

IN THE NEWS

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JULY 5, 2009

Economic News

Unemployment increased to a 26-year high of 9.5% representing 14.7 million Americans out of work [1]. While the U.S. continues to suffer during the recession, South Korea's June trade surplus reached a new high of \$7.4 billion [2]. In another sign of trouble ahead, foreigners now hold nearly 50 percent of the Federal government's debt [3].

Meanwhile, ushering in the first Friday this summer, regulators shuttered five banks bringing the total closed to 45 for the year [4]. In Georgia, the Community Bank of West Georgia became the 41st financial institution shuttered this year [5]. Elsewhere in Georgia, the Neighborhood Community Bank was shuttered making this the 42nd failure this year and the 14th for Georgia [6]. The distinction of the 43rd bank to close went to the Horizon Bank of Pine City, Minnesota [7]. The next bank shuttered, number 44, was Irvine, Calif.-based MetroPacific Bank [8]. Elsewhere in California, the Mirae Bank of Los Angeles became 45th closure [9].

On July 2, the regulators closed another seven banks. The 46th bank closed for the year was the John Warner Bank of Clinton, Illinois [10]. Next, at number 47, was another

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IT security

In a system with automated computer protection; in the Washington DC area, nine people were killed when one subway train crashed into the rear of another [1]. One report suggests the problem train was operating in computer controlled mode, the emergency brake was pressed, and the train still kept going; suggesting some computer failure [2]. By the second day, investigators were focusing on rail sensors along a 740-foot section that didn't detect when a train was passing by [3]. Later in the week, tests showed the system failed to detect a train located in the

same position and the automated speed was likely 59 miles per hour [4].

In a sign of things to come, Pro-Iranian hackers broke into the Oregon University computer system and for 90 minutes broadcast political messages [5].

In other news, unauthorized oil futures trades cost a UK brokerage firm over \$10 million in losses and temporarily drove the price of oil up more than \$2 per barrel [6].

1. Zongker, Brett, and Sniffen, Michael J., AP *Investigators probe capital's*

worst subway crash, June 23, 2009.

2. Karush, Sarah, and Westley, Brian, AP, *Computer failure may have caused D.C. train crash*, June 23, 2009.
3. Westley, Brian, and Syeed, Nafeesa, AP, *Investigators eye problems with DC track circuit*, June 25, 2009.
4. Sun, Lena H., and Glod, Maria, Los Angeles Times, *D.C. train control system fails in test*, June 26, 2009.
5. Frazier, Joseph B., AP, *Pro-*

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Special points of interest:

- During a 2 week period, Regulators shutter 12 banks
- Washington DC area subway computer failure suspected in train crash

Economic News

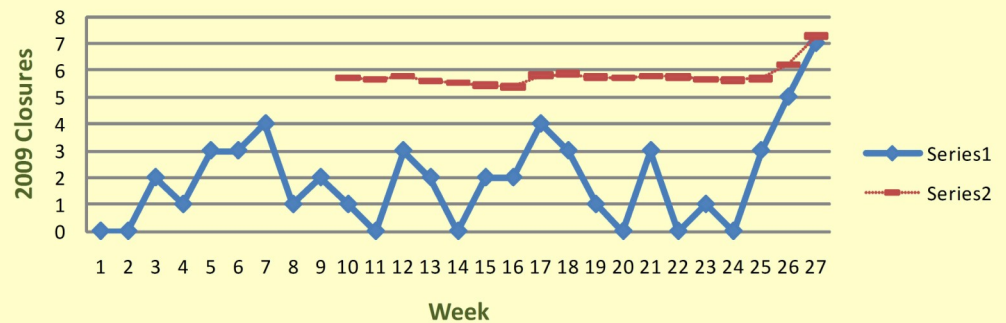
(Continued from page 1)

bank in Illinois, the First State Bank of Winchester [11]. Continuing in Illinois, the 48th bank closed was the Rock River Bank [12]. The 49th bank shuttered, also in Illinois, was the Elizabeth State Bank [13]. The bleeding in Illinois continued with the First National Bank of Danville becoming number 50 for the year [14]. The 51st bank closed was the Millennium State Bank of Texas [15]. And returning to Illinois, the 52nd

atically, June 27, 2009.

4. Chadbourn, Margaret, Bloomberg, *Five Banks Are Seized, Raising U.S. Failures This Year to 45*, June 27, 2009.
5. Witkowski, Wallace, Market Watch, *Community Bank of West Georgia fails*, June 26, 2009.
6. Rauch, Joe, Atlanta Business Journal, *Neighborhood Community of Newnan seized*, June 26, 2009.
7. Bank Seized; 46th Failure This Year, July 2, 2009.
11. Clifford, Catherine, CNN Money, *Bank failure tally hits 47 for 2009*, July 2, 2009.
12. Wutkowski, Karey, Reuters, *U.S. regulators close three small Illinois banks*, July 2, 2009.
13. Withowski, Wallace, Market Watch, *Three more banks fail bringing year's total to 51*, July 2, 2009.

SPC Threshold 7/5/2009



Management works in the system; Leadership works on the system—Stephen R. Cove

bank regulators closed was the Founders Bank of Worth, Ill [16]. At 52 banks shuttered, this is the busiest year since 1992 [17].

1. Rugaber, Christopher S., AP, *Meltdown 101: Unemployment by the Numbers*, July 2, 2009.
2. Ramstad, Evan, Wall Street Journal, *South Korea Trade Surplus Rises*, June 30, 2009.
3. Dickson, David M., Washington Times, *U.S.'s debtor status worsens dra-*
7. Abbott, Charles, Reuters, *US regulators close Horizon Bank, Pine City, Minn*, June 26, 2009.
8. Letzing, John, Market Watch, *FDIC closes two more banks, day's tally is four*, June 26, 2009.
9. Reckard, E. Scott, Los Angeles Times, *Mirae Bank in L.A.'s Koreatown and MetroPacific Bank in Irvine are shut down*, June 27, 2009.
10. Vekshin, Alison, Bloomberg, *John Warner*
14. Urbana News Gazette, *Regulators close banks in Danville, Clinton*, July 2, 2009.
15. Watt, Chad Eric, Dallas Business Journal, *Millennium State Bank of Texas fails*, July 2, 2009.
16. Reuters, *US regulators close Founders Bank of Worth, Ill.*, July 2, 2009.
17. Levy, Ari, and McRoberts, Flynn, Bloomberg, *Seven U.S. Banks Seized in Busiest Year for Closures Since 1992*, July 3, 2009.

IT Security

(Continued from page 1)

Iranian regime hackers invade Oregon computers,

June 24, 2009.

6. Blas, Javier and Kaminska, Izabella, *Financial Times*, 'Rogue broker'

blamed for oil spike, July 2, 2009.

SCADA

In the nation's capital region, two subway trains crashed on the Washington Metropolitan Area Transit Authority (WMATA) Red Line [1]. The Washington metro rail system has many protection mechanisms and was considered fail-safe [2]. With that, it's time once again to look at Supervisory Control And Data Acquisition (SCADA). Rather the postulate on the root cause of the Red Line accident, we look at cyberwar interest tied to SCADA. Case in point, Boeing in expanding its cyberwar business offerings and one area of interest is how SCADA can be invaded [3]. Currently approximately \$18 billion is spent by the U.S. on cyber operations [4]. However, perhaps the biggest threat from cyberwar comes from China. For example, fearing a shutdown of computers controlling power, water, air, and finances, the U.K. is preparing

to defend against China and Russia cyberwarfare attacks [5]. Meanwhile, the U.S. and Russia are locked in a debate as to what should be in a cyberwar treaty [6]. However, with so many rogue nations that routinely violate international treaties and the potential for terrorist sponsored attacks, another treaty will not avert SCADA attacks.

Last year, a SCADA vulnerability was discovered that could cause unauthorized access and service disruption [7]. The government does have centers of excellence in addressing SCADA security; for example the Sandia National Laboratories Center for SCADA Security [8].

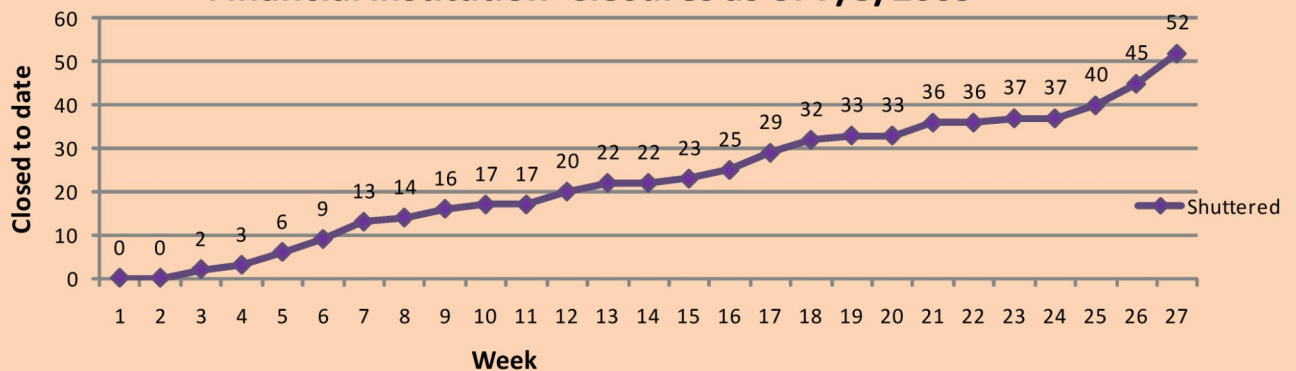
Readers interested in SCADA vulnerabilities may want to read *In The News*, Volume 1, Issue 25, September 14, 2008

1. AP, *City lowers death toll in Metro crash Monday*, June 28, 2009.

2. Sun, Lena H., and Layton, Lyndsey, *Washington Post*, *Metro Failed to Detect Hazard*, July 2, 2009.
3. Fulghum, David A., *Aviation Week & Space Technology*, *Embracing Cyberwar*, June 22, 2009.
4. Gertz, Bill, *Washington Times*, *Inside the Ring*, June 25, 2009.
5. The Sydney Morning Herald, *Britain gets ready for cyber-war*, June, 27, 2009.
6. Markoff, John, and Kramer, Andrew E., *New York Times*, *U.S. and Russia Differ on a Treaty for Cyberspace*, June 27, 2009.
7. Kaplan, Dan, *SC Magazine*, *Rare SCADA vulnerability discovered*, June 8, 2008.
8. www.sandia.gov/scada/history.htm

*We will bankrupt ourselves
in the vain search for
absolute security—Dwight
Eisenhower*

Financial Institution Closures as of 7/5/2009



World News

One of the reasons for following the events in Pakistan is because this is a nuclear armed nation. An Al Qaeda spokesman has announced that if the terrorist organization can get Pakistan's nuclear weapons, they will use them against the United States [1].

Meanwhile, North Korea is continues to threaten nuclear war on the Korean peninsula [2]. What's more, the North criticized the U.S. for moving a missile defense platform to Hawaii, prior to the speculated next launch of a North Korean missile targeting this area [3]. In other news, a North Korean ship suspected of transporting banned weapons has changed course; possibly averting an international showdown [4].

In an effort to ease protests, Iran has begun a recount of 10% of ballots [5]. What's more, the re-elected President Ahmadinejad is calling for an investigation into a widely publicized protester death [6]. Given there are questions as to the validity of the re-election; it is unclear how reliable an investigation into the martyred protester would be. In a sign of deteriorated international relations, a senior Iranian cleric announced

British embassy staffers would be tried [7].

In China, a toy factory ethnic brawl Uighurs (Turkic-speaking Muslims) and Han Chinese left 2 dead and 118 injured [8]. Illustrating the economic strength of China, a Chinese automaker has offered to buy a stake in GM's German Opel division [9].

India is the latest nation to question the use of the U.S. dollar for international exchange [10]. Elsewhere, India emphasized any effort to control global warming must be fair to developing countries [11]. For years, NOAA has tracked pollution clouds originating from China and Russia that cross the Pacific and arrive in the U.S. [12]. India would like the same benefit China receives, pollution without consequence. Regulating U.S. industry, while ignoring unfair trade practices and lax international pollution, will certainly continue to hurt the U.S.

1. Ersan, Inal, Reuters, *Al Qaeda says would use Pakistani nuclear weapons*, June 22, 2009.
2. AFP, *NKorea warns of 'dark clouds of nuclear war'*, June 25, 2009.
3. Kim, Hyung-Jin, Washington Post, *NKorea criticizes*

US missile defense for Hawaii, June 29, 2009.

4. Jelinek, Pauline, AP, *Suspected NKorean ship changes course*, June 30, 2009.
5. Daragah, Borzou i and Mostaghim, Ramin, Los Angeles Times, *Iran says recount of 10% of ballots has begun*, June 29, 2009.
6. Dahl, Fredrik, Reuters, *Ahmadinejad wants probe of "suspicious" Neda death*, June 29, 2009.
7. Keath, Lee, AP, *Iranian cleric: British Embassy staff to be tried*, July 3, 2009.
8. AP/Washington Post, *Ethnic clash in Chinese factory kills 2, hurts 118*, June 27, 2009.
9. Gruber, Angelika, and Hetzner, Christiaan, Reuters, *China moves on Opel with BAIC bid*, July 3, 2009.
10. Deen, Mark, and Mas, Isabelle, Bloomberg, *India Joins Russia, China in Questioning U.S. Dollar Dominance*, July 4, 2009.
11. BBC News, *Japan urges India climate action*, July 3, 2009.
12. Manning, Mary, Las Vegas Sun, *Nevada neighbor shares its air pollution*, July 4, 2009.

*I believe it is peace for our
time . . . peace with honour—
Neville Chamberlain*

Crime

Spanning five states, 8 people accused of operating a \$100 million healthcare fraud ring were indicted [1]. In a Florida example, two people were charged in a \$179 million Medicare fraud scheme [2]. In Chicago, 37 people were charged with a \$48 million mortgage fraud scheme [3]. In Miami, a man was arrested for operating a \$2.5

million Ponzi scheme [4]. In Ohio, 13 people were charged in a \$9 million mortgage fraud [5].

1. Kennedy, Kelli, AP, *Miami authorities bust suspected Medicare fraud*, June 23, 2009.
2. South Florida Business Journal, *Two indicted in \$179M Medicare fraud*, July 2, 2009.

3. Coen, Jeff, Chicago Tribune, *Feds allege mortgage fraud in 5 Chicago schemes*, June 24, 2009.
4. Miami Herald, *Miami authorities bust suspected Medicare fraud*, June 23, 2009.
5. Woods, Jim, and Knox, Tom, Columbus Dispatch, *July 2, 2009*.