

CYBERSECURITY: VENDOR RISK MANAGEMENT

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What Are Third-Party Vendors?

- Companies paid to perform services for a business
 - Payroll Services
 - Accountants, Consultants and Other Professionals
 - Point of Sale Systems
 - IT Services / Cloud Services
 - Maintenance / Landscaping
 - Web vendor
- You may employ vendors or your company may be a vendor

Understanding the Risks



- Roughly 20% of breaches are caused by third-party vendors
- Some of the largest breaches were the result of vendor breach (Target, Home Depot, Lowes, Goodwill)
- Your business is on the hook if a vendor loses your data through a breach



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Vendor Risk



- Some Cyberthieves Target Vendors
 - Target Corp Breach – HVAC Vendor
 - Accessed Target Servers after Breaching Vendor
 - Home Depot – POS Vendor
 - Intercepted credit card information over wireless network
 - Goodwill – Cloud-based Card Vendor

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Vendor Risk



- Do you provide confidential info to vendors?
 - Payroll data / employee bank account info
 - Business bank account info
 - Ability to initiate fund transfers from accounts
- Do you allow vendors to access your computer network?
 - Entire network?
 - Required to protect login credentials?

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Protecting Your Business



- Due Diligence
 - Financial condition of vendor
 - Experience / Reputation
 - Qualifications
 - Security Policies
 - Insurance Coverage
 - Prior security incidents
 - Customer complaints

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Protecting Your Business



- Contracts
 - Require insurance
 - Indemnification for a breach
 - Require notice of breach
 - Representations and Warranties
 - No known breaches
 - Require compliance with applicable law
 - Require adequate security procedures to protect data
 - Update security regularly
 - Assess new threats regularly

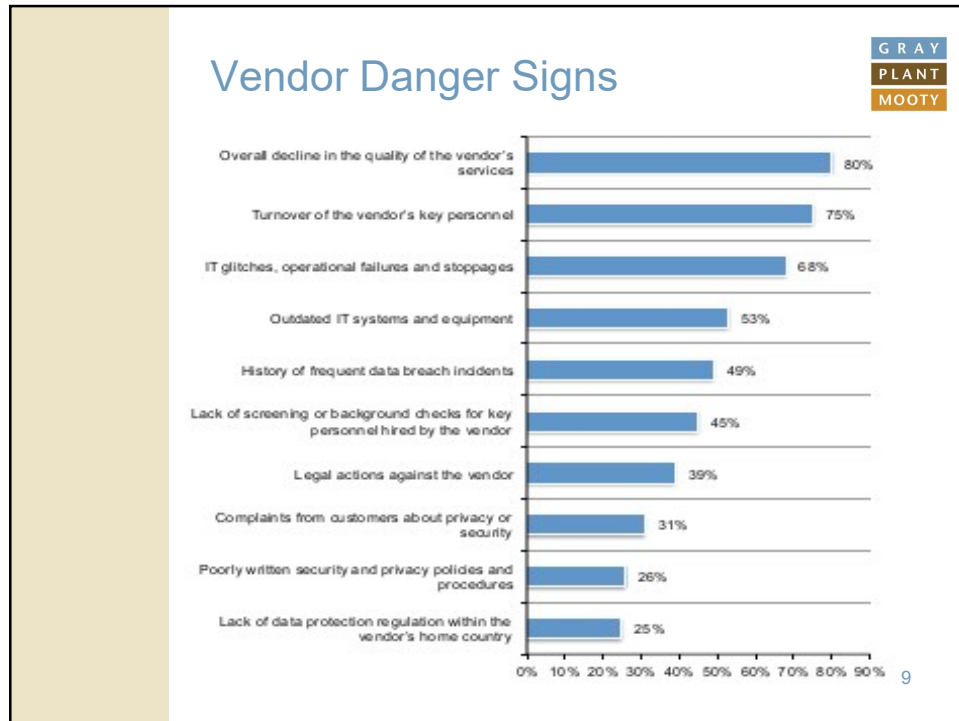
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Protecting Your Business



- Contracts
 - Employees required to keep data confidential
 - Obligation to maintain confidentiality
 - Watch out for limitation of liability
 - May try to limit to refund of fees paid for prior year
 - Will data be maintained outside U.S.?
 - Ability to terminate
- Taking Care of Yourself
 - Proper policies for your business
 - Proper security measures with your bank
 - Protect passwords and login credentials
 - No one will take care of you but you!

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Potential Liability

GRAY
PLANT
MOOTY

- **Unauthorized Account Transfer**
 - Business accounts are not protected like consumers
 - Generally the risk of loss is on the business
 - Likelihood of recovery is slight
 - Work with bank to establish appropriate security procedures
- **Data Breach**
 - Owner of data responsible to notify affected individuals
 - Cost of \$30 - \$100 per record
 - Legal Fees

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If You Are The Vendor ...



- Expect Your Customers to Perform Similar Due Diligence and Demand Similar Contract Provisions
- How Will You Protect Their Data?
- How Will You Protect Against Your Own Liability?
- Think About These Issues In Advance!

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Questions?



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