

IN THE NEWS

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Security

One reason that systems are so vulnerable to cyber-attacks is rooted in poor software. Security is often added as an afterthought and the vulnerabilities that made the Robert T. Morris worm successful continue to be played out. Once again, instead of addressing the root cause, security has become a cottage industry to an assortment of reactionary controls. Case in point, the cyber security market for the power industry has grown to \$1.3 billion per year [1]. For its part, the Department of Homeland Security will provide guidelines that addresses the top 25 programming errors leading to security vulnerabilities [2]. Unfortunately, many of the hardware features within computer processors, that can enforce security, are simply not used. Continued failure to address the root cause will perpetuate the intractable approaches to security and cannot culminate in a happy ending. For example, United Airlines was disrupted across the country for several hours supposedly by a computer glitch [3]. Perhaps this reinforces the premise that software design is lacking.

Elsewhere, hackers and cyber criminals continue to exact damage around the world. For instance, the latest Japanese game company to suffer a data breach is Sega where 1.29 million user's personal data was stolen [4]. In Iowa, \$680,000 was stolen from a church collection by cyber criminals [5]. Then there was a recent hacking attack against the Gannett Company where cyber-criminals looked for information on government and military officials [6]. In Europe, for 2010 Germany has detected a 20% increase in cybercrime [7]. Moreover, one in five machines used in Germany operates with no additional security [8].

There is a Government entity, the Federal Financial Institutions Examination Council (FFIEC) that among other tasks has the ability to set guidance for financial industry security. Over a decade ago, the FFIEC was presented the risks of on-line banking along with the recommended controls. The decision was made not to proactively address the problem. However, high profile cyber-attacks are forcing the FFIEC to revisit the issues and provide guidance. If we look back at 2005, this was the year when large banks, including Wachovia and Bank of America were included in data breaches of 676,000 customers [9]. This was the same year (January) that the Bank of America lost data tapes containing credit card information on 1.2 million government employees [10]. With all the negative news, it came as no surprise that on October 12, 2005 the FFIEC provided updated guidance [11]. Moving forward to 2011; Citi is now estimating, \$2.7 million was stolen from customer's credit card accounts following the data breach that compromised 360,000 accounts

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Special points of interest:

- China caught buying more U.S. debt than disclosed
- First FFIEC Security Rule Update Since 2005
- 48th Bank Closed

Economy

In Europe, Greece continues to drag down the economic outlook. For example, the European union had difficulty in agreeing to a bailout package for Greece [1]. However, they did agreed to a \$12.6 billion aid payment to keep Greece from defaulting on this month's bond payments [2]. Mean-

while, a Reuters investigation uncovered the reason the Treasury revamped the rules for participating in treasury auctions was because China was buying more debt than announced [3].

On June 24, regulators shuttered the 48th financial institution, the Mountain Heritage Bank in Georgia

[4]. The following week started a holiday weekend and no banks were shuttered. Still, the rate of closures is falling below that of the past two years. On the employment front; the first time unemployment claims for the week ending June 18 increased to 429,000 [5]. Then for the next week

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Economy

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(June 25) the number of claims was 428,000 [6].

The stimulus program was supposed to strengthen the economy. However, in a critical assessment former Fed Chairman Alan Greenspan assed the impact as a weakened dollar with little impact on improving the economy [7].

In a further sign of a weak labor market, older interns are replacing those entering the work force [8]. This is particularly bad news for teens entering the workforce. However, in such a weak job market, there are those that seek short term gain at the expense of long term stability. Perhaps the next test will come during the Ford and United Auto Workers Union discussions that could determine the outcome of fu-

ture U.S. jobs [9]. As we have pointed out in past newsletters, the U.S. trade agreements favor foreign products over domestic made items. Since Government help cannot be relied upon, labor negotiations are one area available for maintaining cost and competitiveness.

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7. Beller, Margo, CNBC, *Fed's Massive Stimulus Had Little Impact: Greenspan*, June 30, 2011.
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9. Cancino, Alejandra, Chicago Tribune, *Ford, UAW talks unlikely to be a smooth ride*, July 2, 2011.

Security

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[12]. Expectedly for the first time since 2005, the FFIEC updated rules to address current cyber-attacks [13]. Unfortunately, the recommendations presented to the FFIEC in the past have yet to be fully embraced so we expect additional high profile cyber-attacks before the full realization sets in.

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*If debugging is the process
of removing software bugs,
then programming must be
the process of putting them
in—Edsger Dijkstra*

Energy

In Japan, the myth of nuclear safety may have contributed to the three reactor meltdown following the earthquake [1]. What's more, the credit rating for the stricken Fukushima nuclear power plant was lowered to junk status by Moody's [2]. And in a sign of reactionary policy, Japan is considering giving its nuclear regulating agency more independence as early as next year [3]. A question here is; why the delay?

Closer to home, in Mexico, crime groups have virtually taken over the oil pipeline system [4]. Concurrently, the Mexican drug gangs threaten to decapitate U.S. Drug Enforcement Administration (DEA) agents [5]. On the other side of Florida, where the U.S. will not drill; some experts are arguing that we must prepare for eventual Cuban oil spills as they drill for oil [6]. A question here is why let Cuba drill for the oil that we desperately need given they will likely spill oil on Florida

beaches? Until the demand for oil decreases, countries such as Cuba will continue unregulated drilling that place the ecosystem at risk. It should be noted that when Cuba spills oil, the U.S. will be burdened with the cost of cleanup. To appreciate the demand for oil, consider the U.S. decision to sell oil from the strategic reserve [7].

By one analysis, following Germany's decision to back away from nuclear power, it will be turning to coal and gas to make up the difference [8]. Unlike Germany, some countries are still moving ahead with nuclear energy. For instance, Finland invited Japan's Toshiba and France's Areva to bid on a new nuclear power plant [9].

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*Computers are good at
following instructions, but
not at reading your mind—
Donald Knuth*

World News

While the U.S. seems to import Chinese goods with little restriction, it's interesting to see how they treat imported goods. For instance, China imposes a 50% duty on cosmetics and 30% for high-end watches [1]. Meanwhile, China cautioned the U.S. not to get involved with its South China Sea disputed [2]. Expectedly, China rejected criticism over the South China Sea dispute that was previously issued by the US Senate [3]. Japan has built the fastest computer in the world, moving the previous Chinese champ into the number two spot [4]. Elsewhere in China, another engineering record was set with the opening of the world's longest sea bridge [5].

In the Middle East, a member of the Saudi ruling family indicated his country would supplement Iran's oil exports if that nation doesn't constrain its nuclear program [6]. In the meantime, Iran appears to be testing nuclear capable missiles in yet another breach

of UN resolutions [7]. This has evoked another warning from Saudi Prince Turki al-Faisal, that his country will develop nuclear weapons [8]. Meanwhile, Iran is providing weapons to Afghanistan and Iraq [9].

Oil and other minerals continue to be a potential catalyst for future conflicts. For example, Russia announced it plans to send 2 army brigades, each with a few thousand soldiers, to help protect its Arctic claims [10].

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Time discovers truth—

Seneca
