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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 27, 2007

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The Honorable Henry M. Paulson, Jr.
Secretary
U.S. Department of Treasury
1500 Pennsylvania Avenue, N.W.
Washington, D.C. 20220

Dear Secretary Paulson:

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 Henry M. Paulson, Jr.

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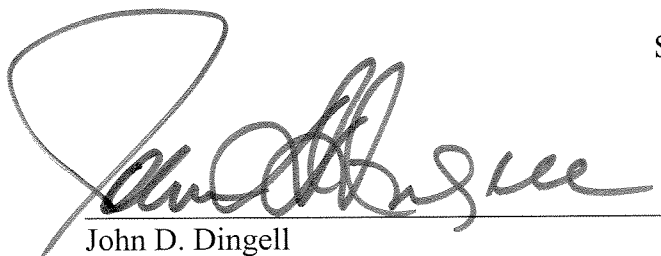
information relating to the identity of the account holder, further hampering law enforcement's ability to bring to justice the operators of commercial child pornography and other Web sites that promote contraband.

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:

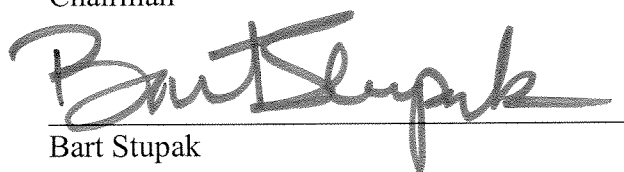
1. Please describe any investigations, reviews, actions, initiatives, reports, or studies conducted by the Department of Treasury ("Department"), including the Office of Terrorism and Financial Intelligence, Office of the Comptroller of the Currency ("OCC"), and the Financial Crimes Enforcement Network ("FinCEN"), with respect to digital currencies.
2. Please describe the Department's jurisdiction over digital currencies.
3. Please identify any Money Service Business ("MSB") that has registered with FinCEN, and whether that registration is current.

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,



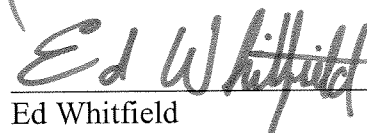
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Chairman



Bart Stupak
Chairman
Subcommittee on Oversight
and Investigations



Joe Barton
Ranking Member



Ed Whitfield
Ranking Member
Subcommittee on Oversight
and Investigations

Attachment