



ÆGIS journal

Addressing threats that affect your bottom line

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This month's features:

- **Special Announcements**

- 1. Asset Location and Due Diligence — AML implementation issues**
- 2. OPSEC, Economic Espionage, and Competitive Intelligence — Sharing the news in China**
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LUBRINCO has been short-listed by the Asian Development Bank for development of an Anti-Money Laundering program in Pakistan

L Burke Files will be speaking at:

- Sept 15th - 17th The 13th Annual International East West Security Conference, Rome, Italy
- Oct 16th - 17th Detectando al Empleado Deshonesto, A Comprehensive Look at Occupational Fraud and Money Laundering, Mexico City, Mexico
- Oct 20th – 24th International Structures - Panama City, Panama

Richard Isaacs will be speaking at:

- December 9th – 15th International East-West Security Conference & Exposition, Malta

1. Asset Location and Due Diligence — AML implementation issues

Someone we know pointed out that we had been saddled with the rather onerous Sarbanes Oxley not because companies were bad at record keeping, but because companies had been engaging in fraud and theft. As is almost always the case the legislation that came out of this over-reacted: All Sarbanes Oxley really needed to say was that auditors could no longer act as corporate consultants.

What we end up with is a vicious circle of theft and fraud on the part of corporate managers followed by onerous regulation that makes for an unpalatable business climate here, inducing companies to go offshore. In the past there were other options available to deal with these issues. As an example, at one point shareholders could intervene. However, Justice Powell effectively quashed this remedy, so that shareholders are no longer a concern for managers.

Another possibility would be better monitoring of existing regulations. Some find it comforting to know that inspectors are making sure that food processors are being watched to make sure that the food we buy won't kill us, that airlines are being inspected to make sure that planes won't fall out of the sky because of improper maintenance, and that corporations are being audited to make sure that they are not engaging in theft and fraud. However, lobbyists have been extremely effective in cutting down inspectors in all

government agencies, and it is a safe guess that if the SEC again tried to make substantive inspections, their budget would be slashed.

Note that inspection is designed to induce compliance. Enforcement comes after the breach of trust and fidelity. Compliance –not engaging in theft and fraud –comes before. Further, while there no doubt that an increased budget for the SEC would result in increased compliance, does the increased vigilance translate in to increased opportunity for the economy, or a disincentive to use the US? If inspection induces compliance it is good. If it is merely punitive it is bad. If companies leave the US because of a hostile environment it is bad. If they leave because they feel they can more easily engage in theft and fraud in another jurisdiction it may well be good.

This balance is something we keep in mind when implementing AML programs, particularly in developing nations. On the one hand, we want to be compliant. Often this is the only interest of the hiring agency, particularly in the US. On the other hand, we also wish to actually cut down and detect money laundering: This is, in theory, what AML is about.

Money laundering is an event used to gather funds from crime to support both criminals and the reinvestment of those proceeds into additional activities that are antithetical to government and the needs of the general population. Failure to prevent money laundering is economic fertilizer for the enemies of state and the common good. On the third hand, we do not want to create an environment that is hostile to business, and hinder economic growth rather than help it. It can be an uncomfortable balance until the gatekeepers get the real importance of what they are to do.

Trying to get all three of these elements in place is a challenge, particularly if the only desire is to meet some minimal level of compliance – activity over substance – and then go back to business as usual.

2. OPSEC, Economic Espionage, and Competitive Intelligence — Sharing the news in China

As part of the Olympics, hotels providing Internet access are being required by the Chinese government to install software to capture everything you send and receive. While those who travel regularly to China always assume that everything they do or say is monitored, it is possible that those coming to China for the Olympics may not be aware of this. Many hotels will show a pop-up window warning users that their activity will be monitored. However, it is possible that not all hotels will do so.

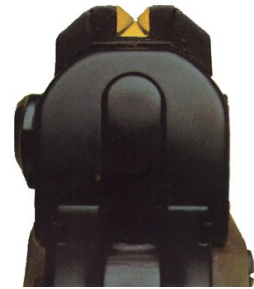
Therefore, if you are going to China for the Olympics, be aware that everything you say, do, write, and read will be being shared with others.

For most tourists this is not much of an issue: Everything they do will be as tourists, and completely above board. However, for those of a more political bent, or those engaging in business activities or dealing with sensitive commercial information, it is prudent to watch your step.

3. Executive Protection — Sights for concealed-carry guns

As readers know, we do not own, keep, or carry guns for personal protection. On the other hand, we are occasionally forced to carry guns as part of our professional obligations, and therefore shoot every day. We tend to carry one of two handguns, depending on the circumstances. The first is a 9mm ASP and the second is a .45ACP Smith & Wesson 625-3.

The ASP came with the famed Guttersnipe sights, which we felt to be inappropriate for most work. We had them replaced by more conventional sights which worked as well or better at close distances as the originals, and worked much better at greater distances. Because the ASP tends to shoot where we point it, and has much less perceived recoil than a conventional 9mm, we are less concerned with its sights for short distances, or in conditions of darkness.



However, because of personal bias we prefer .45 ACP to 9mm. Therefore, much as we admire the ASP, unless there is some legal or logistical constraint, given our choice we will always opt for the .45ACP S&W 625-3. The 625 came with standard red ramp S&W front sights. These are excellent sights for many purposes – we shot the Secret Service match with this configuration, in spite of the fact that it has a totally inappropriate 3” barrel, and did not score at the bottom of the heap. Nonetheless, in a carry pistol our interest is not in shooting at one of the great ranges of the world, but in shooting in the dark at a target which is somewhere between next to us and ten feet away. (For our training outline, go to <http://www.lubrinco.com/lgptsht.html>). For a number of reasons, we felt we needed to look at other alternatives in terms of sights for this gun.

In this situation, our interest is in sights that will help us get off the first shot when we have some leisure, *not* when shooting has started. We decided on a tritium front sight so we would have at least some vague idea where the front of the gun was in relation to the target. Why not get tritium rear sights as well? Because in this situation we need to know where the target is and

where the front of the gun is. Rear sights simply don't contribute much in this situation.

Our choice was the XS Sight Systems Big Dot Tritium Express Set, shown here on a Smith & Wesson 686. The big dot is **really** big, and easily picked up when it is light enough to see. As it gets darker, the tritium capsule in the center of the sight becomes visible enough to be seen for that important first shot. What about the remaining shots? There will be so much fire flying from the barrels of the guns being fired that this will not be a significant issue.



The sights we got, the SW-0004S-3, retail for a modest \$90, and are well worth it. XS sights are among the best in the world, and if you carry a gun for work you should be speaking with them. If not, we believe you are doing yourself a disservice.

XS Sight Systems (<http://www.xssights.com/>) are at 2401 Ludelle Street, Fort Worth TX 76105. Their phone number is 1-817-536-0136.

4. Technical Issues — Illness and guns

Recently this editor became (and still is) seriously ill. The good news was that any illness whose symptoms in any manner suggest a Viral Hemorrhagic Fever tends not to be ignored. The better news was that we got sick in Manhattan: The last time we were this sick was when we got cholera in Iran, an equally-amusing story which had some additional issues not relevant here.

We learned a lot about being sick. If you call someone who is mostly sleeping, keep the call to a few minutes. If you go to visit, once it is clear that your presence has been recognized you can pretty much leave if the person is dozing. If you decide to show up with food, which will doubtless be appreciated, leave it and go. Don't send text messages at 7am saying "I hope I'm not awakening you, but I just wanted to know how you are." Don't call at 1am. Call between 10am and 8pm.

Shortly after getting sick we got a call from one of our be-armed-at-all-times friends suggesting that since we were in a vulnerable state, we really should have a loaded handgun on our nightstand.

Putting aside the minor issue of our not having guns and ammunition at hand, this seemed pretty much crazy to us. Here we were, physically (we lost about ten percent of our body weight in two weeks), emotionally (we

thought we were dying), and psychologically (when your temperature sails past 103 don't count on really clear thinking, or on having a Piagetian level much above that of a six year old) at our worst, and someone wants us to keep a gun at hand?

We instead chose an alternative to keeping a gun at hand: We simply spent two weeks sleeping, comforted by the fair assumption that since nothing bad had happened in the last 65 years, nothing bad would happen now.

But what if something were to have happened? As an example, at one in the morning we got a call from our doorman saying the food we had ordered had arrived. Since we had not been able to eat for several days, we told him to have the delivery guy check the address, and went back to sleep. But what if the delivery guy were to have become psychotic, slipped by the doorman, and tried to beat our door down? Putting aside the minor issue that our door was unlocked so that neighbors caring for us could get in more easily, we had two approaches that seemed more reasonable than killing the delivery guy, and still allowed sleeping. The first would be to ignore the pounding and just stay in bed. The second would be to call 911, which would have produced a street full of police cars in under 30 seconds.

However, neither of these was necessary. The doorman and the delivery guy figured out who had ordered the food, and we got to go back to sleep.

Now it is certainly true that if you need a gun, there will be no adequate alternative weapon. That said, the odds of needing one while asleep in Manhattan are so slim as to not be worth considering.

Often, however, you are in a situation where you don't need a gun. As an example, another editor was once staying at his older sister's for care while seriously ill. During the night a stalker broke into the home and was found rummaging through her clothes in her closet. Within a few seconds of reaching the intruder in the closet our intrepid editor violently vomited on the intruder, who screamed and left. The sister was thankful for the assistance, but not the carpet and dry cleaning bill. Keep your stomach loaded...

5. Real Stories from the Field — Presidential politics: More lies on all sides

As the political fight for the Presidency of the United States heats up, the lies have continued to flow in. Our recent favorite said, in essence, that while families of the 911 homicide victims, for reasons that have never been made clear us, got on average \$2 million each for having a relative be in the wrong place at the wrong time (the airlines got a grant of \$5 billion and \$10 billion in loans and the other roughly 6,500 Americans who died that day got

nothing), the families of soldiers killed in action get 8 ducats and a wheel of cheese. OK, they actually had some dollar figures broken out, but it wasn't much more than that. We love cheese as much as the next person, but the figures listed didn't make much sense, so we went on line to check them, and they were wrong! In fact, it is a safe assumption that any startling revelation that supports or degrades a candidate is probably a lie.

In the world of politicking, the current situation is very difficult. In most elections it is one candidate against another, or one position against another. You would think the latter would be the case, as there are a number of critical long term planning issues that need to be discussed, but are not being discussed. For example, neither candidate has said, "We have 300 million people in the United States. What do we want them to be doing for employment this year? In five years? In ten years? In 25 years?"

Similarly, there is no discussion of long term energy policy (and no, "drill" or "don't drill" is not long term policy). Nobody has said (we are not policy makers, so what we are writing here is merely a sample of the *kind* of debate that we should, but are not, hearing), "In 30 years we want to be using hydrogen fuel for cars. To get there we will invest \$xxx. In the interim we want to move to electric cars and natural gas cars as a transition phase. Until that happens we will incentivize efficient current-technology and hybrid cars by giving a tax credit if your car gets over 50 miles a gallon highway, and a tax penalty if it gets under 20 miles per gallon highway. SUVs are *not* trucks, and will be penalized appropriately."

"In addition, we need to decrease use of fuel by airplanes and trucks by finally implementing a maglev (<http://ntl.bts.gov/DOCS/TNM.html>) system. While trains are more efficient at carrying heavy loads than trucks, trucks are more efficient at carrying light loads. Since maglev is friction free, trucks will be able to carry light goods relatively short distances to a depot, with the maglev carrying the freight more efficiently for the long hauls. This will cut down on the overall use of trucks."

"In addition, since maglev trains travel between 300 and 500 miles per hour, a lot of short haul airline travel will be eliminated. In theory you could stroll into Penn Station in New York at 8am and (if it were a direct train with no stops, which we admit is unlikely) get off the train at Union Station in Los Angeles at 3pm the same day. A well implemented maglev system could substantially cut down domestic air travel, and its associated fuel usage. If a closed-tube system were implemented the time to LA would be about three hours, which is rather astonishing. In the case of the Baltimore-Washington

system (<http://www.bwmaglev.com/>), the time between the two cities will be roughly twenty minutes.”

“In addition, we want to cut down on oil-to-electricity conversion by moving to wind generated power where appropriate, hydroelectric power where appropriate, geothermal power where available, and solar power where reasonable, which should be enough to supply all of America’s power needs with no oil usage. Short term we want to encourage municipalities to build and own their own power generation facilities, because the cost of electricity to citizens of the municipality will be lower – typically by a third – than buying from the grid (and we have read that one big wind turbine will provide electricity for 1000 homes). We also want to encourage more efficiently insulated houses so less power is needed for heating and cooling.”

While this is only a sample of the kind of debate over long term planning that we *should* be hearing, neither candidate is actually discussing *any* long term planning issues in *any* area.

Instead, in this election what we have is not a discussion of issues, but John McCain running against the concept of change, with change being a rather amorphous quality. This leaves McCain with four obvious constituencies:

- Those who will not vote for a black man will vote for McCain.
- Those who believe that the primary function of the human race is to produce souls for God through Jesus, and that abortion, which deprives God of a soul, is a mortal sin will vote for McCain.
- Those who feel that the war in Iraq was appropriate and justified will vote for McCain.
- Those who believe the function of government is to ease the way for business and step back letting the economic benefits trickle down, and who believe *either* that our current economic malaise is cause by business-interfering big-spending Democratic social programs, *or* that the economy is thriving because of Republican policies, will vote for McCain.

Obama, on the other hand, has only one ill-defined constituency: Those who want change, which they likely are unable to define with any clarity. The interesting factor here is that one might expect that this desire for change might be enough to motivate the bottom forty percent of households – that is nearly half of all households – that share 0.2 percent (two tenths of one percent) of the country’s wealth to vote. As it turns out, this group is

traditionally afraid of change because it almost always be for the worse, and they have no cushion from the bottom.

In addition, in an election such as this the winner is likely to be the one that is most skilled in controlling either votes or voters. In the past, Democrats were the masters of voter fraud, but with the introduction of Direct Recording Electronic voting machines (DREs), the advantage has shifted to the Republicans. From a Republican perspective, therefore, one way to control votes is to get more states to use DREs: If you could get New York to go for DREs, Manhattan would vote Republican!

Another way is to control voters is to use voter registration fraud to get rid of *undesirable* voters. According to Greg Palast, in swing-state Colorado the Republican Secretary of State conducted the biggest purge of voters in history, dumping twenty percent of all registrations, largely people of color. In swing-state Florida, the state is refusing to accept about 85,000 new overwhelming-black registrations from voter drives. In swing state New Mexico, half of the Democrats of Mora, a dirt-poor and overwhelmingly Hispanic county, found their registrations disappeared this year, courtesy of a Republican voting contractor. In swing states Ohio and Nevada, new federal law is knocking out tens of thousands of voters who lost their homes to foreclosure (no poll tax, no poll). This level of voter registration fraud – essentially uncontested by the Democrats – may already be enough to control the election.

While potentially controlling the outcome of the election is good, from a PR perspective you don't want tampering with votes or with voter registration to become an issue. In this case, it is not unreasonable to make up some preposterous scenario that suits your view of the world: Barack Obama eats children. Then pepper it with some bits of truth (Obama has said he loves children, and he and Michelle apparently both enjoy cooking), and send it forth. No matter how outlandish the story is, you will find some someone who will believe it. If you are lucky, you will also find some idiot who was sitting on the fence and for whom this will be the last bit of evidence – Do you want a President who eats children? – needed to gain their vote.

How do these lies actually help the campaign? If voter or voter registration tampering is brought up, the appropriate response becomes, “You are getting caught up in paperwork issues and missing the real question: Do you want as President someone who eats children?”

6. Book and Product Reviews

Vopt 9

Golden Bow

\$40.00

<http://www.goldenbow.com/> 1-619-298-9349

There are two easy ways to maximize the power of your computer. The first is to have as much memory as possible, and the second is to have your hard drive as defragmented as thoroughly possible.

In this article, we will deal with the issue of defragmentation for the home user. While there are different sets of tools available for servers, for the home users we believe the best choice is Golden Bow's Vopt, now in its ninth incarnation. We started using Vopt in the '80s, probably with version one, and suspect we have the original installation disk tucked away in a box somewhere in our storage space.

Vopt has gotten faster and better over the years, and now includes a host of features which generally don't concern us. What does concern us is Vopt's ability to defragment a hard drive really quickly. This it does.

If you wish to maximize the speed of your home computer, we strongly urge you to look at Vopt.

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