

**TESTIMONY OF**

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**for the**

**UNITED STATES HOUSE OF REPRESENTATIVES**

**COMMITTEE ON ENERGY AND COMMERCE**

**SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS**

**“Deleting Commercial Child Pornography Sites from the Internet:  
The U.S. Financial Industry’s Efforts to Combat this Problem”**

**September 21, 2006**

**Mr. Chairman and distinguished members of the Committee, I welcome this opportunity to appear before you to discuss the commercial distribution of child pornography on the Internet. Chairman Whitfield, I cannot thank you enough for the attention that you, Chairman Barton, Congressman Stupak and your colleagues on the Committee have brought to the problem of child sexual exploitation this year. The National Center for Missing & Exploited Children (“NCMEC”) joins you in your concern for the safety of the most vulnerable members of our society and is grateful for your continued focus on this under-recognized problem.**

**Let me first provide you with some background information about the National Center for Missing & Exploited Children (NCMEC). NCMEC is a not-for-profit corporation, mandated by Congress and working in partnership with the U.S. Department of Justice as the national resource center and clearinghouse on missing and exploited children. NCMEC is a true public-private partnership, funded in part by Congress and in part by the private sector. Our federal funding supports specific operational functions mandated by Congress, including a national 24-hour toll-free hotline; a distribution system for missing-child photos; a system of case management and technical assistance to law enforcement and families; training programs for federal, state and local law enforcement; and our programs designed to help stop the sexual exploitation of children.**

**These programs include the CyberTipline, the “9-1-1 for the Internet,” which serves as the national clearinghouse for investigative leads and tips regarding crimes against children on the Internet. The Internet has become a primary tool to victimize children today, due to its widespread use and the relative anonymity that it offers child predators. Our CyberTipline is operated in partnership with the Federal Bureau of Investigation (“FBI”), the Department of Homeland Security’s Bureau of Immigration and Customs Enforcement (“ICE”), the U.S. Postal Inspection Service, the U.S. Secret Service, the U.S. Department of Justice’s Child Exploitation and Obscenity Section and the Internet Crimes Against Children Task**

Forces, as well as state and local law enforcement. Leads are received in seven categories of crimes:

- possession, manufacture and distribution of child pornography;
- online enticement of children for sexual acts;
- child prostitution;
- child-sex tourism;
- child sexual molestation (not in the family);
- unsolicited obscene material sent to a child; and
- misleading domain names.

These leads are reviewed by NCMEC analysts, who visit the reported sites, examine and evaluate the content, use search tools to try to identify perpetrators, and provide all lead information to the appropriate law enforcement agency. The FBI, ICE and Postal Inspection Service have “real time” access to the leads, and all three agencies assign agents and analysts to work directly out of NCMEC and review the reports. The results: in the 8 years since the CyberTipline began operation, NCMEC has received and processed more than 417,000 leads, resulting in hundreds of arrests and successful prosecutions.

The vast majority of these reports involve images of sexually exploited children. Child pornography has become a global crisis. A recent report by McKinsey Worldwide estimated that today commercial child pornography is a multi-billion-dollar industry worldwide, fueled by the Internet. Its victims are becoming younger. According to NCMEC data, 19% of identified offenders had images of children younger than 3 years old; 39% had images of children younger than 6 years old; and 83% had images of children younger than 12 years old. Children have become a commodity in this despicable crime.

Who is behind this trade in our children? There are documented cases in which the enterprise was found to be operated by an organized crime network. One such case

**was that of the Regpay Company, a major Internet processor of subscriptions for third-party commercial child pornography websites. The site was managed in Belarus, the credit card payments were processed by a company in Florida, the money was deposited in a bank in Latvia, and the majority of the almost 300,000 credit card transactions on the sites were from Americans.**

**Another recent case highlights the connection between child pornography and the financial system. In this case, investigators identified 70,000 individual customers paying \$29.95 per month and using their credit cards to access graphic images of small children being sexually assaulted.**

**This is not acceptable. So we created the Financial Coalition Against Child Pornography, made up of the world's most prominent financial institutions and Internet industry leaders who have joined with NCMEC and its sister organization, the International Centre for Missing & Exploited Children ("ICMEC") in the fight against Internet child pornography. There are now 23 members, which include MasterCard, Visa, American Express, Bank of America, Citibank, PayPal, Microsoft, America Online, Yahoo and many others. We are bringing new financial institutions into this Coalition every day. Our newest member is HSBC North America, and the American Bankers Association has recently agreed to support the Coalition's efforts. These are significant additions to our team.**

**The members of the Coalition represent 87 percent of the U.S. payments industry, measured in dollars running through the system.<sup>1</sup> This offers great potential to eradicate the commercial child pornography industry. We would have a greater chance of success if we had 100 percent participation by industry players around the world. ICMEC representatives have met with the heads of the European Banking Association as well as with officials from Central American banks. We are also actively recruiting the Asian banks as well.**

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<sup>1</sup> Nilson Report, No. 849, 850, 851 (2006).

**Our goal: to eradicate commercial child pornography by 2008. Our mission: to follow the money. First, we will aggressively seek to identify child pornography sites with method of payment information attached. Then we will work with the credit card industry to identify the merchant bank. Then we will stop the flow of funds to these sites.**

**In each case we will work hand-in-hand with federal, state, local or international law enforcement, and the first priority will be criminal prosecution. However, our fundamental premise is that it is impossible to arrest and prosecute everybody.**

**Thus, our goal is twofold:**

- (1) To increase the risk of running a child pornography enterprise; and**
- (2) To eliminate the profitability.**

**We have created working groups of industry leaders to explore the best techniques for detection and eradication. NCMEC serves as the global clearinghouse for this effort, sharing information and working together in a truly collaborative way. We are grateful for the participation of international organizations and law enforcement agencies, such as the Serious Organised Crime Agency in the U.K. International cooperation is vital to our success due to the global nature of these enterprises.**

**Today I want to update you on the status of these efforts. We recently completed our pilot phase, from July 7 to September 9. We created a secure mechanism through which the information about illegal sites will flow between NCMEC, law enforcement, and the financial institutions. During this pilot phase the CyberTipline received 422 reports of commercial child pornography. NCMEC analysts viewed these sites and confirmed that the images were illegal. From these site analyses we identified 99 unique commercial child porn websites.**

**The names of these sites tell it all: “Elite Child Porn,” “The Sick Child Room” and “Loli-Virgins.” Each of these 99 websites offered multiple payment methods for the**

**purchase of illegal images. We are seeing indications of a trend toward directing buyers away from credit cards and toward alternative payment methods to make the actual transaction. We are exploring possible explanations for this.**

**This pilot has given us a wealth of information that we could not have anticipated about the nature of these transactions and how to improve the flow of information necessary to identify the source of the images. We now know what we need to move into full implementation of the program. We need to capitalize on the investigative talents of multiple law enforcement agencies on a multi-national basis. And we need full participation by the payments industry worldwide. Then we will begin to dismantle these enterprises that profit from the heinous victimization of children.**

**Another project we recently began is the Technology Coalition, funded by AOL, Yahoo, Microsoft, Google, Earthlink and United Online. These industry leaders will work with NCMEC to develop and deploy technology solutions that disrupt the ability of predators to use the Internet to exploit children or traffic in child pornography. The Technology Coalition has four principal objectives:**

- 1. Developing and implementing technology solutions;**
- 2. Improving knowledge sharing among industry;**
- 3. Improving law enforcement tools; and**
- 4. Research perpetrators' technologies to enhance industry efforts.**

**Bringing together the collective experience, knowledge and expertise of the members of this Coalition, and applying it to the problem of child sexual exploitation, is a significant step towards a safer world for our children.**

**Chairman Barton, you are the catalyst for our most recent initiative. You indicated an interest in the idea of a proactive effort to take down the child pornography websites that are not targeted by law enforcement for investigation. We have begun to work with major electronic service providers ("ESP") and the U.S. Internet Service Provider Association ("USISPA") towards the goal of making it more**

**difficult to be able to access these sites. Our current partners in this effort are AOL, Microsoft, Google, Earthlink and United Online.**

**NCMEC analysts will identify child pornography websites that were reported to us without additional information that would permit a referral to a law enforcement agency. After we confirm the presence of illegal images on a site, we will add it to a list which will be provided to those ESPs who report to the CyberTipline. They will then take down the site and block its future access over their systems using filters.**

**We are actively working toward the implementation phase of this project and will keep you updated on our progress.**

**Another obstacle we are struggling to overcome is the fact that research indicates that most of the American public doesn't know about the CyberTipline. Reporting of child pornography and online enticement of children should be easier and more universal. We are eager to work with the industry to explore alternative reporting mechanisms, such as a link on the screen that enables reporting at the moment the illegal conduct is detected by the public.**

**The recent attention to child modeling websites raises the issue of whether some of these sites mask the true, illegal nature of their content. We want to stop these insidious sites that hide behind purportedly legal businesses to trade in images of sexually exploited children. We look forward to working with you and your staff to attack this problem as well.**

**The National Center for Missing & Exploited Children is grateful for your support, Chairman Whitfield, and that of your colleagues, in our efforts to protect children.**

**Thank you.**