



Industry Professionals serving as non-executive directors to Alternative Funds

## Cyber Smarties



### Candy contemplation from Caroline Hoare in London

Operation Cupcake was a hack by MI6, the British intelligence service, that took over a radical Muslim preacher's online magazine - and replaced an article on how to manufacture pipe bombs in your kitchen with a collection of cupcake recipes.

The average NED is unlikely to be a hacking expert. In fact, many NEDs (such as your author) grew up in a world without email or laptops. We dinosaurs need help in the boardroom when it comes to cyber security, which is quite rightly the hottest topic in town. While we might not be up to the cupcake standards, we can be the Smartie in the middle of the cupcake's icing.

We can begin to earn our Smartie standard by asking the right questions. At IPAF we have regular panel director conferences to provide training and an opportunity for discussion with our colleagues. The most recent one was on cyber security and focused on what questions boards should be asking their funds. James Tedman from ACA Aponix very kindly agreed to host the discussion.

The practical advice is that directors should first of all ensure that cyber security is on the board agenda. Some of the key questions that need to be asked are as follows:

- How are cyber security risks assessed and managed?
- Is there an incident response plan?
- Is sensitive/critical data residence and flow understood?
- Is there a staff awareness and testing programme?
- How are vendor risks assessed and managed?

The SEC has a detailed list of questions which is very helpful and instructive\*. It is certainly the responsibility of the board to probe and challenge on this subject. The EU's General Data Protection Regulation will mean that firms that break data protection requirements can be fined up to 4% of global turnover. The FCA is making a **cyber** announcement in December and starts examinations next year, with requirements expected to be in line with the SEC.

Should everything be up in the air? James told us that many clients ask whether the cloud should be avoided, but most funds need to use the cloud for storage and the alternative of a fully in-house solution often isn't practical from a cost perspective. But it is absolutely essential to do thorough due diligence on the vendor.

The purple Smarties are the IPAF favourites but, whatever colour you like best, the chocolate is the same inside.

\*[www.sec.gov/ocie/announcement/ocie-2015-cybersecurity-examination-initiative.pdf](http://www.sec.gov/ocie/announcement/ocie-2015-cybersecurity-examination-initiative.pdf)

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### About Caroline Hoare

Caroline is resident in the UK and is a lawyer and former hedge fund CEO. Caroline was called to the Bar of England and Wales in 1978 and was a member of Chambers in Gray's Inn, where she focused on corporate and commercial law. Caroline joined GNI Ltd, the futures and options broking arm of the Gerrard Group, in

1994. She subsequently became a director of GNI Fund Management Ltd, the Group's alternative funds business, before joining the hedge fund GLC Ltd as its CEO in 2001. Caroline held this position for some 10 years, as well as serving on the board of the company. Caroline is one of the founders and a director of IPAF (UK) Ltd and also has a limited number of independent non-executive directorships. In 2010 she was named as one of the Top 50 Leading Women in Hedge Funds (the Hedge Fund Journal in association with PwC) as well as one of the 100 Influential Women in Finance working in European financial markets (Financial News).

### **About IPAF**

IPAF provides Industry Professionals – independent, knowledgeable and experienced people - as non-executive directors to Alternative Funds. IPAF is run from London with a panel of 16 directors across 9 jurisdictions: Cayman, Luxembourg, Ireland, Switzerland, the Channel Islands, Malta, Bermuda, Barbados and the UK. All the IPAF directors are independent of each other and no additional fee is charged by IPAF to a fund that selects a member of its panel: the fund only pays the director's fees. For more information please email [info@ipafgroup.com](mailto:info@ipafgroup.com).