



## Security Risks Associated with the Internet

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TO: CHIEF EXECUTIVE OFFICER  
SUBJECT: *FDIC Issues Paper on Risks Related to Internet Use*

In response to the ever-increasing number of financial institutions using the Internet, the FDIC has issued the attached paper identifying many of the risks to an institution's information system security associated with Internet use. The paper also describes several risk controls.

The Internet offers financial institutions a wide array of opportunities to access resources and to deliver information, products and services. However, the principal benefits of Internet access, namely its global reach and open architecture, also present significant security risks.

The paper, *Security Risks Associated with the Internet*, offers helpful information to financial institutions that are currently using or are planning to use the Internet as an information resource or delivery channel. The paper does not make specific recommendations as to which technical solutions an institution should deploy. This will depend on each institution's individual system design and objectives. However, bank management must recognize the risks that the Internet presents and implement appropriate controls. Further, given the dynamics of technology, risks and controls should continue to be evaluated on an ongoing basis.

This paper is designed to complement the FDIC's safety and soundness examination procedures for electronic banking activities. The safety and soundness procedures focus on non-technical functions such as planning, administration, internal controls, and policies and procedures. Technical examinations of these systems are referred to FDIC information systems specialists and electronic banking subject matter experts. The FDIC has initiated a comprehensive training program for these specialists and is developing technical examination work programs.

For further information, please contact your Division of Supervision Regional Office or Examination Specialist Cynthia A. Bonnette at (202) 898-6583.

Nicholas J. Ketcha Jr.  
Director

### Attachment

Distribution: FDIC-Supervised Banks (Commercial and Savings)

NOTE: Paper copies of FDIC financial institution letters may be obtained through the FDIC's Public Information Center, 801 17th St., NW, Room 100, Washington, DC 20434 (800-276-6003 or (703) 562-2200).