

Ranking Member Pat Toomey (R-Pa.)
Opening Statement
Full Committee Hearing
March 17, 2022 at 10:00 AM

Thank you, Mr. Chairman.

This hearing is about digital assets and illicit finance. While it is appropriate to discuss and understand this topic, we also need to work to ensure regulatory clarity for digital assets.

Digital assets, including cryptocurrencies and their underlying distributed ledger technology, have tremendous potential benefits. As the White House itself recently stated, the U.S. must maintain its leadership in this space, which is why lawmakers and regulators should do nothing to harm America's longstanding tradition of fostering technological innovation.

Unfortunately, I am concerned that the lack of regulatory clarity here at home is undermining that tradition and driving innovation abroad. We need Congress to work together to enact a regulatory framework specific to digital assets that provides this much-needed clarity.

While today's topic is illicit finance, the real backdrop for this hearing is Russia's invasion of Ukraine. By starting the largest land war in Europe since World War II, Russia has unleashed the greatest threat to global security in recent memory.

The sanctions imposed thus far by the Biden administration are harmful to the Russian economy, but not crippling. The President has said "all options are on the table" in terms of sanctions. So what are we waiting for?

Sanctions have purposefully allowed Russia to continue exporting oil and gas, funding Putin's war machine with what could be as much as \$5 to \$7 billion each week. Cutting off this revenue stream and getting more lethal aid to Ukraine are the two things we could do to maximize the chances that Ukraine wins this war, and Putin comes to understand this war was a calamitous blunder.

To cut off Putin's oil and gas sales globally, the administration and Congress should impose secondary sanctions on Russia's entire financial sector. This would force the world to choose between doing business with

Russia or the United States. I urge the administration to impose these sanctions and give Ukraine a fighting chance to win this war.

I am concerned that part of today's hearing will be spent disparaging cryptocurrencies, trying to draw some connection between them and Russian sanctions evasion.

There is no sanctions regime that is completely water tight. So it's quite possible that an oligarch somewhere may be using a variety of tools, including crypto, to try to hide some assets.

But according to administration officials across multiple agencies, there is simply no evidence of cryptocurrencies being used by Russia to evade sanctions in any significant way.

Just this month, FBI Director Christopher Wray told the Senate Intelligence Committee that "the Russians' ability to circumvent the sanctions with cryptocurrency is probably highly overestimated." Acting FinCEN Director Him Das said that "we have not seen widespread evasion of our sanctions using methods such as cryptocurrency." And the director of cybersecurity for the National Security Council said that "the scale that Russia would need to successfully circumvent all U.S. and partners' financial sanctions would almost certainly render cryptocurrency as an ineffective primary tool for the state."

The facts are clear and as the administration has found: Russia cannot meaningfully use cryptocurrencies to evade sanctions.

While there has been virtually no evidence of Russia meaningfully using cryptocurrencies to evade sanctions, Ukraine has been actively utilizing cryptocurrencies to do tremendous good. Cryptocurrency donations for Ukraine have reached approximately \$100 million, which has helped Ukrainians defend their country against Russia's invasion.

These funds have gone towards more than 5,500 bulletproof vests, 500 helmets, and 410,000 meals, among other things. Ukraine's Deputy Minister of Digital Transformation has said that "each and every helmet and vest bought via crypto donations is currently saving Ukrainian soldiers' lives."

We're fortunate to have as a witness today someone deeply affected by the war in Ukraine, and the use of cryptocurrency to help Ukraine and its citizens. Michael Chobanian is the Founder of KUNA Exchange, a local cryptocurrency exchange based in Ukraine. For the past several weeks, Mr. Chobanian has been instrumental in coordinating efforts so individuals all over the world can contribute cryptocurrencies in support of Ukraine's defense.

Crypto's remarkable nature is that anyone across the globe can contribute to this type of effort, almost instantaneously, at very low cost. It is in this context that we should examine cryptocurrencies and their relation to illicit finance.

Throughout history, criminals have always tried to utilize new technologies for nefarious gain. But that is not a reason to stifle new technological developments.

Crypto can be used to empower individuals and promote personal autonomy, but it can also support the detection and prevention of illicit crime. According to Chainalysis, transactions involving illicit addresses account only for 0.15% of cryptocurrency transaction volume last year.

This should be no surprise: the traceable nature of many cryptocurrencies is a factor making them terribly risky to utilize for criminal purposes. Just look at the Colonial Pipeline hack, which was one of the most disruptive ransomware attacks on record. The Department of Justice recovered 85% of the bitcoins that the pipeline paid in ransom, dealing a significant blow to the hackers.

One of today's witnesses, Michael Mosier, can speak directly about the characteristics of cryptocurrencies that help detect criminal activity. Mr. Mosier is the Former Acting Director for the Financial Crimes Enforcement Network, or FinCEN, at the U.S. Treasury Department. His government experience makes him uniquely qualified to discuss the topics before us today.

Today I hope the Committee takes a thoughtful and reasonable approach to this topic, acknowledging both the risks cryptocurrencies present, but also their incredible potential. I thank the witnesses for their testimony and participation today, and look forward to the discussion.