

IN THE NEWS

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Security

Financial institutions are continuous targets for attack. One attack vector involves infecting customer workstations and then using compromised information to drain the bank. While actual losses are not advertised, we can estimate the problem by the number of customer machines infected. For instance, one report suggests that for the first three quarters of 2013, over one million home computers had banking Trojans [1].

Meanwhile, financial institutions are not the only business at risk. Case in point, up to 1,197 of Target's stores may have been victims of a national credit card breach [2]. Potentially, millions of Target customers could be victims of the breach [3]. One estimate puts the number of debit and credit cards compromised at 40 million [4]. Reports indicate the stolen card numbers are flooding the system and a number of law suits are pending against Target [5]. Another article suggests the attackers managed to steal the encrypted PINs [6]. Target has since indicated some PINs were compromised but company officials believe customer data is safe [7]. Note, with the encrypted PIN, the bad actors can run exhaustive search algorithms to ascertain the actual PIN. A question here; what will the financial impact to Target be? By one estimate, the breach will reduce the value of Target by \$1 billion [8]. So who buys the stolen information? Part of the answer is the banks are purchasing the stolen cards in order to mitigate losses [9]. Given the banks know the websites to purchase the stolen cards, where is law enforcement? To summarize, the Federal Reserve helps financial institutions that in turn enrich bad actors; thereby encouraging more cyber-crime.

Readers may recall the story of the former Egghead online. In 2000, there was a reach of their database that contained credit card and other information [10]. Consequently, in less than one year the company went into bankruptcy [11].

Target wasn't the only victim of cyber-crime. Case in point, the Las Vegas based Affinity Gaming had its payment system breached for six month, resulting in up to 300,000 identities stolen [12].

Readers may recall the days of Watergate, where bugs were placed on telephones located in the area where the Democratic Party was meeting. Leading the investigation that culminated in President Nixon's resignation was the Washington Post [13]. Now the Washington Post finds itself in the news as a victim of a cyber-attack. Case in point, attackers breached servers located

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Special points of interest:

- Target credit card breach compromise 40 million cards
- Banks purchasing stolen cards
- Gambling payment system breach impacts 300,000

World News

Japan announced plans to increase military spending by 5% over 2014-2019 [1]. The upgrade will include Osprey tilt aircraft and Global Hawk drones [2]. Additionally, Japan plans to build a Marine force in response to China's growing naval force [3]. Meanwhile, China conducted a second flight test of its road mobile (DF-41) nuclear

missile that is capable of hitting the US with nuclear 10 warheads [4]. In a further sign of defiance that has angered China, Prime Minister Shinzo Abe visited a war shrine [5].

Technology is changing the landscape of future battlefields. For instance, the US Army tested a 10 KW solid state laser that successfully

shot down a series of 60 mm mortar rounds [6]. The lasers fire continuously as long as there is power applied and plans exist for a 100 KW version [7].

Meanwhile, Iran continues to advance its nuclear program. For instance, the Iranian nuclear chief is reported to claim his coun-

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try is working on advanced centrifuges [8]. Then 100 Iranian lawmakers introduced a bill requiring 60% uranium enrichment if the West imposes new sanctions [9]. These in your face challenges to the West indicate Iran will likely continue its nuclear weapons program.

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2. Robson, Seth, Stars and Stripes, *Reports: Japan to buy Ospreys, Global Hawks*,

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 4. Gertz, Bill, Washington Free Beacon, *China Conducts Second Flight Test of New Long-Range Missile*, December 17, 2013.
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 8. Jerusalem Post, *Iran nuclear chief: Islamic Republic designing new centrifuges*, December 27, 2013.
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In a time of universal
deceit - telling the truth is
a revolutionary act—
George Orwell

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3. D'Innocenzio, Anne, WTOP, *Target: 40M card accounts may be breached*, December 19, 2013.
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 10. Lemos, Robert, and Wolverton, Troy, Cnet, *Egghead silent; customers angry*, January 2, 2001.
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Terrorism

While China and Russia support terrorist nation states, such as Iran, they are not immune from the consequences of terrorism. For example, In China, 16 people were killed in the Xinjiang region between ethnic Muslim Uyghurs and police [1]. Then in Russia, at last 10 people were killed in a terrorist explosion at a train station [2].

With the departure of the US military, terrorism in Iraq is on the uptick. For instance, secret prisons operated by the Islamic State (an area of Iraq controlled by Islamist hardliners) are accused of torture and summary executions [3]. And for those that believe it possible to negotiate with the terrorists, consider the lessons learned from Iraq. For instance, 37 members of the minority Christian community were killed from bomb attacks in Baghdad [4].

More bad news come to us from Libya. A suicide bomber killed seven people outside of Benghazi [5].

In Egypt, terrorist claimed

responsibility for bombing a police headquarters that killed at least 15 people [6]. Later, the new Government declared the Muslim Brotherhood a terrorist organization [7]. Readers may recall the Muslim Brotherhood swept into power as part of the Arab Spring movement [8]. What's more, the US had earmarked \$800 million to support the Arab Spring [9]. After Egypt declared the Muslim Brother a terrorist organization, protesters at al-Azhar University set fires and at least one student was killed [10].

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4. Fox News, *Bomb attacks on Christians in Baghdad kill 37*, December 25, 2013.
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Some people are willing to betray years of friendship just to get a little bit of the spotlight.—Lauren Conrad

Economy

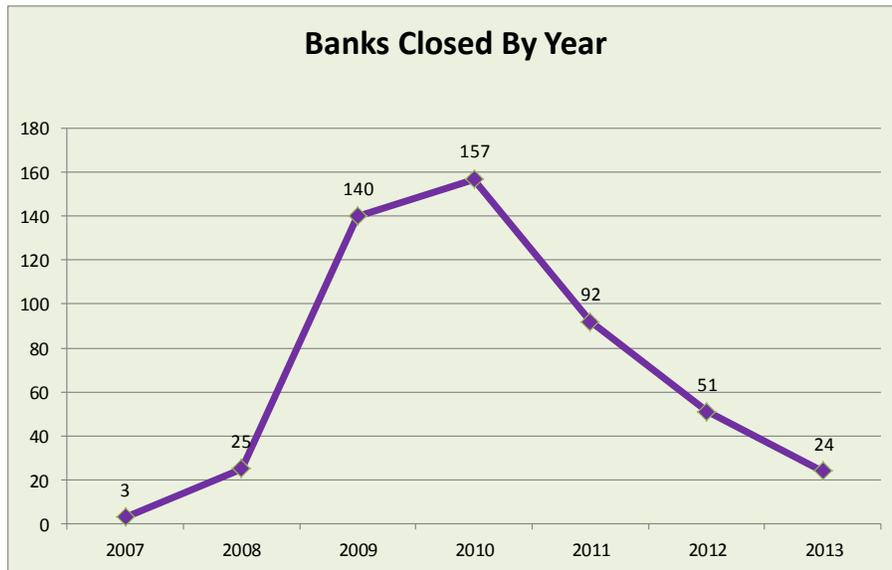
For the week ending December 14, the number of first time unemployment claims, reported by the Labor Department, was 379,000 [1]. Then for the following week, the number was 338,000 [2]. As depicted in the figure be-

low, the number of failed financial institutions is falling. The year 2013 should fall below the number of 2008 failures.

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China Pollution

One of the big contributors to China's air pollution is burning coal. Unfortunately, estimates point to a coal consumption increase of 2.3% per year through 2018 [1].

In past newsletters, we have pointed out the pollution from China is not restricted to the industrial part of China. Case in point fights in the Tibetan capital of Lhasa were halted due to thick smog [2]. So not only has China conquered Tibet, now the mountainous area is subjected to toxic air pollution. As a final note, China's air pollution not only impacts Japan and Korea, but also reaches the Western coast of the US [3].

To show the people that the Chinese government is serious

about stopping pollution, Beijing destroyed 500 barbecues [4]. Of course, since these were destroyed, there is no evidence of improved air quality; but it does project the image that something is being done. Actually, the US could do much to slow pollution by enforcing fair trade practices with China. With fewer goods purchased from China, the amount of pollution would be reduced accordingly.

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2. The Telegraph (UK)/

AFP, *Pollution from China grounds flights in Tibet*, December 22, 2013.

3. Galbraith, Kate, *New York Times*, *Worries in the Path of China's Air*, December 24, 2013.
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*Integrity is the lifeblood of
democracy. Deceit is a
poison in its veins.—
Edward Kennedy*
