

IN THE NEWS

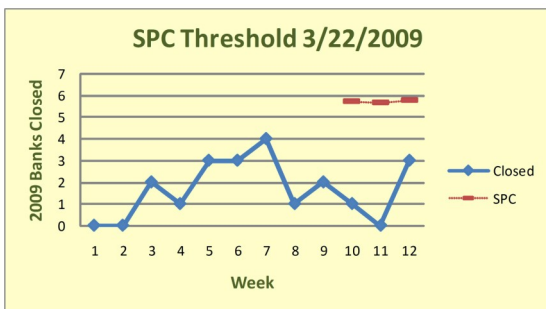
VOLUME 2 ISSUE 12

MARCH 22, 2009

Economic Recovery

Free trade and treaties such as NAFTA have been touted as the best deal for American consumers. However, now that the economy has entered into a recession, some of the U.S. trading partners are starting to openly challenge American goods. Case in point, Mexico is considering raising tariffs on \$2.4 billion of U.S. goods in response to ending a pilot allowing Mexican trucks on American roads [1]. This occurs at a time when the Federal deficit is projected to increase past \$1.8 trillion this year [2]. What's more, the Congressional Budget Office is predicting the U.S. economy will contract 1.5% this year [3]. In other news, not surprisingly, the DOD is preparing for big cuts in weapons systems [4].

The GAO examined some of the financial regulators and determined that multiple red flags were ignored [5]. Meanwhile, the CEO of Wells Fargo criticized the U.S. for retroactively applying new restrictions on Troubled Asset Relief Program recipients [6]. In other news, some investors of Washington Mutual are blaming the FDIC for locking in losses when it acquired the financial institution and sold it to JP Morgan for \$1.9 billion [7]. Furthermore, the holding company for Washington Mutual is suing the FDIC to recover approximately \$13 billion [8]. Last week, FirstCity Bank of Georgia became the 18th shuttered this year [9]. The bank will be dissolved so the FDIC will pay insured depositors. Unfortunately,



(Continued on page 2)

Inside this issue:

Fake Documents	3
News Media	3
World News	4
Crime	4

IT security

With the current financial crisis, the Securities and Exchange Commission (SEC) is under the microscope. Case in point, the GAO reports that only 18 of 34 security weaknesses identified in a previous audit were mitigated [1]. Additionally, the GAO identified an additional 23 weaknesses [2]. Many look at the military as the gold standard for security controls. However, the threat agents today are evolving fast. For instance, an Army database containing personal information on 1,600 soldiers may have been penetrated by unauthorized users [3]. A

point here is the Army is not sure if there was a successful attack highlighting the complexity of security forensics. Identity theft is exacting additional damage to victims. For example, in a recent survey, 1 in 10 identity theft victims missed a payment because of the theft [4]. Cybersecurity experts are warning that the digitally based electricity distribution and transmission system known as the *Smart Grid* may be vulnerable to hacker power blackout attacks [5]. Furthermore, there is a new variant of the DNS-changing Trojan.Flush.M malicious

software (malware) that directs infected machines to a bogus DNS server [6]. Interestingly, criminals that infect computers want the machines running top notch so they can be used for other nefarious activities [7]. Getting Malware onto a machine is the first challenge. It is estimated that 80% of Internet vulnerabilities are from web apps [8]. Meanwhile, Microsoft released the Internet Explorer version 8.0, claiming the browser offers better security against malware than its rivals [9]. What's more, hackers were able to crack the new Microsoft browser at the CanSecWest

(Continued on page 2)

Special points of interest:

- GAO reports SEC security problems not addressed
- Regulators shutter the 18th, 19th, & 20th banks
- NCUA places 2 large credit unions into conservatorship
- Washington Mutual holding company sues FDIC

Economic Recovery

(Continued from page 1)

the FirstCity Bank had approximately \$778,000 in deposits that exceeded the insurance limits. Furthermore, regulators shuttered the Colorado National Bank, making it the 19th closure for the year [10]. In Kansas, regulators made their 20th bank closure with the Teambank [11].

The National Credit Union Association (NCUA) placed two credit unions (U.S. Central Federal Credit Union and Western Corporate Federal Credit Union) into conservatorship [12]. What's more, U.S. Central has approximately \$34 billion in assets and WesCorp has \$23 billion in assets [13].

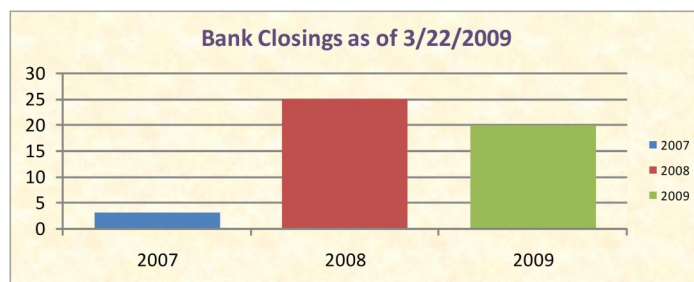
1. Beattie, Alan and Thomson, Adam, Financial Times, Mexico to impose sanctions on US exports, March 16, 2009.
2. Montgomery, Lori, Washington Post, U.S. Federal Deficit Soars Past Previous Estimates, March 20, 2009.
3. Bender, Bryan, Boston Globe, Gates readies big cuts in weapons, March 17,

2009.

4. Pelofsky, Jeremy, Reuters, U.S. CBO sees economy shrinking 1.5 pct in 2009 Q4/Q4, March 20, 2009.
5. Dixon, Kim, Reuters, U.S. regulators ignored red flags on risk: GAO, March 18, 2009.
6. Levy, Ari, Bloomberg, Wells Fargo Assails TARP, Calls Stress Test 'Asinine', March 16, 2009.
7. Farley, Glenn, KING 5 News, Feds looking for fraud at WaMu, March

of Insured Deposits of FirstCity Bank, Stockbridge, Georgia, March 20, 2009.

10. FDIC Press Release, Her-ring Bank, Amarillo, Texas, Assumes All of the Deposits of Colorado National Bank, Colorado Springs, Colorado, March 20, 2009.
11. FDIC Press Release, Great Southern Bank, Springfield, Missouri, Assumes All of the Deposits of Teambank, National Association, Paola, Kansas, March 20, 2009.



19, 2009.

8. Puget Sound Business Journal (Seattle), WaMu holding company sues FDIC, March 21, 2009.
9. FDIC Press Release, FDIC Approves the Payout

12. AP, 2 corporate credit unions taken over by government, March 20, 2009.

13. NCUA Press Release, NCUA Conserves U.S. Central and Western Corporate Credit Unions, March 20, 2009.

IT Security

(Continued from page 1)

Pwn2Own hacking contest [10].

1. Jackson, William, GCN, GAO: SEC cybersecurity program is incomplete, March 18, 2009.
2. Gross, Grant, IDG News Services, Auditor: US SEC Needs to Improve Cybersecurity, March 17, 2009.
3. Beizer, Doug, FCW, Army database may have been breached, March 12, 2009.
4. Jackson, William, GCN,

Identity theft could hit victims harder during economic downturn, survey finds, March 16, 2009.

5. Meserve, Jeanne, CNN, 'Smart Grid' may be vulnerable to hackers, March 20, 2009.
6. Kaplan, Dan, SC Magazine, Rogue DHCP malware strikes again, now harder to detect, March 17, 2009.
7. Robertson, Jordan, AP, How to tell, what to do if computer is infected, March

15, 2009.

8. Moscaritolo, SC Magazine, Web apps account for 80 percent of internet vulnerabilities, March 18, 2009.
9. Montalbano, Elizabeth, IDG News Services, Microsoft Releases IE8, Stresses Security, March 19, 2009.
10. Seltzer, Larry, PC Magazine, IE8, Safari, and Firefox All Fall in Hacking Test, March 19, 2009.

Security represents your sense of worth, your identity, your emotional anchorage, your self-esteem, your basic personal strength or lack of it.—Stephen R. Covey

Fake Documents

Bogus documents continue to be a problem. Case in point, the GAO has determined counterfeit documents can be used to obtain a legitimate passport [1]. One possible aid in detecting fake documents is the Secret Service's electronic ink evidence library [2].

Even with the Secret Service ink library, counterfeit currency is still an occurring problem. For example, in South Dakota, a man was indicted for passing two \$100 bills [3]. In Frederick, Maryland, police are searching for a man who passed a bogus \$100 bill [4]. In the Salt Lake Valley, police are seeing increasing numbers of counterfeit bills [5]. In Webster City, Iowa, people have been passing bogus \$100 bills [6]. In Montgomery County, Texas, the Secret Service is taking addi-

tional steps against 2 people arrested last year for passing counterfeit bills [7]. In Boston, three men are facing charges of possessing counterfeit money [8]. In Winchester, Virginia, counterfeit bills, some not detected until checked at the bank, are in circulation [9].

1. Lipowicz, Alice, FCW, GAO: *Fake IDs yield passports*, March 16, 2009.
2. Hickey, Kathleen, GCN, *Secret Service's ink evidence library now electronically searchable*, March 16, 2009.
3. Seattle Times, Minnesota man indicted in South Dakota on counterfeiting charges, March 19, 2009.
4. WTTG-Fox 5, *Counterfeit Bill Passed At Md. Store*, March 19, 2009.
5. Moseley, Fields, KUTV CBS 2, *Counterfeit Bills Showing Up In Greater Numbers*, March 18, 2009.
6. Williams, Katie, The Messenger (Iowa), *Counterfeit cash causes brief stir in Webster City*, March 19, 2009.
7. Nash, Jamie, Montgomery County News, *Secret Service moves forward with investigation begun in Splendora*, March 18, 2009.
8. Collette, Matt, Boston Globe, *Their money was funny: Boston men charged with possessing counterfeit money*, March 14, 2009.
9. Bridges, Alex, Northern Virginia Daily, *Police: Counterfeit bills still circulating*, March 17, 2009.

This is either a forgery or a damn fine original!—Frank Sullivan

News Media

We have seen that computer programs, *algos*, conduct most of the investment transactions and respond directly to news article posted on the Web. As more reliance on the Web continues, bad actors have greater opportunity to alter global financial markets. Concurrently, more ink on paper news sources are converting to exclusive Web and digital format. For example, the Seattle Post-Intelligencer (PI) printed its last paper copy and will be available only via Web [1]. After 146 years in print, the company expects profitability using the Web [2].

However, the PI is not the only newspaper in trouble. Next week, the 100-year-old *Christian Science Monitor* will stop printing and move exclu-

sively to the Web [3]. There are expectations San Francisco, Miami, Minneapolis or Cleveland could be next city to lose a newspaper [4].

To help troubled newspapers, House Speaker Nancy Pelosi sent a letter to the Attorney General (AG) asking for antitrust enforcement relief for newspapers trying to consolidate [5]. In response, the AG, Eric Holder, said preserving the newspaper industry was important and he was open to changing antitrust policy [6].

1. Le, Phuong, AP, *Hearst hopes Web-only Seattle PI will turn profit*, March 16, 2009.
2. Kramer, Staci D., Washington Post, *Hearst Closing Seattle PI Print Edition, Going Online Only*, March 16, 2009.
3. MSNBC, *More Newspapers Stop the Presses*, March 19, 2009.
4. Lieberman, David, USA Today, *Newspaper closings raise fears about industry*, March 17, 2009.
5. Coile, Zachary, San Francisco Chronicle, *Pelosi goes to bat to keep Bay Area papers alive*, March 17, 2009.
6. Mikkelsen, Randall, Reuters, *U.S. law chief open to antitrust aid for newspapers*, March 18, 2009.

World News

President Obama, released a holiday video greeting to Islamic Republic of Iran [1]. However, Iran's supreme leader, Ayatollah Ali Khamenei, dismissed President Obama's overtures [2]. The Iranian government appears to be taking a hard line approach to diplomacy in general.

A visit to the U.S. Holocaust Memorial Museum in Washington, DC, helps explain why Israel fears Iran developing nuclear weapons. It is widely recognized that the German warning signs leading to Hitler's rise were largely ignored; much as the threats from Iran's president, Ahmadinejad, are routinely dismissed. However, as Benjamin Netanyahu moves closer to becoming the Prime Minister of Israel, speculation continues as to how an attack on Iran might be executed. For example, one report suggests 42 Jericho ballistic missiles could eliminate Iran's nuclear program [3]. The missiles could accurately deliver a 1,000–1,300 kilogram conventional warhead [4]. Perhaps

the missiles will be used as a backup for sites not adequately destroyed during an air attack.

Hardly a day goes by without news on greenhouse gases. China is now the biggest producer of greenhouse gases and wants importers to pay for the



emissions [5]. For its part, China joined the Kyoto Protocol but is not required to cut its emissions because it is a developing country [6]. A question here is how can a country that emits the most pollution and has the largest foreign reserves be a developing country? Elsewhere, China is denying a charge of protectionism following the rejection of a Coca-Cola bid to purchase the Hui-

yuan Juice Group Ltd.; claiming it violates Chinese antimonopoly law [7].

1. Erdbrink, Thomas, and Kessler, Glenn, Washington Post, *Obama's Tone In Iran Message Differs Sharply From Bush's*, March 20, 2009.
2. Dareini, Ali Akbar, AP, *Iran's supreme leader dismisses Obama overtures*, March 21, 2009.
3. Williams, Dan, Reuters, *Israel could use ballistic missiles against Iran-report*, March 17, 2009.
4. Beck, Jonathan, Jerusalem Post, *Israel would attack Iran with missiles*, March 17, 2009.
5. BBC, *China seeks export carbon relief*, March 17, 2009.
6. Cowan, Richard, Reuters, *China wants importers to cover some emission costs*, March 17, 2009.
7. Poon, Terence, and Wu, J.R., CNN Money, *China Denies Protectionism In Coca-Cola Ruling*, March 19, 2009.

Crime

With the soft economy, reports of mortgage fraud are increasing. For example, although mortgage loans were down by a third, the cases of fraud increased by 26% [1]. Furthermore, 43 Federal corporate fraud cases are related to the current financial crisis [2]. Even Bernie Madoff's account is facing fraud charges [3]. In Georgia, a currency trader was charged with operating a \$25 million Ponzi scheme [4]. In Utah three men were charged in a \$2.9 million mortgage fraud scheme [5]. Oddly, the U.S.

Commodity Futures Trading Commission filed a civil complaint against a recently deceased North Carolina man for operating a \$40 million Ponzi scheme [6].

1. Zibel, Alan, USA Today, *Reports of mortgage fraud jump 26% in past year*, March 16, 2009.
2. Wutkowski, Karey, and Younglai, Rachele. Reuters, *U.S. agencies cracking down on financial fraud*, March 20, 2009.
3. Graybow, Martha, Reuters, *Madoff account-*

ant charged with fraud, March 18, 2009.

4. FBI, *Atlanta currency trader charged with operating \$25 million Ponzi scheme*, March 18, 2009.
5. House, Dawn, Salt Lake Tribune, *Three Utah men charged in mortgage fraud scheme*, March 18, 2009.
6. Lynch, Sarah N., Dow Jones, *CFTC Charges Deceased Man With Running \$40 Million Ponzi Scheme*, March 18, 2009.

The Shah (of Iran) was, despite the travesties of retroactive myth, a dedicated reformer.—Henry Kissinger
