

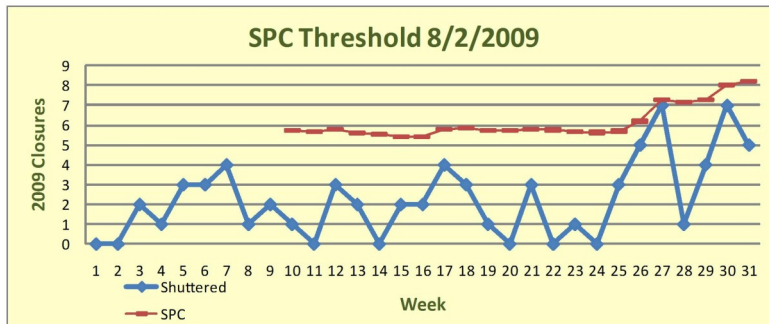
## IN THE NEWS

VOLUME 2 ISSUE 24

AUGUST 2, 2009

### Economic News

A committee belonging to a private group, the National Bureau of Economic Research claims the long recession is finally over [1]. What's more, on July 24, the minimum wage increased from \$6.55 to \$7.25 per hour [2]. Surprisingly, Ford, the U.S. automaker that did not accept Federal funds, posed a \$2.3 billion quarterly profit [3]. Some researchers are concerned that machines will outsmart man and research into artificial intelligence (AI) should be controlled [4]. In past issues of *In the News*, we have presented reports that AI programs called algos, without human intervention, were instrumental in the collapse of a number of healthy banks. Fortunately, senator Charles Schumer warned the SEC to curb large trader flash orders (read algos driven orders), else he will sponsor a bill to do so [5]. Hopefully, the problems can be corrected before additional catastrophic financial failures occur. Meanwhile, the unemployment rate in the Detroit area exceeded 17% [6].



Regulators had a busy Friday, July 24, closing another 7 banks. The first (58<sup>th</sup> for the year) was the Waterford Village Bank in New York [7]. The next six banks were: was the Security Bank of Gwinnett County (59<sup>th</sup>);

(Continued on page 2)

### IT security

One report suggests the Government is facing a shortage of cyber security personnel [1]. Unlike the previous 2 presidents, the Obama administration has focused early on cybersecurity and there are hopes the cyber-security czar will have sufficient clout to be effective [2]. Highlighting another threat, a new tool called Metasploit is available to remotely hack into Oracle databases [3]. What's more, recent Zero Day attack malicious software (malware) was discovered exploiting Windows operating systems; allowing bad actors to remotely control the com-

puter after users visited infected web sites [4]. In response to this latest attack, Microsoft announced a new security patch release scheduled for Tuesday outside their regular monthly cycle [5].

A recent suicide in China, following reports the worker stole a prototype Apple iPhone highlights the growing concern over Chinese counterfeiting [6]. In San Francisco, new computerized parking meters can be hacked resulting in free parking [7]. What's more, a China-based cyber attack shut down bookings for an

Australian film festival [8]. Given the current threats, it should come as no surprise the NSA is expanding facilities at Fort Meade that could accommodate 11,000 additional workers [9].

1. Baldor, Lolita C., AP, *Report: Shortage of cyber experts may hinder govt*, July 22, 2009.
2. Goth, Gregory, CACM, *U.S. Unveils Cybersecurity Plan*, August 2009.
3. Finkle, Jim, Reuters, *Hacking Oracle's database will soon get easier*, July 22, 2009.

(Continued on page 2)

#### Inside this issue:

SCADA and Trains Part III	3
Cap and Trade Trouble	3
World News	4
Crime	4

#### Special points of interest:

- Myanmar may be developing a nuclear bomb
- Senator Schumer calls for curbing flash trades
- 12 Banks shuttered since last newsletter

## Economic News

(Continued from page 1)

Security Bank of North Fulton (60<sup>th</sup>); Security Bank of North Metro (61<sup>st</sup>); Security Bank of Bibb County (62<sup>nd</sup>); Security Bank of Houston County (63<sup>rd</sup>); and the Security Bank of Jones County (64<sup>th</sup>) [8]. This was the largest number of bank failures in one year since 1992 [9]. On July 31, regulators shuttered 5 more banks: Peoples Community Bank of West Chester, Ohio; First State Bank of Altus, Oklahoma; Integrity Bank of Juniper, Fla; the First Bank-Americano of Elizabeth, N.J.; and the Mutual Bank in Harvey, Ill [10]. With 5 months still remaining, the number of shuttered banks now stands at 69.

1. Torres, Carlos, Bloomberg, Recession in

U.S. May Have Already Ended, Leading Index Shows, July 20, 2009.

2. Smith, Aaron, CNN Money, *Minimum wage set to rise to \$7.25 on July 24*, July 24, 2009.
3. Krisher, Tom, and Johnson, Kimberly S., AP, *Debt reduction pushes Ford to \$2.3B 2Q profit*, July 23, 2009
4. Markoff, John, New York Times, *Scientists Worry Machines May Outsmart Man*, July 25, 2009.
5. AP, *Schumer wants to curb traders' flash orders*, July 25, 2009.
6. Rooney, Ben, CNN Money, *Detroit area jobless rate tops 17%*, July 29, 2009.

7. Chadbourn, Margaret, Bloomberg, *Waterford Village Bank Seized in 58th U.S. Failure*, July 24, 2009.
8. Rauch, Joe, Atlanta Business Journal, *Security Bank Corp. shut down*, July 24, 2009.
9. Levy, Ari and Chadbourn, Margaret, Bloomberg, *Lender Failures Reach 64 as Georgia Shuts Security Bank's Units*, July 25, 2009.
10. Clifford, Catherine, CNN Money, *5 more banks fail*, July 31, 2009.

---

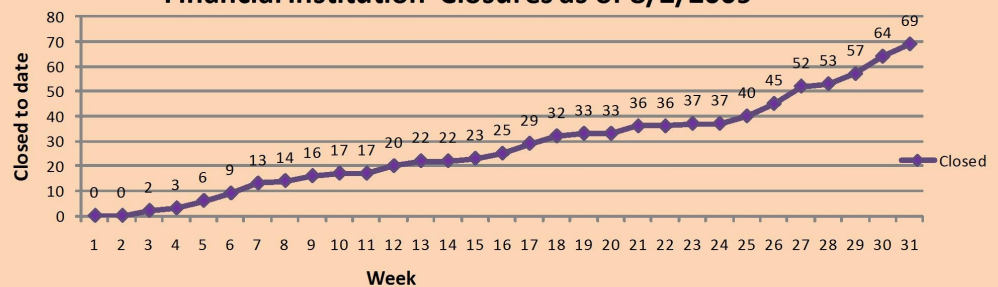
*Banks are an almost*

*irresistible attraction for that element of our society which seeks unearned money—J.*

*Edgar Hoover*

---

**Financial Institution Closures as of 8/2/2009**



## IT Security

(Continued from page 1)

4. Werth, Christopher, Newsweek, *Software Crackdown*, July 25, 2009.
5. Mills, Elinor, Cnet news, *Microsoft to fix critical hole in IE*, July 24, 2009.
6. CBDurfee, Don, Reuters, *Foxconn suicide turns spotlight on China counterfeit-*

*ing*, July 30, 2009.

7. McMillan, Robert, IDG News Service, *Meter Hackers Find Free Parking in San Francisco*, July 30, 2009.
8. Reuters/Washington Post, *China-based cyber attack hits Australia film festival site*, August 1, 2009.

9. Sernovitz, Daniel J., Baltimore Business Journal, *National Security Agency growth could add 11,000 workers at Fort Meade*, July 31, 2009.

## SCADA and Trains Part III

Weeks after the accident, investigators are still researching the cause of the Washington Metrorail accident on the Red Line [1]. While we are not certain of the cause, a third train crash since May 8<sup>th</sup> occurred, this time in San Francisco [2]. Apparently, control was switched from automatic to manual just before the accident and the emergency brake was not applied [3]. Estimates are the investigation could take up to 18 months to complete [4].

While not singling out a specific cause or causes, the Supervisory control and data acquisition (SCADA) systems are critical to most of the basic infrastructure and security is not well defined nor implemented [5]. In the case of the Boston crash, where one trolley plowed into the rear of another resulting in \$9 million in damages and 49 injuries, the driver was indicted for causing the accident [6]. The Massachusetts Bay Transportation Authority (MBTA) includes SCADA and Auto-

matic Vehicle Identification (AVI) [7]. A question here is what is SCADA doing while these accidents are allowed to take place?

Consider that SCADA is used by many systems. What's more, hackers have increased their focus looking for vulnerabilities at gas, energy and manufacturing plants [8]. In another example, a former security guard for a hospital in Dallas, hacked into the hospital's heating, ventilating, and air conditioning (HVAC) system and was arrested before launching a planned denial of service attack [9]. If a hacker can break into a SCADA controlled HVAC system, what exploits might be possible with train system?

1. Thompson, Robert, Washington Post, *Red Line Still Slow This Week*, July 20, 2009.
2. Reiterman, Tim, AP, *Probe begins in Calif. rail crash that hurt dozens*, July 19, 2009.
3. AP, *Train Operator Under Scrutiny After a Crash*, July

19, 2009.

4. UPI, AP, *Train Operator Under Scrutiny After a Crash*, July 19, 2009.
5. National Academy of Sciences, Transportation Research Board, Special Report 270, *Deterrence, Protection, and Preparation, The New Transportation Security Imperative*, 2002.
6. Contreras, Russell, AP, *Driver is indicted in Boston trolley accident*, July 8, 2009.
7. Casey, Robert F., and Labell, Lawrence N., USDOT, *Advanced Public Transportation Systems: The State of the Art Update '98*, January, 1998.
8. Harper, Charles Neely, Control Engineering, *Protecting Industrial Networks against Evolved Cyber Threats*, July 23, 2009.
9. Hope, Gerhard, Construction Week Online, *US hacker targets hospital's HVAC system*, July 7, 2009.

---

*I knew I was going to take  
the wrong train, so I left  
early—Yogi Berra*

---

## Cap and Trade Trouble

In the last Newsletter, we indicated sunspots had returned on July 4<sup>th</sup>. However, since July 9th, the Sun has again remained quire. The consequence of no sunspots is the Sun's irradiance has fallen 0.02% in the visible and 6% in the ultraviolet (UV) wavelength [1]. The visible light electromagnetic spectrum is a very small portion of the total spectrum. As swimmers who forgot their sun screen can attest, UV radiation reaching the Earth is significant.

Meanwhile, Germany has called a proposal to impose

greenhouse tariffs on products eco-imperialism [2]. What's more, India and China have rejected carbon emission controls (see world news). It is difficult to see how the U.S. can go it alone.

1. Phillips, Tony, NASA, *Deep Solar Minimum*, April 1, 2009.
2. Shanley, Mia, and Wissenbach, Ilona, Reuters, *Germany calls carbon tariffs "eco-*

*imperialism"*, July 24, 2009.



SOHO Sun Image 7/28/2009

## World News

In a sign of problems to come, India rebuffed secretary of State Hillary Clinton's call for low carbon emissions [1]. Arguing a carbon footprint per person, India has rejected any plans to reduce emissions [2]. Secretary of State, Hillary Clinton, eased Indian outsourcing concerns by stating the U.S. has no plans to implement protectionism [3]. India has dismissed claims of Global Warming and made clear the country will not take on any curbs in the growth of emissions [4]. Elsewhere, India launched its first nuclear submarine highlighting the countries technological advance [5]. Meanwhile, the Commerce Secretary, Gary Locke, wants American consumers to pay for part of Chinese greenhouse gas emissions [6]. Moreover, China has urged the U.S. to manage its fiscal policy [7].

There seems to be no stopping countries from building nuclear weapons. Case in point,

there are suggestions that Myanmar (Burma) is developing a nuclear bomb [8]. It is expected to take Myanmar some time to develop their bomb but experts believe they have started the program [9]. What's more, Secretary of State, Hillary Clinton, expressed concern that North Korea is providing nuclear technology to Myanmar [10]. Elsewhere, keeping the tension high, North Korea seized a South Korean fishing boat [11].

1. Lamont, James, et. al., *India rebuffs US carbon demands*, July 19, 2009.
2. The Guardian (UK), *India says no to emission reduction*, July 21, 2009.
3. Thibodeau, Patrick, *Computer World, Clinton, in India, says 'outsourcing is a concern for many'*, July 21, 2009.
4. Lamont, James, et.al., *Financial Times, India widens climate rift with west*, July 23, 2009

5. Singh, Harmeet Shah, *CNN, India launches nuclear submarine*, July 26, 2009.
6. Johnson, Keith, *Wall Street Journal, Commerce Secretary: Americans 'Need to Pay' for Chinese Emissions*, July 17, 2009.
7. Felsenthal, Mark, and Somerville, Glenn, *Reuters, China: U.S. must manage dollar supply*, July 28, 2009.
8. Gray, Denis D., AP, *Is Myanmar moving toward nuclear status?*, July 21, 2009.
9. The Sydney Morning Herald, *Burma may join nuclear club: experts*, July 21, 2009.
10. Lander, Mark, *New York Times, Clinton Warns N. Korea and Myanmar May Be Sharing Nuclear Technology*, July 22, 2009.
11. Kwanwoo, Jun, *AFP, New tensions as NKorea seizes SKorean fishing boat*, July 30, 2009.

---

*He reminds me of the man  
who murdered both his  
parents, and then when the  
sentence was about to be  
pronounced, pleaded for  
mercy on the grounds that he  
was orphan—Abraham  
Lincoln*

---

In Texas, three people were indicted for a \$2.5 million mortgage fraud [1]. In Missouri, a grain dealer was indicted for operating a \$27 million to \$50 million Ponzi scheme [2]. In Chicago, a man was charged with operating a \$77 million Ponzi scheme swindling over 450 investors [3]. In Chicago, a businessman was charged with embezzling \$24 million from pension funds [4]. In Chicago, a developer was charged in a \$10 million fraud [5]. Elsewhere, Federal authorities made 30 arrests in a \$16 million Medicare fraud scheme [6]. In San Francisco, four people and a

Phoenix based company were charged with an alleged \$197 million mortgage fraud [7]. In Rhode Island, 4 people were indicted in a \$10 million real-estate fraud [8].

1. FBI, *Father, Daughter, Wife Indicted in Mortgage Fraud Conspiracy*, July 21, 2009.
2. Weidlich, Thom, and Whittington, Joe, *Bloomberg, Missouri Grain Dealer Accused of Ponzi-Scheme Fraud*, July 20, 2009.
3. WBBM (Chicago), *NW suburban man charged in \$77 million Ponzi scheme*, July 22, 2009.

4. AP/Chicago Tribune, *Businessman charged with \$24 million pension theft*, July 23, 2009.
5. Korecki, Natasha, *Chicago Sun-Times, Developer accused of \$10 mil. Fraud*, July 24, 2009.
6. CBS News/AP, *Feds Bust 30 for Alleged Medicare Fraud*, July 29, 2009.
7. Letzing, John, *Market Watch, SEC files charges in alleged \$197 million mortgage fraud*, July 28, 2009.
8. Boston Globe, *R.I. man accused of \$10m real-estate fraud*, July 31, 2009.

## Crime