

2024 / Investment Adviser Compliance Conference

MARCH 6-8 / WASHINGTON, DC

EFFECTIVE STRATEGIES & BEST PRACTICES

Cyber Programs: Larger Firms

Katie Gorham / Capital Group

Kathryn Mellinger / Vanguard

E.J. Yerzak / SalusGRC

Charu Chandrasekhar / Debevoise & Plimpton

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EFFECTIVE STRATEGIES
& BEST PRACTICES

RIAs and Funds

Proposed Rules would require:

- New 48 hour incident notification requirement on Form ADV-C
- Cybersecurity risk management policies and procedures
- Annual review and written reports
- New disclosure and recordkeeping requirements



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BDs and Other “Market Entities”

Proposed Rules would require:

- Immediate incident notification to SEC for all entities and additional 48 hour incident notification for “Covered Entities” (“CEs”)
- Public disclosure of risks and incidents for CEs
- Cybersecurity program requirements, with additional requirements for CEs
- New recordkeeping requirements



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Amendments to Reg S-P

Proposed Rules would require:

- 30 day Customer incident notification
- Incident response plan
- Expansion of Safeguards and Disposal Rules
- Recordkeeping
- Privacy notice amendments



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SEC 2024 EXAMS Priorities

1. Information security and operational resiliency
2. Reg S-ID policies and procedures
3. Firmwide cybersecurity, across branch offices
4. Vendor and third-party risk management
5. AI risks

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Cybersecurity Trends

 Ransomware	 Risks from AI
 Third Party Risks and Supply Chain Attacks	 Attacks Targeting Sensitive Financial Events
 Targeting of Individual Executives	 Nation State Attacks

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Cybersecurity Risks of Generative AI

Risks to AI Systems

- Increased attack surface for data breach or misuse
- Adversarial attacks to bypass controls
- Model poisoning

Risks Caused by AI Systems

- Deepfakes
- Automating social engineering
- Generating malicious code
- Evading detection systems

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Proposed Outsourcing Rule

✓ Due diligence

✓ Monitoring

✓ Recordkeeping

✓ Disclosures and census-type information
(Form ADV, Part 1A)

✓ Third-Party recordkeeping

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