



COMMITTEE ON HOMELAND SECURITY

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Hearing Statement, as prepared, of Intelligence & Counterterrorism Subcommittee Chairwoman Elissa Slotkin (D-MI)

Terrorism and Cryptocurrency: Industry Perspectives

June 9, 2022

Nearly a year ago, the Subcommittee received testimony from Department of Homeland Security (DHS) officials on how they are addressing this important issue. Today, I am glad to welcome The Blockchain Association, Chainalysis, and Coinbase, to share with us what trends the cryptocurrency and blockchain industry has observed regarding terrorist and illicit use, how the industry works to prevent such use, and how it partners with government in this endeavor.

Last week, I introduced the “Cryptocurrency Accountability Act” to ensure that as the use of cryptocurrency grows, Members of Congress are required to disclose all holdings and trades. The goal is to improve transparency and help stop corruption that erodes confidence in our government.

Now, while this is a related but separate issue from what we are discussing today, it speaks to the fact that the laws and regulations that govern traditional financial institutions do not always apply to cryptocurrency exchanges and the crypto industry. Because of the lack of regulation and the idea that cryptocurrency and blockchain technology provide a level of anonymity, bad actors, terrorists, criminals seek to exploit the technology.

In my home state of Michigan, there are Bitcoin ATMs, which as I understand it, are simply kiosks through which you can make Bitcoin purchases and sales. Unlike bank ATMs, Bitcoin ATMs do not require users to have an account to use them. I am curious to know if these ATMs are really offering legitimate alternatives to financially manage day-to-day life or if they are just another way for illicit financial actors to take advantage of people.

According to analysis by the U.S. Federal Trade Commission, consumers reported losing more than \$1 billion to fraud involving cryptocurrencies from January 2021 through March 2022. As related to illicit or illegal use, Chainalysis’ most recent *Crypto Crime Trends* report, found that illicit or illegal use of cryptocurrency made up a mere 0.15% of all cryptocurrency activity in 2021. Although, I understand that some in the Federal government believe the percentage could be a bit higher.

Nevertheless, according to the Chainalysis report, even at that low percentage point, the raw value of illicit transaction volume has reached its highest level ever at \$14 billion - up from \$7.8 billion in 2020. Regarding terrorism specifically, in 2020 U.S. authorities seized millions of dollars, over 300 cryptocurrency accounts, connected to Hamas’s military wing, al-Qaeda, and ISIS. That’s not small potatoes.

At the Subcommittee’s hearing last year, my colleagues and I heard how DHS in particular investigates terrorist and illicit use of cryptocurrency and provides state, local, tribal, territorial, and private sector partners with information necessary to combat such use.

Today, I look forward to hearing from our witnesses about how you are monitoring and investigating exploitation of crypto and blockchain and the novel ways in which you are countering misuse. Our Subcommittee stands ready to partner with you to take on this challenge.

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