



Data Breaches at Bank of Montreal and Simplii Financial: Here's What it Means for Bank Investors

Description

Canadian banks are under attack from cybercriminals.

[Bank of Montreal \(TSX:BMO\)\(NYSE:BMO\)](#) and Simplii Financial, a direct banking subsidiary of [Canadian Imperial Bank of Commerce \(TSX:CM\)\(NYSE:CM\)](#), recently announced to the public that their systems were compromised by “fraudsters” that have taken off with the personal account information of some tens of thousands of customers.

Waking up to this kind of news has to be very unsettling, even if you're not a customer of BMO or Simplii. These are two of the largest financial institutions whose data was breached, and although you may think you've dodged a bullet as a customer of another Big Five bank that wasn't affected, you're probably wary because it could have easily been your bank and your personal information that was stolen by a cybercriminal, who's likely to sell your personal information across the dark web while trying to access and steal the funds within your bank accounts.

The big banks hang on to some of the most sensitive pieces of personal information out there, and many banking customers may find it increasingly difficult to sleep at night with the thought that their bank accounts aren't as secure as they originally thought.

A wake-up call for all banks

High-profile [cybersecurity breaches have been picking up traction](#) over the past year, and moving forward, one can only expect the severity and frequency of them to become even worse, as they spread to major institutions that were once thought of as having impenetrable defences from hackers.

Although the other four Big Six banks confirmed no signs of a customer data breach, the recent attack on Canadian banks should serve as a major wake-up call for all financial institutions to loosen up their purse strings when it comes to investing in countermeasures to keep their customers and their information safe from potential cyber threats. Not only could a single point of failure in a system destroy an institution's reputation, but any fraud relating to breaches could have hefty associated expenses

that could eat into profits over the short to medium term.

Simplii promised to fully reimburse its customers who've suffered from fraudulent activities, but for now, both BMO and Simplii customers are going to remain vigilant, as they stay on the lookout for any fraudulent activities.

What to make of it as an investor in the big banks

For financial institutions, trust remains the utmost top priority.

The recent breaches have shed light on the fact that many of the big financial service providers aren't as secure as we may have thought they were. As such, I believe many clients may be less inclined to open accounts across "lesser-known" financial institutions to reduce the risk of having their data compromised.

That means small internet-only banks that have taken off with the rise of technology may be passed on in favour of a larger, more trusted name that's done their due diligence to safeguard its customers' information. Sure, higher-interest bank accounts may seem tempting, but the marginally higher rate is not worth the potential risk of a breach, especially if you're trusting your information and your savings to an institution you're not completely familiar with.

That's a plus for the Big Six banks (minus BMO and CIBC) and a setback for up-and-coming online banking disruptors that may not have the same level of trust with consumers that are growing increasingly concerned about cybersecurity.

Takeaway

BMO and Simplii are in hot water right now, but I don't suspect their respective stocks will take a huge hit to the chin since the magnitude of their respective breaches are dwarfed in comparison to the **Equifax Inc.** breach.

Stay hungry. Stay Foolish.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)
2. NYSE:CM (Canadian Imperial Bank of Commerce)
3. TSX:BMO (Bank Of Montreal)
4. TSX:CM (Canadian Imperial Bank of Commerce)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing

Tags

1. Editor's Choice

Date

2025/08/26

Date Created

2018/05/29

Author

joefrenette

default watermark

default watermark