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ONE HUNDRED TENTH CONGRESS

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

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February 28, 2007

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The Honorable Michael Chertoff  
Secretary  
U.S. Department of Homeland Security  
245 Murray Drive, SW  
Washington, D.C. 20528-0300

Dear Secretary Chertoff:

Pursuant to Rules X and XI of the Rules of the U.S. House of Representatives, the Committee on Energy and Commerce and the Subcommittee on Oversight and Investigations are conducting an inquiry into illegal activity over the Internet. During the 109th Congress, the Subcommittee conducted a bipartisan investigation of issues relating to the sexual exploitation of children over the Internet.

Through the Subcommittee's work, and the nine days of public hearings on the issue, the Committee examined this issue and highlighted the problems that law enforcement, the Internet industry, the financial industry, and our Nation's parents face when they try to combat this problem. The particulars of the investigation were set forth in a bipartisan report prepared by Committee staff and issued on January 2, 2007, entitled "The Sexual Exploitation of Children Over the Internet." The report is attached.

One of the issues discussed in the report is the increased use of alternative payment systems, such as digital currencies, to purchase child pornography images over the Internet. During our review of these systems the staff noted the use of these alternative payment systems by individuals and firms dealing in the illegal importation of pharmaceuticals as well as child pornography into the United States.

According to law enforcement agents who testified before the Subcommittee, digital currencies largely are unregulated by the United States or any other country in the world. Therefore, the agents often are unable to trace digital currency payments to their recipients who are either distributing or transmitting the images or processing the payments for the distributors. In addition, some digital currency companies either do not collect or do not retain any

The Honorable Michael Chertoff  
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information relating to the identity of the account holder, further hampering law enforcement's ability to bring to justice the operators of commercial child pornography and other Web sites that promote contraband.

Please provide us with the following information by Friday, March 16, 2007, to assist our understanding of the history, scope, and application of United States law and regulations regarding the operation of digital currency Web sites:

1. Please describe any investigations, reviews, actions, initiatives, reports, or studies conducted by the Department of Homeland Security ("Department"), including Immigration and Customs Enforcement ("ICE") and the United States Secret Service, with respect to digital currencies.
2. Please describe the Department's jurisdiction over digital currencies.


Thank you in advance for assisting us in understanding these important issues. If you have any questions, please contact David Nelson or Steven Rangel of the Committee Majority staff at (202) 225-2927 or Karen E. Christian of the Committee Minority staff at (202) 225-3641.

Sincerely,



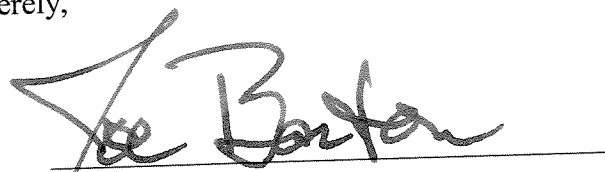
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John D. Dingell  
Chairman




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Bart Stupak  
Chairman  
Subcommittee on Oversight  
and Investigations



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Joe Barton  
Ranking Member



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Ed Whitfield  
Ranking Member  
Subcommittee on Oversight  
and Investigations

Attachment