

# IN THE NEWS

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## Economic Recovery

Free trade and treaties such as NAFTA have been touted as the best deal for American consumers. However, now that the economy has entered into a recession, some of the U.S. trading partners are starting to openly challenge American goods. Case in point, Mexico is considering raising tariffs on \$2.4 billion of U.S. goods in response to ending a pilot allowing Mexican trucks on American roads [1]. This occurs at a time when the Federal deficit is projected to increase past \$1.8 trillion this year [2]. What's more, the Congressional Budget Office is predicting the U.S. economy will contract 1.5% this year [3]. In other news, not surprisingly, the DOD is preparing for big cuts in weapons systems [4].

The GAO examined some of the financial regulators and determined that multiple red flags were ignored [5]. Meanwhile, the CEO of Wells Fargo criticized the U.S. for retroactively applying new restrictions on Troubled Asset Relief Program recipients [6]. In other news, some investors of Washington Mutual are blaming the FDIC for locking in losses when it acquired the financial institution and sold it to JP Morgan for \$1.9 billion [7]. Furthermore, the holding company for Washington Mutual is suing the FDIC to recover approximately \$13 billion [8]. Last week, FirstCity Bank of Georgia became the 18<sup>th</sup> shuttered this year [9]. The bank will be dissolved so the FDIC will pay insured depositors. Unfortunately,



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## IT security

With the current financial crisis, the Securities and Exchange Commission (SEC) is under the microscope. Case in point, the GAO reports that only 18 of 34 security weaknesses identified in a previous audit were mitigated [1]. Additionally, the GAO identified an additional 23 weaknesses [2]. Many look at the military as the gold standard for security controls. However, the threat agents today are evolving fast. For instance, an Army database containing personal information on 1,600 soldiers may have been penetrated by unauthorized users [3]. A

point here is the Army is not sure if there was a successful attack highlighting the complexity of security forensics. Identity theft is exacting additional damage to victims. For example, in a recent survey, 1 in 10 identity theft victims missed a payment because of the theft [4]. Cybersecurity experts are warning that the digitally based electricity distribution and transmission system known as the *Smart Grid* may be vulnerable to hacker power blackout attacks [5]. Furthermore, there is a new variant of the DNS-changing Trojan.Flush.M malicious

software (malware) that directs infected machines to a bogus DNS server [6]. Interestingly, criminals that infect computers want the machines running top notch so they can be used for other nefarious activities [7]. Getting Malware onto a machine is the first challenge. It is estimated that 80% of Internet vulnerabilities are from web apps [8]. Meanwhile, Microsoft released the Internet Explorer version 8.0, claiming the browser offers better security against malware than its rivals [9]. What's more, hackers were able to crack the new Microsoft browser at the CanSecWest

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### Special points of interest:

- GAO reports SEC security problems not addressed
- Regulators shutter the 18<sup>th</sup>, 19<sup>th</sup>, & 20<sup>th</sup> banks
- NCUA places 2 large credit unions into conservatorship
- Washington Mutual holding company sues FDIC

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the FirstCity Bank had approximately \$778,000 in deposits that exceeded the insurance limits. Furthermore, regulators shuttered the Colorado National Bank, making it the 19<sup>th</sup> closure for the year [10]. In Kansas, regulators made their 20<sup>th</sup> bank closure with the Teambank [11].

The National Credit Union Association (NCUA) placed two credit unions (U.S. Central Federal Credit Union and Western Corporate Federal Credit Union) into conservatorship [12]. What's more, U.S. Central has approximately \$34 billion in assets and WesCorp has \$23 billion in assets [13].

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Security represents your sense of worth, your identity, your emotional anchorage, your self-esteem, your basic personal strength or lack of it.—Stephen R. Covey

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Pwn2Own hacking contest [10].

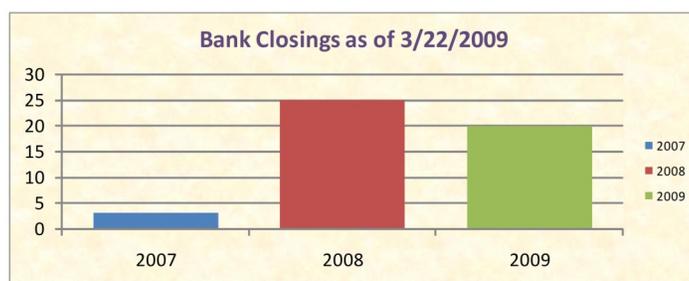
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## Fake Documents

Bogus documents continue to be a problem. Case in point, the GAO has determined counterfeit documents can be used to obtain a legitimate passport [1]. One possible aid in detecting fake documents is the Secret Service's electronic ink evidence library [2].

Even with the Secret Service ink library, counterfeit currency is still an occurring problem. For example, in South Dakota, a man was indicted for passing two \$100 bills [3]. In Frederick, Maryland, police are searching for a man who passed a bogus \$100 bill [4]. In the Salt Lake Valley, police are seeing increasing numbers of counterfeit bills [5]. In Webster City, Iowa, people have been passing bogus \$100 bills [6]. In Montgomery County, Texas, the Secret Service is taking addi-

tional steps against 2 people arrested last year for passing counterfeit bills [7]. In Boston, three men are facing charges of possessing counterfeit money [8]. In Winchester, Virginia, counterfeit bills, some not detected until checked at the bank, are in circulation [9].

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## News Media

We have seen that computer programs, *algorithms*, conduct most of the investment transactions and respond directly to news article posted on the Web. As more reliance on the Web continues, bad actors have greater opportunity to alter global financial markets. Concurrently, more ink on paper news sources are converting to exclusive Web and digital format. For example, the Seattle Post-Intelligencer (PI) printed its last paper copy and will be available only via Web [1]. After 146 years in print, the company expects profitability using the Web [2].

However, the PI is not the only newspaper in trouble. Next week, the 100-year-old *Christian Science Monitor* will stop printing and move exclu-

sively to the Web [3]. There are expectations San Francisco, Miami, Minneapolis or Cleveland could be next city to lose a newspaper [4].

To help troubled newspapers, House Speaker Nancy Pelosi sent a letter to the Attorney General (AG) asking for antitrust enforcement relief for newspapers trying to consolidate [5]. In response, the AG, Eric Holder, said preserving the newspaper industry was important and he was open to changing antitrust policy [6].

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*This is either a forgery or a damn fine original!—Frank Sullivan*

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## World News

President Obama, released a holiday video greeting to Islamic Republic of Iran [1]. However, Iran's supreme leader, Ayatollah Ali Khamenei, dismissed President Obama's overtures [2]. The Iranian government appears to be taking a hard line approach to diplomacy in general.

A visit to the U.S. Holocaust Memorial Museum in Washington, DC, helps explain why Israel fears Iran developing nuclear weapons. It is widely recognized that the German warning signs leading to Hitler's rise were largely ignored; much as the threats from Iran's president, Ahmadinejad, are routinely dismissed. However, as Benjamin Netanyahu moves closer to becoming the Prime Minister of Israel, speculation continues as to how an attack on Iran might be executed. For example, one report suggests 42 Jericho ballistic missiles could eliminate Iran's nuclear program [3]. The missiles could accurately deliver a 1,000–1,300 kilogram conventional warhead [4]. Perhaps

the missiles will be used as a backup for sites not adequately destroyed during an air attack.

Hardly a day goes by without news on greenhouse gases. China is now the biggest producer of greenhouse gases and wants importers to pay for the



emissions [5]. For its part, China joined the Kyoto Protocol but is not required to cut its emissions because it is a developing country [6]. A question here is how can a country that emits the most pollution and has the largest foreign reserves be a *developing country*? Elsewhere, China is denying a charge of protectionism following the rejection of a Coca-Cola bid to purchase the Hui-

yuan Juice Group Ltd.; claiming it violates Chinese antimonopoly law [7].

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*The Shah (of Iran) was, despite the travesties of retroactive myth, a dedicated reformer.—Henry Kissinger*

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## Crime

With the soft economy, reports of mortgage fraud are increasing. For example, although mortgage loans were down by a third, the cases of fraud increased by 26% [1]. Furthermore, 43 Federal corporate fraud cases are related to the current financial crisis [2]. Even Bernie Madoff's account is facing fraud charges [3]. In Georgia, a currency trader was charged with operating a \$25 million Ponzi scheme [4]. In Utah three men were charged in a \$2.9 million mortgage fraud scheme [5]. Oddly, the U.S.

Commodity Futures Trading Commission filed a civil complaint against a recently deceased North Carolina man for operating a \$40 million Ponzi scheme [6].

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