

Cybersecurity and Fraud Risks for Fund Managers in the Wake of Coronavirus

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COVID-19 has created many new concerns for private fund managers; however, managers should be particularly mindful of heightened cybersecurity and fraud risks. With increased numbers of employees teleworking, there are increased vulnerabilities for cybercriminal intrusions creating privacy-related risks for fund portfolio information, LP confidential data, and other sensitive electronically-stored materials.

[While maintaining cybersecurity is an ongoing effort](#), private fund managers should consider extra precautions and security measures during this time. Financial Crimes Enforcement Network (FinCEN), an agency of the United States Department of the Treasury, [published an alert](#) advising financial institutions to be on the look out for malicious or fraudulent transactions just as they would following a natural disaster. FinCEN notes that it is closely monitoring public reports, as well as reports made under the Bank Secrecy Act, for the following four emerging trends, some of which have been the subject of warnings by other federal regulators:

- “Imposter Scams” where bad actors impersonate government agencies, such as the Centers for Disease Control and Prevention (CDC), or other organizations, such as the World Health Organization (WHO), in attempts to solicit donations, steal personal information, or distribute malware.
- “Investment Scams” where, as the SEC has warned, bad actors promote or falsely claim that products or services can prevent, detect or cure the coronavirus. The SEC has also warned investors to be wary of these scams.
- “Product Scams” where, as the U.S. Federal Trade Commission (FTC) and U.S. Food and Drug Administration (FDA) have warned, companies sell unapproved or misbranded products that make false health claims pertaining to COVID-19.
- Reports of insider trading relating to COVID-19.
- [These warnings are equally applicable to fund managers, who should alert their employees to the kinds of frauds described above.](#)

We will continue to monitor the cyber risks and fraud related to COVID-19. In the meantime, Proskauer is here to answer any of your questions or concerns, or to help funds develop strategies to defend against potential cyberattacks.

Proskauer's cross-disciplinary, cross-jurisdictional Coronavirus Response Team is focused on supporting and addressing client concerns. Visit our [Coronavirus Resource Center](#) for guidance on risk management measures, practical steps businesses can take and resources to help manage ongoing operations.

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