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1 {York Stenographic Services, Inc.}

2 RPTS ALDINGER

3 HIF194.170

4 ``H.R. ____, A BILL TO RENEW THE FEDERAL TRADE COMMISSION'S
5 AUTHORITY TO COMBAT CROSS-BORDER SPAM, SPYWARE AND FRAUD
6 THROUGH REAUTHORIZATION OF THE U.S. SAFE WEB ACT OF 2006''
7 WEDNESDAY, JULY 12, 2012
8 House of Representatives,
9 Subcommittee on Commerce, Manufacturing, and Trade
10 Committee on Energy and Commerce
11 Washington, D.C.

12 The Subcommittee met, pursuant to call, at 10:00 a.m.,
13 in Room 2322 of the Rayburn House Office Building, Hon. Mary
14 Bono Mack [Chairwoman of the Subcommittee] presiding.

15 Members present: Representatives Bono Mack, Harper,
16 Lance, Cassidy, Guthrie, Butterfield, and Gonzalez.

17 Staff present: Paige Anderson, CMT Coordinator; Kirby
18 Howard, Legislative Clerk; Brian McCullough, Senior

19 Professional Staff Member, CMT; Gib Mullan, Chief Counsel,
20 CMT; Andrew Powaleny, Deputy Press Secretary; Shannon Taylor
21 Weinberg, Counsel, CMT; Michelle Ash, Democratic Chief
22 Counsel; Felipe Mendoza, Democratic Senior Counsel; and Will
23 Wallace, Democratic Policy Analyst.

|
24 Mrs. {Bono Mack.} We will now come to order.

25 Good morning, everybody. The purpose of today's hearing
26 is to provide subcommittee members with an opportunity to
27 review and discuss the U.S. SAFE WEB Act of 2006. And the
28 chair now recognizes herself for an opening statement.

29 When it comes to the future of electronic commerce,
30 consumer trust and online privacy are certainly ``trending
31 topics.'' Even though it serves billions of users worldwide-
32 -with e-commerce in the United States topping \$200 billion
33 last year for the first time and up 15 percent so far this
34 year--the internet very much remains a work in progress.
35 Still, in just over 25 years, the internet already has
36 spurred transformative innovations. It has incalculable
37 value. It has become part of our daily lives. And it has
38 unlimited potential to affect positive social and political
39 change. But do Americans really believe enough is being done
40 today to protect them from online fraud?

41 Frankly, I am concerned that e-commerce will cease to
42 grow and flourish if consumers lose faith in their ability to
43 be protected from online predators, jeopardizing future
44 innovation as well as our Nation's fragile economic recovery.

45 One important tool in combating cross-border fraud,
46 spam, and spyware is the U.S. SAFE WEB Act of 2006, which is

47 set to expire next year. Today, we will be considering
48 legislation, which I plan to introduce this week to
49 reauthorize this important crime-fighting and consumer
50 protection law for another 7 years.

51 Clearly, there is a lot at stake. About a decade ago,
52 the FTC began to highlight the growing problems it
53 encountered in effectively combating internet scams and fraud
54 directed at American citizens by foreign operators,
55 oftentimes involving organized crime rings. By 2005, an
56 estimated 20 percent of consumer complaints the FTC received
57 involved fraud originating outside of the U.S. According to
58 an analysis of those complaints from the Consumer Sentinel
59 Network, Americans suffered annual losses to foreign
60 operators totaling nearly \$220 million.

61 The FTC subsequently identified severe limitations in
62 its authority to combat cross-border fraud, spam, and spyware
63 relative to that of other U.S. regulators. The biggest
64 roadblock to protecting consumers was the Commission's lack
65 of authority to share information with foreign law
66 enforcement agencies.

67 In order to expand its ability to effectively fight
68 online fraud, the FTC sent Congress legislative
69 recommendations in 2005 seeking additional authorities.
70 Without objection, Congress passed the U.S. SAFE WEB Act on

71 December 6 of 2006, and it was then signed into law by
72 President Bush on December 22 of 2006. Pursuant to the Act,
73 the FTC issued a report in 2009, ``The U.S. SAFE WEB Act: The
74 First Three Years,'' detailing its use and day-to-day
75 experience with the authority granted by the law.

76 Over a 3-year period, covering 2006 through 2008, the
77 FTC received more than a quarter of a million cross-border
78 complaints by American consumers. The FTC also reported that
79 it shared confidential information in response to 38 requests
80 from 14 foreign agencies in six countries, resulting in
81 numerous enforcement proceedings.

82 By any measure, the U.S. SAFE WEB Act has been a clear
83 success to date and should be reauthorized before its
84 expiration next year. Let me emphasize a very important
85 point. Our goal is to pass a clean reauthorization of the
86 law, and my draft legislation does exactly that.

87 The U.S. SAFE WEB amends the FTC Act, authorizing the
88 Commission to share information involving cross-border fraud
89 with foreign consumer protection agencies, subject to
90 important safeguards; protect from public disclosure
91 confidential information received from foreign consumer
92 protection agencies that otherwise would not be shared;
93 pursue a broader class of frauds, involving international
94 activity that harms U.S. consumers; seek redress on behalf of

95 foreign as well as U.S. consumers victimized by U.S.-based
96 wrongdoers; and finally, make criminal referrals for cross-
97 border criminal activity when violations of FTC law also
98 violate U.S. criminal law. This is necessary because some
99 foreign agencies address consumer fraud as a criminal--rather
100 than civil--law enforcement issue.

101 Today, with nearly 1.5 billion credit cards now in use
102 in the United States, nearly everyone in America has a stake
103 in making certain that the FTC has the powers it needs to
104 combat cross-border fraud, spam, and spyware.

105 In closing, let me emphasize, this is a very important
106 bill, and I am asking for your favorable consideration as we
107 begin the process of reauthorizing the U.S. SAFE WEB Act. It
108 is good for American consumers, it is good for the future of
109 e-commerce, and it is the right thing to do.

110 And with that, I would like to now recognize the ranking
111 member of our subcommittee and my friend, Mr. Butterfield of
112 North Carolina, for his opening statement.

113 [The prepared statement of Mrs. Bono Mack follows:]

114 ***** COMMITTEE INSERT *****

|
115 Mr. {Butterfield.} Madam Chairman, I thank you for
116 holding today's hearing on reauthorizing the U.S. SAFE WEB
117 Act of 2006.

118 When the Act passed in the 109th Congress, it was
119 overwhelmingly supported by both Republicans and Democrats
120 and it passed the House under suspension of the rules. The
121 law provides the FTC with expanded and enhanced authorities
122 with the aim to combat cross-border spyware and spam attacks
123 against the United States, as well as to help protect
124 consumers against phony internet rip-offs and telemarketing
125 scams. The enhanced authority has empowered the FTC to
126 better protect American consumers through robust cross-border
127 information sharing, investigative assistance and
128 correlation-building with foreign consumer protection
129 agencies.

130 In a 2009 report to Congress, the FTC noted that ``the
131 Act has helped overcome cross-border enforcement challenges
132 it faced in the past, and it is critical to the FTC's ability
133 to combat global scams that consumers will face in the
134 future.'' Simply put, the expanded authorities are working
135 to protect the American people.

136 The SAFE WEB Act included a sunset provision that will
137 cause these enhanced authorities to expire in December of

138 2013 if Congress does not act. The proposed bill we are
139 discussing today will, if passed, extend the law to September
140 2020. While I support these important consumer protection
141 provisions being extended, I join the current commissioners
142 of both political parties in calling for this reauthorization
143 to be continued in perpetuity.

144 I hope that my colleagues will agree that this law is
145 paying dividends to the American people. Instead of
146 including another sunset provision in any reauthorization, we
147 should strongly weigh the unanimous support of the
148 commissioners to make it permanent.

149 I look forward to hearing from today's witness from the
150 Commission, Mr. Stevenson, and appreciate him being here
151 today.

152 Madam Chairman, I look forward to working with you and
153 our colleagues on the Subcommittee in fully authorizing this
154 very important and successful law. Thank you.

155 [The prepared statement of Mr. Butterfield follows:]

156 ***** COMMITTEE INSERT *****

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157 [The prepared statement of Mr. Waxman follows:]

158 ***** INSERT 2 *****

|
159 Mrs. {Bono Mack.} Thank you, Mr. Butterfield.

160 And seeing no other members who wish to make opening
161 statements, we will turn our attention to our one witness
162 that is joining us today. We have Hugh G. Stevenson, Deputy
163 Director for International Consumer Protection at the Office
164 of International Affairs at the Federal Trade Commission.
165 Thank you very much for being here. Mr. Stevenson has
166 prepared an opening statement that will be placed into the
167 record. He will now have 5 minutes to summarize his
168 statement in his remarks.

169 Again, thank you for coming. If you can just look at
170 the little clock in front of you is a timekeeper, kind of
171 typical American values--green means goes, yellow means start
172 wrapping it up or hit the gas, and red means try to come to a
173 conclusion. Please just remember to turn your microphone on
174 and bring it close to your mouth so that the TV audience at
175 home can hear you.

176 And with that, Mr. Stevenson, you are recognized for
177 your 5 minutes.

|
178 ^STATEMENT OF HUGH G. STEVENSON, DEPUTY DIRECTOR FOR
179 INTERNATIONAL CONSUMER PROTECTION, OFFICE OF INTERNATIONAL
180 AFFAIRS, FEDERAL TRADE COMMISSION

181 } Mr. {Stevenson.} Thank you very much. Chairman Bono
182 Mack, Ranking Member Butterfield, honorable members of this
183 committee, my name is Hugh Stevenson. I am the deputy
184 director for International Consumer Protection at the Federal
185 Trade Commission and I am here on behalf of the FTC to speak
186 in support of renewing the U.S. SAFE WEB Act.

187 As you know, part of our bread and butter is bringing
188 enforcement actions to protect U.S. consumers from fraud,
189 from deception, from other commercial misconduct. And more
190 and more these enforcement actions cross borders. The
191 defendants can be in other countries, the money can go to
192 other countries, the evidence can sometimes only be found in
193 other countries. The SAFE WEB Act of 2006 has provided us
194 with key enforcement tools we need more and more to do this
195 bread-and-butter work. And as you have recognized, unless
196 you take action, we lose the Act's powers next year.

197 Now, what does this problem--cross-border fraud--look
198 like? If we look at our joint database and consumer
199 sentinel, we see hundreds of thousands of cross-border

200 complaints from your constituents. We see millions of
201 robocalls sent from outside the United States. We have seen
202 millions of bogus debt-collection calls. In our cross-border
203 cases we have seen hundreds of millions of dollars in injury
204 to U.S. consumers. And in our spam work, in one case alone,
205 we have seen billions of spam messages sent.

206 Technology with a global reach has become even more
207 prevalent, even more the new normal since 2006. The new
208 technologies--and not just the web and email but increasingly
209 also mobile devices--Smartphones, new methods of payment,
210 voice over IP, robocalls--all this means the frauds are
211 faster, the frauds can reach farther, and the frauds are
212 harder to discover.

213 What does the SAFE WEB Act do to help us here? It helps
214 us to work together with agencies in other countries to
215 investigate and bring cases using our subpoena power to get
216 information, share it, get more information back. Easy
217 example, we subpoenaed information from a U.S. company and
218 shared it with the Toronto Police Service, which was
219 investigating a scam that was targeting both U.S. and
220 Canadian consumers, helped link the suspects to the scam, led
221 to 14 arrests. Another simple example, payday lender case,
222 we shared information with a U.K. agency, they shared
223 information with us, we filed an action in court and obtained

224 a million dollar settlement with U.S. and U.K. defendants.
225 The SAFE WEB Act also confirms that we have jurisdiction to
226 pursue these cases and helps us build networks so necessary
227 with our fellow enforcers.

228 Let me emphasize also what the SAFE WEB Act does not do.
229 The Act does not set new substantive rules for business. It
230 hasn't given us any new substantive rulemaking powers. What
231 it does is provides us with enforcement tools.

232 The Act also does not cover every conceivable case. It
233 limits cooperation to cases of fraud, deception, and other
234 misconduct that is substantially similar to practices that
235 already violate the FTC's consumer laws.

236 The FTC has referred many times in many contexts over
237 many years to the need for just this kind of legislation, and
238 we need the SAFE WEB Act now more than ever to meet the
239 challenge of effective protection for U.S. consumers.

240 Thank you for your attention and I would be glad to
241 answer any questions.

242 [The prepared statement of Mr. Stevenson follows:]

243 ***** INSERT 1 *****

|
244 Mrs. {Bono Mack.} Mr. Stevenson, I think that is a
245 world record. Good job. So I will recognize myself for 5
246 minutes for questioning. And again, thank you for your
247 testimony.

248 Can you just give us sort of a worst-case scenario of
249 what exactly happens or could happen if you lose this
250 authority that you are granted under this U.S. SAFE WEB Act?

251 Mr. {Stevenson.} Well, first and foremost, we would
252 lose the enforcement tools of investigation and information
253 sharing that we use now increasingly, frequently, to work
254 with these other agencies. That means we would be less
255 effective in a number of these cases. It would take more
256 time to do these cases or, in some cases, we just couldn't
257 bring the cases at all. We also wouldn't be in the position
258 we are now to assist agencies in other countries that often
259 are acting on investigations--take the Toronto example I
260 mentioned--to protect U.S. consumers. And so we lose that
261 benefit as well.

262 Mrs. {Bono Mack.} Can you talk a little bit about what
263 the consumer might see rather than in the halls of the FTC?
264 What do you think will happen? What would the consumer see,
265 perhaps, if you cease to have these opportunities under this
266 Act?

267 Mr. {Stevenson.} Well, the consumer is going to have
268 more and more of these kinds of challenges as we see it.
269 Just by carrying around our Smartphone, you know, we can be
270 spammed and spimmed and spear phished and robocalled and just
271 ripped off, and that is from anywhere in the world. And so
272 the challenge is what can we do and step in to deal with
273 these problems? There are some things that we can try to
274 continue to do as we did before the Act but we are simply not
275 in the position to be as effective as we are now.

276 Mrs. {Bono Mack.} How did you pursue these things
277 before the Act?

278 Mr. {Stevenson.} Well, we could share limited forms of
279 information, consumer complaint information, for example,
280 under our statute. We could bring our own actions and
281 coordinate as well as we might with agencies in other
282 countries. But we weren't in the position really--which is
283 so critical--of being able to share information, particularly
284 as the investigation goes on. Sometimes we don't even know
285 where the fraud is located when we start the investigation.
286 Neither do some of our counterparts. So some of it is just
287 that challenge of even finding the people we want to go
288 after.

289 Mrs. {Bono Mack.} Was the FTC ever denied from bringing
290 cases prior to SAFE WEB?

291 Mr. {Stevenson.} There are certainly cases that I think
292 it is fair to say would have been very difficult if not
293 impossible to investigate for that kind of reason. When we
294 would come to the border in terms of information, if the
295 evidence is somewhere else--for example, the domain name
296 registrar information about who is behind a website was
297 somewhere else and we didn't have a way to get at it without
298 using these powers or maybe an agency that was working with
299 us didn't have the ability to get at it because we were able
300 to assist them, that kind of thing could shut down
301 investigations. It is a matter of degree of how fast and how
302 well we can bring these cases in terms of developing the
303 evidence, but fast is important here because fraud is even
304 faster.

305 Mrs. {Bono Mack.} Thank you. And turning to something
306 that we all care deeply about in this town and that is the
307 amount of money it costs. CBO originally scored U.S. SAFE
308 WEB at \$9 million over 5 years from 2006 through 2011. Do
309 you believe that that score was accurate, and if not, do you
310 know how much the activities pursued under the U.S. SAFE WEB
311 authority have cost?

312 Mr. {Stevenson.} Well, it is difficult to provide an
313 exact estimate since these authorities are all intertwined
314 with the FTC Act. And indeed a lot of these tools are part

315 and parcel of this sort of ongoing enforcement activity.
316 Since we don't do our budget items by statute, it is hard to
317 parcel all of that out.

318 Having said that, I would also add there was no specific
319 appropriation for SAFE WEB when it was enacted and we did the
320 implementation work, for example, in the beginning without an
321 additional--beyond our regular appropriation.

322 In terms of the \$9 million figure, while there are
323 various ways in which, depending on exactly what one counts
324 in calculating this, we think under any reasonable
325 calculation it would be significantly less than 9 million.
326 Probably less than half that would be the cost attributable
327 to this. The fact is a lot of it is just that we were able
328 to do the same work but better, and we were able also--and
329 bearing in mind not only the costs here but the benefits--to
330 stop more frauds involving tens of millions of dollars, even
331 recover money in some cases that we may not have recovered
332 otherwise.

333 Mrs. {Bono Mack.} Thank you. Doing the same work but
334 better, would you say your office has grown larger or small
335 since the passage of the SAFE WEB Act?

336 Mr. {Stevenson.} The Office of International Affairs
337 has I think grown a little larger but looking at it from the
338 point of view of the FTC, as I said, the work was generally

339 done within the appropriation envelop that we had when we
340 were doing the first implementation. The other thing I might
341 mention is that some of the costs that we have here such as
342 doing the report, such as writing the internal procedural
343 rules to implement this would not be necessary to repeat as
344 we go forward.

345 Mrs. {Bono Mack.} Thank you very much.

346 I am going to recognize Mr. Butterfield for 5 minutes.

347 Mr. {Butterfield.} Thank you, Madam Chairman.

348 In your testimony, Mr. Stevenson, you mentioned spammed,
349 spimmed, and spear phish. I know what spam means but I don't
350 know the other two. Would you elaborate on those two?

351 Mr. {Stevenson.} Well, I think spim is sort of like the
352 spam equivalent but in terms of messaging on phones.

353 Phishing spelled with a ``ph'' is the idea that you might get
354 the message from Wells Fargo Bank saying we have a problem
355 with your account, please sign in here with your account
356 details, when in fact it is somebody else trying to--

357 Mr. {Butterfield.} Um-hum.

358 Mr. {Stevenson.} --steal those. And spear phishing is
359 using some particular information that they may know about
360 you to make the phishing even more effective.

361 Mr. {Butterfield.} All right. I have learned
362 something. All right. You also indicate that the full

363 commission--I believe there are five of you on the
364 Commission, Democrats and Republicans--that the five of you
365 have twice called on Congress to completely repeal the sunset
366 provision. Are you reflecting a sentiment that is part of
367 the record or are these the informal feelings of the
368 commissioners?

369 Mr. {Stevenson.} The Commission in its 3-year report to
370 Congress did request the repeal of the sunset provision.

371 Mr. {Butterfield.} And that opinion is unanimous among
372 your colleagues?

373 Mr. {Stevenson.} Yes, as I understand.

374 Mr. {Butterfield.} All right. Can you please discuss
375 with us some of the disadvantages to renewing these
376 authorities for only 7 years, some of the disadvantages?

377 Mr. {Stevenson.} Well, one issue that arises is that as
378 the time comes for the provisions to expire that obviously
379 investigations can take months, cases can take years, and as
380 we get closer to the end of the time available to us, then
381 the time left on the statute so to speak is less than the
382 time that we need to pursue those cases. It also does
383 affect--and of course the end of the sunset period the
384 potential willingness of others to cooperate with us--
385 underlying a lot of this is developing this kind of cultural
386 reciprocity of going back and forth, and obviously we want to

387 be in the position as strongly as we can to assure our
388 partners that indeed we will be in the position to
389 reciprocate just as we expect that they will be.

390 Mr. {Butterfield.} And the opposite of that, can you
391 think of any benefits to sunseting at 7 years?

392 Mr. {Stevenson.} Well, the process of oversight
393 obviously I defer to you on the possible benefits of
394 oversight. I would emphasize here that the type of law that
395 we are dealing with here involves not the kind of substantive
396 rules but more of the enforcement tools that the need for
397 which we don't expect to be going away any time soon.

398 Mr. {Butterfield.} And finally, can you please discuss
399 with us why it is important to reauthorize the Act now and
400 not wait until sometime closer to December 2013? In
401 particular, can you please address how delaying this
402 reauthorization might affect your international investigative
403 and enforcement efforts?

404 Mr. {Stevenson.} Well, mostly for the reasons that I
405 mentioned. In terms of particular investigations in cases,
406 as we get closer to the time that it expires, the time for
407 which we exercise these powers may run out before the
408 investigation is completed, for example. So that is one kind
409 of concern. We do have the power also under the Act to
410 negotiate formal agreements where those are necessary

411 according to the opposite side's law, which they aren't
412 always required. But we have been negotiating some of those.
413 It is difficult to pursue negotiations of that sort as we get
414 very close to the end of a sunset period, and so that is why
415 we are requesting a prompt renewal.

416 Mr. {Butterfield.} Can you please discuss what kinds of
417 complaints by and frauds against the U.S. consumer you are
418 seeing originating in other countries?

419 Mr. {Stevenson.} We see all manner of frauds. As I
420 say, the technology these days means the communications can
421 come from anywhere and the money can go anywhere, so we see
422 pretty much the full range of frauds and deceptions. I would
423 say that they tend to be the particularly egregious ones that
424 we have seen or certainly that we have acted on when we are
425 dealing with the cross-border--

426 Mr. {Butterfield.} But Canada is in the number one
427 position, are they not?

428 Mr. {Stevenson.} Canada has been historically where we
429 have seen the most complaints going back to the 1990s where
430 we saw extensive telemarketing issues. One of the
431 interesting trends is that more and more though we see other
432 countries involved. And so in the testimony we gave the
433 example of these bogus debt collection calls from India and
434 we had two cases there, the robocall case that used

435 facilities in the Philippines to send complaints, and we are
436 seeing a larger and larger percentage of the cross-border
437 fraud complaints by U.S. consumers to involve these other
438 countries. We also have a range of countries where we have
439 seen the money go and have tried to--

440 Mr. {Butterfield.} The U.K. is an example? Would the
441 U.K. be an example?

442 Mr. {Stevenson.} The U.K. would be one of the--

443 Mr. {Butterfield.} Yeah.

444 Mr. {Stevenson.} --countries where we have seen the
445 numbers. We do about a 100-page report a year from our
446 Consumer Sentinel Database, which is combined data from the
447 FTC, the FBI, the U.S. Postal Inspection Service, Better
448 Business Bureau, various Canadian sources, and we have seen
449 in that data an increase in frauds from other countries so
450 that the largest number would be from Canada, for example.
451 But then the United Kingdom would be after that, Nigeria,
452 Jamaica, India, Spain, China, Mexico, and Ghana would be the
453 top ones in terms of complaints. Obviously, the complaint
454 data doesn't give us a precise calculation of what is
455 happening out there, but it is certainly indicative of
456 general trends.

457 Mr. {Butterfield.} Thank you.

458 Mrs. {Bono Mack.} Thank you, Mr. Butterfield.

459 The chair now recognizes Dr. Cassidy for 5 minutes.

460 Dr. {Cassidy.} Good morning, Mr. Stevenson. I am a
461 doctor so as I was reading your testimony I was struck by
462 some of the prosecutions or cooperations you have had
463 regarding bogus medical products sold. So none of this is
464 the challenge. All of this is for me to learn. We may have
465 a restriction on the sale of a drug without a medical
466 prescription but Mexico may not. So if the online pharmacy
467 is originating a drug from Mexico, one, do you know that that
468 pharmacy is based in Mexico, that online pharmacy; and two,
469 do you get cooperation not just from Mexico but from any
470 country for a statute which is U.S.-specific but doesn't
471 necessarily apply to their methods of dispensing drugs as one
472 example?

473 Mr. {Stevenson.} Well, the powers the SAFE WEB Act give
474 us, as I mention, are limited in the kinds of cases we can
475 cooperate on, are ones where the law is substantially similar
476 to practices that violate our Act. So in the case--

477 Dr. {Cassidy.} Now, if Mexico does have a requirement
478 that for controlled substance there be a physician's
479 prescription with their version of a DEA number and we have
480 that same and someone is buying controlled substances from an
481 overseas online pharmacy, would they cooperate with us on
482 that regard?

483 Mr. {Stevenson.} Well, it would require under our
484 statute for us to cooperate with them that it would be
485 substantially similar to practices that violate the FTC
486 consumer law. So if we, the United States, might have such a
487 provision, it wouldn't give the FTC the power--

488 Dr. {Cassidy.} I see. So it would have to be
489 fraudulent. It couldn't be here is pure grade morphine. We
490 would require a prescription they do but it is still being
491 sold. It would have to be adulterated morphine. Yeah. So
492 if they were saying adulterated morphine, billing it as pure
493 grade, you could prosecute?

494 Mr. {Stevenson.} Yeah. If it was something that was a
495 fraud, for example, and the large, large percentage of the
496 cases that really have implicated SAFE WEB have been hard
497 core fraud and deception.

498 Dr. {Cassidy.} So do you know those websites which are
499 notorious for fraudulent sales? I mean do you have a roster,
500 a registry of those websites? Wow, man, we are getting
501 adulterated drugs from this particular website.

502 Mr. {Stevenson.} I think that the drug issues tend to
503 be addressed more by other agencies, the FDA, for example--

504 Dr. {Cassidy.} The only reason I raise that, though, is
505 you mentioned a couple of--and I don't have your testimony in
506 front of me open now--

507 Mr. {Stevenson.} Right.

508 Dr. {Cassidy.} --but you mentioned a couple of medical-
509 type stuff, drugs-type stuff that you did prosecute on.

510 Mr. {Stevenson.} Yes.

511 Dr. {Cassidy.} So what would make those your
512 jurisdiction if you will as opposed to someone else's, FDA's?

513 Mr. {Stevenson.} Right. Well, it is partly what we can
514 cover with our law. Although the fraud provisions reach
515 broadly, they wouldn't reach everything. So another would be
516 just in terms of allocating where the expertise lies for
517 doing certain kinds of things--

518 Dr. {Cassidy.} So you mentioned a--

519 Mr. {Stevenson.} --for example, we are not in a
520 position to do a medical analysis of drugs or--

521 Dr. {Cassidy.} But you mentioned that there was a
522 cancer agent that was sold that turned out to be nothing but
523 white powder.

524 Mr. {Stevenson.} Yes.

525 Dr. {Cassidy.} So did you all prosecute that one or did
526 the FDA?

527 Mr. {Stevenson.} In fact in that case I think it was
528 prosecuted by the Department of Justice and the FBI made the
529 arrest. So that was in that case a criminal one. And that
530 is actually an important point to emphasize is that we

531 accomplish things with this law not only by bringing our own
532 cases but where we can cooperate as appropriate with other
533 authorities--

534 Dr. {Cassidy.} So let me go back--

535 Mr. {Stevenson.} --that may be more in a--

536 Dr. {Cassidy.} I accept that but I just have limited
537 time--

538 Mr. {Stevenson.} Sorry.

539 Dr. {Cassidy.} --and I might interrupt. I apologize.
540 But again, do you have a registry if you will of websites
541 that we know these are the bad actors, we are going to watch
542 them for promoting fraudulent products, and we are just going
543 to hover over them if you will? Do you keep such a list or
544 does it just kind of randomly pop up that, wow, somebody saw
545 white powder, called it a cancer cure?

546 Mr. {Stevenson.} Well, our cases can start in a number
547 of ways but one major way is from looking at the complaint
548 data that we get from consumers and from other agencies.

549 Dr. {Cassidy.} But I guess my specific question is do
550 you monitor certain websites? You have a certain amount of
551 complaints; a lot of them come back to a particular website.
552 Does that go on your monitor-this-one-closely list?

553 Mr. {Stevenson.} As I say, we look at the complaints;
554 we look at other factors that may influence whether the case

555 is an appropriate one to bring. We usually don't lack for
556 potential targets. There are usually a lot of different
557 fraud targets.

558 Dr. {Cassidy.} But somehow you are not answering my
559 question--

560 Mr. {Stevenson.} Sorry.

561 Dr. {Cassidy.} --asking my question correctly.
562 Intuitively I know that there are going to be some websites
563 that you are able to identify as being particular bad actors
564 in terms of purveying fraudulent material. Do they go on a
565 watch-closely list or is it always generated from your
566 complaints and it may be this website and it may be another
567 next time?

568 Mr. {Stevenson.} I would say we do not have a watch-
569 closely list as in the sense that you are describing. The
570 other thing about that is that in terms of websites what we
571 see is often fraud operators operate multiple fraud websites,
572 move around quite a bit, use the process of registering them
573 to use phony names and whatnot so that actually that is a
574 chunk. But we do not have the list that you are asking
575 about.

576 Dr. {Cassidy.} May I have one more question? The only
577 thing in the medical sphere, people are obviously depositing
578 prescriptions on the website and then they are getting

579 refills. It is not a one-time, you know, buy a bicycle that
580 whatever, whatever; it is, no, I want refills. So even in
581 those sorts of pharmaceutical-oriented websites, do you find
582 this constant changeover?

583 Mr. {Stevenson.} That, I am sorry, I don't know the
584 answer to that.

585 Dr. {Cassidy.} Thank you for your indulgence, Madam
586 Chair.

587 Mr. {Stevenson.} Thank you.

588 Mrs. {Bono Mack.} Thank you, Dr. Cassidy.

589 And good morning, Mr. Gonzalez. You are recognized for
590 5 minutes.

591 Mr. {Gonzalez.} Thank you very much, Madam Chair.

592 Mr. Stevenson, let me ask you. Democratic staff has
593 prepared a memo in essence telling us what we would be
594 reauthorizing, whether it is for a limited period of time or
595 no restriction, but it says it exempts financial
596 institutions, payment system providers, internet service
597 providers, telephone service providers, and domain name
598 registrars, among others, from liability for voluntarily
599 providing certain information to the FTC when they might
600 otherwise be prohibited from sharing such information. Now,
601 that is very important, is it not, that provision?

602 Mr. {Stevenson.} Yes, that is one of the provisions in

603 the SAFE WEB Act, yeah.

604 Mr. {Gonzalez.} And the reason is there may not be any
605 liability, but it definitely might interfere with the
606 business relationships that some of these providers of this
607 information have with customers that utilize their services?
608 Would that be true? Now, they may be bad purpose, bad
609 actors, but they still have a business relationship. What I
610 am getting at is a very simple proposition, and that is
611 surely not everyone is happy with this particular authority
612 that you have. I agree that you should have the authority.
613 I don't think that we have to sunset the thing either and I
614 commend the work that you have done. I just want to get at
615 all of the different stakeholders because I think we are all
616 in agreement that this is a good authority for you to have
617 and we need to accommodate you.

618 The question comes down to surely someone out there in
619 the business community, in the internet or in the
620 stakeholders, business stakeholders have some concerns that
621 they expressed to you regarding this authority and the
622 exercise of it. So what is it out there in the business
623 community that we might have some stakeholders, legitimate
624 ones, that are complaining to you, the nature of the
625 complaint, and your response?

626 Mr. {Stevenson.} Thank you. We have not had any

627 complaints about this provision since the Act was passed. We
628 did have concerns raised in the several years leading up to
629 the passage of the Act about the scope and nature of this
630 provision, and then accordingly, it was narrowed. You
631 mentioned that this information can be shared in certain
632 instances. The certain instances here really are focused on
633 essentially where there is a third party that has some reason
634 to believe there may be a fraud or a deception or a violation
635 of our law going on or they have reason to believe that they
636 have information about money that is ours to recover. So it
637 is focused on those instances where they essentially have
638 some reason to say we have complaints, we have suspicious
639 charged back rates, or in some manner they have information
640 to say this is something that we should notify the
641 authorities about. And the effect of the provision is really
642 just aimed at the liability or in this case lack of liability
643 for the act of notifying us.

644 So we have not heard complaints about that since the Act
645 was passed. It is something that is useful to us. It has
646 not been as central as the information sharing and
647 investigation, other provisions that I have already talked
648 about.

649 Mr. {Gonzalez.} Now, as much is going out there in the
650 internet world and you just indicated it has revolutionized

651 just in the past couple of years the use of mobile devices
652 and how people get information out there, tremendous
653 opportunities for many good things and tremendous
654 opportunities for many bad things, as happens. Bottom line,
655 though, is the consumer needs to be protected and we need to
656 educate the consumer. And the best thing always--and Dr.
657 Cassidy probably would agree if he was here--and that is
658 prevention. So what is it that the FTC does to educate the
659 consumer, to protect them and so they don't fall victim so
660 that then you are not there investigating and pursuing on the
661 civil side and maybe DOJ pursuing things on the criminal
662 side? What about education?

663 Mr. {Stevenson.} We place a very high priority actually
664 on education, have a number of different campaigns we have
665 done, including with foreign partners in a number of cases.
666 One example of an education campaign that I think we launched
667 just this week if I am not mistaken involves, for example,
668 the problem of robocalls, which we mentioned earlier. And so
669 we have done videos to put out for consumers. We have a
670 robocall advice on what to do if you receive them if you are
671 a consumer. We also have a robocall action plan with several
672 items and several steps we are trying to take to alert
673 consumers to the problems that they see.

674 Another example is in the area of remittances, sending

675 money back home to another country, and this is an issue that
676 affects us as Americans, including when we don't speak
677 English. And so we have actually put that piece of advice in
678 six different languages to make sure that we are reaching as
679 many people as we can with the important messages. Some of
680 these messages about the fraud prevention are not exclusively
681 international obviously because it has become so much part of
682 our sort of everyday life and the kind of thing we have to
683 communicate to consumers.

684 Mr. {Gonzalez.} Thank you very much for your testimony.

685 And I yield back, Madam Chair.

686 Mrs. {Bono Mack.} Thank you.

687 The chair recognizes Mr. Guthrie for 5 minutes.

688 Mr. {Guthrie.} Thank you, Madam Chair.

689 Thank you so much for being here today. I was trying to
690 get kind of a better feel for the process that the FTC uses
691 to engage in international cooperation to the SAFE WEB Act.
692 So in SAFE WEB I believe parts of it are self-executing and
693 there are other areas that you have to have Memorandums of
694 Understanding with other countries. Can you walk through
695 that process? What are the impediments of those Memorandums
696 of Understanding?

697 Mr. {Stevenson.} Sure. Well, one of the things that
698 the Act requires is before we share information that the

699 other side certify that they have the law to keep the
700 information confidential, that they are investigating laws
701 that are fraud, deception, or something substantially similar
702 to our statutes.

703 Mr. {Guthrie.} Um-hum.

704 Mr. {Stevenson.} We have actually developed a sort of
705 form, the checklist of the factors that we have to take into
706 account. We have to look at whether their law meets that
707 standard. Usually, it is fraud and deception as I mentioned
708 and that part is straightforward. We also need to take into
709 account the general public interest, the likelihood of
710 reciprocity if we assist another party, and the amount of
711 injury and the number of consumers affected. And we have to
712 use our resources wisely in choosing where to provide that
713 assistance. If we want to go and get investigative
714 assistance, that needs to go through one of our commissioners
715 to use that process.

716 We don't require a formal agreement in the formal sense
717 in order to do that kind of cooperation, but there are some
718 countries where their laws may require that.

719 Mr. {Guthrie.} Okay.

720 Mr. {Stevenson.} And in that event, then, we work with
721 the State Department to develop the text to negotiate--in
722 this case with the European Commission and Canada where it

723 appeared that their law would require a more formal
724 arrangement.

725 Mr. {Guthrie.} You mentioned other emerging threats
726 like Jamaica and some other countries that aren't European
727 Commission or Canada--have the same kind of systems I guess
728 that we have. I mean who are the big emerging threat
729 countries and what are the impediments between us being able
730 to work with them or them working with us I guess? I think
731 you mentioned Jamaica earlier.

732 Mr. {Stevenson.} Right. Well, there can be several
733 sort of issues. In some cases there may not be a clear
734 counterpart agency for us and that is why it is important
735 that the authority enables us to cooperate not just with
736 civil regulatory agencies but also criminal agencies. So
737 that part is important to us. And in some cases obviously
738 language is a certain kind of barrier and others not so much.
739 And the challenges can differ. And it does take time to
740 develop the relationships. We want to make sure that we can
741 trust the agency we are dealing with on the other side; they
742 want to be able to trust us. So that is also part of the
743 ongoing process.

744 Mr. {Guthrie.} Is there like a top two or three
745 countries that you are most concerned about--

746 Mr. {Stevenson.} As I mentioned--

747 Mr. {Guthrie.} --international fraud that we are not
748 able to really--

749 Mr. {Stevenson.} Yeah.

750 Mr. {Guthrie.} --get an agreement with or work with?

751 Mr. {Stevenson.} As I mentioned, the complaint data
752 suggests that there are certain countries that are where
753 there are a particularly large number of complaints. I think
754 I mentioned India, Jamaica among them. The--

755 Mr. {Guthrie.} So there are large complaints with them
756 and they are cooperating with us or are there large
757 complaints in those countries and we are really having
758 trouble cooperating with them?

759 Mr. {Stevenson.} Well, we are working in a number of
760 countries on further improving our relationship. As I say,
761 it varies depending on also the state of their agency in that
762 country, the degree to which we have had occasion to work
763 with them before.

764 Mr. {Guthrie.} I guess the question, the worst-
765 offending countries, are they serious about it and want to
766 get it fixed? Or this is just something that is not on their
767 agenda?

768 Mr. {Stevenson.} Well, sometimes there is a challenge
769 of making this high enough on the agenda from the point of
770 view of the agencies in another country, and that is

771 something then we also try to work on in our enforcement work
772 and technical assistance work.

773 Mr. {Guthrie.} Because location is not important. It
774 is the web so people can just gravitate, and once you fix it
775 one country, it is going to gravitate to another. So I
776 appreciate the struggle you are in and how difficult it is
777 for what you are doing. And the anonymity of the web allows
778 people to do things that we don't want them to do. So I
779 appreciate what you are doing.

780 And I yield back.

781 Mr. {Stevenson.} Thank you.

782 Mrs. {Bono Mack.} Thank you, Mr. Guthrie.

783 Mr. Harper, you are recognized for 5 minutes.

784 Mr. {Harper.} Thank you, Madam Chair.

785 Thank you, Mr. Stevenson, for being here with us today.

786 Your written testimony indicates that the Act authorizes the
787 FTC to share confidential information with its foreign
788 counterparts subject to certain safeguards such as
789 restrictions on foreign governments' use of information for a
790 purpose other than the investigation that triggered the
791 information request. Have you received any complaints of
792 misuse of information?

793 Mr. {Stevenson.} Misuse by agencies in other countries?

794 Mr. {Harper.} Yes.

795 Mr. {Stevenson.} No, I don't believe so.

796 Mr. {Harper.} Okay. Are you aware of any such misuses
797 of information whether you have received complaints about
798 that or not?

799 Mr. {Stevenson.} No.

800 Mr. {Harper.} Okay. Does the FTC have formal
801 agreements with other nations to address information sharing,
802 and if so, how many agreements are in place?

803 Mr. {Stevenson.} In terms of SAFE WEB Act agreements,
804 we have no formal agreements. We have dating from before the
805 SAFE WEB Act mostly some informal Memoranda of Understanding.
806 And as I mentioned, we can cooperate case-by-case if they
807 provide the required certifications of information. So we do
808 have those kinds of arrangements.

809 Mr. {Harper.} Do the protections for information shared
810 internationally closely resemble those for sharing with state
811 attorneys general or are they different?

812 Mr. {Stevenson.} They are very similar.

813 Mr. {Harper.} Okay. Are there any countries where you
814 have shared information that did not have reciprocal
815 information sharing agreements with the U.S.?

816 Mr. {Stevenson.} Well, as I said, we don't have the
817 formal agreements. One of the factors that we take into
818 account in sharing is whether there is the likelihood of

819 reciprocal assistance, and we do find that--I can't think of
820 an example where someone has indicated they will not provide
821 that under any circumstances and certainly generally they are
822 more than happy to. And that is part of what we are trying
823 to achieve. Sometimes they have their own legal restrictions
824 on doing it so if they didn't have that ability to share
825 everything back with us, we take that into account. But
826 there are sometimes limited things they can do and other
827 things they can't. And we see the important issue as getting
828 the bad buys.

829 Mr. {Harper.} Well, what are the conditions you look
830 for or establish in order to share information?

831 Mr. {Stevenson.} Well, so, first and foremost, they
832 provide the certification that they can maintain the
833 information in confidence. They tell us the nature of their
834 legal authority to do investigations. So we ask them under
835 what authority are you pursuing a possible violation? So
836 often they will cite to us their fraud statute, their
837 deception statute, or whatever. Then, we will look at
838 whether that complies with the statutory requirement, that it
839 is substantially similar. We also would look at the general
840 public interest, as I mentioned, the likelihood of
841 reciprocity, and also whether there is real injury involved
842 and whether there is a significant number of people. We

843 don't want to be doing this kind of work for, you know, one-
844 off disputes obviously or even, you know, small disputes.

845 Mr. {Harper.} You testified earlier that Canada
846 recently enacted a law similar to our SAFE WEB. Does their
847 law affect your ability to investigate or litigate fraud
848 originating from Canada?

849 Mr. {Stevenson.} Yes, it does. We have seen that as a
850 very positive development in testifying in support of the
851 legislation, they are actually--the government official, the
852 head I think the FCC pointed to the experience of the SAFE
853 WEB Act in the United States and the importance of that kind
854 of reciprocal assistance. It hasn't yet all played out. I
855 don't believe it is completely in effect, but we are already
856 seeing the benefits. We have several Canadian agencies--the
857 Competition Bureau, the CRTC, which is more like the FCC--
858 have already detailed people to us to work with us under his
859 cases and that has been very effective.

860 Mr. {Harper.} Are you doing anything to encourage other
861 countries to enact similar laws to what Canada has done?

862 Mr. {Stevenson.} We had done work at the OECD on
863 protecting consumers from cross-border fraud and deception
864 focusing particularly on those kinds of practices and
865 encouraging a consensus on the approach to be taken. And a
866 number of the items in that OECD recommendation are reflected

867 in the SAFE WEB Act and are indeed reflected in some aspects
868 of European Union law and now in the Canadian provisions.
869 Different countries have obviously variations on that theme,
870 which is part of the challenge here of working it out so that
871 the rails of the two train tracks fit together when they
872 meet.

873 Mr. {Harper.} Thank you, Mr. Stevenson.

874 I yield back.

875 Mr. {Stevenson.} Thank you.

876 Mrs. {Bono Mack.} Thank you, Mr. Harper.

877 Mr. Lance? Okay. He waives his questions.

878 Mr. {Lance.} That is you, then.

879 Mrs. {Bono Mack.} Then, it is me. All right. We are
880 going to move to a quick second round of questions, and I
881 recognize myself for 5 minutes.

882 If a foreign government--kind of continuing on in the
883 same vein--if they are not interesting in cooperating with
884 the FTC, what can the FTC do about perpetrators in that
885 nation? Do you ever pursue enforcement in such cases? And
886 does the FTC ever obtain default judgments against absent
887 foreign defendants?

888 Mr. {Stevenson.} Starting with the last one first, we
889 do sometimes obtain default judgments. We have had cases
890 where we have done that. There then becomes the challenge

891 obviously of taking those to enforce them in some other
892 country. We do work with the office of foreign litigation at
893 the Department of Justice, which is another provision we
894 haven't had a chance to talk about in SAFE WEB Act. That
895 does require the development of case law and the development
896 of other arrangements for us to hire counsel to pursue the
897 money.

898 In some occasions, we can get the receiver, who is
899 appointed in the case by the court, to take some action in
900 another country by virtue of being the court-appointed
901 trustee if you will to take action. So that is another
902 possibility.

903 Sometimes there are assets that are reachable in some
904 other country even if the defendants are in some way not
905 reachable. Sometimes there are assets in the United States
906 for some defendants but not others. So there are various of
907 those kinds of measures that we can take, and it really is a
908 case-by-case challenge how we handle that.

909 Mrs. {Bono Mack.} Thank you.

910 There have been a handle of U.S.-based large,
911 multinational companies that have been the target of FTC
912 investigations or legal action that have also been the
913 subject of investigations, reviews, or legal actions abroad
914 for the same activities. Has the FTC shared information

915 gleaned from its legal actions here that has been used in
916 international legal actions for the same activities?

917 Mr. {Stevenson.} The Act permits us to share
918 information in our files with agencies in other countries
919 that are doing investigations. We do take into account
920 various public interest factors and do take into account
921 whether the laws that they are investigating are
922 substantially similar. So there might be some examples where
923 the laws that they may be looking at to pursue the other
924 companies may not be substantially similar to the laws that
925 we have.

926 Mrs. {Bono Mack.} Thank you. I think that is very
927 important.

928 And how would you explain the pattern of complaints
929 against foreign businesses since the U.S. SAFE WEB Act
930 passed? For a few years it declined and then just last year,
931 which was 2011, the number jumped substantially and exceeded
932 the number of 2006 complaints for the first time. Is the
933 number of complaints rising generally or are the complaints
934 about foreign companies increasing disproportionately? And
935 are complaints based on internet fraud rising generally
936 foreign and domestic? That is a mouthful but--

937 Mr. {Stevenson.} Well, in terms of the trends, it is,
938 as I mentioned, somewhat challenging to really discern the

939 exact trend versus the data that we have in the system
940 because it sometimes comes in--it depends on the sources.
941 Our sources from the U.S. and Canada are more extensive
942 obviously in contributing to the database, so that has some
943 effect on what the data looks like. And I think we had seen
944 a higher percentage of foreign complaints in 2006 than we
945 have in the last couple of years where it has remained stable
946 and around I think 13 percent.

947 Having said that, a number of complaints that aren't
948 marked as cross-border may indeed be cross-border because all
949 we are reporting is what the consumer knows or thinks they
950 know about where the problem is. They don't know about those
951 cases where maybe the money went somewhere else, so they
952 don't know about those cases where the web host is in another
953 country. They don't know about a lot of these instances. Or
954 they may think that the company is in the United States but
955 it is really a mail drop that then sends it on to some other
956 country. So we take it as indicative in a larger sense of
957 this being a substantial part of what is going on, but it is
958 all woven in to the general fraud challenge of finding the
959 bad guys and their money.

960 Mrs. {Bono Mack.} All right. Thank you.

961 Lastly, the Act permits the FTC to issue compulsory
962 process for documents and testimony from a U.S. citizen upon

963 request for investigative assistance by foreign governments.
964 Has the FTC ever refused such a request because a foreign
965 government's request does not meet the legal burden under
966 U.S. law?

967 Mr. {Stevenson.} Yes, if I understood the question. We
968 have certainly been approached by agencies who asked us about
969 help in cases where their laws were not--or at least the
970 legal provisions they were dealing with were not
971 substantially similar. This might come up, for example, in
972 the context of European privacy laws which are not, in a
973 number of respects, substantially similar.

974 Mrs. {Bono Mack.} All right. Thank you very much.

975 Mr. Butterfield, would you like 5 minutes for question?

976 Mr. {Butterfield.} Five minutes or less, thank you.

977 Mrs. {Bono Mack.} Okay. You are recognized.

978 Mr. {Butterfield.} All right.

979 Mr. Stevenson, I am informed that cross-border fraud
980 complaints remain steady at about 13 percent of all fraud
981 complaints in '09, '10, and '11. However, as a raw number,
982 both non-cross-border and cross-border fraud complaints grew
983 in each of those years. Specifically, in '09 the fraud
984 complaints were about 700,000. In 2010 that number was about
985 815,000. In 2011 it was pretty close to a million with
986 nearly one million fraud complaints in total. Cross-border

987 fraud complaints stood at about 88,000 in '09, 104,000 in
988 '10, 132,000 in '11. With that background, the percentage of
989 cross-border fraud complaints dropped from 2006 to 2007 and
990 then remained steady following enactment of the WEB Act. Do
991 you think that there is a relationship between enactment of
992 that law and the decline and then leveling of cross-border
993 fraud complaints as a percentage of total complaints in the
994 last 3 years?

995 Mr. {Stevenson.} I would like to think so but it is
996 difficult to see cause and effect there. We did have an
997 international program before that. We certainly think that
998 we have become more effective in addressing these problems.
999 The scale though, as I mentioned, of the problems make it
1000 difficult to quantify the exact effect. And you are correct
1001 that the numbers--although the percentage in terms of cross-
1002 border fraud complaints has been largely flat--in absolute
1003 numbers we have seen, for example, this year over 100,000
1004 U.S. consumers making such a complaint even with the caveat
1005 that there are probably more that don't even realize they are
1006 cross-border complaints.

1007 Mr. {Butterfield.} Can you tell us whether particular
1008 types of frauds are driving the increase in the overall
1009 number of consumer complaints about fraud both with respect
1010 to cross-border and non-cross-border?

1011 Mr. {Stevenson.} Particular types of frauds?

1012 Mr. {Butterfield.} Yes.

1013 Mr. {Stevenson.} We certainly see and lay out in our
1014 reports the trends that we have seen and certain kinds of
1015 problems being more apparent. Robocalls, for example, I
1016 think have been an area where we have seen more activity.
1017 There has been probably more activity in the kind of
1018 grandparent imposter fraud and that kind of thing, people
1019 contacting someone saying I am out of money, you need to wire
1020 it to me really quickly, that kind of thing. So we have seen
1021 various trends of that sort.

1022 The cases we brought in India recently involve bogus
1023 debt collection fraud where people were called and said we
1024 are going to put you in jail, we are going to get you fired,
1025 that kind of thing, if you don't pay off this couple hundred
1026 dollar debt that it turned out the consumer in fact didn't
1027 owe to them or didn't owe at all.

1028 Mr. {Butterfield.} Can you speak for a moment about the
1029 FTC's Consumer Sentinel Database? Is that in any way related
1030 to the watch list that one of my colleagues raised a few
1031 moments ago?

1032 Mr. {Stevenson.} Yeah, the Consumer Sentinel Database
1033 is a database that we set up to try to combine from as many
1034 sources as possible the complaints that people were seeing.

1035 And consumers don't all report to the same place, and so we
1036 want no wrong door that wherever they get reported, we try to
1037 gather it together. If we just rely on FTC complaints, we
1038 might see them arriving 10 in a week, 20 in a week. We
1039 combine it all together we might see them coming in at 100 a
1040 week. We can see where there is the real problem as opposed
1041 to the legitimate disputes that obviously consumers have with
1042 businesses. And so it has been very useful for that purpose.

1043 We are trying to combine more and more data from other
1044 participants. We get data from the Canadian enforcement
1045 agencies, the complaint data. We get data through something
1046 called econsumer.gov that now is I think in eight languages
1047 of complaints involving ecommerce online that we have 20 some
1048 partner agencies around the world, so we are trying to
1049 collect that information.

1050 I hope I did not misunderstand your colleague's message
1051 but that is different from a watch list. And this is
1052 unverified obviously. We want to look at it as the lead, as
1053 the starting point for our investigations but it gives us a
1054 tremendous running start if we have it.

1055 Mr. {Butterfield.} Are there law enforcement agencies
1056 or governmental agencies or even other countries that you
1057 would like to work with to enforce the law that you are not
1058 currently working with?

1059 Mr. {Stevenson.} We certainly are interested in
1060 developing further our relationships with a lot of other
1061 countries. As I mentioned, in some ways the relationships we
1062 have built with the Canadians are a model and have been very
1063 extensive. In other countries we have had less experience,
1064 it is a newer issue, they may have newer agencies, it may be
1065 not yet the higher priority for them, and so we are certainly
1066 doing that. And some of our technical assistance work in
1067 consumer protection, it also has the benefit in addition to
1068 the good government--larger sense--benefits of developing our
1069 relationships with those agencies in those other countries
1070 and to make them aware of this work and to make them aware of
1071 why it should be a high priority.

1072 Mr. {Butterfield.} Very good. Thank you.

1073 Mr. {Stevenson.} Thank you.

1074 Mrs. {Bono Mack.} All right. Seeing no other members
1075 present, we are going to begin wrapping up.

1076 I want to again thank you very much, Mr. Stevenson, for
1077 being with us today. You have been very gracious for your
1078 time. I know I certainly appreciate what you are doing. I
1079 look forward to working with you in the future as the U.S.
1080 SAFE WEB Act moves through the legislative process.

1081 I remind members that they have 10 business days to
1082 submit questions for the record and I would ask the witness

1083 to please respond promptly to any questions that you might
1084 receive.

1085 And with that, the hearing is now adjourned.

1086 Mr. {Stevenson.} Thank you.

1087 [Whereupon, at 10:56 a.m., the Subcommittee was
1088 adjourned.]