

## IN THE NEWS

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### Economy

At least one International Monetary Fund spokesman is predicting some international trade will disappear forever [1]. Domestically, the Chicago Sun-Times became the latest newspaper to file for Chapter 11 bankruptcy [2]. Along with the Chicago Tribune, this is the second newspaper to file for bankruptcy in the windy city [3]. Meanwhile, the New York Times has threatened to shut down one of its papers, the Boston Globe, unless unions agree to \$20 million in concessions [4]. On the automotive front, there are suggestions the government is trying to ease GM into bankruptcy [5]. Meanwhile, more homeowners are falling behind on their mortgage payments [6]. The increasing rate of mortgage failures occurred in spite of efforts by lenders to boost foreclosure-prevention [7]. What's

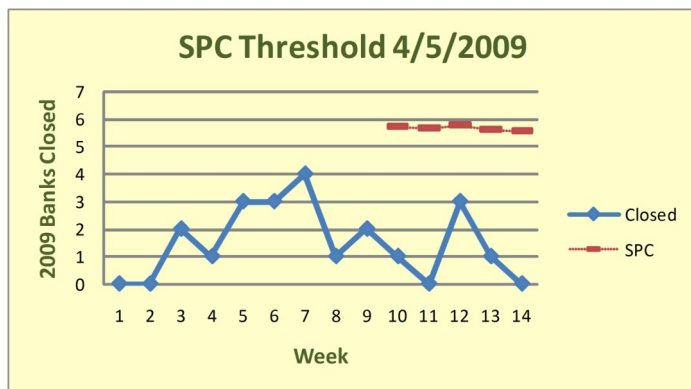
more, the unemployment rate for March went up from 8.1% to 8.5%, the highest since November, 1983 [8]. Of particular concern is the expected budget cut in the Defense budget Secretary Gates will unveil on Monday [9]. On the positive side, the stock market provided positive gains for the week [10]. Paying for the various stimulus and bailout bills will be costly.

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### IT Security

In a sign of increased malicious activity, for 2008, the FBI reports a 33% increase in cybercrime complaints [1]. On April 1, researches detected activity from the Conficker worm as it attempted to get new instructions [2]. The Internet Security Systems (ISS) division of IBM scanned 2 million computers and based on the results, estimates 4% of all PCs are infected with Conficker [3]. The worm is not finished yet and each day randomly attempts to get new instructions from a number of sites [4].

The stimulus package includes \$4.5 billion for intelli-

gent power grids for energy distribution and will address security measures [5]. Meanwhile, the Senate is working on a bill to federalize cybersecurity and enforce standards for private industry [6]. In the draft bill, the national cybersecurity adviser would have authority to disconnect a federal or critical infrastructure network from the Internet if it was at risk of a cyber-attacks [7]. In response, some are worried that the National Security Agency (NSA) will be given a dominate cybersecurity role and will be detrimental to commercial industry [8]. Elsewhere in Con-

gress, the Payment Card Industry Data Security Standard (PCI DSS) was slammed as being inadequate to protect credit and debit card holders [9].

The TSA started terrorist watch-list screening for some domestic airlines [10]. Travelers must provide their full name, date of birth and gender; which is then matched against a database of suspected terrorists [11].

1. AFP, *Cybercrime complaints up 33 pct in 2008: FBI*, March 30, 2009.
2. Markoff, John, New York Times, *Experts See Early Activity From Conficker*

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#### Special points of interest:

- Chicago Sun-Times files for bankruptcy
- Senate Bill would enforce cybersecurity standards for private industry
- North Korea launched a new long range missile

## Economy

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consequence, tax law enforcement will necessarily increase. For example, Steven Michael Rubinstein, an accountant in Boca Raton became the first client of the Swiss bank UBS arrested on charges of tax evasion [11]. Prosecutors expect this will be the first of many cases following the admission of UBS that it to conspiring to defraud the U.S. government of billions in taxes by helping wealthy Americans hide assets from the Internal Revenue Service [12].

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2. CBS, *Sun-Times Files For Bankruptcy*, March 31, 2009.
3. Dow Jones, *Chicago's Sun-Times Media Files For Chapter 11*, March 31, 2009.
4. Gavin, Robert, and Weisman, Robert, Boston Globe, *Times co. threatens*

to shut down Globe, April 3, 2009.

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6. Said, Carolyn, San Francisco Chronicle, *Report finds U.S. mortgage problems increasing*, April 3, 2009.
7. Merle, Renae, Washington Post, *Aid to Borrowers Not Preventing Rising Delinquency*, April 4, 2009.
8. Shin, Annys, Washington Post, *Unemployment Rate*
9. Barnes, Julian E., Los Angeles Times, *Defense Secretary Gates to unveil Pentagon budget Monday*, April 3, 2009.
10. Stanton, Elizabeth, Bloomberg, *U.S. Markets Wrap: Stocks Rise in Longest Streak Since 2007*, April 3, 2009.
11. Browning, Lynnley, New York Times, *First Client From U.S. Is Arrested in UBS Case*, April 2, 2009.
12. Vaughan, Martin, Wall Street Journal, *U.S. Prosecutors Charge UBS Client*, April 3, 2009.




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*Bank failures are caused by depositors who don't deposit enough money to cover losses due to mismanagement—Dan Quayle*

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## IT Security

(Continued from page 1)

- Worm, March 31, 2009.
3. McMillan, Robert, IDG News Service, *IBM Sees Conficker Hitting 4 Percent of PCs*, April 2, 2009.
4. Paul, Ian, PC World, *Conficker Worm: Not Finished Yet*, April 2, 2009.
5. Jackson, William, GCN, *Government seizes opportunity to build security into new critical infrastructure*, March 30, 2009.
6. Warrick, Joby, and PinCUS, Walter, Washington Post, *Senate Legislation Would Federalize Cybersecurity*, April 1, 2009.
7. Bain, Ben, FCW, *Cybersecurity bill would impose standards, certifications*, April 1, 2009.
8. Schneier, Bruce, Wall Street Journal, *Who Should Be in Charge of Cybersecurity?*, March 31, 2009.
9. Vijayan, Jaikumar, Computer world, *PCI security standard gets ripped at House hearing*, April 1, 2009.
10. Ahlers, Mike M., CNN, *Terror watch-list program shifts from airlines to government*, March 31, 2009.
11. Lipowicz, Alice, FCW, *TSA launches Secure Flight for passengers*, April 2, 2009.

# China's Cyberspy Network

Continuing from the last newsletter, more information was reported about the Chinese cyberspy network. University of Toronto researchers, at the request of the office of the Dalai Lama, launched an investigation [1]. They determined at least 30% of the computers compromised were high value machines and the Chinese were performing illicit information gathering [2]. Dubbed GhostNet, the Chinese cyberspy ring compromised at least 1,295 computers in 103 countries [3]. A second report prepared by University of Cambridge researchers blames the Chinese government for the attacks [4]. What's more, there are several instances where Chinese security agents acted on information lifted from pillaged computers [5]. For example, the Dalai Lama stated the prior to a visitor applying for a visa, the Chinese government protested with India [6]. Not surprisingly, the Dalai Lama condemned the stealing of private information [7].

In response to the allegations, China is denying it operated a cyberspy ring [8]. Indeed, the Chinese government de-



scribed the University of Toronto report as nothing more than rumors and lies [9].

The Chinese operation highlights vulnerabilities in other sectors. For example, businesses are vulnerable to the social malware attacks China used [10].

By all rights, China is a superpower with money, technology, and influence. The position once occupied by the former U.S.S.R. has been replaced by China. However, at the G20 conference, one news item was planned nuclear arms reduction talks between the U.S. and Russia; with no mention of China [11]. Any meaningful arms control treaty should include the number 2 superpower, China.

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2. Worthen, Ben, Wall Street Journal, *Cyber-Spy*

*Network Is Uncovered*, March 29, 2009.

3. Maidment, Paul, Forbes, *GhostNet In The Machine*, March 29, 2009.
4. Kirk, Jeremu, IDG News Service, *Deep computer-spying network touched 103 countries*, March 29, 2009.
5. Manthorpe, Jonathan, Vancouver Sun, *China eyes its ultra-nationalists with concern*, April 1, 2009.
6. AP, India: *Dalai Lama on Hacking*, March 31, 2009.
7. Sharma, Ashok, AP, *Dalai Lama condemns hacking of computers*, March 31, 2009.
8. BBC News, *China denies spying allegations*, March 30, 2009.
9. Schiller, Bill, Toronto Star, *Chinese ridicule U of T spy report*, April 1, 2009.
10. Ashford, Warwick, Computer Weekly, *China cyber spy update: business vulnerable to social malware*, March 30, 2009.
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*All warfare is based on deception. Hence, when able to attack, we must seem unable; when using our forces, we must seem inactive; when we are near, we must make the enemy believe we are far away; when far away, we must make him believe we are near—Sun Tzu*

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## Impersonators

Reports suggest the Mexican "Gulf Cartel," may have 40 bullet-proof vests emblazoned with "FBI" and "DEA" [1]. In Nevada, a police imposter was arrested while driving an SUV with police lights and siren [2]. In Pennsylvania, a police imposter, on three separate occasions, pulled over women drivers [3]. In Florida, a store owner was scammed by a police imposter into wiring a \$500 bond to get an alleged

employee out after an alleged DWI arrest [4]. Elsewhere in Florida, a woman was conned by a fake cop over the telephone into providing her SSN, date of birth, and other identifying information [5].

1. Schiller, Dane, Houston Chronicle, *Cartel may be using bogus federal bullet-proof vests*, March 31, 2009.
2. AP, *Reno police arrest suspected officer imposter*, March 29, 2009.
3. WTAE, *State Cop Impersonator Pulls Driver Over, Assaults Her*, March 27, 2009.
4. Taylor, Gary, Orlando Sentinel, *Fake cop takes Lake Mary restaurant manager for \$500*, April 2, 2009.
5. Calhoun, Brady, News Herald (Florida), *Woman gives fake cop all her personal information*, April 1, 2009.

## World News

In Israel, Prime Minister Benjamin Netanyahu officially assumed power last week [1]. Mr. Netanyahu underlined the U.S. must put an end to Iran's nuclear race or Israel might be forced to resort to a military strike on the Islamic Republic's nuclear installations [2]. However, Secretary of Defense, Robert Gates, believes Israel will not attack Iran this year [3].

In a message to the West, North Korea threatened any attempt to shoot down its planned missile launch would result in war [4]. Despite all warnings from the West, North Korea successfully launched their latest long range missile that flew over Japan and placed a satellite in orbit [5].

China is trying to get the world to use the yuan (Chinese currency) instead of the dollar [6]. China and Rus-

sia each want a leadership role in currency exchange [7]. In addition to economic expansion, China actively engages in cyberattacks. For example, during the Olympics, Chinese security agents may have tried to infiltrate Australian Prime Minister Kevin Rudd's laptop and mobile communications [8]. In other news, the U.S. Consumer Product Safety Commission is investigating claims that drywall imported from China are giving of noxious fumes making people ill [9].

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3. Sevastopulo, Demetri, Financial Times, *Israel expected to hold back on Iran as diplomacy runs its course*,

April 2, 2009.

4. Tirone, Jonathan, Bloomberg, *North Korea Threatens War If Japan Tries to Shoot Down Missile*, March 31, 2009.
5. BBC News, *Defiant N Korea launches rocket*, April 5, 2009.
6. Lee, Don, Los Angeles Times, *China positioning its currency for a run at world supremacy*, April 3, 2009.
7. Bohlen, Celestine, New York Times, *We're Stuck With Dollar as Reserve*, April 2, 2009.
8. Heath, Michael, Bloomberg, *Rudd Unaware Chinese Spies May Have Tried to Hack His Computer*, April 3, 2009.
9. Phillips, Rich, CNN, *Drywall suspicions complete family's perfect storm of misery*, April 3, 2009.

## Crime

Ponzi schemes continue their reputation in the news. For example, the SEC charged Edward T. Stein, a Roslyn, N.Y., investment adviser with operating a \$55 million Ponzi scheme [1]. In Idaho, the Idaho Department of Finance has filed a civil lawsuit against a coin dealer for an alleged \$1.5-2.0 million Ponzi scheme [2]. In Arizona, the SEC sued an accountant for allegedly operating a \$67 million Ponzi scheme [3].

In Florida, the SEC charged 3 people plus their NY attorney for an alleged illegal penny stock distribution scheme worth some \$3.9 million [4]. In Illinois, 2 Chicago Board of Trade floor brokers were indicted for allegedly defrauding customers of \$2.1 million [5].

In New York, a Brooklyn developer was indicted in an \$18 million mortgage fraud [6]. In Washington State, a Tacoma man was arrested for allegedly operating a \$6.4 million investment scam [7]. In Pennsylvania, a medical doctor was charged with \$3 million medical bill fraud [8].

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2. Idaho Press-Tribune, *Idaho Falls coin dealer sued for alleged Ponzi scheme*, April 3, 2009.
3. Pearson, Sophia, Bloomberg, *SEC Sues Arizona Accountant Over \$67 Million Fraud*, April 3, 2009.

4. South Florida Business Journal, *South Floridians charged in penny stock fraud*, April 3, 2009.
5. Boak, Joshua, Chicago Tribune, *Wire fraud alleged: 2 CBOT traders are accused of defrauding customers*, April 2, 2009.
6. Marzulli, John, and Sherman, William, Daily News (NY), *Brooklyn developer Eliyahu Ezagui indicted in \$18M mortgage fraud*, April 2, 2009.
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*You can't learn in school  
what the world is going to do  
next year—Henry Ford*

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