

House Financial Services Committee

Hearing entitled “Under the Radar: Alternative Payment Systems and the National Security Impacts of their Growth”

DATE: Tuesday, September 20th, 2022

TIME: 10:00 AM

LOCATION: Rayburn House Office Building, Room 2128

Prepared Testimony

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Esteemed members of the House Financial Services Committee,

I am honored to be testifying before you today on the critical topic of the threat to national security posed by the use of virtual currencies. It is important to note that the scope of the term virtual currencies extends far beyond Bitcoin and other cryptocurrencies. These non-crypto alternative payment systems include many you are familiar with, such as PayPal, or WesternUnion. They also include hundreds more that you might not be familiar with such as the “dark PayPals” run by Russians including Webmoney and PerfectMoney. I previously testified before the Senate Judiciary Committee how the Russian QIWI system’s co-branded Visa cards were used to purchase Facebook ads attempting to influence the 2016 US presidential election. By orders of magnitude, the largest of these non-crypto virtual currencies are China’s centralized virtual currencies WeChat Pay and Alipay which processed 294.6 trillion yuan (US\$45.6 trillion) in 2020. This dwarfs the \$15.8T in crypto-related transactions in 2021.

By focusing only on cryptocurrencies we risk missing the forest for the trees. Indeed, there is a thriving ecosystem of virtual currencies, mobile payment systems, remittance systems, and stored value card systems. I define this as an ecosystem because they are all connected through hundreds of virtual currency exchanges willing to convert one alternative payment system for another. Anonymity or mis-attribution thrives here, with Know-Your-Customer (KYC) practices being poorly applied or ignored entirely, especially outside of the West.

The Alternative Payments Ecosystem provides an easy path for criminals and other adversaries of liberal democracies to bypass the checks and balances we have installed into the western financial system. As this non-bank system continues its rapid growth the threat of criminality and the destabilization of our monetary system dominance grows as well.

Thank you,

Scott Dueweke