Chapter XI

Swallowing the Bait, Hook, Line, and Sinker:
Phishing, Pharming, and Now Rat-ing!

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Abstract

Phishing and pharming continue to plague many financial institutions and electronic commerce (e-commerce) Web sites. Security experts estimate annual losses from computer crime total in the billions, but there are actually no valid statistics on the losses from this type of crime because no one knows how many cases go unreported. The array of online threats grows all the time. Sophisticated criminals have now turned to a new activity of rat-ing, where criminals can watch everything the user is typing from other parts of the globe. The new activity is difficult to detect. Companies have devised various methods of protecting their customers. They are beginning to integrate more security, well beyond simple user names and passwords, as the need for more stringent methods becomes imperative. Various countries also have passed identity fraud legislation, but the global nature of cybercrime raises difficult legislative problems of jurisdiction as criminals use off-shore servers and Internet sites to avoid domestic regulations.

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Introduction

Computers and the Internet offer great benefits, but it is also increasingly being used as a tool for organized crime. With the greater deployment of new technology, cyber crime has become a growing worldwide problem and has become a major concern for the global community.

Security experts estimate annual losses from computer crime total in the billions, but there are actually no valid statistics on the losses from this type of crime because no one knows how many cases go unreported. Complaints about online fraud nearly doubled from 2003 to 2004, according to a December 2004 report by the FBI and the National White Collar Crime Center (Tynan, 2005). Research firm Gartner estimates that nearly 10 million Americans were hit by online fraudsters in 2005—largely due to a wave of phishing e-mails seeking to steal users’ identities (Tynan, 2005). Thieves make online purchases with stolen credit cards and go online to create new accounts by associating a slightly altered name with stolen cards. Organized crime is always on the look out for ways to make money and has seen the opportunities that cyberspace affords them as billions of dollars are being lost in the economy through high-tech crime. U.S. Treasury computer crime advisor Valerie McIver claimed that cybercrime has become even more lucrative than selling drugs (Leyden, 2005).

The 10th annual Computer Crime and Security Survey, put together by the Computer Security Institute (CSI) in conjunction with information security experts at the FBI, shows financial losses resulting from security breaches down for the fourth successive year. The survey was based on the survey of 700 computer security practitioners in various U.S. corporations, universities, and government agencies (Gordon, Loeb, Lucyshyn, & Richardson, 2005). Highlights of the 2005 Computer Crime and Security Survey include:

- Losses from theft of proprietary information doubled in 2005.
- The total dollar amount of financial losses resulting from security breaches is decreasing, with an average loss of $204,000 per respondent, which is down 61% from last year’s average loss of $526,000.
- Virus attacks continue as the source of the greatest financial losses, accounting for 32% of the overall losses reported.
- Unauthorized access showed a dramatic increase and replaced denial of service as the second most significant contributor to computer crime losses, accounting for 24% of overall reported losses, showing a significant increase in average dollar loss.
- Theft of proprietary information also showed a significant increase in average loss per respondent; more than double that of last year.
- The percentage of organizations reporting computer intrusions to law enforcement has continued its multiyear decline. The key reason cited for not reporting intrusions to law enforcement is the concern for negative publicity.
- There was an unexpected resurgence of several larger banks appearing higher in the statistics.
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