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**Statement by Ranking Member Frank Pallone, Jr., as prepared for delivery
House Energy and Commerce Committee
Subcommittee on Commerce, Manufacturing and Trade
Hearing on “Disrupter Series: Digital Currency and the Blockchain”**

Thank you, Chairman Burgess. While some members surely have heard of Bitcoin, few have likely heard of the recordkeeping software underpinning it called the blockchain.

Today we will have the opportunity to explore the benefits and risks of using cryptocurrencies, sometimes referred to as virtual or digital currencies. We also will get an understanding of the benefits and risks of the blockchain, for financial and non-financial uses.

Whether using Bitcoin, the most well-known and widely used cryptocurrency, or another one, peer-to-peer digital transactions have the potential to reduce fees and wait times for consumer purchases. In addition, cryptocurrencies can offer advantages to underbanked and unbanked populations, especially in regions where state-backed currency is consistently unstable and traditional financial services are less accessible. They also may offer users increased privacy in comparison to traditional payment methods.

However, at the same time, cryptocurrencies raise important issues that should be explored. They are not legal tender, and their value is not guaranteed by any central authority. Therefore, they have proven to be vulnerable to price volatility, deflation, and hacking.

In addition, many existing consumer protections, such as requirements that banks have systems in place to limit consumer loss and detect money laundering, may not apply to cryptocurrencies. For example, current law ensures that you are not responsible for unauthorized credit card charges over \$50. No such protections exist for purchases made with cryptocurrency. Also, digital payments can be irreversible, making simple consumer transactions like returns and chargebacks more complicated or impossible.

While originally created for cryptocurrency, the record-keeping technology—blockchain—has gained enormous interest in the last few years, with more than one billion dollars raised in venture capital so far. In the financial sector, firms are looking at placing stock and bond trades on the blockchain. In the non-financial arena, the full range of possibilities may

be endless—blockchain is being tested for possible applications in health care, green energy, copyright, and voting, to name a few.

The blockchain can automate contracts, making them faster to complete. They can increase transparency in property rights disputes and help protect intellectual property. And in many sectors, the blockchain may improve privacy protections, reduce human error, and lower administrative costs.

Just as with cryptocurrencies, blockchain raises important issues for us to explore. Some experts have pointed out that permissioned blockchains, in which only vetted and approved users can participate, may use anticompetitive tactics or price fixing that would violate antitrust regulations. Others have suggested that the blockchain is too rigid for many potential applications, and does not include the necessary flexibilities to ensure consumers have basic rights such as the ability to resolve disputes.

I want to reiterate that consumer protections must be considered as these new technologies are developed. I look forward to hearing from all of our witnesses about the current and future uses of cryptocurrencies and the blockchain and the consumer protections that go with them, hand-in-hand. Thank you and I yield back.

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