

IN THE NEWS

NOVEMBER 22, 2009

Economic News

Fear of inflation drove gold to a new all-time high of \$1,153.40 an ounce [1]. As gold continues to rise, the U.S. economic condition remains weak. For instance, 332,292 properties received foreclosure filings; up 19 percent from last year [2]. In a further sign of financial trouble, for the quarter ending September 30, a record 6.25 % of U.S. mortgage loans were 60+ days delinquent [3]. For the week ending November 7, the number of new unemployment claims was 502,000 [4]. For the following week (ending November 14), unemployment claims were 505,000 [5]. The jobless rate will start to

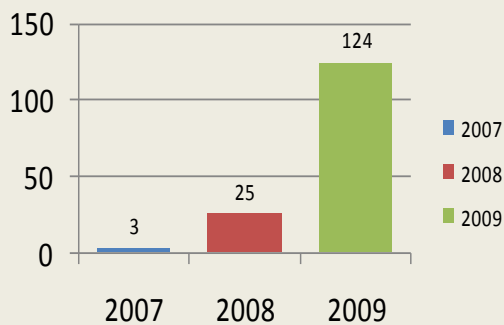
look better in January; not because of fewer unemployed but rather fewer people getting an unemployment check. Case in point, approximately 1 million unemployed will lose their benefit in January (unless Congress extends benefits) [6]. To address the unemployment issue, President Obama plans to hold a brainstorming conference in December [7]. In contrast, Taiwan started recruiting 1,500 hi tech jobs in the U.S. [8]. With so many people unemployed, the Federal deficit for October was \$176 billion [9]. In a further sign of a deteriorating economy, the U.S. trade deficit increased 18.2% in September to \$36.5 billion [10]. Of that, the deficit with China increased to \$22.1 billion [11].

Friday the 13th was another bad day for three financial institutions shuttered. The first closing

was the Century Bank in Sarasota, Florida [12]. The next (the 122nd for the year) was the Orion Bank in Naples, Florida [13]. The 123rd closed was the Pacific Coast National Bank in California [14]. The following week (November 20), the Commerce Bank in Florida became

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Bank Closings as of
11/22/2009



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Special points of interest:

- Gold reaches new all-time high of \$1,153.40 an ounce per ounce
- 124th bank closed
- FAA outage blamed on router

IT security

The Government Accountability Office (GAO) released a report concluding the critical infrastructure is vulnerable to hackers [1]. Then last week, the Federal Aviation Administration (FAA) suffered a computer glitch blamed on a router problem [2]. The FAA software glitch lasted four hours and delayed hundreds of flights [3]. With the 6 largest domestic airlines reporting a

last quarter loss, having the FAA outage before the Thanksgiving holiday cannot help [4]. That one router could disrupt the FAA illustrates vulnerabilities to the critical infrastructure. Routers are but one target we can expect hackers to attack in future cyber wars.

No matter how small the device, cyberattacks are becoming more problematic. Case in point, a worm is

actively attacking the Apple iPhone [5]. Compounding the problem, a data stealing iPhone exploit was detected [6].

Elsewhere, the FBI indicted 8 computer hackers for a 2008 world-wide ATM heist that stole \$9 million [7]. Separately, the FBI says hackers are targeting law firms and stealing sensitive client information [8].

For those who hope security

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Economic News

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the 124th bank closed [15]. In light of the continued bank problems, lawmakers are working to overhaul the financial system [16]. However until the root cause (automated trading programs) is addressed; the risk of further collapse remains.

1. Nguyen, Pham-Duy, Bloomberg, *Gold Rises for Sixth Straight Session on Bets Dollar to Drop*, November 20, 2009.
2. Connelly, Eileen AJ, AP, *Mortgage delinquencies hit another record in 3Q*, November 17, 2009.
3. Levy, Dan, Bloomberg, *U.S. Foreclosure Filings Surpass 300,000 for 8th Straight Month*, November 12, 2009.
4. Di Leo, Luca, Wall Street Journal, *Jobless Claims Fall in Latest Week*, November 12, 2009.

Success is how high you
bounce when you hit the
bottom—George S. Patton

5. Chandra, Shobhana, Bloomberg, *U.S. Initial Jobless Claims Unchanged at 505,000*, November 19, 2009.
6. Eckholm, Erik, New York Times, *Jobless Benefits Set to Expire Unless Congress Acts*, November 18, 2009.
7. Bull, Alister, Reuters, *Obama to hold conference on battling unemployment*, November 12, 2009.
8. The China Post, *Taiwan to send annual hi-tech talent recruitment mission to U.S.*, November 5m, 2009.
9. Schroeder, Robert, Market Watch, *U.S. ran deficit of \$176 billion in October*, November 12, 2009.
10. Crutsinger, Martin, AP, *Trade deficit widens more than expected in Sept*, November 13, 2009.
11. Thiruvengadam, Meena, and Randall, Jackson, Wall Street Journal, *U.S. Trade Gap Widens as Imports Outpace Export*, November 13, 2009.
12. Bradenton Herald Tribune, *Feds close Century Bank of Sarasota*, November 13, 2009.
13. Yousuf, Hibah, CNN Money, *Bank failure toll reaches 122*, November 13, 2009.
14. Doering, Christopher, Reuters, *US bank regulators close Pacific Coast National*, November 13, 2009.
15. Wutkowski, Karey, Reuters, *Small Florida bank fails, brings year tally to 124*, November 20, 2009.
16. Brandy, Dennis, Washington Post, *Ambitious bills could remake financial regulatory landscape*, November 19, 2009.

IT Security

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problems disappear with new operating systems, consider what happened to Windows 7.0. Recently released, the new Microsoft windows 7.0 operating system had its first reported zero-date vulnerability [9].

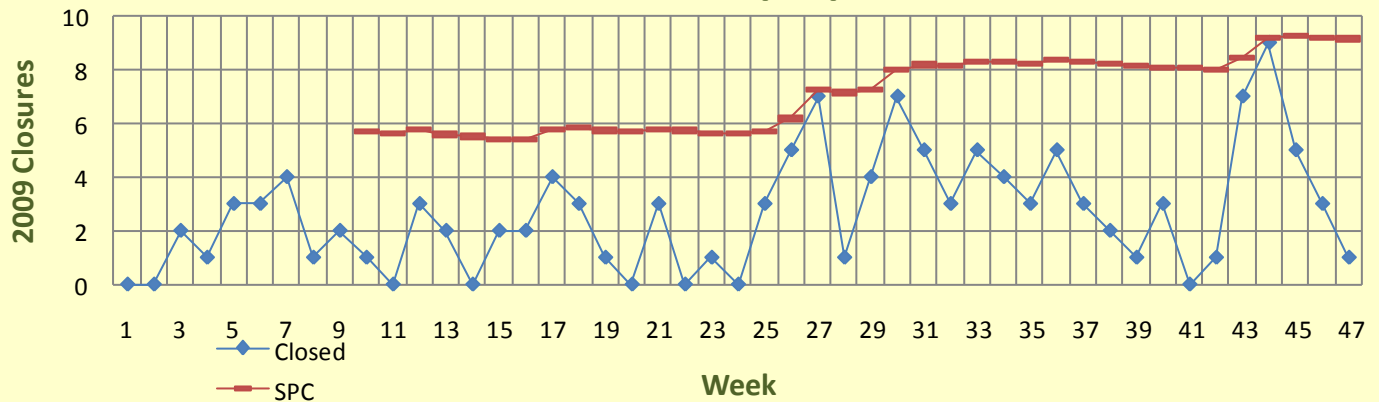
One question that has yet to be fully vetted is the loss to financial institutions due to cyber crime. A clue comes from Federal law enforcement; suggesting hundreds of millions of dollars in cash losses [10]. With the current financial crisis, such losses cannot help recovery efforts.

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ing Threats, GAO-10-230T, November 17, 2009.

2. Preimesberger, Chris, eWeek, *The Story Behind the FAA Flight-Plan System Crash*, November 20, 2009.
3. Lowy, Joan, AP, *FAA says equipment outage caused 819 flight delays*, November 20, 2009.
4. Maxon, Terry, Dallas Morning News, *3 of 9 big airlines profit as industry improves in 3Q*, October 27, 2009.
5. BBC News, *Worm attack bites at Apple iPhone*, November 9, 2009.
6. Kaplan, Dan, SC Magazine, *Attack tool can hijack data off unlocked iPhones*, November 11, 2009.
7. Gorman, Siobhan, and Perez, Evan, Wall street Journal, *Hackers Indicted in Widespread ATM Heist*, November 11, 2009.
8. Baldor, Lolita C., AP, *FBI says hackers targeting law firms, PR companies*, November 17, 2009.
9. Keizer, Gregg, Computer World, *Microsoft confirms first Windows 7 zero-day bug*, November 14, 2009.
10. Miguel, Renay San, e-Commerce Times, *An FBI Cybercrime Agent's Tales From the Trenches*, November 9, 2009.

SPC Threshold 11/22/2009



Iran

Saudi Arabia is fighting Iranian backed rebels that occupied Saudi land bordering Yemen [1]. What's more, last month, Yemen seized an Iranian ship carrying weapons to the Zaidi Shi'ite rebels [2]. Secretary of State Clinton said it's difficult to trust Iran because of the regime's support of terrorism [3]. Meanwhile, Iran captured three American hikers and accused them of espionage [4].

Iran is successful in delaying international action against the republic. They make promises then break them, then the West renegotiates. Case in point, the U.S. is now willing to give Iran time

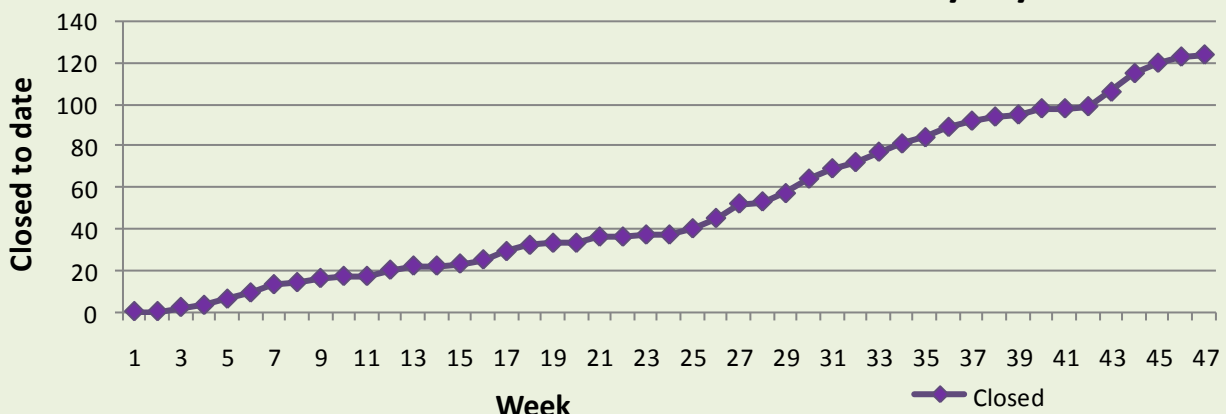
to decide if it will accept the U.N.-brokered Uranium enrichment plan [5]. However, Iran officially rejected the UN-proposed nuclear refinement deal [6]. In response, the West plans to continue talking and watered down threats of sanctions to ensure Russia's and China's cooperation [7].

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2. Derakhshi, Reza, Reuters, *Iran denies it is supporting Yemeni rebels*, November 10, 2009.
3. AFP, *Clinton says nuclear race not in Iran's interest*, November 10, 2009.

4. Matza, Michael, Philadelphia Inquirer, *3 hikers could face Iran trial*, November 10, 2009.
5. Heinrich, Mark, Reuters, *U.S. says can give Iran time to okay nuclear deal*, November 9, 2009.
6. Dareini, Ali Akbar, AP, *Iran rejects UN-proposed nuclear deal*, November 18, 2009.
7. Charbonneau, Louis, Reuters, *West lowers sights for new Iran sanctions at U.N.*, November 19, 2009.

The way to win an atomic war is to make certain it never starts—Omar Bradley

Financial Institution Closures as of 11/22/2009



World News

One of the main reasons the Roman empire fell was due to an imbalance in trade. Now the U.S. has exported most of its wealth, industry, and technology to Asia. For example, Japan now excludes the U.S. in regional talks with China [1]. Furthermore, President Obama recognizes that even small gains in exports mean more American jobs [2]. The President cited the need to create jobs as a goal of his trip to Asia [3]. However, as the U.S. continues record unemployment, China's industrial production and trade surplus grew again in October [4].

Before a problem can be resolved, it must first be acknowledged to exist. Case in point, a bi-partisan trade report to Congress cites China's unfair trade practices with a goal of amassing trade deficits [5]. What's more, the report suggests China is artificially undervaluing its currency at the expense of the U.S. [6].

While the trade issues loom, China is expanding its cyber espionage capabilities [7]. The Chinese spying is strengthening its economic and military [8]. For example, during the last 10 years, China added 38 submarines, 13 destroyers, 16 frigates, support ships and dozens of aircraft to its Navy [9].

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2. Burns, Judith, Wall Street Journal, *Obama Calls for More U.S. Exports to Asia*, November 20, 2009.
3. Wilson, Scott, Washington Post, *44: Obama says Asia trip about jobs*, November 21, 2009.
4. Bloomberg News, *China's Economy Strengthens, Boosting Yuan Calls*, November 11, 2009.
5. Eckert, Paul, Reuters, *Congress urged to combat China trade practices*, November 19, 2009.

6. Samuelson, Robert J., Newsweek, *Grumbling About China and the Renminbi*, November 19, 2009.
7. Claburn, Thomas, Information Week, *China Cyber Espionage Threatens U.S.*, Report Says, November 20, 2009.
8. BBC News, *China 'steps up US cyber-spying'*, November 20, 2009.
9. Matthews, William, Defense News, *Intelligence Ops Greatest Chinese Threat to U.S.*, November 19, 2009.

*Those who stand for nothing
fall for anything—Alexander
Hamilton*

Crime

In Florida, a lawyer was accused of defrauding investors of several hundred million dollars in a Ponzi scheme [1]. Indications are the Florida Ponzi scam may exceed \$1 billion [2].

In New Orleans, a couple was charged with embezzling \$13 million from an oil company [3]. Somewhere else in Louisiana, a businessman was indicted in a \$19.5 million Ponzi scheme [4].

In Sacramento, a man was arrested for operating a \$4 million Ponzi scheme [5]. Elsewhere in California, seven

people were charged in a mortgage fraud scheme with \$125 million in losses [6].

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2. Fletcher, Pascal, Reuters, *FBI says Florida fraud scheme could top \$1 billion*, November 12, 2009.
3. AP/WXVT, *Duo accused of stealing \$13M from oil company*, November 10, 2009.
4. Nelson, Keitha, WAFB, *Louisiana businessman*

- indicted for an alleged ponzi scheme, November 20, 2009.
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