

Committee on Energy and Commerce
Opening Statement as Prepared for Delivery
of
Subcommittee on Innovation, Data, and Commerce Ranking Member Jan Schakowsky
Hearing on “Building Blockchains: Exploring Web3 And Other Applications For Distributed Ledger Technologies.”

June 7, 2023

Today, we are here to discuss blockchain, an innovative new technology.

Blockchains are decentralized lists of transactions.

In most blockchains the list isn't controlled by any single person or entity, transactions can't be changed once added, and users are somewhat anonymous.

Blockchain technology is being used to solve problems like supply chain management, transferring ownership without intermediaries, and managing digital identities.

Blockchains have enabled the creation of digital currencies, like the cryptocurrency Bitcoin, as well as digital “goods” like NFTs.

This technology offers opportunities for innovation because of its built-in transparency and decentralized nature.

However, it also has significant shortcomings.

Some blockchains have large energy and environmental impacts.

Sensitive data shouldn't be put on a blockchain because most don't have privacy protections.

But the biggest downside is the use of this technology for scams, frauds, and extortion.

Real people are being harmed. Some have lost their life savings to scams or hacks.

Centralized exchanges of cryptocurrencies issue new cryptocurrency on the promise that it is backed by real assets when it is not.

Just this week, the SEC alleged that two of the largest cryptocurrency exchanges were deceiving consumers or operating illegally.¹

And cryptocurrencies are often demanded by criminals who use ransomware to take hospitals and other essential infrastructure hostage.

¹ <https://www.reuters.com/legal/us-sec-sues-coinbase-over-failure-register-2023-06-06/>

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Between 2017 and 2022, Illinois residents allege that they lost more than \$45 million to cryptocurrency scams.²

Let's be clear: Compliance with rules to protect consumers or protect our security is not an inconvenience.

The same rules apply to blockchains and crypto as to any other technology.

That includes the FTC's existing authorities to protect consumers against unfair and deceptive acts or practices.

The harm consumers are experiencing because of crypto fraud underscores the need to pass comprehensive data privacy and security protections.

And the FTC needs sufficient resources to investigate and prosecute scams, fraud, and privacy violations both on and off the blockchain.

I look forward to hearing from our witnesses about how we can protect consumers by stopping crypto scams and fraud on the blockchain.

² <https://chicagoreader.com/news-politics/how-chicago-fell-for-crypto/>