Press Release

SEC Charges Issuer With Cybersecurity Disclosure Controls Failures

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Washington D.C., June 15, 2021 — The Securities and Exchange Commission today announced settled charges against real estate settlement services company First American Financial Corporation for disclosure controls and procedures violations related to a cybersecurity vulnerability that exposed sensitive customer information.

According to the SEC's order, on the morning of May 24, 2019, a cybersecurity journalist notified First American of a vulnerability with its application for sharing document images that exposed over 800 million images dating back to 2003, including images containing sensitive personal data such as social security numbers and financial information. In response, according to the order, First American issued a press statement on the evening of May 24, 2019, and furnished a Form 8-K to the Commission on May 28, 2019. However, according to the order, First American's senior executives responsible for these public statements were not apprised of certain information that was relevant to their assessment of the company's disclosure response to the vulnerability and the magnitude of the resulting risk. In particular, the order finds that First American's senior executives were not informed that the company's information security personnel had identified the vulnerability several months earlier, but had failed to remediate it in accordance with the company's policies. The order finds that First American failed to maintain disclosure controls and procedures designed to ensure that all available, relevant information concerning the vulnerability was analyzed for disclosure in the company's public reports filed with the Commission.

"As a result of First American's deficient disclosure controls, senior management was completely unaware of this vulnerability and the company's failure to remediate it," said Kristina Littman, Chief of the SEC Enforcement Division's Cyber Unit. "Issuers must ensure that information important to investors is reported up the corporate ladder to those responsible for disclosures."

The SEC's order charges First American with violating Rule 13a-15(a) of the Exchange Act. Without admitting or denying the SEC's findings, First American agreed to a cease-and-desist order and to pay a $487,616 penalty.

The SEC's investigation was conducted by Brent W. Wilner of the Cyber Unit with assistance from Amy J. Longo of the Trial Unit, and was supervised by Diana K. Tani and Ms. Littman of the Cyber Unit. The SEC appreciates the assistance of the New York State Department of Financial Services.

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Related Materials

- SEC Order