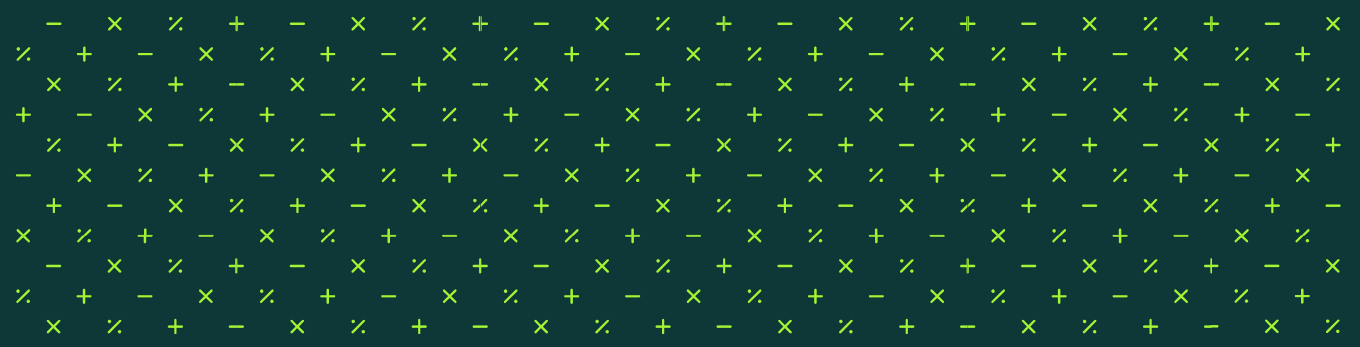

MOSSADAMS

Cybersecurity Trends and Hot Topics

Chris Wetzel, Director

Welcome

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Agenda

01 REGULATORY FOCUS

02 CYBERSECURITY TRENDS

03 AI AND CYBERSECURITY

04 LOOKING AHEAD

Regulatory Focus

NCUA's 2024 Supervisory Priorities

- Interest Rate Risk
- Liquidity Risk
- Credit Risk
- Consumer Financial Protection
- ***Information Security (Cybersecurity)***
  - Establish a cybersecurity program that can adapt and evolve
  - Robust information security program
  - Cyber Incident Notification Reporting Rule, effective September 1, 2023

Regulatory Focus – Interagency

- Cybersecurity Assessment Tool (CAT) sunsetting in August 2025
- FFIEC Exam Manual Update (8/29/24) – Development and Acquisition booklet revised and renamed to *Development, Acquisition, and Maintenance (DA&M)* to incorporate updated information technology (IT) risk practices and frameworks
- OCC – 2024 Bank Supervision Operating Plan includes focus on "system and data backup techniques that enable recovery from disruptive and destructive attacks" and "validation of third-party controls and data protections"
- FINRA – Recent Disciplinary Actions/Fines: Inadequate Cybersecurity Practices; Social Engineering Breach; Cyber-related Account Takeover

Cyber Threats by the Numbers

Verizon Data Breach Investigation Report 2024
Financial Industry Results

3,348	1,115	Types of Compromises	Top Threat Patterns
❖ Number of reported incidents in 2023 ❖ Industry ranked 3rd overall	❖ Number of confirmed breaches/data disclosure in 2023 ❖ Industry ranked 4th overall	❖ Personal data (75%) ❖ Institution data (27%) ❖ Credentials (22%)	❖ System Intrusion ❖ Misc. Errors (Misdelivery, Misconfiguration) ❖ Social Engineering

Do you think your organization is providing an appropriate level of cybersecurity training?

What's Trending?

2023

- Direct data theft and extortion incidents are outpacing ransomware incidents
- Vast majority of data breaches involve data stored in the cloud
- AI and automation are reducing cost and minimizing time to identify and contain a breach
- Hackers are using AI to create phishing emails
- Employee training has a direct impact on reducing the cost of a breach

2024

- Proliferation of ransomware attacks
- More restrictive cyber insurance policies
- Legal trends causing a heightened focus on data privacy and transparency
- Integrating cybersecurity in corporate culture
- Using blockchain to enhance data security
- Integration of artificial intelligence (AI) and machine learning (ML) into cybersecurity practices

Artificial Intelligence on the Rise

Benefits

- Analyze large volumes of data to identify and mitigate cyber threats
- Assist in automating incident management and breach response
- Provide continuous monitoring to detect cyber attacks in real time and automate initial containment
- Internal access controls - identify anomalous behavior patterns and flag suspicious login attempts

Threats

- Increased speed and complexity of cyber attacks
- Create convincing social engineering attacks, both phishing and pretext calls (GenAI)
- ChatGPT is being used to write malicious code (e.g., malware, trojans, bots, ransomware)
- Reduced control over software development that uses AI
- Supply Chain/Third-Party vulnerabilities

NY Department of Financial Services Industry Letter

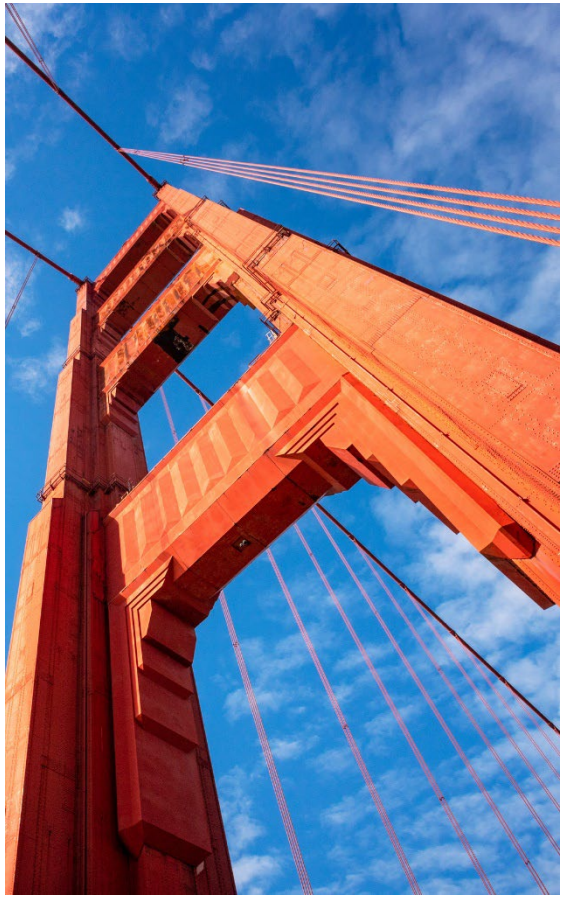
- Risk assessments – address AI-related risks
- Third-party management – understand use of AI and AI-enabled products and services
- Access controls – NY requiring multi-factor authentication to access NPI by November 2025
- Cybersecurity training – incorporate AI-related risks into regular training
- Monitoring – continuous monitoring to detect unauthorized access and unusual behaviors
- Data management – minimize NPI data and maintain up-to-date inventories

Source: https://www.dfs.ny.gov/industry-guidance/industry-letters/il20241016-cyber-risks-ai-and-strategies-combat-related-risks

What are your organization's current concerns with regard to AI?

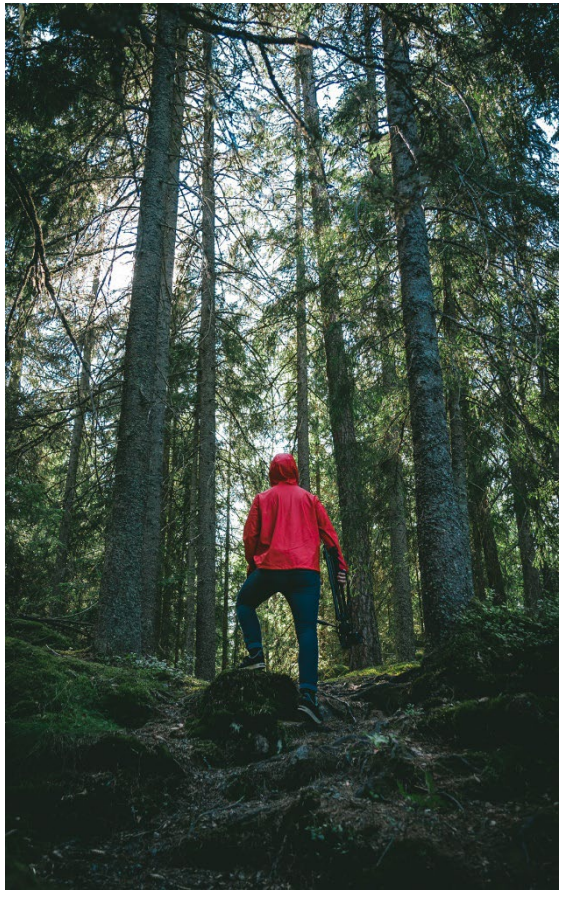
AI Trends and Use Cases

- Patch management
- Business Continuity Management and Incident Response Management testing
- Cyber incident response
- Fraud prevention
- Analyzing loan agreements
- Compliance and internal audit
- Automate repetitive manual tasks



A Look Ahead

- Emergence of generative AI (GenAI) as a mainstream capability
- Gap between security-talent supply and demand will increase
- Increasing regulatory obligations and government oversight of cybersecurity, privacy and data localization
- Use and sophistication of AI-powered cyber attacks increases
- Zero-Trust Architecture becomes the norm



Sources: Gartner.com; SecurityBoulevard.com; Medium.com

A Look Ahead

- By 2025, 60% of organizations will use cybersecurity risk as the primary determinant in conducting third-party transactions and business relationships.
- The percentage of states that enact laws regulating ransomware payments, fines and negotiations will increase to 30% by the end of 2025.
- By 2026, 70% of boards will include one member with cybersecurity expertise who will oversee a dedicated cybersecurity committee.
- The ability to efficiently mitigate cybersecurity risks will become a performance requirement for at least 50% of C-level executives by 2026.

Source: Gartner.com

Questions?

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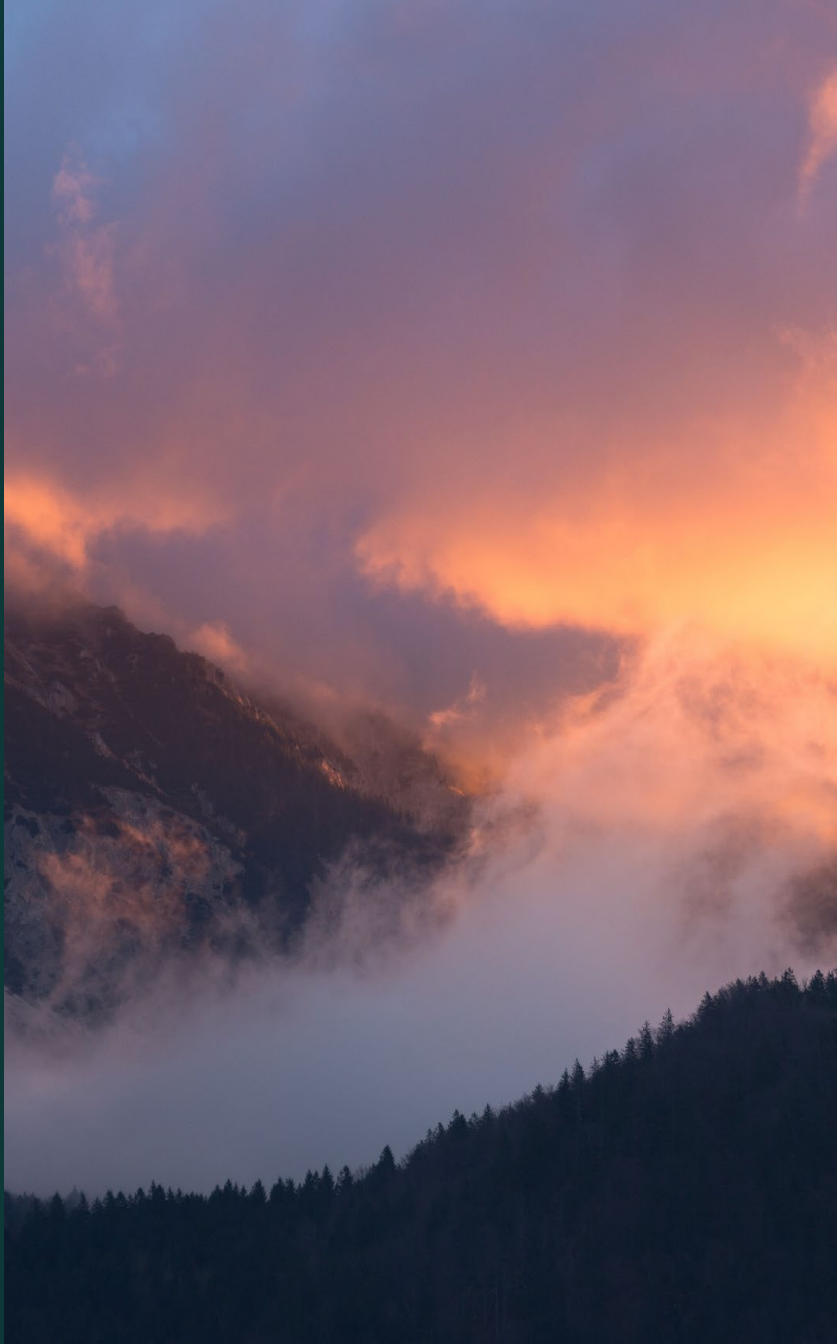
Thank you!



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