

Ranking Member Brown Opening Statement
10.11.18 – “Exploring the Cryptocurrency and Blockchain Ecosystem”

Thank you, Chairman Crapo, for holding this hearing. And thank you to Mr. Van Valkenburgh and Dr. Roubini for your testimony.

Today’s hearing happens to fall just shy of the tenth anniversary of bitcoin and the blockchain being introduced to the world – October 31, 2008. Back then we were in the midst of a global financial crisis, and you can’t blame some Americans for hoping that an alternative banking system could be created that would be superior to the one in shambles at that time.

Bitcoin, and other cryptocurrencies like it, promised to make payments faster, easier and cheaper, and to eliminate our reliance on risky financial institutions whose failures harmed workers and families during the crisis.

Unfortunately, the last ten years have shown that misconduct, fraudulent investment schemes, and cybersecurity threats aren’t unique to the traditional financial system. When a cryptocurrency goes bust or a poorly supervised exchange fails, it’s often hardworking Americans left holding the bag.

We want to see innovations in the financial system, innovations that help Americans keep more of their money by avoiding fees or that make it easier to borrow for a small business startup. But so far, despite all the energy and investment dedicated to finding a use for the blockchain, there are few real-world applications and an alarming number of scams.

Cryptocurrency prices have swung wildly over the last year. Inexperienced investors who were hoping to get in on the next big financial innovation have seen the value of these investments fall by more than 75% from their peak.

Though they have raised billions of dollars from investors, few if any Initial Coin Offerings have registered with the SEC. Chair Clayton told this committee in a February hearing, “Every ICO I’ve seen is a security.”

And last month, the New York Attorney General released a report on several cryptocurrency trading platforms that pointed to evidence of widespread manipulation and identified several exchanges that don’t follow “anti-money laundering” or “know your customer” requirements.

With a decade of experience, much of the irrational exuberance around cryptocurrencies and blockchain technology has subsided, and we have an opportunity to set more realistic expectations for how these innovations might be used to promote a fairer and more competitive economy.

I hope this technology will prove useful, particularly in helping people who are unbanked or underserved by the traditional financial system. And I understand why individuals might be

interested in it. But at this point, it is easier to see the malign impacts on society as a whole than the constructive ones.

I look forward to the witnesses' testimony.