Liquidnet is the global institutional trading network where more than 800 of the world's top asset managers and other like-minded investors come to execute their large equity and fixed income trades. Liquidnet manages more than 15 million dollars in assets with maximum anonymity and minimum market impact. As the global leader in large block trading, Liquidnet provides access to unique trading opportunities in 44 markets across five continents. The company also provides access to an average trade size of $1.4 million in principal. As a broker dealer regulated by the U.S. Securities and Exchange Commission (US SEC), Financial Industry Regulatory Authority (FINRA) and a variety of other governing bodies, protecting sensitive information is one of Liquidnet's top priorities. The firm's customers entrust Liquidnet with some of the most confidential information they have – their trading intentions. We spoke to Al Berg, Chief Security and Risk Officer at Liquidnet Holdings to understand how the firm mitigates risk. Berg has been tasked with keeping Liquidnet's and its members' information secure since 2004.
To comply with third-party review requirements of customers and regulators, Liquidnet had mostly relied on a broad range of self-reported information provided by the vendors and also on third-party assessment reports, such as the SOC1, SOC2, and ISO 27001.

The information provided by vendors usually varied greatly from company to company and almost always carried some inherent bias. This made the vendor management process time-consuming and burdensome, which was especially problematic since Berg and his team already had a plethora of other security operations duties. Additionally, neither the third-party reports nor the self-reported information provided a continuous view of the vendor’s security. The best Liquidnet could do was conduct a point-in-time check every year with third-party reports (and for some smaller vendors who didn’t have standardized reports, even this was not always possible.)

To compound the problem even further, once Berg and his team collected the information, there was no real way to quantitatively measure how good or bad the security of any vendor was, let alone comparing security between vendors. Without clear and concrete metrics or the bandwidth to manage such a large endeavor, the team was left frustrated.

Simply put, Liquidnet needed a third-party management solution that would 1) quantify the security performance of their vendors; 2) provide continuous monitoring; and 3) do both of those things without requiring an immense amount of time from Berg’s team.

“When it comes to security, Liquidnet is a 350-person company that is expected to act like a 35,000-person company.”
Liquidnet found that SecurityScorecard met the challenge. Berg and his team characterize the platform as providing a holistic and quantifiable view of the security posture of Liquidnet's third-parties. The platform uncovers data for Berg's team that can be used to thoroughly evaluate a vendor. For example, Liquidnet uses the IP Reputation factor to judge how much a particular vendor is paying attention to security and uses the Hacker Chatter factor to gain a deeper understanding of the vendor's potential vulnerabilities. By integrating the platform into Liquidnet's overall security strategy, Berg's team is able to have a more continuous and comprehensive approach to assessing critical vendors.

“SecurityScorecard is a force multiplier for my team, allowing us to do things we could not do before. It’s like having another dedicated vendor management team member.”

For Liquidnet, using SecurityScorecard is an inexpensive way of being able to assess third-parties and partners on a continuous basis without having to dedicate hours of bandwidth on limited point-in-time assessments. In addition to the time saved, Berg's team went from having no standardized way of comparing vendors to being able to view their vendors side-by-side on a single screen. Another benefit Berg finds is in the industry benchmarking feature integrated in every organization’s security rating, allowing Liquidnet to see how partners and clients fare within their field and to act upon where the risks are in their thirdparty portfolio.

“SecurityScorecard is a force multiplier for my team, allowing us to do things we could not do before. It’s like having another dedicated vendor management team member.”
All in all, Liquidnet moved from feeling burdened with the administrative task of managing surveys to focusing their energies on building a forward-looking vendor management program. The SecurityScorecard platform serves as a strong starting point for Liquidnet to have meaningful conversations with thirdparties regarding security. Using the reports feature, Liquidnet can share downloadable reports with third-parties and invite them to the platform to discuss any discovered vulnerabilities or dropped ratings.

For Liquidnet, the benefits in compliance are two-fold.

First, the reporting functions of the platform and the intuitive metrics make it easy to show the board of directors and regulators that Liquidnet is meeting regulatory and compliance standards.

Second, Liquidnet can now speak confidently about its third-parties’ compliance to relevant security requirements, by using the platform to validate responses. Berg’s team uses the compliance function within the platform to quickly validate industry-standard questionnaire responses, such as the Standardized Information Gathering Questionnaire (SIG). They also use the platform to check the accuracy of any self-reported questionnaire data provided by vendors.

**Conclusion**

The alternative to using SecurityScorecard for Liquidnet would have been to hire more employees in an attempt to make vendor assessments more frequent and more accurate, an expensive investment that could not come close to the capabilities of using a continuous monitoring platform. As the cyber attacks become increasingly sophisticated and frequent, it’s important to build an approach—like Liquidnet’s—that ensures critical security fundamentals are in place while also proactively assessing thirdparties.

“SecurityScorecard allows Liquidnet to perform the type and depth of third-party vendor security assessments expected by our customers and regulators – without breaking our budget.”
ABOUT SECURITYSCORECARD

Funded by world-class investors including Silver Lake Partners, Sequoia Capital, GV, Riverwood Capital, and others, SecurityScorecard is the global leader in cybersecurity ratings with more than 12 million companies continuously rated. Founded in 2013 by security and risk experts Dr. Aleksandr Yampolskiy and Sam Kassoumeh, SecurityScorecard’s patented rating technology is used by over 25,000 organizations for enterprise risk management, third-party risk management, board reporting, due diligence, and cyber insurance underwriting. SecurityScorecard continues to make the world a safer place by transforming the way companies understand, improve and communicate cybersecurity risk to their boards, employees and vendors. Every organization has the universal right to their trusted and transparent Instant SecurityScorecard rating.

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