

Cybersection

Personal Identifiable Information: A Cybersecurity Cautionary Tale

Last year, the Securities and Exchange Commission fined Morgan Stanley Smith Barney LLC \$1 million after an employee stole personal identifiable information for approximately 730,000 customers.

The employee downloaded customer information onto a personal data storage device through his personal website. Portions of this information were subsequently posted on the Internet after a third party hacked the employee's personal data storage device. The data breach was discovered by Morgan Stanley during a routine Internet sweep.

The SEC determined that the policies and procedures Morgan Stanley had in place were ineffective in limiting access to and safeguarding confidential customer information. Further, Morgan Stanley failed to conduct any auditing or testing that would likely have exposed the flaws in its system or monitor user activity to identify unusual or suspicious patterns. Finally, Morgan Stanley did not have filtering software in place that prevented employees from accessing uncatagorized websites, like the employee's personal webpage, from company computers.

In fining Morgan Stanley, the SEC found the company had failed to adopt policies and procedures to protect customer records as required by the Safeguard Rule. The Safeguard Rule, adopted in 2000, requires broker-dealers and investment advisers to adopt written policies and procedures that:

- Ensure the security and confidentiality of customer records and information;
- Protect against any anticipated threats or hazards to the security or integrity of customer records and information; and
- Protect against unauthorized access to or use of customer records or information that could result in substantial harm or inconvenience to any customer." 17 C.F.R. § 248.30(a).

The SEC's order is available [here](#) (PDF).



Milestone for 'The Quarter' as it Reaches 30

Back in 2009, the idea of issuing a newsletter for the department seemed both engaged and short-lived. **Thirty** issues later, the newsletter is still a robust and informative resource for Pennsylvania.

So much has changed since the first issue of "The Quarter," including a merger with the Pennsylvania Securities Commission.

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