published its [2015 Cybersecurity Examination Initiative](#). Announcing that it plans to focus on cybersecurity-related controls, including their implementation, at registered investment advisers, OCIE proposes to focus in the upcoming sweep examinations on the following cybersecurity areas:

- Governance and risk assessment, including the degree, scope and frequency of risk assessment, as well as involvement of senior management in the risk assessment process;
- Access rights and controls, including use of basic controls to prevent unauthorized access to systems such as multifactor authentication and the monitoring and updating of access rights;
- Data loss prevention, including how firms monitor the volume of content transferred outside of the firm by its employees or through third parties;
- Vendor management, including firm practices and controls related to vendor management, such as due diligence, monitoring and oversight of vendors, as well as contract terms;
- Training, including the extent of basic cybersecurity training of employees, the degree to which training is tailored to specific job functions and how training is designed to encourage responsible employee and vendor behavior; and
- Incident response, including assessing how firms have established policies, assigned roles, assessed system vulnerabilities, and developed plans to address possible future events.

OCIE also noted that SEC examiners may identify additional focus areas during the course of examinations. Finally, the announcement of the initiative also attaches a sample request for information and documents that OCIE expects to use during the course of the sweep.

OCIE's recent announcement of their initiative continues a focus on cybersecurity that began in March of 2014, with the SEC's [Cybersecurity Roundtable](#), followed a month later by the announcement of OCIE's [2014 Cybersecurity Examination Initiative](#) and its announcement of the [Cybersecurity Examinations Sweep Summary](#) earlier this year, summarizing the findings from its 2014 sweep. Among other

findings, the Sweep Summary recommended that advisers consider taking the following steps to address cybersecurity risks:

- Conduct periodic assessments of cybersecurity risks and effectiveness of the adviser's current prevention measures;
- Create a cybersecurity strategy designed to prevent, detect and respond to cybersecurity threats; and
- Formulate written policies and procedures to implement the strategy, and provide training to individuals involved in cybersecurity threat prevention, detection and response.

OCIE's continued focus on other aspects of advisers' cybersecurity risks may lead to additional recommendations. Private fund managers should take this opportunity to assess their current approach to cybersecurity in light of the SEC's recommendations and announced focus areas, and should expect some scrutiny on cybersecurity issues in future SEC exams.

If you have any questions about the matters addressed in this *Kirkland AIM*, please contact the following Kirkland attorneys or your regular Kirkland contact.

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