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In the News

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Security News

Cyber-criminals obtained the user ID and password for France's president and were regularly stealing money [1]. Interestingly, small amounts of money were stolen (perhaps so as not to attract attention) [2]. The thieves targeted a number of people without realizing the identity of the victims and the small sums of money were used to pay mobile telephone bills [3]. If the amount of money siphoned off is small, account holders might not be aware they are being robbed. Since the announcement of the hacking attacks, two suspects have been arrested for the breach [4].

Data breaches at the state and local level exposed 3.8 million Americans [5]. One problem is that most data breaches are likely to go unnoticed [6]. In addition to data breaches, other security controls, such as an adequate backup, are also challenges. For example, in Texas, a computer crash wiped out the state attorney general's Medicaid fraud prosecution electronic files and there was no backup [7].

Keeping computers secure by installing software patches has become a race against the clock. Within hours after Microsoft described details of a new bug, an exploit was available [8]. On Thursday, October 23, Microsoft released an emergency security patch to correct a problem that exposed all of their machines to serious hack attacks [9]. In the past, out of band Microsoft security patches were issued to mitigate an ongoing exploit [10]. The exploit appears to use a rogue remote procedure call to allow the attacker to execute code on the target system [11]. One of the driving reasons for the emergency patch is that it affects every running version of Windows and it is remotely exploitable [12]. There are indications that hackers are actively exploiting the vulnerability [13]. One report suggests the exploit does not require a click for the host to get infected and the worm, GIMMIV.A, is already in the wild [14]. This is another example of the challenge for those responsible for maintaining security. A well positioned attack could easily install Trojan horses on the system so even when the patch is installed, the security of the host could still be compromised.

Years ago, the military placed a significant effort into mitigating electromagnetic signals referred to as Tempest. With the introduction of low power devices Tempest has been pushed to the back shelf. Now researchers in Europe have demonstrated that each key pressed on a keyboard, including on laptops can be captures from 20 meters away [15]. The Swiss researchers were even able to capture signals through walls [16]. So while in the comfort of your hotel room, someone next door could be capturing your keystrokes unbeknownst to you.

1. Allen, Peter, The Telegraph (UK), *Sarkozy bank account raided in internet scam*, October 20, 2008.

(Continued on page 2)

Financial News

In Georgia, the Alpha Bank became the 16th bank shuttered with an estimated $158 million impact to the FDIC insurance fund [1]. Meanwhile, Wachovia posted a $23 billion quarterly loss [2]. PNC announced it plans to purchase National City services Group for $ 5.6 billion [3].

Alan Greenspan, former Fed chairman told the House of Representatives Committee on Oversight and Government Reform "this crisis, however, has turned out to be much broader than anything I could have imagined" [4]. Mr. Greenspan went on to suggest more regulation was needed [5].

Indeed, chairman Waxman is calling for regulating hedge funds and credit rating organizations [6]. At the same hearing, Mr. Cox and Greenspan indicated that bad data and high ratings from credit agencies skewed the computer risk models used [7]. Thus, if the data used by the regulators is

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Inside this issue:

Special points of interest:

- French president's bank account hacked
- Over 1 million people now have PIV cards
- Iceland received $2 billion IMF loan
- Congressman calls for 25% cut in defense spending
- Alpha Bank in Georgia is 16th bank shuttered this year

Security News

(Continued from page 1)

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14. Sterling, Bruce, Wired, *Click On Nothing, Get a Worm Anyway*, October 25, 2008.
15. BBC, *Keyboard sniffers to steal data*, October 21, 2008.
16. Claburn, Thomas, Information week, *Computer Keyboards Betray Users' Keystrokes To Radio Eavesdroppers*, October 21, 2008.

There's no such thing as a free lunch–Milton Friedman

Financial News

(Continued from page 1)

altered, the actions of the agency could be manipulated.

In past newsletters, we have pointed out that budget cuts should be expected. One congressman, Barney Frank, is already calling for a 25% cut in defense spending [8]. While we do not know what the actual cutback will be, it highlights the need to plan based on fewer resources.

Readers may recall Iceland has been close to bankruptcy following the collapse of its banks. The International Monetary Fund will lend Iceland $2 billion to help it through this crisis [9]. In the UK, one of the best known hedge funds, RAB Capital, has stopped investors in two of their funds from cashing out [10]. This could set the stage for silent runs on hedge funds as investors worry they will not get their money out.

1. Reuters, *Small Georgia bank is 16th US bank failure in 2008*, October 24, 2008.
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3. Reuters, *PNC to buy ailing National City for $5.6 billion*, October 24, 2008.
4. Reuters, *Greenspan "shocked" at credit system breakdown*, October 23, 2008.
5. Thibodeau, Patrick, Computer World, *Greenspan, Cox tell Congress that bad data hurt Wall Street's computer models*, October 23, 2008.
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7. Andrews, Edmund L., The New York Times, *Greenspan Concedes Error on Regulation*, October 23, 2008.
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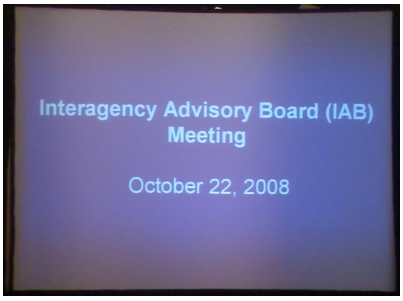
Interagency Advisory Board



The IAB meeting was held in the Ronald Reagan building. Duane Blackman described the Identity Management Task Force that he co-chairs. There are currently a number of digital identity stores throughout the Government. It is hoped that information updates, such as a name change, can be done at many locations based on a single data entry.

Don Grant and Craig Wilson provided a status update of ongoing FEMA activates and goals. It is hoped that first responders and their capabilities can be identified quickly so there can be a better response to disasters.

Dave Temoshok and Steve Duncan provided a summary of the testing and development activities that went into the GSA/OPM interface. The GSA collects records centrally and these are sent to the OPM through a single VPN.

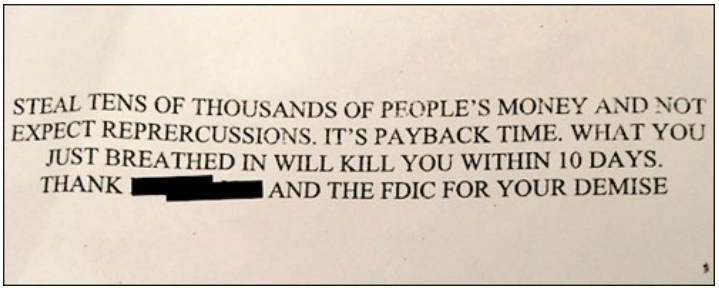
Terry Schwarzhoff, Will Kemp, and Graeme Freedman described work in Australia for a smart card based authentication system.

Mike Butler summarized the GSA effort issuing PIV cards. Through the GSA, in October of last year, there were 24 people with PIV cards; today that number is over 100,000. Mike pointed out that the project was more challenging than he had expected. When using all PIV issuance sources, over 1 million people were issued PIV (approximately 20%). In the past three months, the number issued went from 3% to 20%.

Panic Control

Seven years ago, the nation experienced the anthrax attacks delivered through the USPS mail [1]. The latest anthrax scare consisted of 50 letters sent to Chase banks and Federal regulator offices [2]. This is a reminder that in the seven years since the actual anthrax attack, there were no convictions. The FBI has concluded the threatening letters were a hoax but this is a crime and they are offering a $100,000 reward [3]. Readers may recall back in 1982 the consequences of the Tylenol poison scare where stores removed the product from their shelves [4]. Again, there was no conviction but there was a significant scare.

In the examples cited, the average citizen is relying on the Government to maintain order and bring the guilty to justice. This brings us to the current financial panic driven by fear and panic [5]. If people are not reassured, the steps taken by the Government will not be fully successful in abating the panic. However, the financial panic is now a worldwide event making it more difficult to contain [6]. Finally, it appears the source of the Steve Jobs heart attack rumor that drove Apple down $4.8 billion was not trying to manipulate the stock [7].


STEAL TENS OF THOUSANDS OF PEOPLE'S MONEY AND NOT EXPECT REPRERCUSSIONS. IT'S PAYBACK TIME. WHAT YOU JUST BREATHED IN WILL KILL YOU WITHIN 10 DAYS. THANK [redacted] AND THE FDIC FOR YOUR DEMISE

Letter sent to Chase banks and Federal regulators—FBI

1. CNN, *Investigators look for links between anthrax and terrorism*, October 16, 2001.
2. Kravitz, Derek, Washington Post, *FBI Seeks Anthrax-Scare Culprit*, October 23, 2008.
3. Jordan, Laura Jakes, AP, *FBI: Threatening letters say 'It's payback time'*, October 23, 2008.
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7. Gamet, Jeff, The Mac Observer, *18 Year Old Targeted in Jobs Heart Attack Rumor*, October 24, 2008.

I begin by taking. I shall find scholars later to demonstrate my perfect right.—Frederick The Great II

China Pirated Software

In 2001, it was estimated that 94 percent of the software used in China was pirated (behind number one Vietnam with 97%) [1]. In 2003, 60% of Chinese computers were operating Microsoft operating systems but few were paying for legitimate software [2]. In 2005, President Bush was pressing Chinese President Hu Jintao and Premier Wen Jiabao to cut back on piracy [3]. By 2007, the rate of pirated software in China had fallen to 82% [4]. It should come as no surprise that efforts to abate piracy would be resisted. Case in point, Microsoft has added an anti-pirate feature that has the Chinese users upset [5]. If the software fails the Windows Genuine Advantage test, the screen goes blank [6]. There are now threats of a boycott against Microsoft [7].

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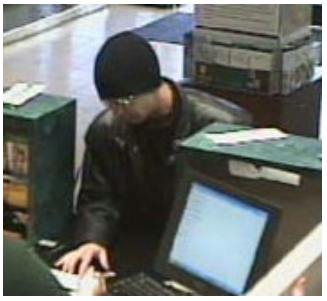
If one little old general in shirt sleeves can take Saigon, think about 200 million Chinese comin' down those trails. No sir, I don't want to fight them– Lyndon B. Johnson

Crime

Sometimes the best anti-crime tool is luck. For example, in Hartford, a police imposter pulled over a legitimate off duty police officer and was later arrested [1].

Overseas, three people were arrested in South Korea for using forged documents used to transfer nearly $30 million from Citibank [2]. Domestically, In New Orleans, a man was convicted for possessing $1,780 in counterfeit bills [3]. In California, a former CEO of a golf company pleaded guilty to a $28 million investment fraud scheme [4]. A fund manager, Raffaello Follieri, who duped investors out of $12.9 million, was sentenced to 4 1/2 year in prison [5]. In Brooklyn, a man was indicted in a $20 million mortgage fraud scheme [6]. In Wisconsin, a man that defrauded a bank causing the loss of $ 3.8 million was sentenced to 8 years [7]. In Connecticut a man pleaded guilty to a $3.6 million mortgage fraud scheme [8]. In New Jersey, a man was indicted for an alleged $4 million mortgage fraud scheme [9]. The FBI has 1,569 pending mortgage fraud investigations open as of August [10].



Nebraska Bank Robber—FBI

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