

## IN THE NEWS

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### IT Security

Data breaches are a continuing problem and tricky to protect against using existing tools. Furthermore, once a system is compromised, the consequences are increasing with an estimated \$202 cost per stolen record [1]. What's more, even companies selling security products can be victims. Case in point, SRA alerted Government workers of a security breach [2]. The SRA breach places approximately 1,400 Maryland residents information at risk [3]. In another example of organized hacking, during a 30 minute window, 130 ATMs in 49 cities were drained of \$9 million using cloned ATM cards [4]. To create the cloned cards, the attackers used information taken from the RBS WorldPay breach reported by the company last December [5]. The cloned cards used in the attack illustrating a very sophisticated and coordinated attack [6].

Hackers continue attacking Internet connected sites. For example, both USAjobs.gov and monster.com job search sites were hacked [7]. A significant challenge is most commercial products have security vulnerabilities. This is one reason we believe it is critical to integrate security in into holistic network realization. More on this topic in the article "PAIIWG Punks" on page 3. In other news, tracing a person's movement is a renewed concern. Case in point, Google is offering a "location-aware" service the will continuously broadcast a person's cell phone location [8]. Knowing where a person goes throughout the day would benefit advertisers.

Malicious software (malware) continues to cause damage. For example, Municipal Courts in Houston were shut down due to infected com-



(Continued on page 2)

### Economic News

The 7<sup>th</sup> bank regulators shuttered the this year was the FirstBank Financial Services, in Georgia [1]. The 8<sup>th</sup> bank closed was the Alliance Bank, located in California [2]. The 9<sup>th</sup> bank closed was the County Bank, also located in California [3]. The three closures are expected to cost the deposit insurance fund \$452 million [4].

The saga of Bernie Madoff continues. During congressional hearings, one person, Harry Markopolos, claims to have provided the SEC back in 2000 with information questioning the validity of Madoff's investments [5]. In

what some are calling the worst day in the SEC's history, congressional hearings into Madoff continued on Wednesday, February 4 [6]. At one point, Congressman Paul Kanjorski accused the SEC of hampering the house Madoff probe [7]. The new SEC Chairwoman promised to reform the enforcement bureau and allow tipsters to access senior SEC officials [8]. Furthermore, the list of Madoff clients was published and includes Bank of America and Citigroup [9]. This illustrates the interdependencies amongst many of the financial institutions. Conse-

quently, when one entity suffers losses others may follow. This is one reason why when Lehman Brothers was allowed to fail, it impacted the entire financial industry in ways still being calculated.

Currently, 4.8 million are collecting unemployment benefits, the highest number in the 40 years records were kept [10]. Fearing a trade war, the President has backed away from the "Buy American" clause in the new stimulus bill [11]. A congressional oversight panel suggests TARP received bank assets valued at \$176 billion in exchange for capital purchases

(Continued on page 2)

#### Inside this issue:

PAIIWG Punks	3
Asian News	4
Crime Report	4

#### Special points of interest:

- Internet breached: SRA, Monster.com, & USAjobs.gov
- Digital TV conversion delayed until June 12
- 4.8 million collecting unemployment benefits, the highest number on record (40 years)
- Coordinated hacker attack drain \$9 million from ATMs
- 7<sup>th</sup>, 8<sup>th</sup> & 9<sup>th</sup> banks shuttered this year

## IT Security

(Continued from page 1)

puters [9]. In Springfield, Missouri, Internet access was disconnected as the city tried to eliminate a computer virus from its network [10].

1. Vijayan, Jaikumar, Computer world, *Study: Data breaches continue to get more costly for businesses*, February 2, 2009.
2. McMillan, Robert, IDG News Service, *Federal Workers Notified After SRA Virus Breach*, February 3, 2009.
3. Weigelt, Matthew, FCW, *SRA warns of possible data*

- breach, February 4, 2009.
4. WSB-TV Channel 2, Atlanta, *Hackers Hit Atlanta Company; Steal \$9 Million*, February 5, 2009.
5. Krebs, Brian, Washington Post, *Data Breach Led to Multi-Million Dollar ATM Heists*, February 5, 2009.
6. Schmadeke, Steve, Chicago Tribune, *FBI seeks 2 Chicago-area suspects in ATM scheme*, February 4, 2009.
7. Robertson, Jordan, AP, *Experts question fallout*

- from new Monster hack, February 4, 2009.
8. Waters, Richard, Financial Times, *Google to track mobile users*, February 4, 2009.
9. Watkins, Andrea, Fox News 26, *Computer Viruses Close Municipal Courts*, February 6, 2009.
10. KSPR, *Computer Virus Hits City Computers*, February 4, 2009.

## Economic News

(Continued from page 1)

of \$254 billion [12].

At a time when the broadcast industry is suffering financial losses, a bill to delay the cut-over to digital from February 17 to June 12, was passed by the Senate on February 4 [13].

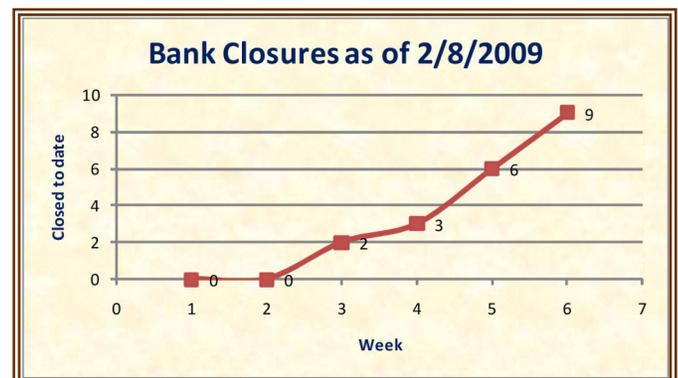
1. FDIC Press Release, *Regions Bank, Birmingham, AL, Acquires All the Deposits of FirstBank Financial Services, McDonough, GA*, February 6, 2009.
2. FDIC Press Release, *California Bank and Trust, San Diego, CA, Acquires All of the Deposits of Alliance Bank, Culver City, CA*, February 6, 2009.
3. FDIC Press Release, *Westamerica Bank, San Rafael, California, Acquires All the Deposits of County Bank, Merced, California*, February 6, 2009.
4. Chadbourn, Margaret and Levy, Ari, Bloomberg, *Three U.S. Banks Shut by Regulators as Financial Crisis Deepens*, February 7, 2009.

5. Gordon, Marcy, AP, *Madoff tipster faults SEC, says feared for safety*, February 4, 2009.
6. Younglai, Rachele and Wutkowski, Karey, Reuters, *SEC pummelled as Madoff whistleblower testifies*, February 5, 2009.
7. AP, *Lawmaker says SEC hindering House's Madoff probe*, February 4, 2009.
8. Orol, Ronald D., Market Watch, *SEC chairwoman to reform enforcement bureau*, February 6, 2009.
9. Mukhopadhyay, Bhaswati and Kamalakaran, Ajay, Reuters, *Madoff clients' list made public*, February 5, 2009.
10. Schneider, Howard, Washington Post, *New Jobless Claims Surge to 626,000*, February 5, 2009.
11. Palmer, Don, Reuters, *Steel-state lawmakers vow to save "Buy American"*, February 4, 2009.
12. Pittman, Mark, and Ivry, Bob, Bloomberg, *TARP Shortchanged Taxpayers \$78 Billion, Panel Says*, February 6, 2009.
13. Kim, Ryan, San Francisco Chronicle, *Digital TV conversion delayed until June 12*, February 5, 2009.

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Vote early and vote often –  
Al Capone

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## Overseas News

For the first time, China purchased more new cars in a month (January) than did the U.S. [1]. Elsewhere in China, a man died after his cell phone exploded [2]. There was no mention if the phone or battery was counterfeit.

It seems our potential adversaries are continuing missile programs. For example, North Korea is preparing another long-range missile test [3]. Furthermore, Iran launched a satellite into space [4]. If Iran can launch a satellite in orbit, it can construct a rocket capable of reaching any location on Earth.

Throughout the years, Japan has built an export based economy. As the rest of the world faces a protracted recession, the island country is experiencing a downturn.

Case in point, Toyota is on track for its first reported loss, \$3.85 billion, since 1950 [5]. What's more, Sharp announced 1,500 job cuts following the loss of \$1.1 billion [6]. Another electronic giant, Panasonic, plans to cut 5% of its workforce following an annual \$ 4.2 billion loss [7]. Interestingly, Japan is not immune from Ponzi schemes. For example, the Japanese chairman of a health-products company was arrested for an alleged \$2.5 billion Ponzi scheme [8].

1. Reed, John, Financial Times, *US car sales below 10m despite discounts*, February 3, 2009.
2. Telegraph, *Exploding mobile phone kills man in China*, February 4, 2009.
3. Kim, Kwang-Tae, *NKorea*

*preparing long-range missile test*, February 3, 2009.

4. AFP, *Iran sends first home-built satellite into orbit*, February 3, 2009.
5. Kageyama, Yuri, AP, *Toyota sees first annual net loss since 1950*, February 6, 2009.
6. Alabaster, Jay, AP, *Sharp to cut 1,500 jobs, forecasts annual loss*, February 6, 2009.
7. Wassener, Bettina, New York Times, *Hit Hard, Panasonic to Shed 5% of Workers*, February 4, 2009.
8. Hayashi, Yuka, Wall Street Journal, *Japan Police Target Alleged Ponzi Scheme*, February 6, 2009.

## Crime Report

Association, accusing them of operating a \$190 million insurance Ponzi scheme [7].

Other white collar fraud continued to make the news. For example, in Mississippi, two people were convicted of receiving over \$5 million in a Medicare fraud scheme [8]. In New York, a former hedge fund manager was charged with insider trading that netted \$7 million [9].

1. Wutkowski, Karey, Reuters, *SEC says magnitude of Ponzi schemes growing*, February 6, 2009.
2. Williams, Chris, AP, *Feds allege \$5.5 million Ponzi scheme in Minnesota*, February 5, 2009.
3. AP, *Feds charge Bellevue man with \$65M Ponzi scheme*, February 5, 2009.
4. Allington, Adam, *KWMU, Clayton investor*

*pleads guilty to \$4.5 million Ponzi scheme*, February 3, 2009.

5. AP, *Financial planner accused of Ponzi scheme*, February 3, 2009.
6. Bentley, Linda, Sonoran News, *Scottsdale CPA accused of operating \$75 million Ponzi scheme*, February 4, 2009.
7. Rushton, Bruce, GateHouse News Service, *Funeral home lawsuit alleges Ponzi scheme*, February 2, 2009.
8. FBI, *Two individuals convicted of health care fraud*, January 30, 2009.
9. FBI, *Former hedge fund manager, investment banker, and two others charged with insider trading*, February 5, 2009.

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*The cynics are right nine*

*times out of ten—Henry Louis*

*Mencken*

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The SEC warned that the number of Ponzi schemes is not increasing but the size of the scheme is [1]. It is unclear why the SEC believes the number of Ponzi schemes is decreasing. Consider the following examples that indicate otherwise. A Minnesota man allegedly bilked victims of a Ponzi scheme out of \$5.5 million [2]. Furthermore, in Washington state, 3 men were indicted by a grand jury for an alleged \$65 million Ponzi scheme involving oil and gas drilling [3]. In Missouri, a man pleaded guilty to a \$4.5 million dollar Ponzi scheme [4]. In New Orleans, a financial planner was accused of operating a \$3 million Ponzi scheme [5]. In Arizona, a CPA was accused of a \$75 million Ponzi scheme [6]. In Illinois, six funeral homes are suing the Illinois Funeral Directors