

U.S. Municipal Bond Market

## Chinese Cyberthreat to U.S. Infrastructure Highlighted by FBI, CISA, Others Today

- U.S. Cyber experts reviewed the threat China poses to U.S. infrastructure as a result of rising geo-political tensions.
- "China's hackers are positioning on American infrastructure in preparation to wreak havoc and cause real-world harm to American citizens and communities, if or when China decides the time has come to strike," said FBI Director Christopher Wray.
- When assessing credit risk in public finance it is important for investors to consider management and technological related steps being taken to protect infrastructure assets from havoc-based and other cyberattacks.

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### "Defining Threat of Our Generation," Says FBI Director

Today, U.S. Cyber Commander Gen. Paul Nakasone, Cybersecurity and Infrastructure Security Agency (CISA) Director Jen Easterly; Federal Bureau of Investigation (FBI) Director Christopher Wray and National Cyber Director Harry Coker Jr. shared testimony and comments about Chinese cyberthreats with The House Select Committee on the Chinese Communist Party in a hearing titled: The CCP (Chinese Communist Party) Cyber Threat to the American Homeland and National Security.

The overall risk from China is massive, according to FBI Director Christopher Wray. The FBI Director said, "The CCP's (Chinese Communist Party) dangerous acts, China's multi-pronged assault on our national and economic security make it the defining threat of our generation," during his testimony (0:47 of 6:58 in CSPAN video).

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### Chinese Hackers are a Risk to U.S. Lives and Infrastructure

Most dangerous to public finance was the connection Wray made when he outlined a direct threat to U.S. infrastructure. He highlighted that, "China's hackers are positioning on American infrastructure in preparation to wreak havoc and cause real-world harm to American citizens and communities, if or when China decides the time has come to strike," (1:31 of 6:58 of CSPAN video).

This afternoon the U.S. Justice Department simultaneously announced, "U.S. government disrupts botnet People's Republic of China used to conceal hacking of critical infrastructure," whereas, a "court-authorized operation has disrupted a botnet of hundreds of U.S.-based small office/home office routers hijacked by People's Republic of China (PRC) state-sponsored hackers," according to the Jan. 31 Justice Department release. This announcement highlights the ongoing cyberthreat from China.

CISA Director Jen Easterly reiterated the danger China's cyberthreat poses to U.S. infrastructure by describing the geo-political reality in this way during her testimony, "This is a world where a major crisis halfway across the planet could well endanger the lives of Americans here at home — through the disruption of our pipelines, the severing

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of our telecommunications, the pollution of our water facilities, [and] the crippling of our transportation modes," said CISA Director Easterly.

*In his prepared testimony Director Wray explained preparation is important, because China is pre-positioning itself tactically.*

## More Attention Needed to Cyberthreat Says U.S. FBI Director

"There has been far too little public focus on the fact that People's Republic of China (PRC) hackers are targeting our critical infrastructure, our water treatment plants, our electrical grid, our oil and natural gas pipelines, our transportation systems, and the risk that poses to every American requires our attention, now," (1:07 of 6:58 of [CSPAN video](#)). In his prepared testimony Director Wray explained preparation is important, because China is pre-positioning itself tactically. "The U.S. Intelligence Community has assessed that China is attempting to preposition on U.S. critical infrastructure—setting up back doors to cripple vital assets and systems in the event China invades Taiwan and, therefore, limiting our ability to assist Taiwan," FBI Director Wray indicated.

## HilltopSecurities Continues to Draw Attention to the Cyberthreat to U.S. Infrastructure

We reviewed some of our past coverage of the threat cyber poses to U.S. based infrastructure in [How Havoc-Based Cyberattacks Are Threatening U.S. Infrastructure](#) (Jan. 10, 2024). Today's testimony further illustrates the fact that cyber assets are being used as geopolitical weapons, and the threat level for havoc-based cyberattacks is rising. When assessing credit risk in public finance it is important for investors to consider management and technological related steps being taken to protect infrastructure assets.

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## Recent HilltopSecurities Municipal Commentary

- [An Improved Macroeconomic Backdrop Compels Us to Raise Our 2024 Issuance Forecast to \\$420 billion](#), Jan. 26, 2024
- [The Municipal Market in 2024, Hilltop's Municipal Sector Credit Outlooks](#), Jan. 22, 2024
- [Fed Shifts Outlook, Municipal Yields Dropping, Yet Still Relatively Attractive](#), Dec. 14, 2023
- [U.S. Municipal Water Authorities Targeted With a Different Kind of Cyberattack](#), Dec. 5, 2023

Readers may view all of the HilltopSecurities Municipal Commentary [here](#).

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