

# **FINANCIAL SERVICES AND GENERAL GOVERNMENT APPROPRIATIONS FOR FISCAL YEAR 2015**

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**WEDNESDAY, APRIL 2, 2014**

U.S. SENATE,  
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,  
*Washington, DC.*

The subcommittee met at 2 p.m., in room SD-138, Dirksen Senate Office Building, Hon. Tom Udall (chairman) presiding.

Present: Senators Udall, Coons, Johanns, Moran, Mikulski, Johnson, Graham, Kirk, and Coats.

## **DEPARTMENT OF THE TREASURY**

### **OFFICE OF TERRORISM AND FINANCIAL INTELLIGENCE**

#### **STATEMENT OF HON. DAVID S. COHEN, UNDER SECRETARY**

##### **OPENING STATEMENT OF SENATOR TOM UDALL**

Senator UDALL. Good afternoon. The subcommittee will come to order.

I'm pleased to convene this hearing of the Financial Services and General Government Subcommittee to consider the fiscal year 2015 funding needs of Treasury's Office of Terrorism and Financial Intelligence and its enforcement of sanctions.

I welcome my distinguished ranking member, Senator Mike Johanns. I believe our Chairwoman, Barbara Mikulski, will be here at some point, and other colleagues, I think, will also join me on the dais today, and they may arrive through the course of this proceeding.

This hearing will be unclassified, but if any Senator has a question that requires a classified response, we will reconvene in a secure setting, when schedules permit.

So, with that, I'm going to start with my opening statement, and then I'll turn to Senator Johanns to jump in, and then we'll go to our honorable witness, here, David Cohen.

Good afternoon. I'm pleased to convene this hearing of the Appropriations Subcommittee on Financial Services and General Government. I would very much like to welcome—well, I was welcoming Chairwoman Mikulski, but she's not here yet, so I'll welcome her when she gets here—and certainly welcome Senator Johanns, and we'll have other folks here today.

I also want to welcome our witness, Under Secretary of Terrorism and Financial Intelligence, Mr. David Cohen. Thank you for your service, and I really look forward to your testimony today.

The Office of Terrorism and Financial Intelligence—what some call, I think, TFI—is a small, specialized unit of the Treasury Department, but it is a critical component of our foreign policy. TFI safeguards our financial system and implements sanctions against rogue nations, drugpins, terrorists, and proliferators of weapons of mass destruction.

The employment and use of sanctions has changed greatly. In 2008, the U.S. sanctions against Iran were largely ineffective because of Iran's ongoing oil exports and trade with other nations. Since 2008, it's a different story. Congress has passed new sanctions against Iran. The administration has led an international effort to leverage those sanctions. The Iranian economy is crumbling, and this—look at what these sanctions have done—the Iranian economy is crumbling, inflation is rampant, oil exports have been slashed, and the currency is in freefall. These sanctions brought Iran to the table. Not only are the United States and Iran talking, but with four other permanent members of the U.N. Security Council and Germany, which, as we all know, is known as the P5+1, we have—that group, working together, has negotiated a Joint Plan of Action and are working to negotiate a final agreement to prevent Iran from acquiring a nuclear weapon.

This is an important example. Sanctions can help achieve foreign policy goals, but they are a means to an end, not an end in itself. The progress in Iran is also a reminder, sanctions can be implemented in many different ways. It makes a large difference in the outcome, depending on how we use this powerful tool.

A great deal depends on who is pursuing the sanctions. Analysis shows that sanctions are the most effective when more nations are enforcing them. Unilateral sanctions are less likely to be effective. And also, effectiveness depends on when we use them. If sanctions are applied at the wrong time, such as while our negotiators are working to iron out a deal, the administration has strongly urged Congress to hold off further sanctions on Iran at this sensitive time, because it could derail negotiations and limit our options.

During this time, most sanctions are in full effect on Iran, and there are concerns that some companies are taking things a bit too far. So, I am interested to hear commitments that the sanctions regime is still strong. Properly applied, sanctions can work. We have seen this in Iran, and we have seen a renewed interest in sanctions as a foreign policy tool. For example, last week, in response to Russia's annexation of Crimea and continued defiance of the international community, the United States Senate gave the President new tools to punish the Russian Government for destabilizing Ukraine and seizing Crimea. I hope to hear more about these new sanctions, how they will be implemented by the Treasury Department to carry out our foreign policy goals with regard to Russia, and also how existing sanctions have worked with the Iranian Government, using the right leverage at the right time.

Elsewhere, there have been failures, such as the sanctions against Saddam Hussein's Iraq and the ongoing failure of Cuban isolation that has continued for more than 50 years. They are a re-

minder, too. Sanctions should be used in concert with diplomacy and other efforts. This committee has an important oversight responsibility ensuring that Federal funds are spent wisely for the American people.

We have two basic questions: What are the funding requirements of TFI to fulfill its critical mission? And what is the consequence of a shortfall?

I have the honor of chairing this subcommittee and serving with Senator Johanns, and I really look forward to working with him on this topic. And I now turn to our ranking member, Senator Johanns, for any remarks he would like to make.

And I also welcome our two colleagues here, Senator Coons and Senator Johnson, who have joined us.

Thank you.

#### STATEMENT OF SENATOR MIKE JOHANNS

Senator JOHANNS. Mr. Chairman, thank you so much for calling the hearing today. We're going to discuss a very important topic. We're going to talk about sanctions, their enforcement, their administration.

TFI plays an important national security role. Its components and bureaus work together to safeguard our country's financial system and to combat terrorism, proliferation of weapons of mass destruction, money laundering, drug trafficking, and a whole host of national security interests. I think we all agree that sanctions can be a powerful tool and a useful tool in carrying out U.S. foreign policy and national security goals.

An important example is in our dealings with Iran. Iran is a destabilizing force in the Middle East that continues to support terrorism and threatens our allies, such as Israel. For decades, Iran has provided funding, weapons, training, and sanctuary to numerous terrorist groups. I believe the only acceptable solution for a nation with this kind of track record is the full abandonment of its nuclear program.

I think we all agree that the implementation of sanctions on Iran is what helped bring them to the negotiating table. However, I continue to have concerns about the effects of easing sanctions as the administration has done under the Joint Plan of Action. I also have concerns about how the administration is prepared to respond if a final agreement with Iran is not reached and negotiations collapse.

I've joined a number of my colleagues in supporting a very bipartisan effort to impose stricter sanctions on Iran if ongoing negotiations between Iran and other nations fail to produce results. This bipartisan sanctions legislation, brokered by Senator Menendez and Senator Kirk, would simply keep the pressure on the Iranian regime while talks continue. If the negotiations do not reach the goal of a nuclear-free Iran, the sanctions in this bill are necessary. It also gives the administration continued flexibility in up to a year to reach a final agreement, provided Iran meets its obligations.

I also believe this sanctions legislation should not be prevented from coming to a vote on the Senate floor. Remarkably, this legislation has 58 cosponsors, but, unfortunately, the Senate Majority Leader has blocked attempts to vote on this legislation because of objections from the administration.

We must continue to send a firm message to Iran that its nuclear program must end. Recent actions by Russia also highlight the need for a robust and effective program for the administration and enforcement of sanctions.

I think it's important for the United States and our European allies to impose economic sanctions in response to what Russia has done in the Ukraine. A strong response holding Russia accountable now might help deter it from similar pursuits in the future. I don't think President Putin cares one whit about what we say about him, but he'll be watching, very carefully, the actions we take. Strong sanctions could have an economic impact that would create problems for him with his citizens. I welcome the President's efforts to impose targeted sanctions against Russia.

#### PREPARED STATEMENT

I think there are real opportunities for the President to step forward and unite European countries to push back using economic force. The Russian incursion into the Crimean region of Ukraine requires an unequivocal response that sends a clear message that Russia cannot interfere with the sovereignty of other countries.

Mr. Chairman, I know that Iran and Russia are just a few of the countries for whom TFI administers and enforces sanctions. So, as we review the Treasury Department's budget request for fiscal 2015, I look forward to working with you, as we have always done in the past, to ensure that TFI has the resources necessary to carry out its critical mission.

Thank you, Mr. Chairman.  
[The statement follows:]

#### PREPARED STATEMENT OF SENATOR MIKE JOHANNIS

Mr. Chairman, thank you for calling this hearing today to discuss the Department of the Treasury's Office of Terrorism and Financial Intelligence (TFI) and its administration and enforcement of sanctions.

TFI plays an important national security role. Its components and bureaus work together to safeguard our country's financial system and to combat terrorism, proliferation of weapons of mass destruction, money laundering, drug trafficking and other national security threats.

The emphasis of today's hearing is on sanctions. The Office of Foreign Assets Control (OFAC) is responsible for administering and enforcing economic and trade sanctions against targeted foreign countries, terrorists, international narcotics traffickers, and those engaged in activities related to the proliferation of weapons of mass destruction.

Sanctions can be a powerful and useful tool in carrying out U.S. foreign policy and national security goals.

An important example is in our dealings with Iran. Iran is a destabilizing force in the Middle East that continues to support terrorism and threaten our allies, such as Israel.

For decades, Iran has provided funding, weapons, training and sanctuary to numerous terrorist groups.

I believe the only acceptable solution for a nation with Iran's track-record is the full abandonment of their nuclear program.

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We must continue to send a firm message to Iran that its nuclear program must end.

Recent actions by Russia also highlight the need for a robust and effective program for the administration and enforcement of sanctions.

I think it is important for the United States and its European allies to impose economic sanctions in response to Russia's armed incursion into Ukraine.

A strong response holding Russia accountable now might help deter it from similar pursuits in the future.

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Strong sanctions could have an economic impact that would create problems for him.

I welcome the President's efforts to impose targeted sanctions against Russia.

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Mr. Chairman, I know that Iran and Russia are just a few of the countries for whom TFI administers and enforces sanctions.

As we review the Treasury Department's budget request for fiscal year 2015, I look forward to working with you to ensure that TFI has the resources necessary to carry out its important mission.

Senator UDALL. Thank you very much, Senator Johanns.

And I would now recognize Chairwoman Mikulski for her opening remarks.

#### STATEMENT OF CHAIRWOMAN BARBARA A. MIKULSKI

Chairwoman MIKULSKI. First of all, Mr. Chairman, I want to thank you and Senator Johanns for holding this hearing. It is the first hearing ever in the Financial Services Subcommittee on the—on making sure that we have adequate resources to implement sanctions. And I think that this really shows the vitality and vibrancy. And I'm glad it's going to be a bipartisan one, because, when it comes to national security, that's where it should be.

So—we have a lot of Maryland constituents today—so, we thank you for this first-ever hearing.

Mr. Cohen, I'm really proud of you, and I'm really proud of the 413 people—only 413 people—who work for the Department of Treasury implementing this, because, when we look at sanctions, it is the most important tool of diplomacy that we have to bring people to the table to begin serious negotiations or to comply with the negotiations agreed to. So, we look forward to hearing your testimony. I want you to be able to speak and us to get into very meaty, robust questions, but I will hope that we can focus on, What is it that we need to make sure you're provided with so that you can do the job the Commander in Chief and the Congress, through its authorizing legislation, ask you to do in these really hot spots

around the world, particularly Iran, North Korea, Syria, and now with the new challenges of sanctions with Ukraine?

So, thank you very much for your service, to all 413 people, and we look forward to your testimony and working with you in this very important foreign policy area.

Senator UDALL. Thank you, Chairwoman Mikulski.

And now I would invite Under Secretary Cohen to present your remarks.

#### SUMMARY STATEMENT OF HON. DAVID S. COHEN

Mr. COHEN. Thank you, Chairman Udall, Ranking Member Johanns, Chairwoman Mikulski, distinguished members of the Committee on Appropriations. And thank you for the opportunity to appear before you today to discuss the Department of Treasury's Office of Terrorism and Financial Intelligence.

I'm especially proud to be here to discuss the work of TFI. For just over 3 years now, I have had the privilege of serving as the Under Secretary for Terrorism and Financial Intelligence. The women and men of TFI are an outstanding group—skilled, creative, patriotic, and enormously dedicated to their increasingly demanding jobs. I am impressed, every day, by the truly remarkable work of my colleagues. And, in the course of this hearing, I hope to convey to this subcommittee how much we all benefit from their magnificent work.

TFI will soon celebrate its 10-year anniversary. And over this past decade, TFI's financial measures have become an increasingly crucial tool for protecting and advancing our core national security and foreign policy interests.

The reason behind TFI's broadening mandate is simple. Nearly every national security threat has an important financial component. Effectively mitigating these threats requires creative thinking about how to leverage, pressure, and often exploit our adversaries' financial vulnerabilities. As a result, TFI has been increasingly called upon to deploy our tools to address national security threats in nearly every corner of the globe. The variety of the threats we face means that TFI's output must be the sum of TFI's many parts, from marshaling financial intelligence and analytical capabilities, to engaging businesses and governments around the world, to deploying regulatory actions and sanctions authorities, to enforcement actions.

We are able to do this because of the unique structure of TFI and because of the support that we have received from this committee and from the Congress over the years.

Treasury is the only finance ministry in the world with its own in-house intelligence unit. TFI's Office of Intelligence and Analysis, OIA, is comprised of subject-matter and trade-craft experts who provide all source intelligence analysis used by Treasury officials and other intelligence customers throughout the U.S. Government, including the President. These analysts, who rely on financial intelligence as well as other sources, follow the money to help map the networks of our adversaries. Harnessing OIA's intelligence capabilities is crucial to the mission of other TFI components, including the Office of Foreign Assets Control (OFAC), our sanctions implementation arm.

As you all know, OFAC's workload has grown dramatically since the creation of TFI, from managing 17 sanctions programs in 2004 to 37 today, addressing issues ranging from Iran to North Korea to Syria to, most recently, Ukraine, while still also pursuing our counterterrorist financing and narcotics trafficking programs, as well as others.

Our sanctions programs are most effective when they stand on a foundation of strong systemic safeguards and financial transparency. To promote financial transparency, TFI's Office of Terrorist Financing and Financial Crimes, TFFC, develops policies and implements strategies to strengthen the integrity of the financial system and safeguard it from terrorist financing, money laundering, drug trafficking, organized crime, and proliferation finance.

Meanwhile, the Financial Crimes Enforcement Network, FinCEN, implements the Bank Secrecy Act by designing and enforcing a regulatory framework to defend the U.S. financial system from money laundering and other serious financial crime.

And finally, Treasury's Executive Office of Asset Forfeiture guides the strategic use of forfeited assets across the U.S. Government to disrupt and dismantle criminal enterprises.

In sum, over the past decade, TFI has become a central part of the national security community, advancing important national security and foreign policy interests of the United States. And, as our country continues to turn to financial measures to address our thorniest foreign policy challenges, TFI will continue to craft these tools, implement them, and vigorously enforce them.

#### PREPARED STATEMENT

Before I conclude, let me say a word about our resource levels. Notwithstanding the recent growth in our workload, the \$102 million provided in the fiscal year 2014 Departmental Offices appropriation is sufficient to allow us to accomplish our mission, as is the President's budget request for fiscal year 2015. We have been able to increase our sanctions programs and other output by generating program efficiencies through effective management and by transferring funds, when needed, among organizations and programs within TFI.

Thank you, and I look forward to addressing your questions.  
[The statement follows:]

#### PREPARED STATEMENT OF HON. DAVID S. COHEN

Chairman Udall, Ranking Member Johanns, and distinguished members of the Subcommittee on Financial Services and General Government: Thank you for the opportunity to appear before you today to discuss the Department of the Treasury's Office of Terrorism and Financial Intelligence (TFI). My remarks will focus on the history of TFI, TFI's components, TFI's role in implementing sanctions programs, and the President's fiscal year 2015 funding request for TFI.

I am especially proud to be appearing before this subcommittee to discuss the work of TFI. The women and men of TFI are an outstanding group—skilled, creative, patriotic, and enormously dedicated to their increasingly demanding jobs. For just over 3 years now, I have had the privilege of serving as the Under Secretary of TFI, and I am impressed every day by the truly remarkable work of my TFI colleagues. In the course of this hearing, I hope to convey to this subcommittee how much we all benefit from their magnificent work.

## TFI BACKGROUND AND HISTORY

September 11, 2001, served as the catalyst for an important shift in the U.S. Government's approach to national security. Following that fateful day, there was a newfound recognition across the Government that disrupting the financial infrastructure of terrorist groups needed to be a part of our counterterrorism strategy.

And in the 12 years since those tragic attacks, we have made great strides in developing a comprehensive, whole-of-government approach to combating terrorist financing. By all accounts, the United States has been at the forefront of this effort globally. The Treasury Department—and our powerful financial toolkit—have been key to this effort.

And as the national security landscape has evolved over the past decades, so have Treasury's efforts. Far from just being focused on issues related to terrorist financing, Treasury's use of financial measures has become a crucial tool for protecting and advancing a much broader range of national security and foreign policy interests of the United States.

The reason behind TFI's broadening mandate is simple: Nearly every national security threat has an important financial component. Effectively mitigating these threats requires creative thinking about how to leverage, pressure, and often exploit our adversaries' financial vulnerabilities.

That is where TFI comes in. TFI has been recognized as a leader within the Government for its intelligence, enforcement, diplomatic, and regulatory capabilities. We have also been recognized for our substantive expertise on topics as varied as virtual currency, transnational organized crime, counterterrorism, and nuclear non-proliferation.

As a result, we have been increasingly called upon to deploy our various tools to address national security threats in nearly every corner of the globe. These tools include financial and economic sanctions, regulatory actions including section 311 of the USA PATRIOT Act, civil enforcement actions, advisories to the private sector, and conversations to alert foreign government officials as well as the private sector to particular threats.

## TFI COMPONENTS

The diversity of the threats that we face and the tools that we have to mitigate those threats means that TFI's output must be the sum of many crucial parts. Each of these parts meaningfully contributes to TFI's mission, from marshaling financial intelligence and analytical capabilities to engaging businesses and governments around the world to deploying regulatory tools and sanctions authorities.

To better understand how all of these parts come together under the TFI umbrella, let me provide some detail on the structure of our office.

TFI is comprised of five components: the Office of Intelligence and Analysis (OIA), the Office of Foreign Assets Control (OFAC), the Office of Terrorist Financing and Financial Crimes (TFFC), the Financial Crimes Enforcement Network (FinCEN), and the Treasury Executive Office of Asset Forfeiture (TEOAF).

Treasury is the only finance ministry in the world with its own in-house intelligence unit. OIA subject-matter and tradecraft experts contribute to every aspect of the intelligence cycle, providing all-source intelligence analysis to Treasury officials and other intelligence customers throughout the U.S. Government, including the President.

Harnessing OIA's intelligence capabilities is crucial to the mission of other TFI components, including OFAC. OFAC designs, implements, and enforces sanctions programs to disrupt and dismantle the support networks of terrorist groups, weapons of mass destruction (WMD) proliferators, drug traffickers, and organized criminal groups. OFAC's workload has grown tremendously since the creation of TFI. When TFI was formed in 2004, OFAC managed 17 sanctions programs. Today, it manages 37.

Sanctions programs are most effective when they stand on a foundation of strong systemic safeguards in the financial sector. Indeed, one of the TFI's core missions is to ensure that these safeguards are part of our own domestic financial system and to encourage the adoption of similar safeguards around the world.

The aim of these safeguards can be captured in one word: transparency.

Transparency is critical to enabling financial institutions and law enforcement, regulatory, and other authorities to "follow the money"—that is, to identify traces of illicit finance so that they can protect the integrity of the international financial system. Their efforts, in turn, deny terrorists, proliferators, and other criminals access to the financial system, forcing them to turn to costlier and riskier alternative ways of moving money.



To promote international financial transparency, TFFC develops policies and implements strategies to strengthen the integrity of the financial system and safeguard it from terrorist financing, money laundering, drug trafficking, organized crime, and proliferation finance. TFFC also establishes strategic relationships across the globe to foster adoption of best practices while identifying priority threats to, and vulnerabilities in, the U.S. and international financial systems.

Domestically, FinCEN implements the Bank Secrecy Act, designing and enforcing a regulatory framework to defend the U.S. financial system from money laundering and other serious financial crimes. To do so, FinCEN requires financial institutions to create and maintain records that are highly useful to law enforcement and collects, analyzes, and disseminates financial intelligence. FinCEN also works with counterpart financial intelligence units around the world to share information in an effort to prevent criminals from exploiting international borders to hide from justice.

Meanwhile, TEOAF guides the strategic use of forfeited assets by Treasury, the Department of Justice, U.S. Immigration and Customs Enforcement, U.S. Customs and Border Protection, U.S. Secret Service, and other law enforcement agencies to disrupt and dismantle criminal enterprises.

I will turn now to TFI's role in designing and implementing some of our sanctions programs. While these sanctions efforts vary in size and scope, all have achieved meaningful results in furthering important national security goals.

#### UKRAINE-RELATED SANCTIONS ACTIONS

The Treasury Department has played a major role in the U.S. and international community's response to Russia's recent actions in Ukraine, including its support for an illegal referendum in Crimea, the purported annexation of Crimea, the dangerous risk of escalation caused by Russian troops in Crimea, and the potential for violence related to the buildup of Russian forces on Ukraine's eastern border.

In response to Russian aggression, President Obama has issued three Executive orders (E.O.), which together provide the Secretary of the Treasury, in consultation with the Secretary of State, the authority to impose broad sanctions on Russia and others individuals and entities responsible for the situation in Ukraine.

Armed with these new authorities, we have followed through on President Obama's warning that there will be real costs for Russia's incursion into Ukraine and its violation of Ukrainian sovereignty. So far, we have designated 31 individuals—including Crimean separatist leaders, Russian Government officials, and members of the inner circle of the Russian leadership—as well as Bank Rossiya, a mid-sized Russian bank.

Those designated have had their assets in the U.S. frozen and are barred entirely from conducting business with, in, or through the United States. I suspect that they will also find it very difficult to conduct business outside the U.S., because our experience with other sanctions programs has demonstrated that major financial centers around the world often adhere to U.S. guidelines when it comes to the implementation of sanctions. In short, these individuals will find their ability to transact in the world economy severely constrained.

Of particular note, the President has given the Secretary of the Treasury the authority to target Russian Government officials as well as those who materially support or act on behalf of senior Russian officials. Using this authority we designated individuals such as Gennady Timchenko, whose activities in the energy sector have been directly linked to President Putin, and Yuri Kovalchuk, the largest shareholder of Bank Rossiya and personal banker for senior officials of the Russian Federation.

As I noted, we have also designated Bank Rossiya, which has served as the bank for President Putin and other senior Russian Government officials. Prior to its designation, Bank Rossiya was the 17th largest bank in Russia, with about \$10 billion in assets and numerous U.S. dollar-denominated correspondent accounts here in the U.S., as well as correspondent accounts in Europe and elsewhere denominated in other currencies.

Following our action last week, the bank's assets under U.S. jurisdiction are blocked, it has been frozen out of using the dollar, and it no longer has access to its correspondent accounts within U.S. financial institutions. And we are working with our partners in foreign governments and in the international private sector to further isolate the bank and stymie its operations.

On March 20, the President signed the latest E.O., which authorizes the Secretary of the Treasury, in consultation with the Secretary of State, to sanction any individual or entity determined to operate in sectors of the Russian economy specified in the future by the Secretary of the Treasury, including the energy, metals, and mining sectors. This authority is a very powerful yet flexible tool that will allow us to respond quickly and meaningfully as events develop in Ukraine.

We recognize that these measures will have the greatest impact when harmonized with the actions of our international partners, in particular in Europe and Asia, because of their extensive economic ties to Russia. We are in daily communication with our counterparts in the G-7, the European Union (EU), and other countries with significant financial and economic links to Russia to discuss how we can best adopt collective measures.

These are serious measures with implications across the global economy. But while a diplomatic resolution remains the preferred outcome to the situation involving Ukraine, Russia must know that any escalation will only isolate it further from the international community and the international economy.

Beyond our sanctions effort, Treasury has also used our tools to halt the misappropriation of assets from Ukraine. FinCEN has issued two advisories to U.S. financial institutions related to the unrest in country. These advisories remind institutions of their obligation to apply enhanced scrutiny to accounts and transactions conducted on or behalf of senior Ukrainian political officials, including those of the former Yanukovich administration, and to report any suspicious financial transactions.

#### IRAN SANCTIONS PROGRAM

Our unprecedented sanctions on Iran have led the way in demonstrating the power and efficacy of our financial measures.

From the outset of the Obama administration, we have pursued a dual-track strategy that paired an offer to Iran to rejoin the community of nations if it addresses the international community's concerns over its nuclear program with increasingly powerful and sophisticated sanctions if it continued to ignore those concerns.

When Iran initially chose another path, we responded by crafting and implementing the most comprehensive, powerful, and effective set of sanctions in history.

Today, Iran stands isolated from the global financial system with slashed oil revenues, an eroded currency, and a severely weakened economy.

Our oil, financial, and trade-based sanctions helped drive Iran into deep recession. Since 2011, oil sanctions imposed by the EU and the U.S. have cost Iran over \$100 billion in lost sales. Last year, Iran's economy contracted by 6 percent and is expected to perform badly this year as well. Its currency, the rial, has lost about 60 percent of its value against the dollar since 2011. And its inflation rate is about 30 percent, one of the highest in the world.

This enormous pressure on the Iranian economy did not come about overnight. We have worked side-by-side with Congress to craft sanctions that target Iran's key sources of economic strength. We maximized the impact of these sanctions through TFFC's robust and persistent engagement with foreign governments and the private sector. Working alongside our interagency partners, we leveraged our in-house intelligence component, OIA, to identify Iranian pressure points. And then OFAC took action against illicit actors and their financial networks by targeting them with powerful sanctions.

This has not been a simple task. In all, TFI enforces a sophisticated and complex regime of sanctions on Iran that encompasses 10 statutes, 26 E.O.s, and 4 United Nations Security Council Resolutions. We supplement these tools by issuing public guidance, licenses that advance U.S. objectives, and advisories warning of concerning trends and practices.

Although our sanctions have proved to be incredibly potent, we have not imposed sanctions for sanctions' sake. All along, the goal of our sanctions has been to induce a shift in the decisionmaking calculus of the Iranian Government and to build the necessary leverage for serious negotiations about its nuclear program.

We are now in the midst of those negotiations. In the Joint Plan of Action (JPOA) that went into effect in late January, Iran agreed to take important steps to halt the advance of its nuclear program in exchange for limited, targeted, and temporary relief for 6 months. And as Iran has implemented its commitments to date, we have worked to fulfill our own.

Even as we now seek to negotiate a comprehensive solution over Iran's nuclear program, the core architecture of U.S. sanctions—especially our potent oil, financial and banking sanctions—remains firmly in place. And over the remaining 4 months of the JPOA period, we will continue to vigorously enforce these sanctions as well as the broad array of sanctions targeting Iran's human rights abuses and its support for terrorism.

#### SYRIA SANCTIONS PROGRAM

In Syria, the U.S. Government's policy is to isolate and degrade violent extremist networks and facilitate an orderly end to the conflict, with a clear transition to a

new competent and representative authority. U.S. and international sanctions are a key component of this effort, and are designed to deprive the Assad regime of the financial means needed to support its relentless campaign of violence against the Syrian people.

In the absence of UN sanctions regime, the United States has worked with the EU, the Arab League, and a host of other countries to build a robust international sanctions regime designed to pressure the Syrian Government and bring about an end to the conflict. In close coordination with our colleagues at the State Department, Treasury has played a key role in international engagement on Syria through the Friends of the Syrian People International Working Group on Sanctions, contributing to the U.S. Government's effort to coordinate broader and more effective sanctions implementation among like-minded countries.

Since the Syrian uprising began in March 2011, President Obama has issued five E.O.s, each delegating authority to the Treasury Department to impose sanctions in response to the violence in Syria. These E.O.s significantly expanded the tools available to the U.S. Government to respond to the crisis in Syria, namely by isolating the Assad regime and key regime supporters and denying it the resources needed to fund its continued repression of the Syrian people.

From the start of the uprising to date, Treasury has designated more than 200 Syrian individuals and entities pursuant to all of its relevant authorities. We have also used our authorities to expose the involvement of foreign actors in Syria. Treasury designations have drawn attention to Iranian support for the Syrian regime, whether directly or through its proxy, the Lebanese terrorist group Hizballah. Since the uprising began, we have designated the Islamic Revolutionary Guard Corps-Qods Force, Iran's Law Enforcement Forces, Hizballah, and Hizballah's Secretary General Hassan Nasrallah for providing material support to the Syrian regime's violent response to peaceful protests.

Apart from sanctions against the Assad regime and its supporters, Treasury has also used its global terrorism authorities to target the activities of extremists groups operating in Syria such as al-Nusrah Front and the Islamic State of Iraq and the Levant (ISIL), the group formerly known as al-Qa'ida in Iraq (AQI). We have also been closely tracking the funding streams of these groups and have sanctioned numerous terrorist financiers sending funds to extremists in Syria.

#### NORTH KOREA SANCTIONS PROGRAM

Following the DPRK's April 2012 Taepo Dong-2 launch, the December 2012 Taepo Dong-2 launch, and the February 2013 nuclear test, Treasury measures—including designations targeting the DPRK's nuclear, ballistic missile, and proliferation activities as well as the regime's access to luxury goods, and the financial networks that support its illicit activities—have impeded the development and slowed the pace of the DPRK's illicit programs.

Over the past year, Treasury has designated two key North Korean banks: Foreign Trade Bank and Daedong Credit Bank, both of which provided crucial financial support to other U.S. and UN-designated DPRK entities, including North Korea's premier arms dealer. Since August 2010, there have been seven Treasury designations under E.O. 13551, which targets individuals and entities facilitating North Korean arms sales, the procurement of luxury goods, and illicit economic activities; and 31 designations under E.O. 13382, which targets individuals and entities engaged in WMD proliferation-related activities.

The DPRK's recent missile launches using ballistic missile technology on February 27, March 3, and March 26, 2014 are a clear indication that the DPRK is committed to aggressively pursuing its ballistic missile and nuclear programs, which have been prohibited by multiple UN Security Council (UNSC) resolutions. The United States will continue to fully implement both UNSC and U.S. sanctions authorities until it is clear to the DPRK that denuclearization is the only path forward and Pyongyang undertakes complete, verifiable, and irreversible denuclearization.

#### NARCOTICS SANCTIONS PROGRAM

Treasury has made significant progress in our efforts to target drug lords worldwide through authorities granted to us in the Foreign Narcotics Kingpin Designation Act ("Kingpin Act"). The Kingpin Act aims to hit drug traffickers in their wallets, depriving them and their key lieutenants and money launderers of access to the U.S. financial system. Since the law was passed, more than 1,400 individuals and entities have had their access to the U.S. financial system cut off.

In 2013, Treasury designated 83 individuals and 67 entities pursuant to the Kingpin Act, and the President identified six significant international narcotics traffickers. Treasury focused on cartels operating out of Mexico and Central America

by repeatedly targeting the family members and close associates of the Sinaloa Cartel, the associates and businesses of Los Zetas, and an ever-expanding network of narcotics trafficking organizations in Central America. Treasury also continued to track the activities of major narcotics trafficking organizations in Colombia, which have ties to these Mexican and Central American organizations.

One of the most influential designations last year was the September action targeting the Los Cachiros, a Honduran drug trafficking organization which plays a critical role in the transportation of narcotics from Colombia to Mexico. On the same day that Treasury designated this organization, the Government of Honduras embarked on a week-long seizure action against Los Cachiros' financial and commercial assets, including those businesses designated by OFAC, pursuant to the Honduran Asset Forfeiture Law. This success is similar to other forfeiture actions that have followed OFAC designations in Colombia and elsewhere.

#### GLOBAL COUNTER-TERRORISM PROGRAM

Over the past 12 years, OFAC has designated more than 800 individuals and entities under our counterterrorism sanctions program. In 2013, we designated 87 individuals and entities with the aim of disrupting and degrading some of the most dangerous terrorist threats to our country, including al-Qa'ida in the Arabian Peninsula (AQAP), Lashkar-e Tayyiba, the Haqqani Network, and the Iranian Revolutionary Guards Corps Qods Force.

Beyond the blocking of assets, a Treasury designation exposes terrorists' activities publicly, drawing them out of the shadows and alerting financial institutions and foreign governments to their nefarious activity. It also encourages corresponding actions from counterterrorism partners and the United Nations. But most importantly, the designations disrupt and degrade the finances of terrorist groups as those designated will never again be able to openly access the international financial system.

#### TFI RESOURCE LEVELS

Now that I have outlined some of our sanctions programs, I will discuss TFI's resource levels. Despite the recent growth in our sanctions programs, the \$102 million provided in the fiscal year 2014 Departmental Offices appropriation is sufficient to allow us to accomplish our mission. We have been able to increase our sanctions programs and other output by generating program efficiencies, effective management, and transferring funds when needed among organizations and programs within TFI.

In short, Treasury's Departmental Offices appropriations in years past have been sufficient to support our operations and I believe that the fiscal year 2015 budget request is no different.

#### CONCLUSION

Over the past decade, TFI has become a central part of the national security community. Comprised of an extraordinarily talented and skilled group of intelligence analysts, policy advisors, sanctions investigators, and regulators, TFI, working with our interagency partners, has been crucial to our Government's efforts to disrupt illicit networks, protect the integrity of the U.S. and international financial systems, and, in doing so, advance the core national security and foreign policy interests of the United States.

And as our country continues to turn to financial instruments to resolve our thorniest foreign policy challenges, TFI will continue to craft these tools, implement them, and vigorously enforce them.

Thank you.

Senator UDALL. Thank you very much. And thank you for staying on time, there.

I'm going to recognize each Senator for 7 minutes in each round and in the order of arrival here. And I'm going to start.

#### IMPACT OF SEQUESTRATION

Under Secretary Cohen, you mentioned in your testimony that fiscal year—the fiscal year 2014 level of \$102 million for TFI is sufficient to accomplish the mission of the office. However, in 2013, funding for TFI was \$96 million, significantly less than both the current level and the fiscal year 2015 request of \$106 million, be-

cause of sequestration. Can you explain how decreased funding affected TFI's ability to administer and implement sanctions, what activities were stopped or delayed, or what is the consequence of those reductions on our foreign policy goals? And how would fiscal year—the fiscal year 2015 request level allow Treasury to implement a more robust sanctions program?

Mr. COHEN. Thank you, Mr. Chairman.

There's no question that the sequestration in fiscal year 2013 had an impact on our ability to pursue our mission and to function at the highest level of effectiveness.

Our budget is largely comprised of two components: salary and travel expenses. There are obviously some other aspects to it, but those are the two principal components, which, I think, reflects what we do. We have people who work on our sanctions programs, who are intelligence analysts, who are sanctions investigators, who put together the packages, who enforce our sanctions; and I have people who travel the world, meeting with foreign governments, meeting with the private sector around the world to talk about what we're doing, to seek support, to explain our sanctions programs, and to elicit as much complementary action from others as possible.

I think you made the point, Mr. Chairman, that our sanctions programs are more effective when they are multilateral. There's no question that that's true. And one of the very important things that we do, beyond imposing sanctions, is travel the world to try and, as I said, elicit support from others to pursue the same objectives that we're pursuing.

So, the sequestration cuts that were mandated impaired both our ability to fill jobs that became vacant through normal attrition. One way we addressed the cuts was by delaying hiring; as people would leave, we wouldn't fill those jobs as quickly as we would have liked. And we cut back on our travel. And so, our ability to meet with foreign counterparts to pursue our mission through those sorts of engagements was impaired.

There's, you know, some long-lasting impact, particularly from the inability to hire as quickly as we would have liked to have hired. Happily, the sequestration has ended, and I think that the budget that we have for this year, and the budget request for next year, should allow us to pursue our mission completely.

Senator UDALL. Thank you very much.

#### BUDGET FLEXIBILITY

You know, the President's budget for fiscal year 2015 was submitted to Congress on March 4 of this year. Since then, the Russian military marched into Crimea; last weekend, North Korea exchanged fire with South Korea; global events continue to unfold. Does this budget request include flexibility to respond to emerging global events? And how would you adjust resources if new global events occurred that were not anticipated?

Mr. COHEN. Mr. Chairman, it does allow us to react to events as they unfold. To some extent—you mentioned the North Koreans; we obviously already have sanctions programs in place. I have people in my office who are dedicated to the—North Korea's sanctions effort and to all of the associated work involving North Korea. The

situation with Russia and Ukraine is new. I did not have a cadre of people, certainly not on the order that I have working today, focused on those issues, you know, 6 months ago.

That being said, the people who work for me in TFI are enormously skilled and capable of working on more than one program at a time and shifting their focus from one set of issues to another. And what we have done is drawn people and surged so that we are in a position to fulfill the demands coming from the President and across the administration, to ensure that we have very strong sanctions in place that are being implemented, and that we are prepared as the situation continues to unfold involving Russia and Ukraine.

Senator UDALL. Great. Thank you for both of those.

I'm going to end a little early, because we have so much participation here, and try to set an example, in terms of time. We're going to try to stick to the 7 minutes so we can get everybody in.

So, Senator Johanns, I'm going to turn to you for your questioning, and then to Senator Mikulski.

Senator JOHANNNS. Thank you, Mr. Chairman.

And, Secretary Cohen, it's good to have you here today. We appreciate it immensely.

#### IRAN SANCTIONS

The administration, as we have worked with them on sanctions relative to Iran, has remained firm in their position that additional sanctions would be difficult, or even harmful, to the current negotiations. Despite the fact that I—as I pointed out in my opening statement, I think that's the reason why we got Iran to the table, if you will.

So, what I would like to ask you initially here is, What would the plan be to ensure that, in the event that there isn't a final agreement—let's say discussions collapse—what is the United States prepared to do, and what are you prepared to administer, in terms of a swift, firm response to those circumstances?

Mr. COHEN. Well, Senator, I'd quite agree that it has been the sanctions, and the pressure that has been brought to bear through the sanctions programs that we've developed, and we've developed along with the Congress, that was a hugely significant factor in bringing Iran to the table in a much different fashion than we had seen over the preceding years. They came to the table last fall with a recognition that they needed sanctions relief to try to repair their economy, and that the only way that President Rouhani would be able to fulfill the pledge that he made to the Iranian people during the elections, of bringing the economy back from the dire situation that it was in, was through sanctions relief. And they understood that the only way that they could get that sanctions relief was through addressing the concerns—the very serious concerns with their nuclear program.

We are continuing to implement the vast majority of the sanctions architecture that brought Iran to the table in the first place. There have been some that have been suspended, but the really powerful sanctions—the oil sanctions, the banking sanctions, the financial sanctions—those all remain in place even as we are ful-

filling our commitments under the Joint Plan of Action to provide the limited, targeted relief that we've agreed to.

In terms of what we would be prepared to do if a comprehensive solution is not achieved through these negotiations, I don't want to speculate on particularly what form or fashion those sanctions might take. I think we have said, from the President on down, that if the Iranians are not prepared to reach a comprehensive solution here, a negotiated solution, that we will not only ensure that the sanctions that have been suspended will come back into force, but that we will work with Congress to put in place more stringent sanctions, going forward.

I think it's best to leave to another day exactly what that would look like, but I think there's no question that we recognize that—if we are unable to reach a comprehensive solution here, that we will be working with Congress on enhanced sanctions.

Senator JOHANNES. One of the things I worried about—and I'm guessing it was a concern of yours—that some relief is given through the Joint Plan of Action—and I think that's been estimated to be about \$7 billion—

Mr. COHEN. Right.

Senator JOHANNES [continuing]. Some argue it's actually more than that, some experts out there have written about that—one of my concerns is that, once the door opens, the temptation for other countries, other parts of the world, to squeeze that door further open and further open is just too great to pass up. Have you seen any evidence, at this point, relative to Iran, that that, in fact, is happening, that there's leakage occurring, that companies or countries are taking advantage of this Joint Plan of Action?

Mr. COHEN. Sir, that is something that we have, as you might imagine, been watching very carefully, and have been taking very aggressive steps to try to forestall. And I can say, with some confidence, that we have not seen companies anywhere—Europe, the Gulf, Asia—trying to take advantage of this—as you described, the narrow opening, the—really the quite limited suspensions of the sanctions, to sort of get into the Iranian market, enter into business deals that would otherwise be sanctionable. We have not seen it. The estimate that we came up with at the time the Joint Plan of Action was agreed to, as you noted, was that it would be worth approximately a maximum value of about \$6 to \$7 billion.

Senator JOHANNES. Right. Right.

Mr. COHEN. The Joint Plan of Action has now been in effect for a little over 2 months. Nothing that we have seen leads us to question that estimate. If anything, that estimate is probably on the high side. We are not seeing companies trying to go into the Iranian market, strike deals that would be sanctionable, or frankly even, to any great extent, taking advantage of the narrow suspended sanctions that are permissible under the Joint Plan of Action.

One of the reasons, I think, that that is the case is that we, in early February, announced a whole set of sanctions against people and entities, really, across the world. There was a financial institution in Germany that we applied sanctions to. There were three individuals in Georgia who were part of a sanctions evasion network that we applied sanctions to. There was an individual and his com-

pany in Spain, an individual and his company in Turkey. They were all subject to sanctions—we put sanctions on them in early February—which really, I think, gave a concrete example to what I’ve been saying, what Secretary Lew has been saying, what Secretary Kerry’s been saying, and what the President said, which is that if anybody tries to violate the sanctions during this period of the Joint Plan of Actions we’ll come down on them, as the President said, like a ton of bricks. We did that, and I think that sent a very strong message.

Senator JOHANNIS. Thank you, Mr. Chairman.

Senator UDALL. Thank you, Senator Johannis.

Senator Mikulski.

Chairwoman MIKULSKI. Thank you, Mr. Chairman.

#### STAFFING

So, Mr. Cohen, according to the President’s budget, you would get \$4 million more this year. But, you have a lot more work to do. So, you think you can do this on 4 million more? Or are—or, let me go to, really, the workforce. You have, I think, 413 people working for you?

Mr. COHEN. I have a slightly different calculation of the number of people working for me. What I—and it’s a little complicated, because my—

Chairwoman MIKULSKI. Well, let me tell you where I’m heading.

Mr. COHEN. Okay.

Chairwoman MIKULSKI. It’s not the number.

Mr. COHEN. Yes.

Chairwoman MIKULSKI. You have a great background. You worked for two Presidents. But, I know you also clerked for a beloved figure in Maryland—

Mr. COHEN. Yes.

Chairwoman MIKULSKI [continuing]. Judge Norman Ramsey.

Mr. COHEN. Right.

Chairwoman MIKULSKI. Someone I admired so much, and both his first wife and—

Mr. COHEN. Yes.

Chairwoman MIKULSKI [continuing]. When she passed away, his second wife.

Mr. COHEN. Yes.

Chairwoman MIKULSKI. And truly an inspirational, transformational leader. I get—tell me the categories of people who work for you. Are they accountants, are they lawyers, are they skill sets? Or can you just dial them up anytime we pass a new sanction and go to a temp agency?

Mr. COHEN. It’s wonderful to be reminded of Norman Ramsey, who was a great man.

The people who work for me are a collection of lawyers, of economists, of people who hold advanced degrees in national security studies and international affairs, intelligence analysts who have backgrounds as varied as art history, hardcore economics, former bankers, and many former lawyers, like myself, who have made the shift over to working in Government. It’s a very diverse collection of people, who, as I mentioned, are able to sort of reorient them-



selves to surge and to move into new areas as the need demands——

Chairwoman MIKULSKI. But, here goes to my question. I'm interested in recruitment, real retention, because, as—even if you can come with a great background, like in forensic accounting, a highly specialized field, and tremendous lucrative fields, where, if you know how to do this, there are a lot of other jobs that you could have, other than this. So, is recruitment and retention a problem, or is it that, if there's certainty in funding, in pay, and so on, with this 1-percent pay-raise deal that we get, what——

Mr. COHEN. There's no question that we're——

Chairwoman MIKULSKI. In other words, we want to make sure you get to be you, and that you get to implement the laws that the Congress authorizes——

Mr. COHEN. Right.

Chairwoman MIKULSKI [continuing]. In partnership with the President of the United States.

Mr. COHEN. I appreciate it. I think there's no question that retention is a challenge; in part, for the reasons that you identified, that I have people working for me who, on any given day, could walk out the door and increase their salary substantially. They have a skill set that is in demand, both domestically and, frankly, overseas, as well.

I'll be candid, it was not made any easier by the shutdown that we went through last fall. I think that created a question in people's mind about why they are coming to work every day, or wanting to come to work every day for the Federal Government, when they're not being paid, and being told to stay home. That did not make things any easier.

On the other side of the ledger, I will say, though, that we do benefit from, I think, a good reputation of being an organization where the work is incredibly interesting, where we are well supported, both within the Department, within the administration, and here in Congress, and you can come and work on——

Chairwoman MIKULSKI. So, certainty.

Mr. COHEN. Yes.

#### GOVERNMENT SHUTDOWN

Chairwoman MIKULSKI. So, one, if you come for the mission, and there's certainty of the funding, that at least you'll get paid for the work you do and not sent home as nonessential—I mean, of the 413, or whatever, people work for you, how many were sent home during the shutdown?

Mr. COHEN. The—a very large majority of the people who——

Chairwoman MIKULSKI. The implementors of the sanctions were sent home?

Mr. COHEN. We, in fulfilling our legal obligations under the Antideficiency Act, figured out how many people we could keep on board, and—in the expectation and the hope, frankly, that the shutdown would not last——

Chairwoman MIKULSKI. Was it 10——

Mr. COHEN [continuing]. For very long.

Chairwoman MIKULSKI [continuing]. Percent? Was it 80 percent?

Mr. COHEN. I think, initially, it was a little bit—it was about 10 percent that remained at work. And——

Chairwoman MIKULSKI. So, 90 percent of your workforce was sent home——

Mr. COHEN. Right.

Chairwoman MIKULSKI [continuing]. When shut down.

Mr. COHEN. Initially.

#### ORGANIZED CRIME

Chairwoman MIKULSKI. Well, let me, then, go to something else, because this hearing, I would hope, for other members, as for me, has been a wonderful tutorial on this. I know people like Senator Johnson's been involved in banking, is very familiar with this. But, you're really one of the big fighters against nuclear proliferators, weapons of mass destruction proliferators, and organized crime. Could you share with me—I think we're least familiar with the organized-crime sanctions. Could you tell us, quickly, in the few minutes that I have—and I do mean quickly——

Mr. COHEN. I will.

Chairwoman MIKULSKI [continuing]. In the spirit of cooperation—What is it that you do?

Mr. COHEN. Yes.

Chairwoman MIKULSKI. And what does it take to do that?

Mr. COHEN. Yes. About 3 years ago, now, the President issued a new executive order going after transnational organized crime, which allows us to identify transnational organized criminal groups and then apply sanctions to the people in the businesses that are supporting those criminal organizations. We've identified, I think, about five different transnational organized criminal groups, from the Yakuza in Japan to the Brothers' Circle in Eurasia to the Camorra in Italy, and then have built out, as—this is sort of the pattern that we follow in many of our sanctions programs—built out the individuals and the businesses that are working underneath the umbrella of these criminal organizations, imposing sanctions on them, freezing their assets, preventing them from using the U.S. financial system, and then going around the world and asking our counterparts to take complementary action.

Chairwoman MIKULSKI. I know my time's up.

Senator UDALL. Thank you, Chairwoman Mikulski.

Senator Moran.

Senator MORAN. Mr. Chairman, thank you much.

Mr. Secretary, thank you for joining us.

Let me—I have two questions, and one is just a—I come across the wire this afternoon.

#### POTENTIAL RUSSIAN OIL SALE

Reuters is reporting that Iran and Russia are close to a deal, swapping oil, bartering for other goods from Russia, indicating that—the deal is expected to be valued at about \$20 billion, indicates would perhaps further undermine our efforts with the most recent negotiations in Iran. And I wondered what you—what your thoughts were, your concerns were.

“The indications are that Iran and Russia have made progress toward an oil-for-goods deal,’ sources said, ‘that would be worth up

to \$20 billion, which would enable Tehran to boost vital energy exports, in defiance of Western sanctions,' people familiar with the negotiations told Reuters." Thoughts?

Mr. COHEN. I haven't seen that most recent report, but I'm obviously familiar with this topic. There have been other reports about this.

You know, what I can say is this. Since this issue first became something that we were aware of, we have been crystal clear to the Russians that any such deal is not only contrary to the spirit of the P5+1 negotiations that we're involved in, but would also be plainly sanctionable under a number of different authorities that we have. Obviously, the purchase of oil from Iran by Russia would be sanctionable. If they sold that oil to anybody else, that transaction would be sanctionable. Whatever financial institution in Russia would be involved in the payment for that oil would be subject to sanctions. We have been very clear with the Russians that—

Senator MORAN. But, the sanctions would go both ways, to both countries? Additional—

Mr. COHEN. Sure.

Senator MORAN [continuing]. They would violate sanctions with Iran, violate—in violating that violation, it would cause us to be able to impose sanctions against Russia?

Mr. COHEN. Correct. And, frankly, I think it was clear at the outset that we were prepared, if necessary, to take action, given our long history of applying sanctions against those who violate our sanctions all around the world. Frankly, I think what has transpired in the last several weeks has only reinforced the point, I would think, for the Russians, that we're not unwilling to apply sanctions against Russian entities and Russian individuals if the facts dictate. So—

Senator MORAN. So, it would be surprising if Russia and Iran entered into this agreement?

Mr. COHEN. Look, I'm not going to predict what the Russians and the Iranians may do. We've been seeing reports about this sort of deal for many months now. It hasn't been consummated, to the best of my knowledge. I don't know that the report today really adds, necessarily, to the situation. I've seen reports like this, saying that they're close to this deal for many months now.

But, as I said, we've been very clear with the Russians, and, I should also say, very clear with the Iranians, that, in the course of these P5+1 negotiations, that any sort of deal like this would not be conducive to—

Senator MORAN. In your—I mean, I think what you're telling me is that such a deal would be significantly contrary to the agreements we've reached with Iran, and would be a significant setback to the desired outcome of those negotiations?

Mr. COHEN. Well, it certainly would not be a welcome development. And, as I said, it's one that we've told the Russians, from the highest levels of its Government on down, that we would look at with great disfavor.

#### TRADES BETWEEN TURKEY AND IRAN

Senator MORAN. Let me turn to Turkey. It—at least reported to me that there may be significant trades, in the billions of dollars,

gold, other trade activity, originating between Turkey and Iran. And that would be true, despite the sanctions regime that is imposed against Iran. How is this occurring? What are we doing about it? I guess the initial question would be, Is there truth to it?

Mr. COHEN. I will answer this question, to the extent that I can in this session, although I would make the same offer to you that I made to Senator Corker in another setting, which is, I'm happy to come in and talk about this in a classified setting, where I think we could—

Senator MORAN. Okay.

Mr. COHEN [continuing]. Talk about this in greater detail.

I think the short answer, and the answer that I can give you here, is that we have been aware of these allegations, have been watching very carefully the trade in gold between—

Senator MORAN. Yes.

Mr. COHEN [continuing]. Really any country and Iran, preceding the Joint Plan of Action, where we've—where that trade has been—is—the sanctions on trade in gold is suspended under the Joint Plan of Action. But, since the summer of 2012, when the President issued an executive order that forbade the sale of gold to the Government of Iran, we have been watching the gold trade, and—let me put it this way. I don't think we have demonstrated any reluctance to apply sanctions, where we've seen violations. And this is an issue that has been one that we've been looking at, there's obviously been others outside the Government who have been focusing on this issue and writing about this issue. And I think I would probably best stop there.

#### RUSSIA

Senator MORAN. Secretary Cohen, let me go back to Russia, before my 53, 52 seconds expire. How long ago did these negotiations begin between Russia and Iran? How long have we been monitoring this? When did we start expressing concern to Russia? Is this a matter of months, weeks? Did they predate the Ukraine and Crimea circumstance? When did this begin?

Mr. COHEN. I think I would rather address that question in a different setting.

Senator MORAN. Okay. Thank you very much.

Thanks, Mr. Chairman.

Senator UDALL. Thank you, Senator Moran.

Senator Coons.

Senator COONS. Thank you, Chairman Udall.

And I'd like to thank full-committee Chairwoman Mikulski and Chairman Udall for convening this hearing.

Mr. Under Secretary, thank you for your service. I want to thank you and the dedicated staff at the Office of Foreign Assets Control, and, in fact, all of TFI, for your tireless work.

#### ADDITIONAL BUDGETING RESOURCES

This is all about a credible threat, in my view. I am convinced, the only reason Iran is at the negotiating table with us today, and the only reason we have any chance at ending their illicit nuclear program through peaceful means, is because of the vigorous and

thorough enforcement of very tough sanctions enacted by Congress, enforced by the administration.

And so, I'm concerned if, in the decade from 2004 to 2014, as you mentioned, the number of sanctions programs has gone from 17 to 37. Further, as Senator Udall mentioned, if, in just recent weeks since the President's budget was submitted, you've been handed an even broader range of tasks to take on, and the implications of some of the previous questions, whether it's with Turkey or with the Russian oil deal with Iran or with, as I may ask about, other issues in Africa or Syria, you have a very full plate.

I admire that you say that the President's budget submission is sufficient, and that, through program efficiencies, effective management, and moving folks around, you can surge and meet whatever requirements there may be. But, I just want to suggest to you that it's at least this Senator's desire to give you an abundance of the resources to support the skills, the talent, and the ability in your workforce, not to move folks around in response to emerging challenges and threats, but to anticipate them.

One of my concerns is that, as the Joint Plan of Action has moved forward, there have been some trade delegations, both announced and real, to Iran. I'm concerned that there are some folks, our allies and our adversaries, who view Iran as potentially open for business. And I think it's only with a credible threat of, as you mentioned, as the President mentioned, coming down on folks who violate sanctions like a ton of bricks, that we can keep moving forward.

So, if we were to give you more resources, could you put them to effective use? Would they help deter those who think that they can evade sanctions, whether Russia or Assad in Syria or countries in Africa with whom Rouhani is conducting a charm offensive, or do you think they would be wasted? Could you effectively put to use additional resources in enforcing the sanctions regimes we have charged you with?

Mr. COHEN. Well, Senator, thank you for the question, and thank you for the letter that you sent a few weeks ago. It is very encouraging to my folks to know that their work is appreciated.

We do have sufficient resources, even as new issues come up, to continue to ensure that the Iran sanctions, for instance, are being fully implemented, full enforced. The designations we did in February, I think, reflect that. And, you know, we have not taken our eye off the ball at all with respect to Iran, even as we have surged in Ukraine.

We draw on resources outside of TFI, we draw on resources from others in Treasury, we draw on resources in the intelligence community and in other agencies in the executive branch, through all of our work, and including when we have a need to really surge. I think we do a good job of managing our resources. And so, I would not say that we would waste whatever resources are given to us.

And I think anyone would say that more is better than less. But, I do think that we are able to fulfill our mission, even as it expands and changes, some things rise to the top, others become less urgent, with the resources that have been appropriated and the resources that have been requested.

Senator COONS. Well, Mr. Under Secretary, if I might, the point of the letter was to compliment you and the folks at OFAC and more broadly in your entity for their terrific work, and to express my appreciation for the value of their work. But, as Senator Mikulski mentioned, there is no temp agency to which you can turn. You may be able to draw from other places in the Federal Government—from the intelligence community or from other departments—but I have to presume they're conducting vital and important work in their agencies, as well.

My concern is that I see no diminution in the scope and the importance of the issues for which you will need very technically skilled folks. I see no reduction in the number of our allies who need to be visited in person and whose business entities need to be convinced to not engage in sanctionable activities. In fact, as I mentioned, President Rouhani has been engaged in a charm offensive across Africa. There's, I think, a dozen African countries that, without some active engagement from the United States, may potentially engage in sanctionable behavior. The deal that's been contemplated, widely reported, both a deal to construct new nuclear facilities in Iran and to trade oil for other things with Russia, may also expand the scope of your work.

I think you need more resources. I think we need to make it credible to the Islamic Republic of Iran, and to any country and any company that thinks they will skirt our sanctions regime or somehow get through this, to know that we have moved sanctions from a sideshow in the American diplomatic and military arsenal to center stage. And I think we need to make certain that you are robustly and fully staffed and funded. I thank you for your leadership and making sure that that work gets done, done well, and done in a timely fashion.

Thank you.

Mr. COHEN. Thank you.

Senator UDALL. Senator Coons, thank you very much.

Senator KIRK.

Senator KIRK. Thank you, Mr. Chairman.

#### VISA FOR IRANIAN AMBASSADOR

I wanted to ask you about the recent decision of the administration to grant a visa to Hamid Aboutalebi, the proposed Iranian Ambassador to the U.N., to have the hostage-taker in chief safe in New York City, sipping his latte on Fifth Avenue, thinking—he's probably laughing directly at you, at how weak and feckless that you are, that he can put Americans in incarceration for 444 days, and he actually managed to get a position inside the United States. Have you seen the comments of the Americans that were all held hostage by this idiot?

Mr. COHEN. I have seen those comments, Senator, and share your concern with this individual taking up a position at the U.N.

Senator KIRK. The fascinating thing is, this guy admits that he was a hostage-taker, and the Iranians stick us with this guy, just to laugh at you.

Mr. COHEN. Well, Senator, as I'm sure you know, the question of whether or not to grant an individual a visa is not mine. I think, regardless of this particular individual—

Senator KIRK. You do understand the kind of shock that we all have that the administration would do this?

Mr. COHEN. Senator, I understand your position on this.

Chairwoman MIKULSKI. Visas are issued by the—which Department?

Mr. COHEN. The State Department, Madam Chairwoman.

One thing I can say is, the work that we will do—the work that we have been doing and the work that we're going to continue to do, is utterly unaffected by who sits in the chair for Iran at the United Nations. Frankly, a position that does not affect, I think, in any way, what—

Senator KIRK. I do remember the last guy who was in this position. He's now the Foreign Minister of Iran. Congressman Steve Israel and I went to see him for lunch one day in New York. He spent, like, an hour telling us how the Holocaust hadn't happened. And I said to him, "Don't cause diplomatic incident. I'm stunned that you're raising this topic about events which happened two generations ago, not in your country." And he said, "I was ordered to tell you the Holocaust didn't happen." That's the quality of the people that we are talking about, here.

Mr. COHEN. Right.

I—the—far be it from me to defend the quality of the people that Iran sends to the U.N.

Senator KIRK. Even if they are involved in incarcerating Americans illegally?

Mr. COHEN. You know, Senator, what I can tell you is that whoever Iran chooses for their Permanent Representative to the United Nations, the question of whether or not to grant that person a visa—

Senator KIRK. David, you're about to get a letter signed by 20 Senators, "Don't grant this visa."

Mr. COHEN. Yes.

Senator KIRK. Now that we have—

Senator UDALL. Senator Kirk, the—he doesn't grant the visa. It's over in the State Department. We're trying to—

Senator KIRK. I realize—

Senator UDALL. We're trying to—

Senator KIRK. I used to serve—

Senator UDALL [continuing]. Focus on—

Senator KIRK [continuing]. In the State Department.

Senator UDALL [continuing]. His duties. So—

Senator KIRK. Yes.

Senator UDALL [continuing]. His duties as the—

Senator KIRK. I do realize that.

Senator UDALL [continuing]. TFI head.

Senator KIRK. This is probably the only administration witness we have before the Congress after this announcement of Hamid Aboutalebi coming into the United States.

Senator UDALL. Well, the—Under Secretary Cohen, as you know, briefed the entire Senate, Democrats and Republicans—

Senator KIRK. Right.

Senator UDALL [continuing]. In a confidential—

Senator KIRK. David—

Senator UDALL [continuing]. Session, and every—

Senator KIRK [continuing]. And I have worked quite a bit——

Senator UDALL. Yes, and everything was able to be done there. So, I think we should try to focus on his duties and responsibilities. Because I don't think he has anything to do with the visa. I think that's the State Department's——

Mr. COHEN. That's correct.

Senator UDALL. You don't issue visas. Is that right?

Mr. COHEN. That's correct.

Senator UDALL. But, I don't want to interfere with your questioning of him if——

Senator KIRK. I would say——

Senator UDALL [continuing]. There is legitimate reason——

#### TEMPORARY SANCTIONS RELIEF

Senator KIRK [continuing]. David, you didn't highlight something in your testimony, that—you also said the sanctions that Congress unanimously supported were key to bringing the Iranians to the table, but what you didn't say was that you vigorously opposed the passage of the Menendez-Kirk sanctions. So, the irony of your position——

Mr. COHEN. Actually—Senator, if I might, the——

Senator KIRK. I actually have a copy of the letter you sent me on that.

Mr. COHEN. Right. And what that letter said was that the amendment, as it currently existed at that time, was one that we had concerns with in how it would be implemented. And what transpired after that hearing that day was that we worked with you, Senator, with Senator Menendez and others, to modify the provision that was ultimately enacted. As that provision was ultimately enacted, it addressed many of the concerns that animated that letter, and was ultimately crafted in a way that has proven to be extraordinarily successful in driving down Iran's ability to sell oil.

I think the concerns that were expressed in that letter on December 1 of 2011, I think it was, when that letter was sent, were concerns that were with respect to the version of the amendment, as it existed that day, and——

Senator KIRK. I would say, you know——

Mr. COHEN [continuing]. It changed, subsequently——

Senator KIRK [continuing]. If you remember——

Mr. COHEN [continuing]. In a way that was much more——

Senator KIRK [continuing]. If you remember, you and I were on the phone almost hourly at the time that we did that amendment, and we did make a number of changes to suit the administration.

Mr. COHEN. That's right.

Senator KIRK. At your request.

Mr. COHEN. I think that's right.

Senator KIRK. Yes. And when the Senate voted, it was unanimous. Not a single Senator stood with your position on this issue.

Mr. COHEN. Well, as I said, what ultimately was enacted and what ultimately has proven to be so effective—and I take nothing away from your efforts and the efforts of Senator Menendez and the others who voted for that provision—what ultimately proved to be tremendously effective was a modified version of that amendment that allowed us to work in a way to drive down Iran's ability



to sell its oil without roiling the international markets. And we've managed to, essentially, keep the price of oil at the same level that it was in December 2011, while taking off——

Senator KIRK. You briefly touched on a——

Mr. COHEN. Yes.

Senator KIRK [continuing]. On a point, here before the committee, saying up to \$6 billion was released to the Iranians. That's about 50 years' support to Hezbollah.

Mr. COHEN. I'm sorry, Senator, I didn't——

Senator KIRK. If you look at the cost of Hezbollah to the Iranians, because they—on that organization—that killed the 243 marines in Lebanon and killed our station chief in Lebanon, if you look at the yearly cost of that operation, you have provided almost 50 years worth of money to the Iranians through this negotiation process.

Mr. COHEN. Well, Senator, what we agreed to in the Joint Plan of Action was to allow the Iranians access to \$4.2 billion of their oil revenue that has been denied to them in overseas accounts over the course of the 6 months. The manner in which that money is being released by the banks that hold it to the Iranians—not American banks, banks overseas—is such that we have good visibility into where the money is going.

If the Iranians continue to fund Hezbollah, which the Iranians have done for many years now and which has been the focus of many of my actions and actions of others in the Government, that is conduct that is not facilitated by the Joint Plan of Action, but is conduct that we, if we see it, will continue to take action against. I have no hesitation whatsoever in continuing to pursue and to try and disrupt Iran's support for Hezbollah, and we'll continue to do that.

Senator UDALL. Thank you very much.

Now, Senator Kirk, your time's expired. I'm going to now move to Senator Johnson.

Senator JOHNSON. Thank you, Mr. Chairman.

And thank you, Under Secretary Cohen.

#### RESOURCES FOR EXPANDING RESPONSIBILITIES

I've been amazed at OFAC's capacity to absorb additional sanctions implementation responsibilities over the years. OFAC Director Adam Szubin and his team have done an extraordinary job. Given that TFI and OFAC, in particular, have had to take on expanding sanctions responsibilities, which you describe in your testimony, how long do you think you can maintain this current level of excellence without additional staff and other resources being made available to meet expanding duties?

Mr. COHEN. Well, thank you, Mr. Chairman, and thank you for your support over the years for our work.

My folks in OFAC, and, frankly, across TFI as a whole, are working very hard. I think I said, in a prior hearing, they're working flat out, and I think that's a fair description. I've got an extraordinarily dedicated and extraordinarily hardworking group of people who work in TFI.

I am comfortable that the current resources that we have appropriated this year and that the President has requested for next

year are sufficient for us to continue to do that work. But, you know, I do not have people who come to work in the morning without anything to do. I've got everybody quite gainfully employed.

#### ADDITIONAL FLEXIBILITY

Senator JOHNSON. The situations in Syria, Iran, Ukraine, and elsewhere, are all extremely complex and fluid, which makes flexibility a crucial element of Treasury's ability to respond. Are there things Congress should be doing now to provide you with additional flexibility to react nimbly to ongoing diplomatic challenges across the world?

Mr. COHEN. Well, Senator, I think one thing that Congress could do to allow us to continue to have the flexibility to react nimbly to challenges as they develop is—when Congress legislates new sanctions authority, to ensure that we have discretion in how to implement those authorities. I think we have demonstrated, over the years, that we will employ the authorities that are given to us in an aggressive fashion and, in a relatively smart fashion, as well. But, the greater flexibility that we have in determining how and when to apply these sanctions authorities, the better able we would be, and we will be, to respond to issues as they arise. The more that it is predetermined exactly what sorts of sanctions must be applied, the more that the legislation is prescriptive in that respect, the more difficult it is for us to react in a flexible fashion.

Senator JOHNSON. Under Secretary Cohen and Chairman, I will have to excuse myself. I have to chair another committee hearing. But, thank you.

Senator UDALL. Senator Johnson, thank you very much, and we very much appreciate your participation and the fact that we know you have another hearing going on. But, thank you for coming over.

Senator GRAHAM, we're—you weren't here at the beginning, but we're trying to—

Senator JOHNSON. Thank you.

Senator UDALL [continuing]. Stick with 7 minutes—

Senator GRAHAM. Yes, sir.

Senator UDALL [continuing]: And get through everybody. We've had good, robust participation today, and really appreciate seeing you here. Thank you.

Senator GRAHAM. Well, thank you. Thank you for letting me come. I'm not on the subcommittee, but I really appreciate the invite. This is a well-run place around here.

Chairwoman MIKULSKI. You got it.

Senator GRAHAM. Yes.

Mr. Cohen, I want to compliment you and your team. I think you all have been very diligent in trying to enforce the sanctions, and—credit where credit's due. I think the sanctions have been implemented in a way to get the Iranians to the table.

#### BUSINESS DURING INTERIM AGREEMENT

After the interim deal, how many delegations have gone to Tehran—foreign delegations—to discuss potential business opportunities with the Iranians? Do we know?

Mr. COHEN. I think we know. I don't have that number right at hand. But, I'd—we obviously are—

Senator GRAHAM. Is it above or below 50, or do——  
 Mr. COHEN. Fifty, did you——  
 Senator GRAHAM. Yes.  
 Mr. COHEN. I—honestly, Senator, I don't——  
 Senator GRAHAM. Just provide it to us, if you could.  
 Mr. COHEN. I will.  
 Senator GRAHAM. Yes——  
 Mr. COHEN. Yes.  
 Senator GRAHAM [continuing]. That's fair. I think it's quite a lot.  
 Mr. COHEN. Yes.  
 Senator GRAHAM. Before the interim deal, were there delegations going to Iran, talking about potential business?  
 Mr. COHEN. Certainly not to the extent that we saw——  
 Senator GRAHAM. If you could——  
 Mr. COHEN [continuing]. After the interim deal.  
 Senator GRAHAM [continuing]. Give us before the interim deal and after the interim deal, in terms of international engagement, I think it would be helpful, because I think there's a perception out there, true or not, that now's the time to think about doing business with Iran. And we want to make sure that doesn't go too far.  
 Mr. COHEN. Okay.  
 [The information follows:]

## TRADE DELEGATIONS TO IRAN

In support of the President's dual-track strategy towards Iran of pressure and diplomacy, the Department of the Treasury has engaged in extensive outreach to companies, financial institutions, and governments around the world to make clear the broad scope of our sanctions and our intention—which we have consistently demonstrated—to actively enforce them.

We continued these active efforts following the November 2013 announcement of the Joint Plan of Action. Since that time, Treasury officials have spoken to hundreds of companies and traveled extensively to make clear that Iran is not open for business. As part of this campaign we have kept a close eye on countries from which we have seen trade delegations visit Iran to explore possible post-sanctions opportunities. Where we saw any risk to the pressure we built, we met with the governments of these countries and had frank conversations to express our concerns. We have not hesitated to take action against entities that have violated our sanctions. Indeed, since November 2013 we have designated nearly 100 entities and levied almost half a billion dollars in civil penalties for Iranian sanctions evasion. At least partially as a result, we have not seen these delegations lead to significant new business for Iran. Indeed, as we expected, the economic benefits to Iran under the JPOA have been contained, and entirely insufficient to overcome the deep economic difficulties Iran continues to face.

In response to the committee's request, please see the below list of countries we have observed sending trade delegations visiting Iran in the 2 years preceding or during the JPOA period (including to the present). Please note that this list is not intended to be exhaustive, and is based on open-source reporting.

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|                |             |
|----------------|-------------|
| Afghanistan    | Lebanon     |
| Austria        | Netherlands |
| Azerbaijan     | Oman        |
| China          | Romania     |
| Czech Republic | Singapore   |
| France         | South Korea |
| Georgia        | Sweden      |
| Germany        | Thailand    |
| India          | Tunisia     |
| Iraq           | Turkey      |
| Ireland        | UAE         |
| Italy          | Uzbekistan  |
| Kazakhstan     |             |

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## NORTH KOREAN SANCTIONS

Senator GRAHAM. North Korea is still being sanctioned by the United States. Is that true?

Mr. COHEN. Yes, sir.

Senator GRAHAM. Have our sanction efforts deterred their nuclear program?

Mr. COHEN. I think our sanctions, which are largely——

Senator GRAHAM. Can I help you?

Mr. COHEN [continuing]. Focused——

Senator GRAHAM. No.

Mr. COHEN. Yes.

Senator GRAHAM. No, it hasn't.

Mr. COHEN. Yes. Well——

Senator GRAHAM. Well, since not—you're not a CIA-type person, but—I don't mean to interrupt—the truth of the matter is, the North Koreans are building—they have nuclear capability. So, I'll shut up and let you answer. Do you think the sanctions are deterring their nuclear program?

Mr. COHEN. I don't think they're deterring their nuclear program. I think our sanctions have disrupted, to some extent, North Korea's progress in acquiring the material and acquiring the hard currency that they need to buy the material for their nuclear program.

But, I quite agree with you that the North Koreans have been pursuing a nuclear program, and have done so notwithstanding our sanctions and sanctions that have been in place against North Korea for many years.

Senator GRAHAM. I would just invite subcommittee members to maybe get briefed up. It's pretty astonishing what they're doing, in spite of our best efforts. They're going down the plutonium track now.

There was a reactor that was basically somewhat dismantled. Plutonium-producing reactors, part of—the last round of negotiations, is supposedly coming back online. So, I just want us to remember the North Korean model, that we tried sanctions that didn't work there.

## GOAL OF NEGOTIATIONS WITH IRAN

Now, the goal in Iran is to get the Iranians to dismantle their nuclear program. Is that the stated goal of the administration?

Mr. COHEN. The goal with respect to our sanctions in Iran, I think, is twofold. One is to disrupt their ability to continue to develop a nuclear program, as well as to put pressure on the Iranian Government so that, as part of the dual-track strategy, where we have been offering the Iranians the opportunity to negotiate in a credible fashion with the international community with regard to their nuclear program, to create the incentives so the Iranians will actually come to the——

Senator GRAHAM. Right. But, what's the——

Mr. COHEN [continuing]. Negotiating table——

Senator GRAHAM [continuing]. End game? What are we trying to accomplish in Iran?

Mr. COHEN. We are trying to ensure that Iran does not, and cannot, develop a nuclear weapon.

Senator GRAHAM. Okay. So, one of the goals would be to dismantle the plutonium-producing reactor at Arak. Is that correct?

Mr. COHEN. Senator, as you know, I am not the negotiator.

Senator GRAHAM. No.

Mr. COHEN. My colleagues at the State Department are responsible for negotiating the deal. And I think just last week we had a classified session, where——

Senator GRAHAM. Wouldn't it help——

Mr. COHEN [continuing]. We went into some of these issues.

Senator GRAHAM. Wouldn't it help you to know the goal? Because you're the guy driving the sanctions regime. I mean, you know, what are you trying to accomplish——

Mr. COHEN. Right.

Senator GRAHAM [continuing]. With these sanctions? Which is to keep them from developing a nuclear weapon.

Mr. COHEN. Right. The ultimate goal is what I said, which is to prevent Iran from developing a nuclear weapon.

Senator GRAHAM. Fair enough.

Mr. COHEN. I am not——

Senator GRAHAM. Fair enough. Fair enough. I——

Mr. COHEN. I'd leave it there.

Senator GRAHAM. Yes, fair enough.

The Congress is debating among itself the idea of imposing sanctions under the following conditions: that, at the end of the 6 months, the Iranians haven't met the benchmarks that we all hope, which is a dismantling of their program, that sanctions would continue. Because the goal of the sanctions is to reach a result. And the new round of sanctions are tailored to meeting the goal. The sanctions would continue if the nuclear program is not substantially dismantled, I think is the way the new language reads.

#### IMPACT OF ADDITIONAL LEGISLATION

Do you believe, if they violate the interim deal, a new round of sanctions will apply? Those are the two things. Do you think it would hurt your effort if the Congress got on record reinforcing the sanctions, in terms of the goal we're trying to achieve, and to deter them from cheating? Do you think that hurts or helps your effort?

Mr. COHEN. Senator, the judgment of those who were involved in the negotiations—my colleagues at the State Department, and, frankly, the judgment of the President, who said he would veto any such legislation—is that it would not be——

Senator GRAHAM. Yes, I don't want to——

Mr. COHEN [continuing]. Helpful to the——

Senator GRAHAM [continuing]. Get you on the wrong side of the President, but you're the guy dealing with the sanctions.

Mr. COHEN. And I don't need this piece of legislation.

Senator GRAHAM. Okay, that's fair enough. You don't think you need any reinforcement, is what you're saying.

Mr. COHEN. What I need is what we have, which is a very, very robust sanctions architecture that is in place, that we're enforcing, as well as the absolutely unquestioned credible threat that if the Iranians don't come to an agreement in——

Senator GRAHAM. I'm not going to get your comment on military policy, if that's where——

Mr. COHEN. No, no. No, no. I'm not talking military policy. That if the Iranians are unable to, or unwilling to, reach a comprehensive solution, that this Congress and this administration will work together to impose additional sanctions.

Senator GRAHAM. The——

Mr. COHEN. There is no one in Iran who, for a second, thinks that we would be unable to implement more stringent sanctions if the——

#### COMPARISON OF SANCTIONS AGAINST IRAN AND NORTH KOREA

Senator GRAHAM. In 7 seconds, are the sanctions against Iran as robust as the sanctions against North Korea?

Mr. COHEN. Well, the sanctions against Iran are broader and deeper than the sanctions against North Korea.

Senator UDALL. Thank you, Senator Graham. Thank you very much.

Is—I assume there's an interest in a second round. I—Senator Mikulski, you—I would—yes, I——

Chairwoman MIKULSKI. Senator Graham—if I could comment to Senator Graham before you——

Senator UDALL. Oh, please. Chairwoman Mikulski, please.

Chairwoman MIKULSKI. First of all, I'm so glad you came.

Senator UDALL. Yes, thank you for coming.

Senator GRAHAM. No one's ever invited me to anything, almost. I really——

Chairwoman MIKULSKI. Well, it's a different——

Senator GRAHAM [continuing]. Appreciate it.

Chairwoman MIKULSKI. But, just—this is——

Senator GRAHAM. Even my own caucus won't invite me to lunch.

Chairwoman MIKULSKI. So, this is exact—well, that's a different thing. We're not going to go that far.

Senator GRAHAM. Okay, yes.

Chairwoman MIKULSKI. Seriously——

Senator GRAHAM. Yes.

Chairwoman MIKULSKI [continuing]. This is kind of the different kind of tone that Senator Shelby and I are trying to set.

Senator GRAHAM. And great.

Chairwoman MIKULSKI. One is that many of these issues cut across a variety of subcommittees; and, within the various subcommittees, there's different expertise. So, you, sir, are the ranking member on State Department Foreign Ops. That's the authorizing committee. And your work on the Department of Defense, of course, is well known and almost legendary. So, you come——

Senator GRAHAM. At least in my own mind, yes.

Chairwoman MIKULSKI. No, but, you see, you bring it to the table. And——

Senator GRAHAM. Thank you.

Chairwoman MIKULSKI [continuing]. This is just great. And I could say this for us here, the fact that this was robust bipartisan participation, a couple of different committees. We had the banking authorizer here. This is great, because I think we had a tutorial,

really, on what this office is—413 people, they enforce 37 different sanctions. This testimony is a teaching—

Senator GRAHAM. Mr. Cohen is doing a good job. I just—

Chairwoman MIKULSKI. And what I wanted—

Senator GRAHAM [continuing]. Want to recognize that I know you're trying very—

Chairwoman MIKULSKI. And what I just wanted to say is that, if the Joint Plan of Action falls apart, and the Congress then moves to take needed action, I will—because this is in July—make sure that we, as appropriators, would accommodate whatever it takes to up the game for them to be able to implement whatever we do.

So, I think if we all—that I want us to think that we're all in this together to protect the United States, to protect treasured allies. And I think this has just been the kind of hearing where we look at the resources and look at the cause. And I'm glad that you came.

Senator GRAHAM. Thank you very much.

Chairwoman MIKULSKI. And I really want to—

Senator GRAHAM. Thank you both.

Chairwoman MIKULSKI [continuing]. Thank both you and Senator Johanns for this very content-rich conversation here.

Senator UDALL. Thank you very much, Senator Mikulski.

And we will invite you again when we need your expertise. We appreciate it. We appreciate it very much.

But, what—yes, what—

Chairwoman MIKULSKI. And I like being ex officio. I just invite myself.

Senator UDALL. But, we—and I very much appreciate your work, and I think everybody does, here. I couldn't emphasize enough—and you've seen it, from both the Republican side and Democrat side, echoed here. We know—need to know the resources you need in order to do your very important job, and it's just—you need to let us know and be in touch with us as we move down the road and we get into these crisis situations, where we're trying to move from Russia to Ukraine to a variety of sanctions.

#### TEMPORARY SANCTIONS RELIEF

And I wanted to come back to—because I think one of the members raised this issue of the narrow window and the idea—Senator Graham raised this in his question, in terms of visits to Tehran and all of that. You said that the number, in terms of—the prediction was \$6 billion to \$7 billion, and you said the number's actually lower. And I was wondering, Why is that? What—the prediction was going to be up in that range, and it's actually been much lower. What has caused that?

Mr. COHEN. The estimate—the \$6 billion to \$7 billion estimate included a number of different components that, together, added up to \$6 billion or \$7 billion, including the essential value of transactions involving auto parts, which was one of the suspended sanctions, and potential transactions involving petrochemical sales. And, thus far, we have seen very little pickup in either of those two areas.

I think that is, in part, due to the fact that the Joint Plan of Action is in effect for 6 months, which means these sanctions are sus-

pending for 6 months, and the international business community and the international financial community knows that, for the transaction to be nonsanctionable, it needs to be completed, from, order to manufacture to shipment to payment, within that 6-month period. That's not a very long period of time. I think it has dissuaded, frankly, some from taking advantage of that.

Now, I should say, the lion's share of the \$6 billion to \$7 billion is this \$4.2 billion in Iran's own assets, its own funds overseas that are going to be released over the course of the 6 months. We have fulfilled, in good faith and completely, our obligations, thus far, to release—or to allow the release of, I think, three of the tranches. And we'll continue to do that over the course of the 6 months.

Senator UDALL. Thank you for that answer.

#### COMPARISON OF SANCTIONS AGAINST IRAN AND NORTH KOREA

The issue here was raised of North Korea and sanctions working, in terms of North Korea. And the thing that seems to me—I mean, looking at sanctions on North Korea and sanctions in Iran—is, we—the difference is the large number of countries—the P5 + 1—that are participating, and the actual robust ability for them to engage in this sanctionable activity.

The problem we have in North Korea is China, which—that's my sense. They seem to, when it gets to the point that North Korea needs to be rescued, you have economic rescue packages that occur, and those numbers have been going up. And that's a much more difficult one, I guess, for us to deal with.

But, I—those are my thoughts on that. I'm wondering what—and things that I've read and heard about—what are your thoughts there, in terms of the—comparing—if you had a comparison of North Korea and the Iranian situation?

Mr. COHEN. Yes. Well, there's no question that Iran, before we embarked on the sanctions effort, was much more integrated into the global economy than North Korea is today or ever has been. I mean, North Korea is quite isolated, for reasons unrelated to sanctions, related to the government that they have there. So, the same techniques and the same sanctions that we've applied to Iran are not, sort of, easily just translated into the North Korea context.

That being said, there's no question that North Korea is also susceptible to sanctions, and we have applied sanctions against North Korea. And I would—and would cite one sanction, in particular, which is, about 9 months ago now, we imposed sanctions on something called the Foreign Trade Bank in North Korea, which was their major foreign exchange financial institution. It was the principal way in which all the banks in North Korea would be able to transact with banks outside of North Korea. We saw Chinese banks cut off the Foreign Trade Bank. Some of the major Chinese banks that had held accounts with the Foreign Trade Bank severed those accounts.

So, I think that was, in part, a response to what we did; it was, in part, a response to some of the outreach that we made to the Chinese; and it was, I think, in large part, a dividend from years of effort to spread the word about financial integrity and financial transparency and the major Chinese banks recognizing that their



reputation for financial integrity is something that is important to them as they interact with the rest of the world.

And so, it is absolutely true that the majority of North Korea's relationship is with China, but we've also had some success with China in applying pressure to North Korea.

#### IMPROVING SANCTIONS AGAINST NORTH KOREA

Senator UDALL. Yes. Are—what could Treasury do to make sanctions more impactful against North Korea under the current sanctions regimens that—

Mr. COHEN. Yes. Well, we're going to continue—

Senator UDALL. What tools are—

Mr. COHEN. Yes.

Senator UDALL. You know, what tools are missing to make them more effective?

Mr. COHEN. Mr. Chairman, I'm not sure that we have any tools that are missing. What we are going to continue to do is to implement the sanctions programs that we have in place, which are focused on North Korea's efforts to develop its nuclear program as well as North Korea's other illicit activity. You know, this is an issue that gets a great deal of attention in the Treasury Department as well as, across the national security community, and we're going to continue to pressure North Korea.

Senator UDALL. Yes. Thank you very much.

Senator Coats, you haven't had a chance to question, here. And so—we all have, and so you're still in your first round. So, then we'll come to you and then I'll come back to my Ranking Member, the distinguished Senator Johanns, here.

Senator COATS. Okay, thank you, Mr. Chairman.

I just want to follow up on a parochial question, if you don't mind, and that is—the Indiana delegation sent to Pentagon, Under Secretary Hale, a letter, dated March 24, asking some questions about the AMFO initiative. That's the Army Financial Management Optimization Program. Number one, I want to commend you, because, you know, unprecedented in my career, we received a letter back on March 26 of the same year. So, I'm very impressed with that. So, I want to—a word of thanks, there, in terms of response.

But—and I was just looking through that letter. It actually went to Congressman Carson. There are a number of us, both Senators and members of our congressional delegation.

And the question is, on this—your—the review of this new system. It potentially involves your—and I quote from the letter, “possibly including reductions in numbers of DFAS personnel at certain locations. We will make every effort to accommodate any changes through attrition.” I'm not here to get a specific answer from you, but to better understand what is happening and how—and I think there's probably a trial plan that's going to be put in place, if that rings a bell. What is it you're trying to accomplish? And what are some of the consequences of that going to be to the current DFAS system—locations personnel, et cetera?

Senator UDALL. Mr. Secretary—Under Secretary Cohen, I just wanted to—

Senator COATS. I just got a note saying I'm at the wrong hearing.

Senator UDALL. Oh, okay.

Senator COATS. This is—I've got the right room number, but the wrong hearing.

Mr. COHEN. Well, that would explain why I didn't—

Senator COATS. I appreciate—

Mr. COHEN [continuing]. Know anything about this letter.

Senator COATS. Well, this is the first time this has ever happened to me, but I hope it's not a precursor of what may—

Senator UDALL. You're always welcome in our committee, and you—

Senator COATS. Well, thank you. I saw some familiar faces, and I thought this is where I should be.

Well, I'm going to let you off the hook on this one.

Mr. COHEN. Thank you, Senator.

Senator COATS. All right. I hope you're able to respond as quickly as the Under Secretary of the Army has been able to respond. I'll go to try to find out where I'm supposed to be.

Mr. COHEN. Okay.

Senator COATS. Thank you.

Senator UDALL. Thank you.

Senator JOHANNIS.

#### OIL EXPORTS

Senator JOHANNIS. Mr. Secretary, I think you can tell from the—maybe, the line of questioning on both sides of the aisle, that what we're searching for here is—we want to make sure that whatever we're doing here, from a policy and a funding standpoint, doesn't interfere with work that you're doing. I don't detect any dissatisfaction whatsoever, again, on either side of the aisle, with the work of you and your folks. And I just want to emphasize that.

But, the success of sanctions with Iran, I believe, has been built over a period of time. It was, "Try this." That wasn't working so well. "Try that." While, at the same time, your group was discovering, learning, trying various things that we were authorizing you to try, until finally we got Iran's attention, and all of a sudden there's discussions that they want to sit down and negotiate.

My worry—and, I think, the worry of many of us—is that, if we pull one string out of the sweater of sanctions, the sleeve comes off, and then all of a sudden you folks are sitting out there, saying, "My goodness, we had them where we needed to be, and this is falling apart." We don't want that to happen.

So, let me follow up, if I might, on a question that Senator Moran asked you about, the agreement with—or potential agreement with Russia, or discussions, whatever else is going on there. Isn't it true that, since the sanction agreement was reached with Iran, that their oil exports have, in fact, climbed and they are over the level that was permitted by that interim agreement?

Mr. COHEN. Senator, the interim agreement looks at oil sales over the course of the 6-month period. It's not a month-by-month—

Senator JOHANNIS. Right.

Mr. COHEN [continuing]. Analysis. Our assessment—and I'd say "our," in the sense of the administration, because it's actually the State Department that tracks the oil sales—

Senator JOHANNIS. Right.

Mr. COHEN [continuing]. Not the Treasury Department—  
 Senator JOHANNIS. Right.

Mr. COHEN. But, I think the sense is that, over the course of this 6-month period of the Joint Plan of Action, we are comfortable that Iran will stay—or actually, more specifically, the purchasers will stay within the level that was agreed to in the Joint Plan of Action. There are fluctuations, month to month. I would encourage you to have the State Department's oil experts come and talk to you about this. But, I think the sense is that we're not alarmed by some of the reports that have been in the public press.

Senator JOHANNIS. Yes. And I'm certainly not saying that the Joint Plan calls for a day-by-day assessment, and if you sold more one day, then you've got to sell less the next day and—

Mr. COHEN. Right.

Senator JOHANNIS [continuing]. Square up the books or true up the books. But, what I am saying is, if you look at the period of time between now and when the Joint Plan started, it appears to me that they're on the wrong course.

Mr. COHEN. Yes. And, I don't mean not to answer your question directly, but I don't track the oil figures with that specificity. I know that my colleagues at the State Department are comfortable that, even if there has been some slight uptick, that it's nothing that is going to call into question the fundamental nature of the Joint Plan of Action.

#### IMPROVING NORTH KOREA SANCTIONS

Senator JOHANNIS. Well, let me, if I might, just ask a question or two about North Korea. North Korea, I think, is a—just a source of concern for everybody, and a source of frustration, because—I'll just be honest with you, I think North Korea, from time to time, shakes the world down. They need resources, they need money, and all of a sudden we're off to the races. It's almost as predictable as Christmas arriving.

Are we missing something with North Korea? Is it time to do a more thorough assessment of the sanctions that are in place, and ask ourselves, Are these the right sanctions at this time? Are there additional approaches that we should be employing?

I guess what I'm asking is, Are we at a stage where Congress should be looking at a more comprehensive approach to what's transpiring, relative to sanctions, in North Korea?

Mr. COHEN. Well, what I can tell you is that we are constantly reevaluating what we have been doing with respect to North Korea. I was going to say "in every one of our programs," but I think it is especially true with respect to North Korea, because in answer to a prior question, I think it is—it is unavoidable, the conclusion that we have not deterred North Korea from the path that it's been on. And it's a very, very worrisome path.

So, I can tell you that this is a topic that is actively under consideration within the administration, how—not just through sanctions, but all of the ways that we have to project power and to address this issue, thinking about how to, frankly, change the course that North Korea is on, because, a denuclearized Korean Peninsula, particularly a denuclearized North Korea, is something that we are completely committed to achieving.

Senator JOHANNIS. Final comment. I only have 30 seconds, here.

#### HUMAN RIGHTS ISSUES IN NORTH KOREA

The nuclear capability of North Korea in such an unstable regime is of concern to everybody. But, if one-tenth of the claims about human rights violations in North Korea turn out to be verifiable someday—and someday they will be verifiable—this is outrageous, it's shocking. I mean, it's appalling what this regime is doing to its people. And I just think, unless we figure out a better way forward with North Korea, this will visit upon humanity a tragedy that is nearly unspeakable, if one-tenth of it's true. It's just unbelievable.

Mr. COHEN. I agree. I have nothing other to say than that I agree with that.

Senator UDALL. Thank you, Senator Johanns.

I know that you have the—an appointment; you were trying to leave at 3:30.

Mr. COHEN. Yes.

Senator UDALL. We just have one more questioner here for 7 minutes. Would that be—is that going to be okay, or are we going to really—

Mr. COHEN. Absolutely.

Senator UDALL. Okay.

Now, Senator Moran.

Senator MORAN. Thank you, Mr. Secretary. And I only have one question.

Senator UDALL. Good.

Senator MORAN. Although my preface may be longer than the question.

#### APPROPRIATIONS FOR TFI

It's—something that's transpired here in our hearing, I think, is unique. It seems to be that many members of this committee, and some who joined us, have been interested in providing more money to you. I think the message has been, we want to make certain that you have the necessary resources to accomplish your mission. That is—and then you had the chairperson of our full committee describe the tutorial that we were receiving today, and then your testimony—there's a sentence in there that I wanted to highlight. When you talk about resources, "We've been able to increase our sanction programs and other output by generating program efficiencies"—no one would say that anything but good comes from efficiency—"effective management"—we're all for that—"and"—this is the part that I wanted to highlight—"and transferring funds, when needed, among organizations and programs within TFI." And what the tutorial that I received today included was a reminder that, when we appropriate money, we're appropriating money broader—more broadly than just your office.

Mr. COHEN. Right.

Senator MORAN. That money goes to departmental offices. And while the President's request for Terrorism and Financial Intelligence is \$105.9 million, that's really of a—that's a portion of a larger amount of money that would be appropriated that's about \$309 million to departmental offices.

Mr. COHEN. Right.

Senator MORAN. The transfer—so, first of all, I would suggest to my colleagues who are interested in providing more money, to make certain that you accomplish your mission, we ought to be very interested in making certain that that money goes to you, to your office, to accomplish those goals.

And then, second, the—your testimony about transferring funds. I was interested in knowing, or being assured, that the transfer works to you, not that you're transferring money out of your office to any of the other departmental offices. Is that true?

Mr. COHEN. Senator, the transfer is within my deputation, as it were. So, in—

Senator MORAN. Within TFI.

Mr. COHEN. Within the Office of Terrorism and Financial Intelligence (TFI), from Terrorist Financing and Financial Crimes (TFFC) to the Office of Foreign Assets Control (OFAC) or to the Office of Intelligence and Analysis (OIA), that's where we're able to shift—

Senator MORAN. So, not transfers from—the departmental offices that make up this broad allocation of money are Executive Direction, your office, Tax Policy, Domestic Finance, Economic Policy, International Affairs, Treasurywide Management.

Mr. COHEN. Right.

Senator MORAN. And so, my question is, Do you ever transfer money from TFI to any of those other offices within the departmental offices?

Mr. COHEN. So, my understanding is that the—although the funds are appropriated to departmental offices, which includes TFI, there is a presumptive amount that is for TFI, and those are my funds. Those are my funds to use, and they do not get transferred away. The other—

Senator MORAN. So, the Treasury Secretary doesn't come to you and say, "Secretary Cohen, we need more money in Tax Policy. Can you—we need to transfer money from TFI to Tax Policy." That doesn't happen.

Mr. COHEN. Right.

Senator MORAN. Okay.

Mr. COHEN. Right.

Senator MORAN. Am I missing—is there—

Mr. COHEN. No. No, I was just going to say, I think all those other offices at Treasury do important work, as well. But, the funds that are earmarked for TFI are TFI's funds.

Senator MORAN. Well, I—you—while they may do important work, it is pretty unusual for a number of my colleagues here to be trying to offer more money than you're requesting. And I think, in this tutorial that we're having today, it's useful, at least for me and perhaps others, to understand that this money is not—I don't—sacrosanct within those departmental offices.

Mr. COHEN. Right.

Senator MORAN. It's a broader allocation than just you—your office.

Mr. COHEN. It's a broader allocation, but the funds that are—I mean, "earmarked" is probably not the correct term, but the funds that are—

Senator MORAN. It's a word I would not use.

Mr. COHEN. Yes, I'm sorry. I should—I want to revise and extend my remarks on that.

The funds that are identified as going to TFI are funds that are for TFI's use.

Senator MORAN. Okay. Thank you, Mr. Secretary.

Mr. COHEN. Thank you.

Senator MORAN. Thank you, Mr. Chairman.

Senator UDALL. Thank you. And thank you for closing a little early, here, and we'll get him on the road.

Let me thank everybody who participated in this hearing. Appreciate hearing from you, Under Secretary Cohen, as the top official of TFI, about resource needs and the sanctions program.

#### ADDITIONAL COMMITTEE QUESTIONS

Today's discussion, I think, has provided helpful insights into TFI's operations and challenges. This information will be instructive as Congress moves forward with our work on fiscal year 2015 funding.

The hearing record will remain open until next Wednesday, April 9th, at 5 p.m., for subcommittee members to submit statements and/or questions to be submitted to the witnesses for the record.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

#### QUESTIONS SUBMITTED TO HON. DAVID S. COHEN

#### QUESTIONS SUBMITTED BY SENATOR TOM UDALL

##### NORTH KOREA

*Question.* Sanctions against North Korea have not been successful at preventing proliferation and other activities that threaten our national security. What could Treasury do to make sanctions more impactful under the current sanctions regime? What tools or elements are missing to make sanctions more effective?

*Answer.* Sanctions are an important part of our overall North Korea policy and the broad and ongoing international effort to achieve the denuclearization of the Korean Peninsula. U.S. and international sanctions are intended to raise the cost to North Korea of continuing to pursue its nuclear, ballistic missile, and other prohibited programs, and to restrict its financing of these programs and its proliferation activities, and we have seen some successes.

To more effectively address the threat posed by North Korea, it is essential to secure the commitment of other countries to take action to prevent funds being redirected to North Korea's illicit programs and proliferation activities. This is particularly true of China, North Korea's largest trading partner. The United States has urged China to escalate pressure on North Korea, including through the effective enforcement of United Nations (U.N.) sanctions against North Korean proliferation activities, and Treasury will continue to engage China and other countries in the region to restrict North Korea's ability to finance its illicit nuclear, ballistic missile, and proliferation programs.

##### IRAN

*Question.* The Government Accountability Office (GAO) and other entities have opined that the use of economic sanctions against Iran since 2010 have successfully disrupted the Iranian economy. Why have sanctions against this nation been more successful than other sanctions regimes? What in particular has made these sanctions so impactful? What lessons has the Treasury Department learned from the success of sanctions against Iran that could be applied more generally to other sanctions programs?

Answer. The Treasury Department coordinates and implements approximately two dozen distinct financial sanctions programs, including jurisdiction-specific and conduct-based programs. In each instance where sanctions have been applied, they have been one tool among many deployed. Current sanctions programs are diverse and tailored to meet particular national security and foreign policy circumstances and the goals and mechanics of how sanctions affect specific targets may differ in each instance.

The United States, working with its international partners, has imposed the world's most comprehensive and far reaching set of sanctions on Iran. This robust and coordinated multilateral effort has been critical to creating leverage for diplomacy. Sanctions have slashed and curtailed Iran's access to its oil revenues, isolated it from the international financial system, and led to economic contraction. U.S. sanctions on Iranian financial institutions, coupled with our broad outreach campaign to warn the international financial community of the risks associated with doing business with Iran, contributed to a sustained downturn in Iranian economic activity.

Treasury has learned many lessons from our Iran sanctions, including the power of coordinated action and the importance of tailoring sanctions to best pressure and exploit a target's financial vulnerabilities. These lessons are readily applied across the sanctions programs we implement.

#### DIPLOMACY

*Question.* The Treasury Department and State Department have complementary roles in sanctions policy. Please explain how the departments work together and with other Federal entities to develop and implement sanctions. What are the roles and responsibilities of each entity? How do the departments coordinate with each other? How can these intergovernmental relationships be improved? How is the effectiveness of economic sanctions improved by diplomatic efforts?

Answer. The Treasury and State Departments are close partners in the administration's development and implementation of sanctions. At the most senior levels and throughout our agencies, Treasury and State regularly confer on sanctions strategy, policy, and enforcement, and frequently undertake joint actions employing our respective authorities.

Treasury and State also work closely with other relevant agencies. On April 29, 2014, for example, the Departments of Treasury, State, Commerce, and Justice undertook joint action against the network of serial proliferator Karl Lee. Since 2005, Lee and firms with which he has been associated have been subject to nonproliferation sanctions pursuant to a variety of U.S. authorities. In this recent set of actions, Treasury designated eight of Lee's companies; Commerce added nine entities (eight companies and one Chinese national) to its Entity List, a compilation of foreign persons determined to have acted contrary to the U.S.'s national security or foreign policy interests and who are subject to special export licensing requirements; Justice unsealed an indictment of Lee; and State offered a \$5 million reward for information leading to his arrest or conviction.

As you observe, State and Treasury authorities are complementary, and vary across our complex array of sanctions regimes. While there naturally exists some overlap because of the broad and flexible nature of our sanctions, Treasury focuses extensively, though by no means exclusively, on the financial sector, while also targeting agents, material supporters, and facilitators of terrorism, proliferation, human rights abuses, and other illicit conduct. State identifies and targets individuals and entities for primary designation as Specially Designated Global Terrorists and as Foreign Terrorist Organizations; identifies and sanctions individuals and entities engaged in proliferation; works extensively on U.N. sanctions; and focuses more on underlying commercial activity and human rights violations and abuses of foreign persons and entities.

Both Treasury and State actively engage in diplomatic outreach as an integral part of our sanctions efforts. Officials from both departments regularly meet with foreign counterparts and businesses to explain our sanctions programs, to demarche them on activities of concern, and to coordinate joint action. Such activity is quieter than undertaking public designations, but can be equally if not sometimes more effective in deterring and disrupting sanctionable conduct.

State and Treasury—along with the rest of the administration—will continue our joint efforts and close cooperation to advance U.S. national security and foreign policy objectives.

## RUSSIA

*Question.* As events in Ukraine continue to unfold, please explain Treasury's ongoing workload requirements. What resources are being utilized to implement sanctions against Russia? What additional resources, if any, are needed?

*Answer.* To craft sanctions against Russia, we have relied upon experts from throughout the Office of Terrorism and Financial Intelligence (TFI) and Treasury's departmental offices. Despite the recent growth in our sanctions programs, the \$102 million provided for TFI in the fiscal year 2014 departmental offices appropriation is sufficient to allow us to accomplish our mission, as is the President's budget request of fiscal year 2015. We have been able to increase our sanctions programs and other output by generating program efficiencies, effective management, and the reallocation of internal TFI resources to address new and emerging trends and issues.

## VENEZUELA

*Question.* There have been calls to sanction Venezuelan officials as a result of violence linked to the protests and reactions by the Maduro government. Does the Treasury Department believe that sanctions would be helpful or harmful with regards to finding a political solution? Is it possible that sanctions in this case could be counterproductive?

*Answer.* As we have seen in certain contexts, targeted financial measures, including sanctions, can be an effective tool when used in concert with diplomatic efforts to advance specific U.S. foreign policy goals. The administration is currently studying a range of options to respond to the violence linked to the protests in Venezuela. We defer to our colleagues at the State Department on the U.S. Government's overall approach to the current political situation in Venezuela.

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 QUESTIONS SUBMITTED BY SENATOR MARK KIRK

## CENTRAL BANK OF IRAN

*Question.* On November 21, 2011, the Treasury Department identified the Islamic Republic of Iran as a jurisdiction of primary money laundering concern under section 311 of the USA PATRIOT Act. In that finding, you wrote that the Central Bank of Iran (CBI) played a central role in facilitating Iran's illicit conduct, including its support for terrorism. Based in part on that finding, on December 1, 2011, the Senate voted 100–0 in favor of a bipartisan amendment to the fiscal year 2012 National Defense Authorization Act (NDAA) to impose sanctions on the Central Bank of Iran. There is no doubt that sanctions against the CBI remain the most powerful point of pressure on the regime—and it's something Iran wants suspended more than anything.

Putting aside the nuclear program—given Iran's continued support for terrorism and its involvement in a range of illicit activities—by definition, does the Central Bank of Iran continue to be a primary money laundering concern?

So regardless of what happens on the nuclear front, if the Central Bank continues to play a role in terrorism and illicit activities, can we have your assurance that the administration will continue to fully enforce the CBI sanctions until Iran has ceased all such activities?

*Answer.* The section 311 finding under the USA PATRIOT Act of Iran as a jurisdiction of primary money laundering concern was, and continues to be, based on a range of illicit conduct that Iranian financial institutions, including the CBI, were found to have engaged in. This activity included Iranian financial institutions' support for terrorism and facilitation of Iran's pursuit of nuclear and ballistic missile capabilities.

Treasury is aggressive in our enforcement of TFI authorities and continuously evaluates and assesses the role of any Iranian financial institution, including the CBI, in illicit conduct and will not hesitate to enforce existing sanctions or take action in appropriate circumstances now and in the future.

## IRAN HUMAN RIGHTS

*Question.* Despite President Hassan Rouhani's rhetoric after his election in June 2013, there has been no concrete improvement regarding rights and freedoms in Iran. In fact, in his latest report to the United Nations Human Rights Council on the situation of human rights in the Islamic Republic of Iran, released in March 2014, UN Secretary-General Ban Ki-Moon stated that "[t]he new administration has not made any significant improvement in the promotion and protection of freedom of expression and opinion, despite pledges made by the President during his cam-



paign and after his swearing-in,” and that “[t]here have been no improvements in the situation of religious and ethnic minorities, who continue to suffer severe restrictions in the enjoyment of their civil, political, economic, social and cultural rights.” Yet since May 2013, the administration has not designated any Iranian officials or entities as human rights abusers.

In a July 2012 letter to me, the Department of State pledged that “[t]he Departments of State and Treasury will continue to work together to implement both the Comprehensive Iran Sanctions and Divestment Act of 2010 and Executive Order 13553.” Since June 2013, what has the Department of Treasury done to implement section 105 of the Comprehensive Iran Sanctions and Divestment Act (CISADA), Executive Order 13553 and Executive Order 13606?

Answer. The U.S. Government is armed with a variety of authorities that authorize Treasury to target the Iranian Government’s human rights abuses and censorship activities. Taken together, these authorities provide Treasury with the flexibility to pursue human rights abuses vigorously. Most recently, on May 23, 2014, the Department designated Morteza Tamaddon, an Iranian Government official, under Executive Order 13628 for his censorship-related activities. To date, Treasury has designated 19 Iranian individuals and 17 Iranian entities for human rights abuses and censorship under various authorities, including CISADA, and Executive Orders 13553, 13628, and 13606. Treasury continuously evaluates potential targets for designation for human rights abuses and will not hesitate to take action in appropriate circumstances.

#### TURKEY

*Question.* On December 17, 2013, businessman Reza Zarrab was arrested as part of a wide ranging corruption investigation in Turkey. Four Turkish ministers resigned, allegedly as a result of the revelations relating to their connections to Zarrab. Despite the evidence against him, Zarrab was released in February 2014.

As you know, according to reports, Zarrab played an integral role as part of Turkey’s “gas-for-gold” scheme, where he transported gold as payment by Turkey for Iranian gas, valued at upwards of \$28 billion. Moreover, reports in Turkey have linked Zarrab to Yasin Al Qadi, the Saudi Arabian businessman with ties to Al Qaeda, the Turkish Humanitarian Relief Foundation (IHH) which organized Mavi Marmara, and Mansour Arbabsiar, who was sentenced in May 2013 for participating in a plot to murder the Saudi Arabian Ambassador to the United States, and possibly of being a member of the Iranian al-Quds Force.

Has Zarrab been considered for designation as part of the Treasury’s Special Designated Nationals List (SDN)?

Has the Turkish Government shared with you or any other U.S. Government agency the evidence that allegedly ties Reza Zarrab to terrorism finance?

Has the U.S. Government asked—and if so, has the Turkish Government agreed—to provide access to Mr. Zarrab?

Is the Treasury Department coordinating with European allies or other authorities to investigate any corruption tied to Turkey and concerns relating to Turkey serving as a conduit for terrorist funding?

Answer. We are aware of the media reports you cite. The Treasury Department does not comment on potential designations and ongoing investigations. However, we regularly coordinate with our international partners, including Turkey and our other European allies, with respect to Iran sanctions and terrorism finance. We will not hesitate to take action in appropriate circumstances and continue to actively target sanctions evasion.

#### CYBER CRIME

*Question.* Recent high profile data breaches in the United States have demonstrated that cyber crimes have a massive impact on individual American consumers and the broader economy, and even threaten national security. These cyber crimes are transnational crimes, and the world’s leading nations must work together to protect their citizens through international coordination. We have a joint responsibility to ensure that specific foreign countries do not become safe havens for cyber criminals.

What is your office currently doing to identify these transnational threats, and what coordination is occurring with your international counterparts, particularly in geographical areas where these cyber criminals are known to exist, such as Ukraine?

Answer. TFI targets cyber threats that could impact the U.S. financial sector or pose a threat to national security. These threats may include financial fraud, money laundering, terrorist financing, and attacks on critical infrastructure. TFI has spe-

cific tools it has used to combat cyber threats, including section 311 of the USA PATRIOT Act and civil enforcement actions. TFI will continue to use its authorities as appropriate.

TFI directs financial institutions to report suspicious activity related to cyber crime to support law enforcement identification of cyber threats and our efforts to identify significant cyber criminals and suspect financial institutions. In addition, TFI works with intelligence and law enforcement partners to identify cyber threats and provide analysis of the threat environment. TFI also engages with international partners to gather information and support operational and strategic analyses of cyber threats.

#### SUBCOMMITTEE RECESS

Senator UDALL. The subcommittee hearing is hereby adjourned.  
[Whereupon, at 3:35 p.m., Wednesday, April 2, the subcommittee was recessed, to reconvene subject to the call of the Chair.]