

# IN THE NEWS

JANUARY 17, 2010

## Economic News

Unfavorable trade, deficits, and employment illustrate the recovery will take some time. For example, Job losses resumed in December and the unemployment rate remained at 10% [1]. What's more, the December payroll unexpectedly dropped by 85,000 [2]. The reason the unemployment rate did not rise is because the labor force decreased by 661,000 last month [3]. Compounding the bad news, first time unemployment claims increased 11,000 to 444,000; a figure higher than analysts predicted [4]. On the international front, China surpassed the U.S. in automobile sales; 13.6 million to 10.4 million [5]. One consequence of China's expanding market is the increased demand for oil; driving the price beyond \$83 per barrel [6]. Meanwhile, China's foreign reserves for 2009 increased 23 percent to \$2.4 trillion [7]. Elsewhere, the budget deficit for December came it at \$91.85 billion [8].

Financial firms have been vilified during the continuing recession. Hoping to capitalize on people's anger, the US plans to impose a \$120 billion fee, read tax, on financial firms [9]. The new tax proposed will only be applied to the top 50 banks [10]. Meanwhile, banks continue to fail. For example, in the state of Washington, the Horizon Bank became the first financial institution closed by regulators this year [11]. Then on January 15, regulators shuttered three more banks starting with the Town Community Bank and Trust in Illinois [12]. Next, the St. Stephen State Bank in Minnesota was closed [13]. Finally, the Barnes Banking Company in Utah was closed [14].

1. Baker, Liana B., Market Watch, *Disappointing job data weighs on Cana-*

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### Special points of interest:

- China has 384 million Internet users
- Regulators shutter first 4 banks

## IT Security

Without strong identification and authentication (I&A), there is no basis for IT security. For example, an imposter was able to gain physical entry into the HHS Headquarters by showing bogus Secret service credentials [1]. After the incident and successfully exiting the HHS Headquarters building, the man was later arrested [2]. What's more, when he conned his way past the secu-

rity guards, he motioned like he was carrying a concealed weapon in his waistband [3]. Given the Personal Identity Verification (PIV) card is required by government employees, perhaps the time has come to use its strong I&A capabilities.

Overseas, Google is considering terminating its business with China following state sponsored sophisticated email attacks [4]. Moreover,

in a show of international leadership, the White House backed Google and diplomats asked China for an explanation [5]. What the Chinese attack on Google illustrates is the breadth and depth of the assault [6]. Apparently, China exploited a new vulnerability in the Microsoft IE Explorer that allowed remote code execution [7]. Since news of the Chinese attack and the exploit was pub-

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## Economic News

(Continued from page 1)

- dian stocks, January 8, 2010.
2. Willis, Bob, Bloomberg, *U.S. Economy: Payrolls Unexpectedly Dropped 85,000 in December*, January 8, 2010.
3. Willis, Bob, and Schlisserman, Courtney, *Business Week, Shrinking U.S. Labor Force Keeps Unemployment Rate From Rising*, January 8, 2010.
4. New York Times/Reuters, *Retail Sales Fall Unexpectedly, Jobless Claims Up*, January 14, 2010.
5. Guillaume, Gilles, Reuters, *China Car Sales Surpass U.S., Peugeot Sees Upturn*, January 11, 2010.
6. Kennedy, Alex, AP, *Oil rises above \$83 amid strong China demand*, January 11, 2010.
7. New York Times/Reuters, *China's Foreign Exchange Reserves Jump in 2009*, January 15, 2010.
8. Bate, Jeff, Dow Jones, *US Govt Posted \$91.85 Bln Total Budget Deficit In Dec*, January 13, 2010.
9. Shear, Michael D., Washington Post, *Obama plans fee on financial firms to recover TARP money*, January 13, 2010.
10. Bazinet, Kenneth R., NY Daily News, *President Obama plan to tax 50 banks has Bloomberg, Gillibrand concerned*, January 14, 2010.
11. Sidel, Robin, Wall Street Journal, *Bank, Credit Union Are First Failures of 2010*, January 8, 2010.
12. ABC News, *Small Banks in Ill., Minn. Shuttered*, January 15, 2010.
13. Lynch, Sarah N., Wall Street Journal, *Two Banks Fail in Minnesota and Illinois*, January 15, 2010.
14. Letzing, John, Market Watch, *Utah's Barnes Banking Company closed by regulators*, January 15, 2010.

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*There is no substitute for  
victory—Douglas MacArthur*

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## IT Security

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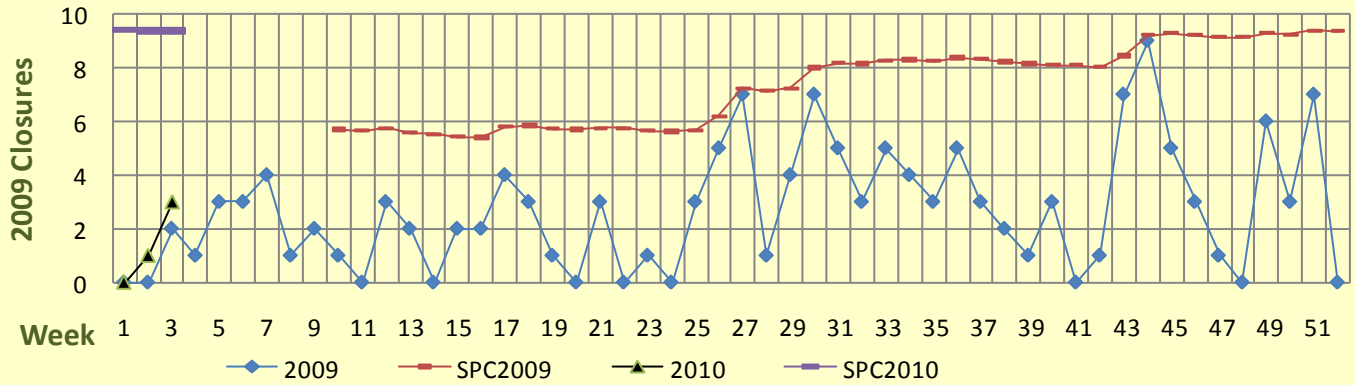
lished' the German government has advised people not to use Microsoft's IE until a patch is available [8].

In other news, malicious software (malware) designed to steal bank information was discovered on Google's online Android site [9]. Software vendors continue to correct security problems with security patches. For example, Microsoft's January patch update included only one security fix while Adobe has multiple fixes [10].

Cyberwar has become a favorite weapon. Case in point, two otherwise strong allies, China and Iran are engaged in a small cyberwar [11].

1. AP/New York Times, *Security Breach at Agency*, January 7, 2010.
2. O'Keefe, Ed, and Wilber, Del Quentin, Washington Post, *Man charged with posing as Secret Service agent at HHS*, January 8, 2010.
3. Syeed, Nafeesa, AP/Los Angeles Times, *Feds: Secret Service impersonator conned security guards, demanded to see Sebelius at HHS*, January 7, 2010.
4. Nakashima, Ellen, Washington Post, *Google may pull out of China over cyber attacks*, January 12, 2010.
5. Mason, Jeff, and Eckert, Paul, Reuters, *White House backs Google, seeks China explanation*, January 14, 2010.
6. Acohido, Byron, USA Today, *Google-China standoff sheds light on global Net intrigue*, January 15, 2010.
7. BBC News, *Microsoft admits Explorer used in Google China hack*, January 15, 2010.
8. Cremer, Andreas, Business Week, *Germany Says Don't Use Explorer Until Microsoft Patches Flaw*, January 16, 2010.
9. Coursey, David, PC World, *Malware: Android Apps Threaten Mobile Security*, January 12, 2010.
10. Leffall, Jabulani, GCN, *Adobe: Eclipsing Microsoft as patch concern?*, January 13, 2010.
11. Hille, Kathrin, Financial Times, *Iranians spark China cyberwar*, January 13, 2010.

## Failed Banks Vs SPC Threshold 1/17/2010



## Transportation

In the past, we have described weak security associated with the protocols used to control utilities and transportation. In this newsletter, we look at the cost of disruption independent of the problem's cause. In the first example, at Reagan National Airport, a power outage caused delays for one hour until backup generators came online [1]. During the outage, planes were not allowed to take off and passengers could not clear security check points [2]. In a second example, in Cleveland, road salt on a utility pole was blamed for a power outage that stranded travelers at Hopkins airport

from 7 AM to 2:30 PM [3].

Consider the risk associated with new smart meters such as the 7.3 million being installed in California; these have been successfully hacked [4]. In one worst-case scenario, a utility company could suffer a power disruption to millions of its customers [5].

The 2 airport examples illustrate the relationship between power disruptions and transportation. When combined with our current policy of transferring wealth and technology overseas; system upgrades with exploitable weak security set us up for more unpleasant surprises.

1. WTOP, *Power back on at*

*Reagan National Airport, January 4, 2010.*

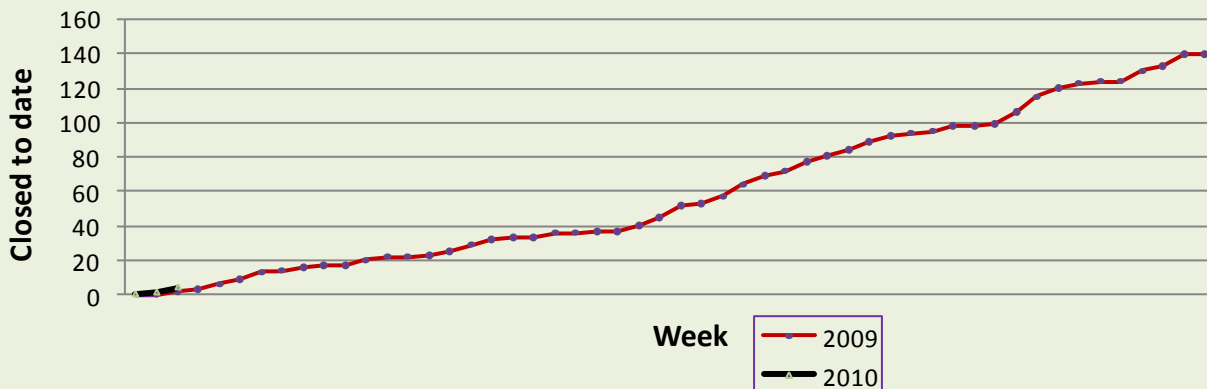
2. AP, *Hour-long power outage halts flights, hampers security screening at Reagan National Airport, January 4, 2010.*
3. AP, *A day after power outage, a crowded Cleveland airport recovers with few delays, January 11, 2010.*
4. Stickney, R., NBC News (San Diego), *Utilities Roll Out Smart Meters, January 11, 2010.*
5. Smith, Kevin, San Bernardino Sun, *Smart meters raise security questions, January 12, 2010.*

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*Power over a man's subsistence is power over his will—Alexander Hamilton*

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## Financial Institution Closures as of 1/17/2010



## World News

In China, a diesel spill contaminated part of the Yellow river, used as a drinking water supply for many along the waterway [1]. Barricades were used to contain the Yellow river damage (source of drinking water to 107 million people) [2]. The Chinese water supply is not the only toxic concern. Case in point, the AP has examined Chinese manufactured children's jewelry sold in the U.S. and found large quantities of the carcinogenic cadmium [3]. In response to the report, one retail sales chain, Wal-Mart, pulled the Chinese made jewelry from its stores [4]. It seems the main reason the Chinese use toxic metals in children's jewelry is because it costs less to make [5].

Elsewhere, China denounced the U.S. for allowing Raytheon to support Taiwan's Patriot missile system [6]. Shortly thereafter, China successfully tested its own missile intercept capability [7]. It may be that China has extraordinary leverage due to the trade imbalance. For example, the U.S. trade deficit with China was \$18.43 billion for December and \$196 billion for the year [8]. What's more, China banks have passed their US counterparts and now have 4

of the top 5 most valuable banks in the world [9]. Meanwhile, the number of Internet users in China reached 384 million (more than the entire population of the U.S.) [10]

It's difficult to think that diplomacy with Iran has not failed. However, there is hope Iran will change its ways. For example, if diplomacy fails, there are plans to use force as needed [11]. Meanwhile, Iran criticized Saudi Arabia for its involvement in the Yemen conflict [12].

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2. Chua, Baizhen, Bloomberg News, *Diesel Leak Spread on China's Yellow River Contained*, January 5, 2010.
3. Pritchard, Justin, AP, *Toxic Metal in Kids' Jewelry From China*, January 10, 2010.
4. AP/USA Today, *Walmart pulling jewelry cited in AP cadmium report*, January 11, 2010.
5. Hoshiko, Eugene, and Olesen, Alexa, AP, *China jewelry makers say toxic metal cuts costs*, January 12, 2010.

6. Rabinovitch, Simon, Reuters, *China again denounces U.S. arms sale to Taiwan*, January 8, 2010.
7. Thompson, Mark, Time, *China's Missile Test: A Symbolic Shot Across U.S. Bow*, January 13, 2010.
8. Wu, J.R., et al., Dow Jones Newswires, *China's Strong December Trade Shows Economy On Rebound*, January 10, 2010.
9. Jenkins, Patrick, Financial Times, *China banks eclipse US rivals*, January 10, 2010.
10. Buckley, Chris, Reuters, *China Internet population hits 384 million*, January 15, 2010.
11. Meyer, Henry, Bloomberg, *U.S. Has Contingency Plan for Dealing With Iran*, *Petraeus Says*, January 10, 2010.
12. AFP, *Iran criticises Saudi over Yemen conflict*, January 13, 2010.

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*I have come to a resolution  
myself as I hope every good  
citizen will, never again to  
purchase any article of  
foreign manufacture which  
can be had of American  
make, be the difference of  
price what it may –Thomas  
Jefferson*

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## Crime

Fraud continues to dominate large dollar crime. For example, in Connecticut, two people were charged with defrauding a bank of \$6.2 million [1]. In Ohio, a family was indicted for a \$3 million mortgage fraud [2]. In Detroit, 13 people were indicted in a \$14.5 million Medicare fraud scheme [3]. In Mississippi, a

man was arrested for operating a \$28 million Ponzi scheme (in Massachusetts) [4].

1. Gendreau, Leanne, NBC, *Couple Accused of Defrauding Bank of \$6.2M*, January 12, 2010.
2. WCPO, *Local Family Indicted For Mortgage Fraud*, January 14, 2010.

3. Egan, Paul, Detroit News, *FBI raids health care facilities in \$14.5M Medicare fraud case*, January 14, 2010.
4. ABC News/AP, Mass. *Ponzi Scheme Suspect Arrested in Mississippi*, January 12, 2010.