

## Data Breaches Caused by Overseas Hackers Now Receiving White House Attention

October 16, 2014 - The White House has announced that the recent spate of data breaches caused by overseas hackers has risen to a level that now requires presidential attention. From now on, the President will receive regular briefings on these matters. It appears that the recent data breach at JP Morgan Chase, which is believed to have been caused by Russian hackers, is the reason for this heightened scrutiny. That breach exposed the names, addresses, phone numbers and email addresses of 75 million people.

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Over the past year, foreign hackers have been behind some massive data breaches. Target, Home Depot, Neiman Marcus, Michaels – just to name a few. But JP Morgan Chase is the granddaddy of them all, and that particular breach is different from any of the others in that no money has been stolen and the stolen information doesn't appear to be available on the black market. That difference is troubling the White House.

You might think that it's "a good thing" when a breach doesn't lead to fraud. But in the case of Chase, the lack of fraud appears to have spooked the government. That fear has only been heightened since it was revealed that the breach began in July and only recently discovered, and that Chase wasn't the only bank that is believed to have been affected. Both Citigroup and E-Trade are also suspected of being hacked.

The timing of the hacks is also a cause for suspicion. They occurred shortly after the Obama administration levied economic sanctions on Russia for the country's invasion of the Ukraine. The fact that Russia was already angry with Chase for placing a hold on a \$5,000 diplomatic wire transfer has only added fuel to the fire. Because the hackers are believed to be in Russia, the Obama administration clearly suspects that they were directed by the Russian government and targeted at the US financial system.

There are a wide variety of theories floating around as to why Russia would hack into a bank but not steal any money; all of them unsettling. Regardless of the reason, affected banks are now scrambling to change their security infrastructure because they believe that whoever was behind these hacks probably has a very clear picture of how to launch future attacks and completely bypass their current security systems.

It is quite probable that a coordinated cyberattack against large financial institutions would be more effective at bringing them to their knees than the housing bubble that caused the Great Recession. The fact that the issue is now getting some presidential attention is good. But that won't do anything to stop such an attack. At some point, real leadership is going to be required to protect our banking system. And that leadership is likely to have to make some choices that the

general public may not like. We've all grown to love the convenience of having everything available to us online. To protect the banking system, that clock may need to be rolled back a few years.

byJim Malmberg

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