

Brief note on Information Security and Data Integrity

(Brief note for information only, as at February 2011)

Due to lack of awareness and IT personnel, hedge fund managers are often exposed to higher information security risks. Hedge fund managers or related officers should be mindful that licensed corporations are expected to protect its operations and clients from financial loss arising from dishonest use or misappropriation of information.

This note aims to provide some techniques and procedures to address deficiencies in this area.

1. Establish and implement an information management policy

- Conduct regular review and compliance checking
- Raise staff awareness
- Issue notices, procedures and guidelines to employees and clients who have access to the information system

2. Account and access rights control

- Ensure creation of new user accounts or modification of access right is subjected to stringent management approval
- Only grant access right on a need-to-know basis and segregate confidential information
- Review the validity and appropriateness of access rights regularly
- Remove or terminate obsolete user accounts and access rights promptly
- Establish adequate safeguards and controls for superuser account and grant its use very carefully
- Increase password security (e.g. length, word/letter composition, lifecycle and additional authentication)
- Grant remote access rights to external parties (e.g. IT service provider) on a needs basis

3. Encryption

- Activate data encryption to protect sensitive information over the internet or portable storage devices (e.g. USB and CD/DVD-ROM)

4. System changes

- Test system changes, capacity and performance based on various test cases and scenarios
- Maintain audit trails for system changes and test results
- Only allow testing data to be used in the testing environment and seek approval from management before system changes are migrated to the production environment

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5. Monitoring

- Activate audit log to monitor user activities
- Prohibit or restrict modification of the audit log
- Monitor or review user activities in relation to sensitive data regularly

6. Backup

- Perform backup on critical data regularly
- Only grant access to back up data and restoration rights to authorized personnel
- Store the backup offsite and in a secured environment
- Test restoration of data regularly to ensure data survivability
- Formulate IT disaster recovery plan

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