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Full Disclosure: What Companies Should Tell Investors About Cyber Incidents

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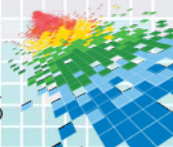
CHANGE

Challenge today's security thinking



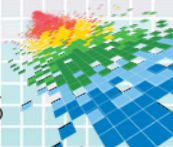
Key Actors

- ◆ **Publicly traded companies**
 - ◆ A company whose ownership is dispersed among stockholders; obligated to disclose material information to its investors under 1934 Securities Exchange Act
- ◆ **Securities and Exchange Commission**
 - ◆ Independent federal agency responsible for protecting investors by enforcing securities laws, including requirements to disclose “material” risks and information to investors under 1934 Act
- ◆ **Shareholders and investors**
 - ◆ Own shares of stock in a company



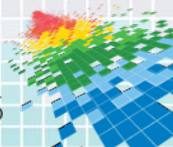
The Law of “Materiality”

- ◆ Public companies are required to disclose material information to their investors
- ◆ Material information is information important for a reasonable investor to know before making an investment decision
- ◆ In 2011, SEC staff applied the law of material disclosure to cybersecurity (Corp Fin Disclosure Guidance: Topic 2, Cybersecurity)



What is a Material Cyber Incident?

- ◆ Loss of intellectual property or trade secrets?
- ◆ Loss of financial information?
- ◆ Unauthorized access to or loss of health records or personally identifiable information?
- ◆ Network disruption?



Key Questions

- ◆ Do investors care about the cybersecurity of the companies they invest in?
- ◆ What information do companies typically disclose to investors today about cybersecurity? When/how?
- ◆ What is the role of government in overseeing the disclosure of cyber information?
- ◆ How do investors consume cybersecurity information? How do they value it?

