



Brokerage: Can Hackers Steal Your Stocks?

Description

The past year has seen a massive surge of interest in investing. With people out of work and getting government aid, many turned to investing as a way to put their hard-earned money to work for them. That led to large numbers of Canadians signing up for brokerage accounts.

No doubt, investing in stocks is an exciting and potentially lucrative hobby. But it comes with a serious risk:

Having your brokerage account hacked. According to a 2015 *MarketWatch* article, 88% of brokers and 75% of investment advisers reported being victims of cyber-attacks that year. That certainly sounds troubling. And in a sense it is. There's nothing stopping hackers from siphoning funds from a brokerage account they've hacked into. They can also make unauthorized trades.

In 2014, a Russian man in New York City was sentenced to 30 months in jail for making unauthorized trades on other peoples' accounts. Frightening stuff. But could such an individual actually *steal* your stocks?

Hackers *can* break into brokerage accounts

Before going any further, one thing needs to be established:

Hackers absolutely *can* break into brokerage accounts. Banks and other brokers have pretty good cybersecurity. But if a hacker has your bank account and you don't have two-factor authentication, they *can* get in. If they have your trading password, they can also make trades as they see fit. So, to protect your account, you will want to:

1. Turn on two-factor authentication. This is a login system where you need to not only enter a password but also enter a code sent to your phone or email.
2. Have a trading password. Many brokers require you to use a second password in addition to your account password to make trades. If your broker doesn't require this, make sure you turn it on voluntarily. It's another layer of security that can stop hackers from selling your stocks.

As far as *stealing* your stocks goes, it seems at least theoretically possible. What the hacker would have to do is sell the stocks and transfer the funds to his or her own account. Once they've done that, your money's gone.

A quality Canadian brokerage stock

If you're an investor in bank stocks like the **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)), all this talk of brokerage hacks might have you concerned. First, you may worry about your own stocks being compromised. Second, companies like TD can lose a lot of money to such activity, thereby harming your return.

In TD's case, at least, it appears there is pretty decent security. Among other measures, [TD Direct Investing](#) offers:

- Two-step verification.
- Trading passwords.
- Ultra-strong encryption.
- Security phone calls to alert you when your account has been compromised.

These are pretty good security measures that should keep your stocks safe most of the time. If the worst *does* happen, TD may compensate you as well. Banks aren't strictly required to insure stocks. Through the CDIC, *bank accounts* are insured up to \$100,000 from all types of loss.

The CIPF—the closest analog for brokerage accounts—only [protects you in the event of a broker's insolvency](#). That does seem to imply that brokerage accounts are a little less secure than checking accounts. But TD is a very well-respected bank with a solid track record of doing its clients right. You're most likely safe in their hands.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

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1. NYSE:TD (The Toronto-Dominion Bank)
2. TSX:TD (The Toronto-Dominion Bank)

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Author

andrewbutton

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