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U.S. House of Representatives
Committee on Energy and Commerce
Washington, DC 20515-6115

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CHAIRMAN

July 28, 2005

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The Honorable David M. Walker
Comptroller General
U.S. Government Accountability Office
441 G Street, N.W.
Washington, D.C. 20548

The Honorable Alan Greenspan
Chairman
Board of Governors of the Federal Reserve System
Twentieth Street and Constitution Avenue, N.W.
Washington, D.C. 20551

The Honorable Cynthia A. Glassman
Acting Chairman
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

Dear Mr. Walker, Chairman Greenspan, and Acting Chairman Glassman:

The events of September 11, 2001, underscored the financial markets' critical and increasing dependence on the integrity of their information systems infrastructure. We asked the U.S. Government Accountability Office (GAO) to prepare a report on the systems' vulnerability to electronic attacks. We are now writing with respect to the GAO's June 29, 2005, report, Financial Market Organizations Have Taken Steps to Protect against Electronic Attacks, but Could Take Additional Actions, GAO-05-679R, which was prepared in response to our request. To maintain the confidentiality of the sensitive information examined by GAO, the report that we are releasing today refrains from naming the seven critical financial market organizations examined and presents the results in an aggregated manner.

GAO found that all seven critical financial market organizations are taking steps to prevent their operations from being disrupted by electronic attacks. GAO said that each of the organizations had implemented the five major elements of a sound information security program

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identified at page 2 of the report. For example, all seven organizations had implemented layered or tiered information system architectures that involve placing increasingly sensitive hardware and data behind various layers of access controls.

Nonetheless, as shown in Table 1 on page 5 of the report, GAO identified anywhere from 11 to 38 suggested improvements that each organization should make to further strengthen its protections against electronic attacks. The majority of the weaknesses found by GAO involved lack of adequate controls in place at all key points of the organizations' networks. The seven organizations also exposed themselves to greater risk by having vulnerabilities on those parts of their networks used to manage network administration or security, according to GAO (p. 6). GAO states that actions to address GAO's recommendations were either in progress (28 percent) or were being evaluated or considered for future action (33 percent) by these critical organizations (Table 2, p.7). We encourage prompt action on these matters with timetables for completion.

The GAO report states that the regulators of the seven critical organizations examined by GAO plan to monitor the progress at these organizations in implementing GAO's recommendations for improvements to information security practices (p. 7). We are heartened by this undertaking by the Federal Reserve and the Securities and Exchange Commission (SEC). It raises, however, the important question as to whether the regulators have the necessary technical capabilities to make these critical technical assessments. For example, last year GAO reported to us that the SEC had not addressed weaknesses that have hampered the effectiveness of its Automation Review Policy (ARP) program. GAO stated that these issues included insufficient staff resources with the appropriate expertise to increase the frequency, depth, and comprehensiveness of its examinations and the lack of a rule that mandates compliance with the ARP program's tenets and examination recommendations. See Financial Market Preparedness: Improvements Made, but More Action Needed to Prepare for Wide-Scale Disasters (GAO-04-984, September 27, 2004). Accordingly, please provide assurances that these regulators have currently or have established a plan to acquire the technical expertise to fulfill this important commitment.

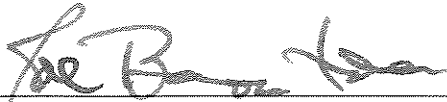
We appreciate and commend your attention to this matter. We take very seriously the Committee on Energy and Commerce cybersecurity jurisdiction and its attendant responsibilities.

"These issues are central to the strength of the country's national security and economy. Computers touch nearly every aspect of our lives, and the security of those systems and networks must be a priority, not only for the Government, but for the private sector that manages much of the Nation's critical infrastructure."
(Remarks of Chairman Joe Barton, Markup of H.R. 1817, Department of Homeland Security Authorization Act For Fiscal Year 2006, May 11, 2005.)


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At the same time, we are transmitting a copy of this report to the Chairman and Ranking Member of the Committee on Financial Services, which has jurisdiction over the financial markets, for any action they deem appropriate.

Sincerely,



JOE BARTON
CHAIRMAN



JOHN D. DINGELL
RANKING MEMBER



FRED UPTON
CHAIRMAN
SUBCOMMITTEE ON TELECOMMUNICATIONS
AND THE INTERNET



EDWARD J. MARKEY
RANKING MEMBER
SUBCOMMITTEE ON TELECOMMUNICATIONS
AND THE INTERNET



CLIFF STEARNS
CHAIRMAN
SUBCOMMITTEE ON COMMERCE, TRADE,
AND CONSUMER PROTECTION



JAN SCHAKOWSKY
RANKING MEMBER
SUBCOMMITTEE ON COMMERCE, TRADE
AND CONSUMER PROTECTION

cc: The Honorable Michael G. Oxley, Chairman
Committee on Financial Services

The Honorable Barney Frank, Ranking Member
Committee on Financial Services