

KPMG's Data Loss Barometer – Review of 2008 and predictions for 2009

ADVISORY

This special bulletin for recipients of KPMG's Data Loss Barometer provides an update on data losses during 2008 and predictions for 2009.

In 2008, global incidents of data loss increased in number. With widely reported media stories of inadvertent loss or theft, it is an issue that has become firmly embedded in the public conscience. For the organisations affected, and the millions of innocent people whose data is exposed, the impact of large-scale data loss can be brutal.

As the global economic downturn deepens, we expect data loss to continue to increase in 2009. Organisations across the public and private sector, with budgets already squeezed, will continue to be vulnerable to loss of sensitive data. Sophisticated organised criminals will seek to exploit these weaknesses for financial gain. It looks like the credit crunch will also lead to a 'data crunch'.

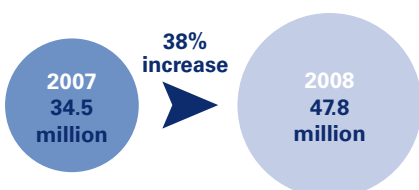
From bad... Summary for 2008	To worse... Forecast for 2009
<ul style="list-style-type: none"> A record 427¹ data loss incidents reported in 2008 – exceeding our prediction of 404 incidents. 47.8 million people were affected in the three months from September alone – more than the rest of the year combined. A 38 percent year-on-year increase in the number of people affected between September and November. 	<ul style="list-style-type: none"> If the trend since September 2008 continues, over 190 million people could become victims of data loss in 2009. We expect the number of reported incidents to increase by around 10 percent. Third-party data handlers are expected to present the most significant risk of data exposure.

KPMG's Data Loss Barometer measures and analyses publicly disclosed incidents of data loss. Since 2005, there have been around 1,300 reported incidents worldwide, with the personal data of over 350 million people compromised.

In 2008 there were 427¹ data loss incidents recorded, affecting 83 million people globally. Although fewer people were affected than in 2007, well over half of the 2008 victims – 47.8 million – suffered loss in the last three months of the year.

There is a strong correlation between the worsening global economy and a rise in reported incidents of data loss.

With the economic outlook unlikely to improve before 2010, these pressures may become more pronounced. Over 190 million people worldwide could be affected in 2009 if the current trend continues.



Source: KPMG in the UK

Number of people affected between September and November in 2007 and 2008

Footnote 1: The figures presented for 2008 are based on research completed for the period 1 January 2008 – 30 November 2008, with an extrapolated monthly average used to produce an estimate for December 08.

Who is vulnerable?

We anticipate an increase in the number of malicious data theft attempts and believe the financial sector is most prepared to handle this threat. Other sectors such as telecommunications and utilities could be seen by criminal gangs as soft targets for more sophisticated attacks.

Organisations with multiple and complex third-party relationships – suppliers, outsourced business functions and business advisors, for instance – are particularly susceptible to the loss or theft of data. They need to be as vigilant about their third-party data controls as they are about their own.

Like the credit crunch, data leakage is a global phenomenon. The Barometer found that the UK, the US, Germany, South Korea and Chile accounted for 91 percent of reported data loss victims worldwide in 2008.

How KPMG can help

As one of the world's largest providers of security advice, KPMG can help you assess and manage your data loss risks.

With a wealth of cross-sector experience, we know how to help organisations transform the protection of their information assets, to counter increased risks and address the concerns of customers, regulators and other key stakeholders.

We asked a panel of KPMG Partners and external experts for their data loss predictions in 2009. Here's what they said:

Data loss prevention technologies will not stop all losses

"Governments and large corporates around the world will continue to embarrass themselves by losing large volumes of data despite the deployment of data loss prevention technologies."

Dr. John Meakin, Chief Information Security Officer, BP plc

Greater criminal exploitation

"We expect to see greater criminal exploitation of lost data, as organised and opportunist criminals realise the value of the data due to the increased public awareness of reported data loss incidents."

Malcolm Marshall, Partner, KPMG in the UK.

Use of encryption will rise

"We will see a rapid acceleration in the adaption of encryption technologies. At the same time the technologies will become easier to use, and often invisible to the end user."

Fred Piper, Emeritus Professor, Information Security Group, Royal Holloway University of London

Economic pressures will increase risks

"As organisations are involved in redundancies and downward pressure on costs forces drastic changes, there is a significant risk that disgruntled employees can cause serious damage to an organisation through data breaches."

Edge Zarrella, KPMG's Global Head of IT Advisory

Data loss incidents are likely to make headlines in Asia Pacific

"Privacy breaches in the Asia Pacific region haven't made major headlines like other regions globally, but it will start to happen in 2009."

Robert Goldberg, Partner, KPMG in Australia.

Contact us

Malcolm Marshall

Partner, KPMG LLP
Tel: +44 (0)20 7311 5456
malcolm.marshall@kpmg.co.uk

Matthew Martindale

Executive Advisor, KPMG LLP
Tel: +44 (0)79 1755 2588
matthew.martindale@kpmg.co.uk

Ross Leaning

Advisor, KPMG LLP
Tel: +44 (0)20 7311 5103
ross.leaning@kpmg.co.uk

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2008 KPMG LLP, a UK limited liability partnership, is a subsidiary of KPMG Europe LLP and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative. All rights reserved. Printed in the United Kingdom. KPMG and the KPMG logo are registered trademarks of KPMG International, a Swiss cooperative. Designed and produced by KPMG LLP (UK)'s Design Services
Publication name: Data Loss Barometer
Publication number: RRD – 120084
Publication date: December 2008
Printed on recycled material.