

IN THE NEWS

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IT Security

Microsoft provided information for protecting users from a zero-day attack to the Internet Explorer (IE) [1]. This came as Microsoft was warning users it was seeing a huge increase in attacks directed at the un-patched versions of IE [2]. Since last week, over 10,000 sites have been compromised to exploit the vulnerability, mostly in China [3]. By Monday (December 15), it was estimated that 0.2% of IE explorers had visited infected web site, an increase of 50% from the day before [4]. By Tuesday, it was estimated that 2 million computers were compromised by the new zero-day IE exploit [5]. With estimates that 1 in every 500 machines was infected, on Wednesday (December 17), Microsoft released the long awaited IE security patch [6]. As it turned out, Microsoft was able to correct the vulnerability with a patch in 8 days [7]. As if this problem was not enough, there was a zero-day exploit against the Microsoft SQL server that allowed an SQL injection attack [8]. The zero day attacks illustrate how bad actors could compromise a system with little to stop them. Once inside, clever hackers will install back doors such that once the vulnerability is fixed, the bad actor still controls the system.



While much of the focus is on the Microsoft IE vulnerability, other browsers are also going through patch updates. For example, Firefox issued 8 patches, some to fix security problems [9]. Security updates are not limited just to Microsoft products. For example, Apple's MAC OS X 10.5.6 includes security fixes [10]. Elsewhere on the protection front, the Nuclear Regulatory Commission (NRC) is requiring commercial nuclear power plants to increase security, including cybersecurity [11].

Not surprising, it is estimated that hijacked computers are contribution to the SPAM problem where 90% of email is now junk mail [12]. In other email related information, it seems that the McCain camp sold Fox news a Blackberry, for \$20 that was loaded with sensitive

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Economic News

The victims of Madoff's \$50 billion Ponzi scheme are still being identified. So far, the victims include retirement funds, charities, banks, and investors [1]. Not surprising, Congress is asking the Securities and Exchange Commission (SEC) to explain how the Madoff Ponzi scheme went undetected [2]. One person, author Gunther Karger went as far as to file a formal complain to the SEC Inspector General against Christopher Cox and the other SEC commissioners for lax oversight of Madoff [3].

Moreover, Chairman Cox has called for a probe of his agency following discovery of credible complaints against Madoff going back to 1999 [4]. Furthermore, there are indications that Madoff's misconduct goes back to the 1970's [5]. Currently, the Securities Investor Protection Corporation (SIPC) has approximately \$1.5 billion to cover potential claims [6]. However, the SIPC president, Stephen Harbeck, described Bernard Madoff's financial records as "utterly unreliable" and estimated six

months will be required to sort things out [7]. The question here is how many other Ponzi schemes are ongoing and waiting to be discovered?

Readers may recall a prominent New York lawyer, Marc S. Dreier, was arrested for an allegedly defrauding his customers of \$380 million [8]. Moreover, the SEC charged Dreier with allegedly selling fraudulent promissory notes [9]. Dreier operated a successful 250-lawyer law firm that filed for bankruptcy following the

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Special points of interest:

- Oil falls below \$34 per barrel for the first time since April, 2004
- GM & Chrysler loan consumes last of initial TARP funds
- \$3.5 Billion Petters Ponzi scam forced Polaroid into bankruptcy

*Earth provides enough to
satisfy every man's need,
but not every man's greed—
Mahatma Gandhi*

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campaign information [13]. In other news, it is estimated that a million victims were fell prey to a new DNS attack that sets up a bogus DHCP server on a local LAN segment [14]. Packets are intercepted and users directed to rogue sites.

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owner's arrest [10].

In the past, inflation has been a major concern. However, with the current recession, the new concern is deflation. Case in point, November consumer prices fell by 1.7% surpassing the lowest fall on record going back 61 years of 1% set in October [11]. That two months in a row should break records indicates the severity of the current recession. Additionally, during the week, the Fed lowered the interbank lending rate to an all-time low of between 0 and 0.25% [12]. Meanwhile, the banks are still reeling from the financial crisis with Goldman Sachs

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reporting a \$2.1 billion quarterly loss [13]. Similarly, Morgan Stanley posted a \$2.36 billion quarterly loss [14]. Meanwhile, Citibank experienced a computer outage that blocked customers from accessing their accounts [15]. Not only did Citibank suffer a computer problem; the Toronto Stock Exchange was shut down due to reported data feed problems [16].



Good news on the oil front with prices falling to \$36.22 per barrel on Thursday, the lowest since June, 2004 [17]. Then on Friday, oil fell further to 32.40 per barrel the lowest since February, 2004 [18]. In other good news, average 30-year mortgage rates hit a 37 year low of 5.17% [19]. The short term Government loans to GM and Chrysler were approved by the President and have exhausted the first TARP increment (or \$350 million) [20]. Interestingly, the Canadian government is adding \$3.3 billion for the Canadian arms of GM and Chrysler [21].

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Ponzi Bankrupts Polaroid

Polaroid was founded in 1937 by Edwin H. Land [1]. In 2005, Polaroid was acquired by Petters Group Worldwide LLC [2]. Unfortunately, Tom Petters was indicted for his role in an alleged \$3.5 billion Ponzi scheme [3]. Consequently, Polaroid declared Chapter 11 bankruptcy in response to alleged \$2 billion fraud at its parent company [4]. Polaroid has asserted that the fraud investigation has compro-

mised its financial condition [5]. Given the Madoff and Petters Ponzi schemes, one must ask how many other fraudulent schemes will be uncovered during the current recession.

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13. White, Ben, New York Times, *Goldman Sachs Reports \$2.1 Billion Quarterly Loss*, December 16, 2008.
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You can fool all the people
all the time if the advertising
is right and the budget is big
enough—Joseph E. Levine

Readers may recall that in 1971-2, Richard Nixon opened relations with China [1]. Then in 1979, President Carter severed diplomatic ties with steadfast ally Taiwan, cancelled the defense treaty with Taiwan in order to establish full diplomatic relations with China [2]. Since then, tensions between Taiwan and China have periodically flared up. However, China and Taiwan are improving relations as direct talks continue [3]. In perhaps the most significant change to date, China is offering Taiwan economic assistance to weather the current financial crisis [4]. Furthermore, during 2009, China plans to increase its money supply by 17% to help its economy [5].

In other news, China's refineries reported a January through October loss of \$26 billion [6]. There's more to the story; the Chinese placed a price cap on the price of oil. When oil

was \$147 per barrel, losses grew. However, while US companies were paying through the nose for high price energy, Chinese manufactures were paying far less for their subsidized oil. This is another example of un-fair trade practices that benefited China at the expense of US industry. Of course just because the imported products are cheaper does not mean they are better. For example, the toymaker (or importer in this case) Mattel will pay \$12 million to 39 states to settle an investigation involving Chinese-made lead-tainted toys shipped to the U.S. in 2007 [7].

Elsewhere in Asia, there is growing concern over the growing trade deficit with Vietnam. For example, Senator Max Baucus has asserted that Vietnam exported \$10 billion to the US while importing only \$1.7 billion; a trend that is unsustainable [8].

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Crime

Four people were criminally charged with insider trading obtained from Lehman Brothers [1]. In Georgia, a man pleaded guilty to a \$13 million escrow fraud scheme [2]. In Minnesota, two men were found guilty for their part in a \$100 million mortgage fraud scheme [3]. A former State Department contractor was sentenced to probation for unauthorized accessing 200 celebrity passport files [4]. In North Carolina, a payroll Chief was accused of stealing \$3 million from an energy firm by creating fake employees and having their pay deposited in accounts she controlled [5]. Financial crimes are pulling law enforcement resources

away from terror work. Case in point, the FBI has shifted agents from anti-terror assignments to address the Madoff Ponzi scheme and other mortgage fraud [6]. Furthermore, the fraud fighting is paying off. For example, in New Jersey, a broker was accused of a Ponzi scheme bilking elderly out of \$1.3 million [7].

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*We will bankrupt
ourselves in the vain
search for absolute security
—Dwight David
Eisenhower*
