Opening Statement of Chairman Thomas R. Carper
"Beyond Silk Road: Potential Risks, Threats, and Promises of Virtual Currencies"
November 18, 2013

As prepared for delivery:

Over the past several months, this Committee has engaged in an investigation into the potential implications of virtual currencies. During the course of this inquiry, we've examined the issues and potential risks and threats that virtual currencies pose, as well as some of the potential promises that some believe they can bring.

In addition, we have explored with several departments and agencies throughout government how they are approaching virtual currencies as an emerging technology. This has included looking at how they are coordinating together to develop a "whole of government" approach that is consistent and informed.

Virtual currencies, perhaps most notably Bitcoin, have captured the imagination of some, struck fear among others, and confused the heck out of many of us. Indeed, based on conversations my staff and I have had with dozens of individuals both inside and outside of government, it is clear that the knowledge and expectation gaps are wide. Fundamental questions remain about what a virtual currency actually is, how it should be treated, and what the future holds.

Virtual currency can best be described as digital cash. It is generated by computers, lives on the internet, and can be used to purchase real and digital goods across the world.

Some proponents believe virtual currencies can prove valuable to those in developing countries without access to stable financial systems. Others believe it could prove to be a next generation payment system for retailers both online and in the real world.

At the same time, however, virtual currencies can be an effective tool for those looking to launder money, traffic illegal drugs, and even further the exploitation of children around the world.

While virtual currencies have seen increased attention from regulators, law enforcement, investors, and entrepreneurs in recent months, there are still many unanswered questions and unresolved issues.

This isn't the first time that advances in technology have posed challenging questions for policy makers and society as a whole. As we all know, technology is dynamic and changes quickly. Concepts like email and even the internet itself were once alien and difficult to understand and navigate. Now, most of us can read and respond to email on a device we keep in a purse or coat pocket and search the web on a multiple.

I'll be the first to admit that, like most Americans, I am no technical expert in virtual currencies. However, what I do know is that a number of smart people both inside and outside of

government view this is as a major emerging issue that is deserving of our attention, including this committee's attention.

The ability to send and receive money over the internet, nearly anonymously, without a third party, has a lot of wide-ranging implications. The government needs to pay attention to this technology and to understand, and where appropriate, address these implications.

This was made all the more clear last month when federal law enforcement took down and seized an online marketplace called "the Silk Road" on which many illegal products and services were bought and sold via bitcoin. The most popular products for sale were illegal drugs and forged documents, such as ID's and passports. Other services were also for sale, including hacking services.

We're told that approximately $1.2 billion dollars in transactions were made through the Silk Road.

This site lived on what is often called the 'Dark Web,' also known as the deep web. The 'Dark Web' consists of web pages and data that are only available via special software that keeps users anonymous. Many sites and data on the "Dark Web" have been deliberately built to be untraceable in order to protect the anonymity of the user. Silk Road was one of those sites.

My understanding is that individuals could navigate to Silk Road anonymously and use Bitcoin – which can be sent to someone nearly anonymously—to make purchases.

The anonymity of the market place and near anonymity of the currency made it nearly impossible for law enforcement to track and, therefore made it an attractive place for criminal activity.

In fact, in the course of our investigation, the Department of Homeland Security informed us that the suspect who allegedly sent ricin to President Obama in April of this year was a vendor on Silk Road.

Law enforcement, including the FBI, Immigrations and Customs Enforcement, and the Secret Service should be applauded for their work in taking down a major international criminal enterprise.

But while Silk Road was perhaps the most well-known, it is not the only marketplace where illicit goods are bought and sold through bitcoin transactions. Today, a number of similar enterprises that accept bitcoins are still in business, selling weapons, child pornography, and even murder-for-hire services.

While today I suspect we will talk a lot about the well-known virtual currency Bitcoin, there are numerous other virtual currencies operating on the internet today, each with its own set of specific features.

That said, whether it is Bitcoin or any of the other virtual currencies, the federal government and society as a whole need to come together to figure out how to effectively deal with it.

Whether or not virtual currencies prove to be a boom or a bust, I think it's clear that some folks just want a chance to try and play by the rules. That's difficult to do if the rules or proper authorities aren't clear or if the future is uncertain. It's also difficult if a large number of bad apples are allowed to spoil the bunch."

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