**EXISTING SYSTEM:**

The present study is motivated by several questions that have not been investigated until now, such as: Are data breaches caused by cyber-attacks increasing, decreasing, or stabilizing? A principled answer to this question will give us a clear insight into the overall situation of cyber threats. This question was not answered by previous studies. Specifically, the dataset analyzed in [7] only covered the time span from 2000 to 2008 and does not necessarily contain the breach incidents that are caused by cyber-attacks; the dataset analyzed in [9] is more recent, but contains two kinds of incidents: negligent breaches (i.e., incidents caused by lost, discarded, stolen devices and other reasons) and malicious breaching. Since negligent breaches represent more human errors than cyber-attacks, we do not consider them in the present study. Because the malicious breaches studied in [9] contain four sub-categories: hacking (including malware), insider, payment card fraud, and unknown, this study will focus on the hacking sub-category (called hacking breach dataset thereafter), while noting that the other three sub-categories are interesting on their own and should be analyzed separately. Recently, researchers started modeling data breach incidents. Maillart and Sornette studied the statistical properties of the personal identity losses in the United States between year 2000 and 2008. They found that the number of breach incidents dramatically increases from 2000 to July 2006 but remains stable thereafter. Edwards et al. analyzed a dataset containing 2,253 breach incidents that span over a decade (2005 to 2015). They found that neither the size nor the frequency of data breaches has increased over the years. Wheatley et al., analyzed a dataset that is combined from corresponds to organizational breach incidents between year 2000 and 2015. They found that the frequency of large breach incidents (i.e., the ones that breach more than 50,000 records) occurring to US firms is independent of time, but the frequency of large breach incidents occurring to non-US firms exhibits an increasing trend.

**PROPOSED SYSTEM:**

In this paper, we make the following three contributions. First, we show that both the hacking breach incident interarrival times (reflecting incident frequency) and breach sizes should be modeled by stochastic processes, rather than by distributions. We find that a particular point process can adequately describe the evolution of the hacking breach incidents inter-arrival times and that a particular ARMA-GARCH model can adequately describe the evolution of the hacking breach sizes, where ARMA is acronym for “AutoRegressive and Moving Average” and GARCH is acronym for “Generalized AutoRegressive Conditional Heteroskedasticity.”We show that these stochastic process models can predict the inter-arrival times and the breach sizes. To the best of our knowledge, this is the first paper showing that stochastic processes, rather than distributions, should be used to model these cyber threat factors. Second, we discover a positive dependence between the incidents inter-arrival times and the breach sizes, and show that this dependence can be adequately described by a particular copula. We also show that when predicting inter-arrival times and breach sizes, it is necessary to consider the dependence; otherwise, the prediction results are not accurate. To the best of our knowledge, this is the first work showing the existence of this dependence and the consequence of ignoring it. Third, we conduct both qualitative and quantitative trend analyses of the cyber hacking breach incidents. We find that the situation is indeed getting worse in terms of the incidents inter-arrival time because hacking breach incidents become more and more frequent, but the situation is stabilizing in terms of the incident breach size, indicating that the damage of individual hacking breach incidents will not get much worse. We hope the present study will inspire more investigations, which can offer deep insights into alternate risk mitigation approaches. Such insights are useful to insurance companies, government agencies, and regulators because they need to deeply understand the nature of data breach risks.