

NY FED REJECTED CYBER-HEIST TRANSFERS, THEN MOVED \$81M

DHAKA/NEW YORK: Hours before the Federal Reserve Bank of New York approved four fraudulent requests to send \$81 million from a Bangladesh Bank account to cyber thieves, the Fed branch blocked those same requests because they lacked information required to transfer money, according to two people with direct knowledge of the matter.

On the day of the theft in February, the New York Fed initially rejected 35 requests to transfer funds to various overseas accounts, a New York Fed official and a senior Bangladesh Bank official told Reuters. The Fed's decision to later fulfill a handful of resubmitted requests raises questions about whether it missed red flags.

The New York arm of the US central bank initially denied the transfer requests because they lacked proper formatting for the SWIFT messaging system, the network banks use for international financial transfers, the two officials said. The Bangladesh Bank official said they lacked the names of correspondent banks, which typically receive wired funds. The Fed rejected the requests, which came from hackers who had broken into the SWIFT network through Bangladesh Bank systems.

Technical compliance

Later in the day, however, the cyber thieves resubmitted those 35 requests. On the second try, the messages had the proper formatting, the New York Fed

official said. The requests had been authenticated by SWIFT, the first line of defense against fraudulent wire transfers. Despite the technical compliance, the New York Fed rejected 30 of the requests a second time. But the Fed did approve five requests - for a total of \$101 million. Later, one of those five transfers - a \$20 million request - was reversed because of a misspelling. The New York Fed has said it blocked the 30 resubmitted requests because they were flagged for economic sanctions review. Only afterward were they deemed potentially fraudulent.

The Bangladesh Bank official and another source close to the bank said the New York Fed should have rejected all the requests on both the first and second attempts. The source close to the bank, who also had direct knowledge of the matter, said anomalies in the four transfers that ultimately went through should have raised questions at the New York Fed. They were paid to individual recipients, a rarity for Bangladesh's central bank, and the false names on the four approved withdrawals also appeared on some of the 30 resubmitted requests rejected by the bank, said the source close to the Bangladesh Bank.

"Of course, we asked the Fed why the repetition of the names did not create red flags," the source said. "They are saying they rejected 35 badly submitted ones," the source said. But when the requests were resubmitted, they "paid 5 of them and stopped 30. Why?

They can give no answer," Bangladesh Bank and SWIFT declined to comment. The New York Fed has said there were no problems with its procedures for approving SWIFT fund transfers, and declined to comment on whether it missed any warning signs. The cyber theft from Bangladesh's central bank - and recent disclosures of other similar fraud attempts - have brought scrutiny on the SWIFT messaging system. SWIFT is a cooperative of global banks formally known as the Society for Worldwide Interbank Financial Telecommunication, and its transaction system was used as a conduit for one of the largest cyber bank heists in history.

In the United States, a congressional committee has launched a probe into the New York Fed's role in the bank heist. The Bangladesh central bank might seek compensation for the funds from the Federal Reserve, and Bangladesh Bank police have said that recent installation of a new SWIFT settlement system at the bank last fall may have provided thieves an opportunity to gain access to the bank's SWIFT servers.

Red flags

The New York Fed's reviews of payment requests that come over the SWIFT system are focused chiefly on guarding against money laundering and transfers to people and entities that are under U.S. government sanctions, Fed officials have said. But requests often also are temporarily halted to fix typos and other for-

matting problems. The Fed branch has said its clients, including Bangladesh Bank, and SWIFT have primary responsibility for preventing unauthorized transfers.

Fed employees queried Bangladesh Bank about the purpose of the payments requested on Feb. 4 and again on Feb 5, according to a letter to congresswoman Carolyn Maloney (D-NY) by New York Fed General Counsel Thomas Baxter. The four transfers totaling \$81 million went to accounts in the Philippines. The money wound up with casinos and casino agents and remains missing. An attempt to transfer \$20 million to a foundation in Sri Lanka was reversed because the word "foundation" was misspelled.

The source close to Bangladesh Bank said questions about the anomalies in the approved requests were discussed at a meeting in Basel last month between New York Fed President William Dudley, Bangladesh Bank Governor Fazle Kabir and representatives from SWIFT. Rep Maloney and Tom Carper, the top Democrat on the Senate Homeland Security Committee, both have made inquiries to the New York Fed.

The House Science Committee informed the New York Fed in a letter this week that it is launching a probe into its handling of the transfer requests. The committee plans to examine the New York Fed's response to the heist, the oversight of SWIFT, and whether additional measures are needed to address vulnerabilities to cyber attacks. — Reuters

BOTTLED WATER SELLING QUICKLY AFTER ALABAMA WATER WARNING

COURTLAND: Lisa Davis, a cashier at a Foodvalu grocery store in rural north Alabama, spent Friday ringing up bottled water sales after a local utility declared its tap water unfit to drink because of chemical contamination. Some customers got a six-pack; others bought jugs or a whole case. The scene was the same across the street at a Dollar General store, where a big metal cart once full of bottled water stood empty.

The run on water began Thursday afternoon, when officials with the West Morgan-East Limestone Water and Sewer Authority held a news conference to warn the utility's 10,000 residential and business customers in parts of two counties to not drink or cook with tap water because of chemical contamination. Davis, 41, said she and her two children will be fine during a dry spell that officials said could last until fall. But she's worried about the less fortunate and elderly who may not have extra money to spend on bottled water.

"These older people who are on a fixed income can't just go out and buy water," she said. "They are paying water bills." The scare comes as other states are dealing with serious water-contamination issues: In Flint, Michigan, where tests found lead in tap water earlier this year, officials are still distributing bottled water to residents. In West Virginia, lawsuits and an investigation are ongoing over the release of toxic chemicals into the Elk River in 2014.

Health risks

The West Morgan-East Limestone utility has long been aware of the presence of perfluorooctanoic acid and perfluorooctane sulfonate in its water system, but the levels of the chemicals were within acceptable levels defined by former Environmental Protection Agency guidelines. Last month, however, the EPA lowered its recommended levels for the chemicals. It said water systems with combined levels of 70 parts per trillion of the chemicals in drinking water should advise customers of the potential health risks and take steps to reduce the chemicals.

The chemicals, commonly called PFOA and PFOS, have been used to make fabrics, packaging and coatings for cookware, according to an EPA fact sheet. Studies indicate that exposure to PFOA and PFOS above certain levels may result in problems including low birth weight, accelerated puberty, cancer, liver damage and immune-system effects, according to the EPA. Under its new guidelines, the EPA says pregnant women and breastfeeding mothers should not drink the water and that it should not be used in baby formula. West Morgan-East Lawrence's general manager, Don Sims, went further after recent tests of the local water found levels almost 60 percent higher than the new EPA limit. "I would rather be overcautious than under-cautious," Sims said during a news conference. "I'm not a doctor; I'm not a chemist. But when they tell one class of people the water is not safe, I don't want to be the one to say, 'You drink it and you don't.' So I said, 'Nobody drink it.'"

Filtration system

A temporary filtration system to purify the water won't be ready before September, officials said, and a permanent solution could be three years away. Dr Jim McVay, a spokesman with the Alabama Department of Public Health, said the authority made the announcement without consulting health or environmental officials. The Health Department is sticking with EPA guidance that warns only some to avoid the water, he said. "That's the best science we have," McVay said.

Gov Robert Bentley said in a statement that the local decision "effectively turned an advisory into a regulation." "Based on my current understanding, I am confident that there is no health-related crisis based on the water quality of the West Morgan East Lawrence Water Authority," Bentley said. The utility's latest warning comes amid an ongoing lawsuit that it filed against 3M and other manufacturing companies along the Tennessee River last year, blaming them for polluting the river with industrial chemicals. — AP



CARACAS: View of an empty refrigerator at the house of Liliana Rojas (out frame) in the poor neighbourhood of Catia. — AFP

OIL DEPENDANT VENEZUELA'S BARE FRIDGES A SIGN OF FAILING ECONOMY

CASH RUNNING OUT TO IMPORT THE FOOD, OTHER BASIC GOODS

CARACAS: Mayra de Ramos stood in line all day to buy two packs of corn flour and pasta, but the Venezuelan grandmother says it won't be enough. She lives with her three children and three young grandchildren in Catia, a downtrodden neighborhood in Caracas. "My refrigerator is bare," the 64-year-old pensioner says, showing its empty shelves. "We don't eat three meals a day. We have breakfast late and lunch late and that's it. There's not enough milk. We give the kids 'fororo' (an inexpensive flour-based cereal) to get them to sleep."

Her daughter was the one standing in line at the supermarket that day because the last number on her ID card was selected under the government's rationing program. Ramos went the day before. "It was incredible," she says. "I had to wait in line all day. Sometimes we came away empty-handed." Home to the world's largest oil reserves, Venezuela has skidded into an economic catastrophe as global crude prices have collapsed.

The country that depends on oil for 96 percent of its trade revenues is running out of cash to import the food, medicine and other basic goods it buys abroad. The crisis has caused severe shortages and hyperinflation forecast to hit 700 percent this year, threatening President Nicolas Maduro and the socialist economic model he inherited from his late

predecessor Hugo Chavez. Venezuelans line up at dawn or even overnight outside the nation's supermarkets, guarded by heavily armed police to battle the growing problem of looting. "My day-to-day is going out to stand in line, to see what I can find," says Liliana Rojas, 44, a neighbor of Ramos's whose family of eight includes four children. "We eat breakfast and skip lunch. If we have lunch, we don't eat dinner so the flour lasts two days."

Black market

Rosa Gomez, a 38-year-old housewife, makes her way home in the densely packed Petare neighborhood with two packs of corn flour, two chickens and three sticks of butter. It's getting dark, it's raining and she's visibly tired. "I left home at 5 am," she says. "I spent the whole day in line just to get this. We have to do it. If not, we don't eat. I don't have the money to buy on the black market."

Maduro's government has launched a crackdown on black-market sellers who buy up subsidized products and sell them at a mark-up. They are called "bachaqueros," for a species of large ant. A pack of black-market flour costs more than 10 times the regulation price, Gomez says. "Your salary's just not enough," she says. "If you buy on the black market, it disappears like water."

To fight corruption at state-run supermarkets and hoarding by shoppers, the government has launched a distribution plan to pass out bags of subsidized food through so-called Supply and Production Committees headed by community leaders. The acronym in Spanish is CLAP.

"First come the CLAPs and then everyone else," Maduro said Thursday. "That's the order in line. All power to the CLAPs." Several protests have erupted in recent days when trucks loaded with food arrived at supermarkets only for police guarding the lines outside to commandeer the delivery for the CLAPs, according to witnesses.

And many Venezuelans complain those subsidized bags of rice, sugar, butter, oil and corn flour arrive only for a small portion of the population. Even those who get the subsidized bags aren't happy, saying they don't last long. "They give me this pathetic little bag from month to month," Ramos says. "There are four or five products, and less every time."

As she scrapes together the family's meal, she ties a cloth around the mouth of her faucet and turns it on, filtering dirty water into a bottle. She fills a few and puts them in the near-empty fridge. "Water. That's all there is," she says, a resigned smile flickering across her lips. — AFP



COURTLAND: An employee stocks bottled water at a Foodvalu store. — AP

FINNISH EMPLOYEES TO WORK MORE DAYS FOR SAME PAY

HLSINKI: Finnish labor unions representing around 85 percent of the workforce have accepted the government's bid to increase working hours without a pay rise, officials said Friday. Once one of the top performers in the Eurozone, Finland has been struggling for nine years to put its economy back on track.

The deal, drafted by Finland's pro-austerity government to cut the cost of labour, means that around 85 percent of Finnish employees will work 24 hours, three additional days, a year without extra compensation. Employees will also pay a greater portion of social insurance contributions and holiday pay will be reduced in the public sector.

Finland's economic woes first began in 2007 with the global economic slowdown and eventually led to a three-year recession between 2011 and 2014. Finland's centrist Prime Minister Juha Sipila, who had spent his first year in office pushing for the deal, celebrated it as "historic". "With this agreement we seek a major leap in competitiveness to make our country

thrive. We will catch up significantly with (our competitors) Sweden and Germany," Sipila wrote in a blog post.

The country's powerful labor unions had never before in their history accepted any wage cut, but their leaders said it was necessary now to create new jobs. In 2015, Finland emerged from the recession, with tepid growth of 0.5 percent, but the dark clouds over the economy have still not dispersed.

Last week Microsoft added to the agony with its announcement that it would need to get rid of the last 1,350 handset designers in Finland, whom it had acquired in 2014 from the Finnish telecom giant Nokia, the world's former number one in handsets. Finland's economic woes are blamed on falling competitiveness, an ageing population and the economic problems of its major trading partners, Russia and the European Union.

Moody's cuts Finland's AAA rating

Moody's became the third rating agency to remove Finland's top-flight AAA credit rating Friday, saying it sees

no improvement in the country's debt challenge over the coming five years. Moody's cut the Nordic country's rating by one notch to Aa1 following similar moves by rival rating agencies Fitch and S&P in 2014 and 2015.

The Finnish economy faces weak growth over the coming years that will reduce its resilience to potential shocks, Moody's said. Without economic improvement, the agency added, it foresees a deteriorating fiscal position "with no material reversal in the upward trend in the public sector debt burden likely in the next five years."

Although Finland's economy resumed growing slowly last year after three years of recession, Moody's said it expects the country to expand only 1 percent per year over 2016-2017. The country's debt burden will continue rising from 60 percent of GDP last year to 67 percent by 2018, it said. "The rise in Finland's debt load has been material and the measures planned to reverse it are not without challenges, particularly in a low-growth environment," Moody's said. — AFP



COLUMBO: A Sri Lankan fruit vendor selling king coconuts pushes his bicycle through traffic in Colombo yesterday. The IMF yesterday released the first tranche of a \$1.5 billion bailout for Sri Lanka, which is reeling after a government spending spree and facing a balance of payments crisis. — AFP