

IN THE NEWS

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IT Security Exploits

Malicious software (malware), viruses, and Trojan horses continue to be problematic. Case in point, Microsoft reports improvement in their product security but computer viruses, frauds and other online scourges have become much more serious [1]. Now that the election has been decided, it is worth noting that PCs from both camps were cyber-attacked from overseas locations [2]. The sophisticated attacks were directed against computers at the campaign headquarters and were searched for future foreign policy information [3]. Insiders have identified China as the source of the cyberattacks [4]. While much has stated for operating system vulnerabilities, application exploits could be more problematic [5]. Consequently, the need to patch applications should be addressed. The race to keep commercial software clear of malicious software (malware) continues with more security patches. For example, Adobe released its 5th update this year to plug 8 security holes [6].

In 1989, computer viruses were considered a technology for use with offensive military applications [7]. At that time, most security researchers did not fully comprehend the threat that would emerge from malware. However, following the successful attack of Georgia by Russia, military planners have recognized the need for cyberwarfare. It is expected the U.S. will be targeted with China posing the greatest threat [8]. This comes as Chinese hackers repeatedly penetrated the White House computer network [9]. It seems the Chinese were able to read White House email [10]. It has been suggested that the White House attack followed the "grain of sands" approach used by Chinese intelligence [11]. In this attack, unclassified email messages are read and data aggregated into more sensitive information. It seems that the attacks were for short periods of time before security experts patched the system [12]. Although not reported, this could imply the exploits used by the Chinese hackers were zero date vulnerabilities where a vendor patch was not immediately available. Reports have stated the compromised information was unclassified. We really do not know just how bad the cyberattacks against the U.S. are for that would be a classified assessment. What we can infer, based on the publically reported successful attacks against unclassified systems is we are in a lot of trouble. Not only are foreign powers in play but terrorist are adopting cyberattack capabilities. For example, terrorists are learning to hack and many are expanding to include people proficient in computer science [13]. To capitalize on military applications for security weaknesses, companies including Boeing and BAE Systems are upgrading existing programs particularly in electronic attack and cyberwarfare [14]. Recognizing the risk to on-line banking, IBM researchers displayed an USB device that establishes a secure VPN with the bank [15].

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Financial Confidence

The economic uncertainty is causing consumers and investors to be overly cautious. Getting the economy going is crucial and there are discussions about a new stimulus package [1]. As part of the recovery, President elect Obama is calling for Congress to act quickly on a \$100 billion stimulus package

[2]. The loss of confidence in banks has caused investors to pull \$billions from the stock market and withdraw money from the banks [3]. In one survey, Americans are losing confidence in the Fed, financial institutions, insurance firms, and mutual funds [4]. For their part, banks are working extensive public

relations to reassure their customers [5]. It is this lack of confidence in the financial system that must be overcome. There is the possibility, the President elect could address the people and convince them to go out and buy American products and invest in the markets. Given the window of

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Special points of interest:

- Chinese hackers repeatedly penetrate White House network and email
- Chinese hackers successfully attacked Obama and McCain headquarters computers
- Franklin Bank with \$5.1 in assets was the 18th bank shuttered this year
- Security Pacific Bank becomes 19th bank closed this year

IT Security Exploits

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The U.S. is not the only target for cyberattacks. In the UK, power companies and large financial institutions are continuously being probed [16]. In Pakistan, a new cybercrime law includes punishment up to a death sentence [17]. The Pakistan law clarifies that cyber terrorism causing a death will be punishable by death [18]. Lastly, recognizing the threat from foreign hackers, the South Korean military will add 40 people to its program to address cyber threats [19].

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17. Khan, M Ilyas, BBC News, *Pakistan unveils cybercrime laws*, November 7, 2008.
18. Reuters, *Pakistan sets death penalty for "cyber terrorism"*, November 6, 2008.
19. KBS News (Korea), *Military Expands Force Against Hackers*, November 7, 2008.

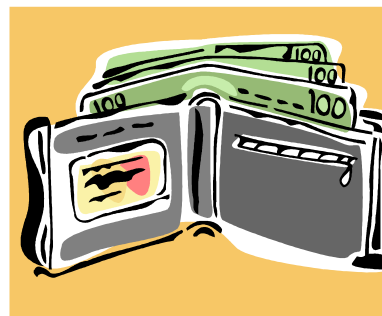
Privacy and security are those things you give up when you show the world what makes you extraordinary.—Margaret Cho

Financial Confidence

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voter support, a moving speech might be enough to restore confidence and avert further angst.

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2. Williams, Joseph, The Boston Globe, *Obama calls for stimulus package*, November 8, 2008.
3. Chu, Kathy, and Block, Sandra, USA Today, *Loss of confidence in banks causes huge shifts in deposits*, November 7, 2008.
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5. Helm, Burt, Business week, *Battling Banking's Confidence Crisis*, November 6, 2008.



PIV Status

Agencies issued approximate one third of the 5 million Personal Identity Verification (PIV) cards they were required to [1]. Over a million PIV cards have been issued, a five-fold increase over the last six months [2]. Two laggard agencies are the DHS with 1,200 cards issued out of 255,000 employees and Veterans Administration with 6,000 cards issued out of 450,000 employees [3].

For the non-Government community, work continues on PIV interoperable cards. For example, Northrop Grumman is preparing to issue its new OneBadge identification to its aerospace and defense employees [4].

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Financials

The economic health can be measured in a number of way, including the jobless rate. The nation's unemployment rate hit a 14-year high of 6.5% in October [1]. With a loss of 240,000 jobs, this exceeded Wall Street estimates of 200,000 jobs by 20% [2]. During October, there were approximately 10.1 million unemployed, the most since 1983 [3].

On the banking front, the Franklin Bank with total assets of \$5.1 billion became the 18th FDIC insured bank shuttered [4]. The Franklin Bank's failure will cost its Deposit Insurance Fund between \$1.4 billion and \$1.6 billion [5]. Following this, the Security Pacific Bank, with \$561.1 million in assets became the 19th FDIC insured bank closed this year [6]. The Security Pacific Bank failure is expected to cost the Deposit Insurance Fund an estimated \$210 million [7]. Meanwhile, AIG is in new talks with the Fed looking to secure another bail-out for \$30 billion following the previous \$85 billion Fed package [8].

At a time when we really don't need any more bad news, some are asking if the Federal Home Loan Banking System may be at risk from the financial downturn [9]. In other news, a businessman whose check and loan fraud pushed the First National Bank of Blanchardville into insolvency (back in 2003), has been sentenced to 8 years in prison [10].

Overseas, the British government may pay up to \$1.3 billion to the 230,000 British depositors whose money vanished when Iceland's Landsbanki bank went into receivership [11].

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2. Reuters, *October job losses worse than feared*, November 7, 2008.
3. Aversa, Jeannine, AP, *Jobless ranks hit 10 million, most in 25 years*, November 8, 2008.
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failure in 2008, November 7, 2008.

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6. Clifford, Catherine, CNN Money, *2 more banks go belly-up*, November 8, 2008.
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10. Murphy, Kevin, The Capital Times (Madison, WI), *Blanchardville man tied to bank's failure gets 8 years prison*, October 23, 2008.
11. AP (London), *Iceland bank failure may cost UK Treasury \$1.3 bn*, November 6, 2008.

*It is a fraud to borrow what
we are unable to pay—
Publilius Syrus*

China News

According to a Microsoft report, 47% of software exploits have the local language set to Chinese whereas only 23% are set to English [1]. In other news, the Department of Justice has implicated China and Iran contact in technology transfer violations [2].

Piracy continues to be problematic in China. In an attempt to get Chinese consumers to download legal copies, Warner Brothers' video-on-demand will be provided for 60¢ to \$1.00 [3]. Chinese consumers can download Digital Rights Management protected copies of films reflecting competition from privacy [4].

In other news, Chinese Premier Wen Jiabao urged industrial nations to alter their lifestyles to help curb global warming [5]. This is interesting given that China emits more carbon dioxide into the atmosphere than any other country on Earth [6]. Reporting on China's pollution can be problematic and dangerous. For example, a CBS 60 Minutes news crew was roughed up trying to cover a story on toxic electronic equipment waste [7].

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Crime

Readers may recall the D.C. tax fraud scandal. In the latest development, a Maryland man was convicted for receiving \$1.2 million of the \$48 million stolen from the District of Columbia Office of Tax and Revenue [1].

In New York, a former executive director at UBS Securities LLC was sentenced to 78 months for his role in a \$15 million insider trading scheme [2]. In Massachusetts, a Braintree man was charged with defrauding Medicare out of approximately \$1.4 million [3].

Even with the new paper currency protection features, counterfeit currency continues to be problematic. For example, in New Jersey, a 29 year old man was charged with passing bogus \$20 and \$50 notes at a go-go bar and for possessing \$5,000 in counterfeit money [4]. In Michigan, a man who was a

previously convicted counterfeiter was arrested for carrying \$12,000 in bogus money [5]. In Florida, two men were arrested for trying to pass bogus currency [6]. In Texas, a person was indicted in a \$12 million mortgage fraud scheme [7].

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There are some frauds so well conducted that it would be stupidity not to be deceived by them.—
Charles Caleb Colton
