

Fedwire

By Jack English

Prologue

In every revolution, there are winners and losers, people who adapt and people who don't. The current revolution is in commerce. Paper money replaced gold. Checks replaced paper money. And now, checks are giving way to electronic money. Every day, trillions of dollars are transferred across the country electronically. Most is sent over a network operated by the Federal Reserve Bank. This network is called Fedwire.

Chapter One: Senate Banking Committee

Washington, D.C. July 19th

The hearing room was jammed. Reporters from every newspaper and television station in the country were there. If the leaks were accurate, they were in for high drama.

“I, William Weldon Richey, Chairman of the Board of Governors of the Federal Reserve, do solemnly swear the testimony I am about to give is the truth, the whole truth, and nothing but the truth.” Richey was a small man with round glasses and a receding hairline. A former Yale professor, he was more at home with economic theory than

people. He squirmed in his seat.

Beauregard Winterthur Rice, on the other hand, was an old buffalo of a senator. A distinguished, gray haired man, he had staked out his claim to the banking committee long ago and ruled over that territory like a tyrant. Rice shuffled the papers in front him and leaned into the microphone.

“Mr. Chairman, the Senate Banking Committee would like to thank ya’ for voluntarily agreein’ ta appear heah t’day. Under the circumstances, your decision shows a great deal of backbone for which I complement you, sa. Mr. Chairman, I am holdin in ma hand a copy of the January 15th New York Times, which says the Federal Reserve Bank of Philadelphia misplaced ten billion dollars over New Year’s weekend.” Senator Rice looked at the CSPAN cameras. “Mr. Chairman, I want ya ta explain how you can misplace ten *billion* dollars.”

“Before ya answer, I want ya ta look at the cardboard boxes my staff stacked up next to us hea. It measures ten feet by ten feet and is six feet high. Now Mr. Chairman, if I stacked them ta the top,” Rice held his hand up over his head, “with hundred dollars bills, it would still only be a billion dollars. Ten billion dollars would be ten times as large. Now how, Mr. Chairman, I repeat, how could the Federal Reserve misplace that much money ova a weekend?”

Richey knew the Senator wasn't going to like his answer. “Senator, the missing money wasn't currency per se. As you know, most money exists

in the form of savings and checking account deposits. Those deposits only exist as computer entries and those computer entries were altered.”

Senator Rice squinted as though his prize hunting dog had led him, not to a raccoon, but to a pair of old socks. Rice held a copy of the New York Times toward the television cameras. Its banner headline read “PHILLY FED LOSES \$10 BILLION”. Rice slapped the paper and raised his voice. “Do ya mean to tell me this whole thing is just a darn fool bookkeeping error?”

Richey pulled the microphone closer, “I’m afraid, Senator, it’s more than that. The computer records were so scrambled there was no way of knowing which Fedwire transfers were legitimate and which weren’t for about two weeks. In that time, funds were moved electronically from bank to bank until they vanished.”

Rice spread his hands in disbelief. “Why didn’t ya’ just shut down the bank until ya’ sorted it out?”

“Shutting down the Philadelphia Federal Reserve would have had a devastating effect on the economy. Hundreds of billions of dollars of payrolls, investments and taxes are wired in and out every day.”

Senator Rice pulled himself up, making himself look as stately as possible. “Mr. Chairman, are you telling me the Federal Reserve Bank of Philadelphia has been *robbed*?”

“Yes Senator, that’s entirely possible.”

Chapter Two: Rutgers University, Camden, New Jersey

Fifteen Years Earlier

Matthew St. Augustine was a man with a gift. He was tall, but not basketball tall; thin, but not gaunt; smart, but not so smart his teachers noticed. He was not more than ten points better than average in any respect, except for his gift. He was able to see the reaction to every action, and the reaction to that reaction. He was able to “see” what was going to happen before it did. It wasn't much in terms of a superpower, but it was useful.

He wasn't a member of the chess club but made his lunch money playing chess against club members. They thought they were smarter than he was, but day after day he laid them low because he could “see” every move and counter move they were likely to make.

His gift let him “see” the logic of the most complicated computer programs unfold in his mind. When the campus police ticketed him unfairly, he used his gift to hack into the college's computer and delete everybody's tickets. When the school raised parking fees from \$50 per year to \$200 per year, he hacked into the computer and marked everyone's fee paid.

He put all that behind him when he graduated and went to work in the programming department

of a bank. Eventually, his gift attracted the attention of management and they gave him the most sophisticated and complex assignments. In every case he met the challenge. But the more dependent his boss became on him, the more his boss resented it.

St. Augustine applied for graduate tuition and his boss refused to approve it. Why? He was too valuable to lose. St. Augustine paid his own tuition, but his boss put him on rotating shifts, making it impossible for him to schedule classes. One thing led to another and his boss made every day a living hell.

One day, he got so fed up he was going to punch his boss in the mouth. But, the words of his Sunday School teacher came floating back to him: “Love those who hate you.” He returned to his cubicle, hacked into the payroll system and added two thousand dollars a week to his boss's pay.

That Friday, he watched as his boss opened his paycheck. He looked at the check, looked left and right, then slid it into his shirt pocket. For a month, his boss accepted the money and didn't report it. St. Augustine increase his boss's pay another two thousand dollars a week, but his boss said nothing.

His anger long gone; St. Augustine was about to return his boss's pay to its original amount when his boss called him in.

“Matt, why'd you do it?”

“Do what?”

His boss threw a dozen computer security articles

on his desk, articles St. Augustine had written.

“Why'd you write these articles?”

“It's my own research. What's it to you?”

“Matt, don't you see? People are going to read these articles and think our bank has these security problems. I'm going to have to turn this over to legal. You might as well kiss off a raise this year. You'll be lucky if you're not fired.”

“People write articles all the time.” St. Augustine picked one up and threw it at his boss. “This one's three years old. Get any complaints yet?” He didn't suffer fools gladly and wasted no more words on his boss.

He printed a list of the extra payments his boss had accepted and typed up a note. “Who better to raise their own pay than the Manager of Programming?” He slipped the list and note into an envelope and sent it to the bank's Security Officer.

At noon the next day, the Security Officer and two Philadelphia policemen walked into his boss's office. They were talking loud enough for the whole office to hear. At first his boss denied being overpaid, and when confronted with the canceled checks, he claimed it was a mistake. They read him his rights and hauled him away.

At the end of the week, St. Augustine notified his new boss that he'd accepted a job at the Federal Reserve Bank of Philadelphia and cleaned out his desk.

Chapter Three: Party

Santa Barbara, New Year's Eve, 9:00 p.m. Pacific Time

A breeze floated in off the terrace carrying with it the cries of seagulls. In the next room, women in glittering gowns and men in black tie listened as a musician wailed out *Harlem Nocturne* on a saxophone.

Matthew St. Augustine stood alone. His hazel eyes watched the party goers through an open doorway. He unbuttoned his tux and leaned back against a fireplace; one arm stretched along the mantle. He extended his fingers a little and wrapped them around a margarita. He took a sip and looked up at the clock. It was nine Pacific Time, midnight in Philadelphia. A thin smile spread across his face. In his mind's eye he watched events unfolding three thousand miles away.

Collingswood, New Jersey, New Year's Day 12:01 a.m.

On the second floor of a stately old Collingswood home, long ago made over into modest, but comfortable apartments, a computer woke up from a long sleep, logged into the Federal Reserve Bank of Philadelphia, and identified itself as a user with read-only access. The Collingswood machine asked for file 111. This opened a trap door to an area of the computer's memory reserved for privileged, high security programs, and transferred

that privileged status to itself. It then searched file directories for the Fedwire input and output transaction logs. The input transaction log contained bank requests to transfer funds. The output log recorded amounts actually transferred.

Over the next two hours, the Collingswood machine dumped fifty thousand wire transfer orders, averaging two hundred thousand dollars each, into the Federal Reserve's Fedwire computer.

Anticipating the Philly Fed would realize something unusual had happened and close Fedwire operations until the situation could be investigated, St. Augustine's program transferred funds to banks outside its jurisdiction.

Four billion dollars was spread across accounts in twenty-five New York banks, three billion was spread across accounts in twenty Chicago banks, two billion was spread across a dozen Los Angeles banks. Another billion was spread across banks in Toronto, Montreal, Quebec, Vancouver, London, Berlin, and Singapore.

The Collingswood machine supplied a steady stream of destination banks, accounts, and amounts from midnight until the two A.M. posting deadline, at which time it dropped off the network. From the time it logged on until it logged off, it inserted ten billion dollars of electronically created money into the Federal Reserve System.

One of the Collingswood machine's last instructions before dropping off the network was to delete all traces of itself from memory.

Santa Barbara, New Year's Eve 10:45 p.m.

A tall leggy blond glided into the room and batted her eye lashes at St. Augustine.

“Matthew...,” the sound of his name floated on the breeze, “Matthew, don't you want to come play with us?” She pointed to the party in the next room with a glass of champagne. She pressed her lips close to his ear. “The party's just getting started,” she whispered.

St. Augustine knew the pleasure Ariel could give. At thirty, she was just beginning to develop a womanly sensuality, yet she still retained a child-like innocence.

Her nails scratched his side through his shirt.
“Let's play a game.”

“A game? What kind of game can we play with a house full of guests?”

“I don't know.” She pressed herself against his chest. “How about charades?”

“Not tonight, love.” He folded his arms around her. Her perfume evoked the image of their bedroom, Ariel laying naked on the bed, her blond hair spilling out over the pillow like some exotic headdress, her long legs under a silk sheet drawn to her waist.

“Why not? Don't you want to play a game with me?” she pouted.

“I'm playing a game just standing here. Guess what I'm doing?”

“Do I get any clues?”

“No clues, just guess.”

“I don't know,” she frowned. “What are you doing?”

“I'm robbing a bank.” He smiled a little smile at the perplexed look on her face and followed her back into the living room. He sat next to her on the sofa and watched others play charades.

He looked at his watch. It was eleven o'clock, which meant it was two in the morning back east. The Collingswood program should have purged itself from memory by now.

There was a whoop and a holler in the next room as someone guessed the name of a movie. He smiled at the joy around him, but his mind drifted back to the scene at the Fed.

He had a slight twinge of conscience, not at taking the bank's money, but at risking Ariel, his home, his business, and a very comfortable lifestyle for what started as an elaborate prank and had become, in the last few hours, the crime of the century.

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