

THE STANDARDS BOARD PUBLISHES A TOOLBOX MEMO ON CASH HANDLING & CYBER SECURITY

06 October 2020

The Standards Board for Alternative Investments (SBAI) is delighted to announce its newest Toolbox memo on [Cash Handling and Cyber Security](#). Cyber-enabled fraud attempts are escalating and evolving, and the current remote working environment has created additional vulnerabilities that firms need to address. This memo, produced by the SBAI's Governance Working Group, provides guidance on key controls that help protect managers' payment processes. It also can be used as a tool for investors to evaluate these controls during due diligence.

Alex Baker, Chief Technology Officer at Orchard Global Asset Management said: "Cyber-security is an increasingly important topic and can provide strong protection against cyber-frauds targeted at payment processes. Combining these systematic protections with strong payment processes provides credible mitigation against these risks. This memo shows the importance of combining both technology and process controls to protect payment processes."

Betty Martin, Director of Investment Services at Employee Retirement System of Texas said: "Cash controls and cyber-security programmes are core focus areas in operational due diligence on investment managers. Whilst this memo provides guidance for the managers, it also can be a useful tool for investors conducting operational due diligence of a manager's protections against external fraud and cyber-attacks. It also serves as a strong reminder that institutional investors need to ensure that their own controls and process around financial transactions are robust."

The memo provides an overview of the threat environment, explains common types of cyber-fraud and an overview of controls required to mitigate the risk. The memo also includes mini case studies and specific illustrations of payment controls for electronic payments, non-electronic payments as well as specific considerations for investor subscription payments, redemptions and capital calls.

Nic Miller, Virtual CISO at Aedile Consulting said: "Cyber-criminals will almost always initially seek to compromise a company's email system as a gateway to gather information and impersonate individuals. A range of technical controls can help mitigate this risk, including Multi-Factor Authentication, Single-Sign-On (SSO) and Email protections. The SBAI's memo provides some practical steps to increase security protections."

The SBAI's Governance Working Group consists of 32 leading industry practitioners, the Cash Handling and Cyber Security Workstream includes representatives from CERN Pension Fund, Employees Retirement System of Texas, Ionic Capital Management, Ontario Teachers' Pension Plan, Orchard Global Asset Management, Periscope Capital and Public Sector Pension Investment Board (PSP Investments). Maria Long, Content Director of the SBAI said: "The SBAI's working groups are a visible manifestation of what makes the SBAI so valuable – institutional investors and managers working

together across geographies to improve industry practices to the benefit of all market participants and the wider economy.”

The memo forms part of the [SBAI Toolbox](#), which provides guidance to institutional investors and managers on a broad range of topics, including addressing conflicts of interest, risk and fee transparency and responsible investment. The SBAI Toolbox complements the [Alternative Investment Standards](#), to which investment managers formally sign up to on a comply or explain basis.

The SBAI has previously published memos on cyber security, including the [Cyber Security Memo](#) in 2019, which provides a series of practical tools for smaller and mid-sized alternative investment managers. Currently the SBAI’s Governance Working Group is also actively reviewing other areas of relevance, including Fund Governance and Fee Transparency. In addition to the work in Governance, currently the SBAI is running a number of working groups focusing on the following areas: Responsible Investment, Alternative Credit, Insurance Linked Funds, Alternative Risk Premia and Standard Investor Profile Template, as well as regional focus groups in China and Japan.

About the Standards Board for Alternative Investments (SBAI)

Established in 2008, the SBAI is a neutral standard-setting body for the alternative investment industry and custodian of the Alternative Investment Standards (the Standards). The Standards Board is a platform that brings together managers, investors and their peers to share areas of common concern and develop practical, industry-wide solutions. It provides a powerful mechanism for creating a framework of transparency, integrity and good governance, facilitating investor due diligence, providing a benchmark for manager practice, and complementing public policy.

The SBAI and the Standards are supported by more than 130 alternative investment managers with approximately \$1 trillion in aggregate assets and by more than 80 major institutional investors, including sovereign wealth funds, pension funds, endowments/foundations and fund of funds, overseeing \$4 trillion in assets. More information about the SBAI can be found at www.sbai.org.

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Notes to editors:

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 - Avanda Asset Management
 - BlueBay Asset Management

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 - CQS
 - Elo Mutual Pension Insurance Company
 - Employees Retirement System of Texas
 - HealthCor Management
 - HPS Investment Partners
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 - IXI Fund Managers Ltd
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 - Office of the New York City Comptroller
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9. In July 2014, the SBAI became an affiliate member of the International Organization of Securities Commissions (“IOSCO”).