Opening Statement of the Honorable Mary Bono Mack
Subcommittee on Commerce, Manufacturing, and Trade
Legislative Hearing on "H.R. __, a bill to renew the Federal Trade Commission's authority to combat cross-border spam, spyware and fraud through reauthorization of the U.S. SAFE WEB Act of 2006"
July 12, 2012

(As Prepared for Delivery)

When it comes to the future of electronic commerce, consumer trust and online privacy are certainly "trending topics."

Even though it serves billions of users worldwide – with e-commerce in the United States topping $200 billion last year for the first time and up 15 percent so far this year – the Internet remains a work in progress. Still, in just over 25 years, the Internet already has spurred transformative innovations. It has incalculable value. It has become part of our daily lives. And it has unlimited potential to affect positive social and political changes.

But do Americans really believe enough is being done today to protect them from online fraud?

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

One important tool in combating cross-border fraud, spam and spyware is the U.S. SAFE WEB Act of 2006, which is set to expire next year. Today, we will be considering legislation which I am introducing this week to reauthorize this important crime-fighting & consumer protection law for another seven years.

Clearly, there's a lot at stake. About a decade ago, the Federal Trade Commission began to highlight the growing problems it encountered in effectively combating Internet scams and fraud directed at American citizens by foreign operators, often times involving organized crime rings.

By 2005, an estimated 20 percent of consumer complaints the FTC received involved fraud originating outside of the United States. According to an analysis of those complaints from the Consumer Sentinel Network, Americans suffered annual losses to foreign operators, totaling nearly $220 million.

The FTC subsequently identified severe limitations in its authority to combat cross-border fraud, spam and spyware relative to that of other U.S. regulators.

The biggest roadblock to protecting consumers was the Commission's lack of authority to share information with foreign law enforcement agencies.

In order to expand its ability to effectively fight online fraud, the FTC sent Congress legislative recommendations in 2005 seeking additional authorities. Without objection, Congress passed the

U.S. SAFE WEB Act on December 6, 2006, and it was then signed into law by President Bush on December 22, 2006.

Pursuant to the Act, the FTC issued a report in 2009, "*The U.S. SAFE WEB Act: The First Three Years",* detailing its use and day-to-day experience with the authority granted by the law.

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

By any measure, the U.S. SAFE WEB Act has been a clear success to date and should be reauthorized before its expiration next year.

Let me emphasize an important point: Our goal is to pass a clean reauthorization of the law, and my draft legislation does exactly that.

The U.S. SAFE WEB amends the FTC Act, authorizing the Commission to:

- Share information involving cross border fraud with foreign consumer protection agencies, subject to important safeguards;

- Protect from public disclosure confidential information received from foreign consumer protection agencies that otherwise would not be shared;

- Pursue a broader class of frauds, involving international activity that harms U.S. consumers;

- Seek redress on behalf of foreign as well as U.S. consumers victimized by U.S.-based wrong-doers; and finally

- Make criminal referrals for cross-border criminal activity when violations of FTC law also violate U.S. criminal law. This is necessary because some foreign agencies address consumer fraud as a criminal – rather than civil – law enforcement issue.

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

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