Statement of Joseph E. Sullivan, Associate General Counsel, PayPal, Inc.

**Before the Subcommittee on Oversight and Investigations
Of the House Committee on Energy and Commerce on
Deleting Commercial Child Pornography Sites from the Internet: The U.S. Financial Industry's Efforts to Combat This Problem
September 21, 2006**

Thank you Chairman Whitfield, Ranking Member Stupak, and members of the Committee. I appreciate the chance to talk to you today about the steps that PayPal takes to combat the financing of child exploitation on the Internet. We commend the Committee on its attention to this issue.

My name is Joe Sullivan and I am the Associate General Counsel for PayPal, Inc. Prior to joining PayPal, I served as Associate General Counsel for eBay, with responsibility for overseeing company relations with law enforcement and regulatory agencies in the United States and Canada, directing the company's Fraud Investigations Team and determining legal policies related to listing of items on eBay. Prior to joining eBay, I spent eight years working as an attorney for the United States Department of Justice. Most recently, I served as an Assistant United States Attorney in the San Jose Branch Office of the United States Attorney's Office for the Northern District of California. I was a founding member of the Computer Hacking and Intellectual Property Unit, based in Silicon Valley. Before joining that office, I practiced at the United States Attorney's Office for the District of Nevada, Las Vegas branch, overseeing the investigation and prosecution of high-technology crimes in that district, including the prosecution of child pornography cases.

As you know, PayPal is a financial service that allows individuals and businesses to pay and accept payment securely on the Internet. PayPal is built on the existing financial infrastructure of banks and credit cards, and has more than 100 million accounts around the world.

PayPal is committed to providing a safe and legal online payment service for its users. We have been very clear with our customers about the types of transactions that are allowed on our service. And certainly, the use of PayPal for the purposes of sending or receiving payment for child pornography is strictly forbidden.

It is clearly in our interest and that of the public that we know <u>who</u> our customers are, <u>how</u> they transact online, and that they are compliant with the policies set forth by PayPal. A safe, well lit environment serves all constituencies well and to

that end, we have 5000 employees dedicated to building our systems and upholding our policies.

Because of the horrendous nature of this crime, we rigorously enforce compliance with this prohibition. To combat the exploitation of children online, PayPal has dedicated significant resources in three areas: technology, partnerships, and coordination with law enforcement.

- PayPal is recognized as a leader in fraud and abuse prevention, and we view technology as a strong front door in protecting our customers. We use very sophisticated behavioral and anti- fraud models, which literally get smarter with every transaction that goes through our system. We also compare account information to internal and external databases as part of our effort to continually evaluate the risk profile of our customers. We use specialized technology to search the Internet for suspicious websites and we also pay third party services to help us detect illegal activity online.
- As part of a united front, we work closely with our partners at NCMEC, the card associations, financial institutions, Internet Service Providers, and the Financial Coalition Against Child Pornography. We work together to leverage combined expertise, and to develop best practices to deter the exploitation of children online.
- We also work extensively with law enforcement. We have a dedicated team of specially trained employees that works closely with law enforcement authorities on child pornography and other related cases. We train law enforcement annually. We also alert law enforcement when we spot suspicious activity, and we support their investigations and processes all the way through to the successful conviction of offenders.

These efforts have certainly aided in the deterrence of child exploitation on the Internet. But we are not content to maintain the status quo: we will continue to improve our technology, and deepen and broaden our partnerships to combat this crime.

We applaud the efforts of the Committee to facilitate dialogue and additional coordination among all members of our community to combat the exploitation of children online. We believe that there are additional avenues that would further this objective, such as providing law enforcement with additional resources, promoting better data retention policies, and improving the accuracy and usefulness of Whois data that identifies domain name registrants These three steps would further advance the efforts of financial institutions like PayPal, as well as law enforcement, as we continue to fight this horrendous crime.

Mr. Chairman, members of the Committee, thank you again for inviting me to testify today. I would be happy to answer any questions.