

HFSB RELEASES RESULTS OF ITS FIRST CYBER-ATTACK SIMULATION ROUNDTABLE IN LONDON

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The Hedge Fund Standards Board (HFSB), the standard-setting body for the hedge fund industry, has held its first table top cyber-attack simulation for hedge fund managers in London. The HFSB is custodian of the Hedge Fund Standards, and is supported by more than 120 hedge fund managers with \$700 billion in aggregate assets.

The objective of the simulation was to explore the response of hedge fund managers to three realistic cyber-attack scenarios:

- Data theft and leakage of internal sensitive data
- Financial infrastructure attack
- Crypto ransomware

These scenarios were chosen to provide simple illustrations of key challenges for hedge fund cyber security professionals. The cyber-attack simulation event was attended by cyber security/IT experts, hedge fund COOs and compliance staff, and institutional investor due diligence staff.

The key insights on cyber security arising from the simulation were:

- Confusion over responsibilities can prevent an effective response. Managers should not consider cyber security as just an “IT” issue, given the legal, compliance, investor relations and reputational issues involved.
- Certain types of cyber-attacks may exceed a manager’s internal response capabilities. Managers should be prepared to quickly access external legal and IT expertise.
- Preparation in advance, through a cyber security incident response plan, is important. This planning establishes

responsibilities, pre-identifies external resources and speeds decisions should there be an actual incident.

This is the second large-scale initiative by the HFSB in the area of cyber security, following the publication of the cyber security memo in September 2015 in the [HFSB Toolbox](#). The HFSB Toolbox is designed to complement the HFSB's standard-setting activities, providing additional guidance to managers, investors and fund directors on practical issues.

Bill Trent, Managing Director at Stroz Friedberg, who was one of the speakers, noted: "This attack simulation exercise has shown that dealing with the technical aspects of cyber-attacks is often only a small part of the overall response, and that the senior management of the firm needs to be well-prepared to manage the aftermath of an incident. Therefore, it is crucial that firms have an incident response plan in place that is understood at a senior level and across the entire firm. It is also important that firms do not overestimate their own capabilities and seek external help when a serious breach occurs."

The panel also discussed the legal considerations to be taken into account when a breach occurs. This was particularly relevant in the data breach scenario, where material non-public/market moving information was inadvertently leaked.

One hedge fund manager, who attended the event noted: "This event has been an eye-opener regarding the complexity when dealing with the fallout from a cyber-attack, and very timely in light of the heightened regulatory focus, including the SEC's intention to test firms' implementation of cyber security procedures and controls. We will revisit our own approach based on the lessons learned."

Thomas Deinet, Executive Director of the HFSB stated: "This is the second large-scale initiative by the HFSB in the area of cyber security, following the publication of the cyber security memo in September 2015. Simulation exercises are a very powerful approach to sharpen one's understanding about how incidents can unfold. We encourage managers to revisit the HFSB Cyber Security Memo for helpful guidance."

The roundtable was hosted by Stroz Friedberg who shared their “war stories” and moderated the attack scenarios. The HFSB is planning to hold a similar event in New York for its North American stakeholders in March 2016.

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Notes to editors:

1. The HFSB was formed in January 2008 to agree standards of good practice for hedge fund managers. The Standards are regularly reviewed by international investors and managers, as demonstrated by the recent consultation on conflicts of interest. The HFSB is supported by more than 120 hedge fund managers with \$700 billion in aggregate assets, and by more than 60 institutional investors investing \$600 billion in hedge funds. A full list of signatories and supporters is available at www.hfsb.org.
2. In July 2014, the HFSB became an affiliate member of the International Organisation of Securities Commissioners (“IOSCO”). On announcement of granting affiliate membership to the HFSB, David Wright, former General Secretary of IOSCO, said “There is an important role for industry standards to play alongside statutory regulation in promoting transparency and good governance in financial markets. The HFSB can play a valuable role working with regulators and supervisors.”
3. Dame Amelia Fawcett became chairman of the HFSB in July 2011. She is also Deputy Chairman of Investment AB Kinnevik in Stockholm, a Non-Executive Director of State Street Corporation in Boston, Millicom International Cellular S.A. in Luxembourg and Her Majesty's Treasury in the UK. She was formerly Vice Chairman and Chief Operating Officer of Morgan Stanley International Limited and a member of the Court of Directors of the Bank of England. In 2002 she was awarded a CBE and in 2010 a DBE, both for services to the finance

industry. She is a Governor of the London Business School, a Fulbright Commissioner, a Trustee of Project HOPE (UK) and Chairman of The Prince of Wales's Charitable Foundation.

4. The Trustees of the HFSB are:

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5. The Founders of the HFSB are:

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