

**TESTIMONY OF**

**ERNIE ALLEN  
President & CEO**

**THE NATIONAL CENTER FOR MISSING & EXPLOITED CHILDREN**

**for the**

**UNITED STATES SENATE**

**COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS**

**“Combating Child Pornography by Eliminating  
Pornographers’ Access to the Financial Payment System”**

**September 19, 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 Shelby, you are a tireless advocate for child protection and I commend you and your colleagues for your leadership and initiative. The National Center for Missing & Exploited Children joins you in your concern for the safety of the most vulnerable members of our society and thanks you for bringing attention to this under-recognized problem.**

**Mr. Chairman, in July 2005 you convened a meeting involving the National Center for Missing & Exploited Children (“NCMEC”), the International Centre for Missing & Exploited Children (“ICMEC”) and key financial industry leaders to challenge us to work together to attack the problem of commercial child pornography. Six months ago, you joined us in the formal announcement of the creation of our new Financial Coalition Against Child Pornography. Today, I want to provide you and the Committee with a Six-Month Update and Report. Briefly, the mechanism is in place. We have just completed a pilot to test the system and ensure that it will work effectively. We have begun our aggressive, comprehensive effort to eradicate commercial child pornography by 2008.**

**However, we continue to need your help.**

**I want to commend the Attorney General for his aggressive steps against child pornography. His Project Safe Childhood brings additional resources to attacking this problem and demonstrates that protecting our children is a priority for the Department of Justice.**

**Let me first provide you with some background information about the National Center for Missing & Exploited Children. 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.**

**Cases such as these highlight the connection between child pornography and the financial system.**

**Chairman Shelby, at our meeting last year we discussed another recent case in which 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. I will never forget your reaction to this. You said “If people were purchasing heroin or cocaine and using their credit cards, we would be outraged and would do something about it. This is worse.” And you were right.**

**You were the catalyst for the creation of the Financial Coalition Against Child Pornography. Thanks to you, 23 of the world’s most prominent financial institutions and Internet industry leaders have joined with NCMEC and its sister organization ICMEC in the fight against Internet child pornography. Members 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.**

**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:**

---

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

- (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.**

**We are pleased to report the status of our efforts so far. 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.**

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

**Thank you.**