



1853 William Penn Way, Suite 9 · Lancaster, PA 17601 · 717 735 0013

SEPTEMBER 2014 INVESTMENT COMMENTARY

COMBATING CYBER-CRIME BY KNOWING OUR CLIENTS, NOT JUST KNOWING INFORMATION ABOUT THEM

I have been thinking about cyber security issues lately due to the recent discovery of a massive cyber hacking incident at JP Morgan. Operating as our country's largest bank, JP Morgan arguably has more resources to protect client data than any other financial institution in the country. Thus, the latest security breach is extremely worrisome because it highlights the vulnerability of today's security technology and the outdated password centric system.

At Seven Summits Capital, all of our clients' accounts and sensitive data are housed at First Clearing LLC, which is a wholly owned subsidiary of Wells Fargo Bank and is one of the country's largest investment custodians. With Wells Fargo, the fourth largest bank in the U.S., solely using First Clearing for its expansive brokerage network, security capabilities are a very high priority. However, the aforementioned JP Morgan breach indicates that size and resources cannot prevent a serious cyber hack.

As a small regional boutique investment management firm, Seven Summits Capital's cyber security issues are, from a purely technological standpoint, the responsibility of First Clearing. Although, First Clearing and Wells Fargo deploy significant resources to protect a client's account information and personal data, there are many different ways that a cyber-criminal may obtain sensitive financial information and steal a person's identity. Thus, I have come to realize since technology and operating policies alone have proven to be ineffective at preventing cyber-crime, the best way to prevent any potential criminal

use of stolen account data, identity information, and passwords is to combine technology with some old fashion personal interaction. This personal interaction has been inherent at Seven Summits Capital since day one.

Given the recent cyber hacks that have led to millions of people's sensitive data being compromised, I believe that all Americans should assume that their information may be accessible by cyber-criminals and that this could lead to someone being able to illegitimately request online transactions over the telephone or by email. However, since Seven Summits Capital clients are only allowed to view their accounts through First Clearing's online access system, cyber criminals will not be able to access this online system to illegally move any financial assets without direct communication. Therefore, the First Clearing system leaves criminals having to impersonate a client more overtly if they wish to gain access to a client's assets.

Impersonating a client through communications with Seven Summits Capital, which relies upon a highly personalized business model, will present a real challenge for the would-be cyber-criminal. For this reason, we believe that a personal relationship and direct communication may be one of the best ways to safeguard clients against having their personal information used illegitimately to gain access to their financial assets. If, like JP Morgan, we were a much larger business with tens of thousands of accounts, we would not be able to rely upon personal relationships to help protect our client's accounts

because account access and customer service would typically be left to call centers that use a series of basic questions to confirm a client's identity in lieu of actually knowing the client.

At Seven Summits Capital, transaction requests are fielded by the very people who have a personal relationship with the client. This personal relationship should make it extremely difficult, if not impossible, for a cyber-criminal to impersonate a client and request transactions. Keeping this in mind, I will be making a point to encourage all transaction requests to be directed to a person at Seven Summits Capital that has a personal relationship with the client in order to help ensure that an identity thief is unsuccessful if an attempt is made to access an account. Passwords, Social Security numbers, and other closely guarded information cannot protect financial accounts as well as someone who can discern the difference between a client and a criminal through voice familiarity and/or shared experiences

As the world becomes more interconnected, both personal and professional relationships seem to be becoming more distant and artificial. Thus, this interconnectivity, and the increasing virtual nature of relationships, makes it much easier for an individual's identity to be stolen. Unlike many other businesses that are focused on rapid expansion instead of their clients, we take pride in our very personal approach to the business of money management. Seven Summits Capital has flourished because of the close relationships with clients who often started out as friends, neighbors, or close acquaintances. Thus, our business philosophy has not changed and allows us to extend this personal approach to all new clients in order to continue to build long-lasting client relationships. We believe that these relationships not only ensure the best delivery of our services but, frequent personal interactions also safeguard our clients' assets against ever present danger of cyber-crime.

I am going to limit the commentary this month to the aforementioned comments about cybercrime. For the next month's commentary I will resume the discussion of

the markets, economy, and global risks as we look towards the end of 2014 and begin to ponder what opportunities and/or risks lie ahead in 2015.



CURT R. STAUFFER

(C) 717 877 7422

(O) 717 735 0013

cstauffer@ssummitcapital.com

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