

**ADMINISTRATION GOALS  
FOR MAJOR SANCTIONS PROGRAMS**

---

---

**HEARING**  
BEFORE THE  
SUBCOMMITTEE ON MONETARY  
POLICY AND TRADE  
OF THE  
COMMITTEE ON FINANCIAL SERVICES  
U.S. HOUSE OF REPRESENTATIVES  
ONE HUNDRED FIFTEENTH CONGRESS  
SECOND SESSION

—————  
SEPTEMBER 26, 2018  
—————

Printed for the use of the Committee on Financial Services

**Serial No. 115-119**



—————  
U.S. GOVERNMENT PUBLISHING OFFICE  
WASHINGTON : 2018

32-370 PDF

HOUSE COMMITTEE ON FINANCIAL SERVICES

JEB HENSARLING, Texas, *Chairman*

PATRICK T. MCHENRY, North Carolina, <i>Vice Chairman</i>	MAXINE WATERS, California, <i>Ranking Member</i>
PETER T. KING, New York	CAROLYN B. MALONEY, New York
EDWARD R. ROYCE, California	NYDIA M. VELÁZQUEZ, New York
FRANK D. LUCAS, Oklahoma	BRAD SHERMAN, California
STEVAN PEARCE, New Mexico	GREGORY W. MEEKS, New York
BILL POSEY, Florida	MICHAEL E. CAPUANO, Massachusetts
BLAINE LUETKEMEYER, Missouri	WM. LACY CLAY, Missouri
BILL HUIZENGA, Michigan	STEPHEN F. LYNCH, Massachusetts
SEAN P. DUFFY, Wisconsin	DAVID SCOTT, Georgia
STEVE STIVERS, Ohio	AL GREEN, Texas
RANDY HULTGREN, Illinois	EMANUEL CLEAVER, Missouri
DENNIS A. ROSS, Florida	GWEN MOORE, Wisconsin
ROBERT PITTENGER, North Carolina	KEITH ELLISON, Minnesota
ANN WAGNER, Missouri	ED PERLMUTTER, Colorado
ANDY BARR, Kentucky	JAMES A. HIMES, Connecticut
KEITH J. ROTHFUS, Pennsylvania	BILL FOSTER, Illinois
LUKE MESSER, Indiana	DANIEL T. KILDEE, Michigan
SCOTT TIPTON, Colorado	JOHN K. DELANEY, Maryland
ROGER WILLIAMS, Texas	KYRSTEN SINEMA, Arizona
BRUCE POLIQUIN, Maine	JOYCE BEATTY, Ohio
MIA LOVE, Utah	DENNY HECK, Washington
FRENCH HILL, Arkansas	JUAN VARGAS, California
TOM EMMER, Minnesota	JOSH GOTTHEIMER, New Jersey
LEE M. ZELDIN, New York	VICENTE GONZALEZ, Texas
DAVID A. TROTT, Michigan	CHARLIE CRIST, Florida
BARRY LOUDERMILK, Georgia	RUBEN KIHUEN, Nevada
ALEXANDER X. MOONEY, West Virginia	
THOMAS MACARTHUR, New Jersey	
WARREN DAVIDSON, Ohio	
TED BUDD, North Carolina	
DAVID KUSTOFF, Tennessee	
CLAUDIA TENNEY, New York	
TREY HOLLINGSWORTH, Indiana	

SHANNON MCGAHN, *Staff Director*

SUBCOMMITTEE ON MONETARY POLICY AND TRADE

ANDY BARR, Kentucky, *Chairman*

ROGER WILLIAMS, Texas, <i>Vice Chairman</i>	GWEN MOORE, Wisconsin, <i>Ranking Member</i>
FRANK D. LUCAS, Oklahoma	GREGORY W. MEEKS, New York
BILL HUIZENGA, Michigan	BILL FOSTER, Illinois
ROBERT PITTENGER, North Carolina	BRAD SHERMAN, California
MIA LOVE, Utah	AL GREEN, Texas
FRENCH HILL, Arkansas	DENNY HECK, Washington
TOM EMMER, Minnesota	DANIEL T. KILDEE, Michigan
ALEXANDER X. MOONEY, West Virginia	JUAN VARGAS, California
WARREN DAVIDSON, Ohio	CHARLIE CRIST, Florida
CLAUDIA TENNEY, New York	
TREY HOLLINGSWORTH, Indiana	



# CONTENTS

---

	Page
Hearing held on: September 26, 2018 .....	1
Appendix: September 26, 2018 .....	25

## WITNESSES

WEDNESDAY, SEPTEMBER 26, 2018

Billingslea, Hon. Marshall, Assistant Secretary for Terrorist Financing, U.S. Department of the Treasury .....	4
---	---

## APPENDIX

Prepared statements: Billingslea, Hon. Marshall .....	26
--	----



## ADMINISTRATION GOALS FOR MAJOR SANCTIONS PROGRAMS

Wednesday, September 26, 2018

U.S. HOUSE OF REPRESENTATIVES,  
SUBCOMMITTEE ON MONETARY  
POLICY AND TRADE,  
COMMITTEE ON FINANCIAL SERVICES,  
*Washington, D.C.*

The subcommittee met, pursuant to notice, at 2:15 p.m., in room 2128, Rayburn House Office Building, Hon. Andy Barr [chairman of the subcommittee] presiding.

Present: Representatives Barr, Williams, Huizenga, Pittenger, Hill, Emmer, Mooney, Davidson, Foster, Sherman, Green, Heck, Vargas, and Crist.

Chairman BARR. The committee will come to order. Without objection the Chair is authorized to declare a recess of the committee at any time and all Members will have 5 legislative days within which to submit extraneous materials to the Chair for inclusion in the record.

This hearing is entitled, "Administration Goals for Major Sanctions Programs." I now recognize myself for 5 minutes to give an opening statement.

Today we welcome the testimony of Marshall Billingslea, Assistant Secretary of the Treasury for Terrorist Financing who last appeared before this subcommittee in November of last year.

That hearing, like the one we are holding today, was explicitly focused on the effectiveness of our sanctions programs. The Financial Services Committee has repeatedly made clear that sanctions are meaningful in the context of achieving particular goals. The committee has shown it is not averse to providing Treasury with the toughest authorities available, but we remain cautious when it comes to measures that fail to truly advance our policy objectives.

In other words, our sanctions, like other government programs, have to be held accountable for results, and results are measured not merely in the number of designations by Treasury but by behavioral change on the part of foreign persons. Treasury's role in sanctions policy is central, not merely in implementation but in agenda setting as well.

Having said that, with great power comes great responsibility. At a Senate Banking hearing in August, there appeared to be a view shared by both Republican and Democrat Members that Treasury could be more forthcoming with information.

As for the House, we have been concerned by TFI's (Office of Terrorism and Financial Intelligence's) delays in providing us with

materials that the committee sought in preparation for this hearing. In addition, questions for the record for Mr. Billingslea's last hearing have not been returned and a request earlier this month for technical assistance on a four-page bill went unanswered.

That bill went on to pass the committee unanimously and is being considered on the House floor today.

Let me be clear, this committee remains a strong supporter of TFI's work, and we applaud the efforts that Mr. Billingslea and his colleagues devote to preserving our national security. But we trust that no one wants to see bipartisan goodwill for TFI taken for granted.

There are a number of areas where lawmakers should be working hand in hand with TFI, from adapting new authorities for Treasury, to working on appropriate resource levels, to streamlining reporting requirements. These all call for a greater level of engagement and I look forward to working with the Assistant Secretary on these issues collaboratively.

As for sanctions policy itself, it is imperative for Congress to better understand what the administration's goals are and how Treasury's designations will bring about their achievement.

Questions of special importance include the following: What is the endgame in Iran such that Tehran abandons its nuclear ambitions and ballistic missile development in the long term?

We are all aware of the difficulties facing the Iranian economy following the reinstatement of nuclear sanctions but where is this supposed to lead and how specifically will economic pain take us from point A to point B?

On Russia, how are Ukraine sanctions bringing about the changes on the ground, if any, how have the Russians responded as a result of Crimea related sanctions, and how is the experience informing our strategy?

And if we are to deter Russia from political interference, chemical weapons attacks, and the like, what evidence do we have that our current measures are working? What evidence do we have that our current measures are countering Russian aggression, countering Russian disinformation, countering Russian malign activities? If they are not effective, how specifically is Treasury adapting its strategy?

And finally on North Korea, I am pleased that pressure on Kim Jong-un's regime helped to bring about the President's Singapore Summit in June. At the same time, it is concerning that there have been few concrete commitments on dismantling North Korea's arsenal and the North's evasion of U.N. sanctions, often with the help of China and Russia, and that does continue and that does—that is troubling.

How then is Treasury squeezing North Korea so as to render impossible the bait-and-switch approach it has undertaken for the past 2 decades across Republican and Democrat administrations alike?

To be sure this administration's abandonment of the failed policy of strategic patience, the pressure campaign has had measurable results. We applaud the return of the remains of 55 U.S. missing in action from the Korean Conflict; we applaud the release of the hostages; we applaud the fact that we are not seeing ballistic mis-

sile and nuclear tests, that the cessation of those malign activities by the North is progress, and we applaud the administration's sanctions policies as contributing to that progress.

But we also want to continue to work with this administration to give the administration maximum leverage to achieve the Congress's objective, the administration's objective, and that is the peaceful, verifiable, irreversible denuclearization of the Peninsula.

I hope this hearing will help us get answers to these questions. Again, I want to thank Assistant Secretary Billingslea for appearing today. We look forward to his testimony.

The Chair now recognizes that the gentleman from Illinois, Dr. Foster, for 5 minutes for an opening statement.

Mr. FOSTER. Thank you Mr. Chairman. And I would like to say how proud I am of the bipartisan support for the Sanctions Authority. I think it is—that for a long time has been one of our most effective tools. And I agree also with the Ranking Member on the need for Congress to understand the administration's thought process and especially the endgame and each of the areas where these sanctions are being applied.

I personally believe that the effectiveness of sanctions is exponentially more effective if you have these—really with a strong multilateral support, and this is where I personally am most skeptical of the thought process of the administration, frankly.

That it is all—it is fine and good for the U.S. to impose sanctions but unless we have strong cooperation with other countries of the world, the sieve rapidly is emptied. And there—so I really think that is what I will be paying attention to in your testimony and in future developments.

I am also, frankly, skeptical and disappointed on the progress in North Korea. I am the only physicist in Congress so I look at the difficulty in verifying that North Korea has gotten rid of not only its nuclear production facilities but every nuclear weapon they may have made.

And as most physicists will tell you, it is much more difficult to verify that a country has no nuclear weapons hidden than it is that they have no nuclear weapons factory operating because the signatures are so different. And so this is something where I think that we must have stronger multilateral effort on this, that U.S. sanctions alone are—don't appear ever to be sufficient for that.

Anyway, I look forward to your testimony and again, I am proud of the bipartisan support for the authorities we have given you.

Chairman BARR. The gentleman yields back. Today we welcome the testimony of Marshall Billingslea, who was confirmed in June 2017 as Assistant Secretary of the Treasury for Terrorist Financing. In this role, he helps oversee the Trump Administration's efforts in administering economic sanctions programs globally.

Prior to joining Treasury, Mr. Billingslea served as Managing Director for Business Intelligence Services at Deloitte Advisory. He had previously held positions at the Department of Defense, where he served as Deputy Under Secretary of the Navy and Principal Deputy Assistant Secretary of Defense for Special Operations and Low Intensity Conflict.

Mr. Billingslea has also worked as NATO Assistant Secretary-General for Defense Investment and as a staff member on the Sen-

ate Foreign Relations committee. He is a recipient of the Defense Medal for Distinguished Public Service.

Assistant Secretary, without objection your written statement will be made part of the record. The Honorable Marshall Billingslea, you are now recognized for 5 minutes.

**STATEMENT OF HON. MARSHALL BILLINGSLEA**

Mr. BILLINGSLEA. Thank you, Chairman, and Vice Chairman and Ranking Member. I appreciate the opportunity to appear before my oversight committee and have welcomed the opportunity to appear every time you have asked us to appear.

I will, as a former committee staffer on the Senate side, I will dig into why questions have gone unanswered, because that is flatly unacceptable and we will make sure that we rectify that. You have absolute assurance.

So, you have asked me to appear today to talk about the full range of authorities and tools that are being used to address the spectrum of national security challenges that we face, and I will—in my spoken testimony, I will focus mostly on Iran, with your permission.

My prepared testimony has great details on the full spectrum. But let me start out by saying that each of these countries: Iran, Russia, and North Korea in particular, poses its own unique challenge to us, to our allies and to the international order, but there are some common threads that link them all together.

For instance, Iran is the world's leading sponsor of terrorism, and they continue to squander their wealth through corruption and terrorism instead of helping the Iranian people, which is the focus of much of our work.

Russia is providing weaponry and defense material to Iran, and extensive support to the Syrian regime that is enabling the brutal targeting by Assad of his own citizens. And, of course, as you mentioned, Chairman, Russia continues its occupation of Ukraine and Crimea and subversion of Western democracies, intolerable efforts to manipulate our elections and elections of NATO allies. And it is a permissive environment for North Korean procurement efforts in Russia and for efforts to circumvent the U.N. Security Council resolutions.

And then, of course, North Korea continues, as you say, to evade deliberately international sanctions through the United Nations, as well as our own national sanctions, and they have not yet abandoned their weapons of mass destruction or their missile programs, though as you also indicated, Chairman, there are some promising indicators.

So on the one hand all three of these countries are using some similar tactics to exploit the global financial system, particularly by establishing and employing front and shell companies to mask the origin and the true beneficial ownership of financial flows and to disguise the nature of any intent behind transactions.

But, on the other hand, these three countries differ widely in terms of the size of their respective economies, the extent to which they have businesses that are intertwined within global supply chains, and in the degree to which their financial sectors are connected or not connected to the global financial system. And for

these various reasons, our sanctions programs are active and complex but also very different and nuanced in each case.

So turning directly to the matter of Iran in the time I have left, we are determined to greatly reduce Iran's capacity to conduct malevolent activities, including its far-ranging support for terrorism, its human rights abuses, its aggressive development of ballistic missiles, and the proliferation of missile technology and missiles to groups such as Hezbollah and the Houthis in Yemen, and other brazen activities that are unbecoming of a member of the international community, whether we are talking about efforts to counterfeit currency or assassinate political opponents and opposition figures in Europe.

We have made clear to the Iranian regime that all of these activities must cease, and they must agree to an arrangement which has none of the egregious loopholes on nuclear weapons development such as those contained in the JCPOA (Joint Comprehensive Plan of Action).

Until this occurs, sanctions are being re-imposed in two phases, the first of which occurred on August 7 as U.S. sanctions came back into full effect on the acquisition of U.S. dollars by the regime, trading in precious metals such as gold, participation in sovereign debt, and business in the automotive sector and metal sectors.

On November 4 of this year, we will reimpose additional sanctions, including far-reaching measures on Iran's energy and shipping sectors and on foreign financial institutions that are conducting certain transactions with the Central Bank of Iran and designated Iranian banks, and we will aggressively enforce these actions.

We will also continue to combat Iranian malign behavior with further targeted measures. On top of the re-imposition of the sanctions that were suspended under the JCPOA, we have issued 18 rounds of sanctions in 18 months, designating 146 targets for a full range of activities, related again to these human rights abuses and the terrorism behavior and proliferation.

A major focus of ours, as you might imagine, in this area has been Mahan Air, and I can discuss that in greater detail as you wish. But we are also determined to expose Iran's abuse of the international financial system. I mentioned the counterfeiting ring, which we disrupted, but also this past May you saw us take a very coordinated multinational effort, together with the United Arab Emirates and the Iraqis, to dismantle one of the main mechanisms by which the Central Bank of Iran was funneling money to Hezbollah. And I can provide, again, further details on that as you wish.

I want, in closing, Chairman, to just offer one particular very poignant data point to the committee, which is this graphic here. Maybe a bit difficult to see, but what this depicts is the rapid decline in the value of the Iranian currency, the rial.

The rial is effectively collapsing. It's lost two-thirds of its value over the past few months. And this is happening for a couple of very specific reasons, but in essence it is a combination of our ongoing sanctions programs as well as colossal corruption and economic mismanagement by the Iranian regime.

And so what you see is a recognition on the part of the Iranian people that the rial is functionally going to become worthless because of the behaviors of the Iranian regime. Not only their own corruption and mismanagement, but the fact that all of their export of terrorism is now rebounding on them in force with the U.S. economic campaign.

As you see here—the rial, by the way, now stands at the lowest level it has ever been since the Revolution. It is trading at 185,000 to the dollar.

And, in essence, this provides the Ayatollah, a very stark choice: He can use his limited foreign exchange reserves to prop up the currency and fix his economy and help the Iranian people or he can continue to export his scarce dollars for terrorism, but he can't have it both ways.

Thank you, Mr. Chairman. I look forward to answering the questions of the committee.

[The prepared statement of Mr. Billingslea can be found on page 26 of the Appendix.]

Chairman BARR. Thank you, Mr. Billingslea, and your time is expired. And the Chair will now recognize himself for 5 minutes for questioning.

Since you were focusing there at the end on Iran, let me just start there very briefly. As you know, there have been defenders of the JCPOA, critics of the administration's decision to pull out of the deal and to reimpose sanctions.

In a nutshell, and in brief form, could you basically describe the continued and accelerating malign activities that justify re-imposition of the sanctions?

Mr. BILLINGSLEA. Yes, sir. So what the Iranians got was an ability to reattach themselves to the international financial system. And they used that access, instead of benefiting the economy and helping the Iranian people, they used that access to generate cash for terrorism. And their export of terrorism has hit an all-time high.

They ship more than a \$100 million a year to Palestinian terrorist groups. They ship \$700 million or more a year to Hezbollah to underwrite their terror operations. What they are doing with the Houthis in Yemen—in fact, in total, over the past few years, they have spent \$16 billion on terror activities in propping up Assad in Syria and Iraq.

It is an enormous expenditure of funds by the Iranians, and it is absolutely crucial that we bring pressure to bear to cause this to cease.

Chairman BARR. As you know, some of our European partners in the P5+1 have indicated their intentions to remain in the deal. What is the administration prepared to do to impose secondary sanctions or bring our European allies to the—to the process to impose maximum international pressure on Tehran?

Mr. BILLINGSLEA. We have engaged in a significant diplomatic outreach program across the globe. Together with the Department of State, more than 30 countries, we have had detailed consultations with them. I myself have led negotiations with 13 countries, many of them in Europe.

There is a difference of opinion within Europe. It is not a monolithic view on this issue and we are working with those who understand the security threats that we perceive that the Iranians pose. We have also made very clear that secondary sanctions are available and that it would be extremely unwise to continue to transact with the Iranians in the prescribed areas that I laid out where sanctions will be reapplied.

Chairman BARR. Thank you, and then moving—shifting over to North Korea really quickly, just citing a public article—publicly available article from The Wall Street Journal just a few days ago, it stated that a confidential new United Nations report says that Pyongyang, often with the help from people in Russia and China, has been able to circumvent restrictions rendering, quote, the latest U.N. sanctions ineffective, unquote.

Citing U.S. intelligence, U.N. investigators found, quote, a massive increase, unquote, in fuel shipments to North Korea involving Russian and Chinese ships, as well as numerous examples of coal shipments to China from North Korea, and the U.N. report also called out Chinese companies for buying tens of millions of dollars of North Korean iron, steel, and other products. Chinese firms have maintained joint ventures with North Korean partners despite a U.N. ban last year

And this—according to the report, it says this amounts to a serious setback to the maximum pressure campaign to isolate North Korea.

Could you just respond to that and tell us what we are doing as part of our sanctions program to prevent actors in China, in Russia, and other places from circumventing our international sanctions so that—so that we can have the maximum leverage possible?

Mr. BILLINGSLEA. We are holding them to account. We have—and you may have noticed in the previous couple of months, we have engaged on almost a weekly basis in imposing sanctions on entities who are attempting—who are seeking to undercut U.N. Security Council resolutions on North Korea.

I will give you just a couple of quick examples. We repeatedly warned the Russians that banks that continue to transact with North Korean financial facilitators will be targeted. They chose to ignore us, and as a result we have now designated a Russian bank just a few weeks ago, the Agrosoyuz Bank.

We likewise have said, as you point out, that coal—circumventing the coal embargo is unacceptable, yet a Russian port operator was willfully allowing the obfuscation of the origin of coal in a transshipment of coal and so we designated that port operator.

We also went after shipping companies, jointly owned ships, some Russian shipping companies, and six Russian vessels, as well as some Chinese entities. Just as a few examples of how we are targeting those who seek to undercut the Security Council and its resolutions.

Chairman BARR. My final question, it was reported last month that Russia may be violating U.N. sanctions by issuing new work authorizations for North Korean laborers. Can you certify that Russia is complying with U.N. sanctions in this regard, and if not, what are you going to do to sanction the employers of these laborers?

Mr. BILLINGSLEA. I cannot certify that. In fact, I have repeatedly warned—I said this when I appeared before this committee in November, that Russia was not actively and aggressively enforcing the U.N. Security Council resolutions.

We are watching this matter very closely.

Chairman BARR. Thank you. My time is expired, and the Chair now recognizes the gentleman from Washington, Mr. Heck.

Mr. HECK. Thank you, Mr. Chair. I would like to start by saying what a pleasure it is to be a part of this subcommittee hearing in which the distinguished gentleman from Kentucky opened up by quoting classic and great American literature, namely Spiderman; “With great power comes great responsibility,” very erudite of you.

Secretary Billingslea, thank you so much for being here. I am going to share my perspective on how it is, I think, sanctions can work best and then ask you a question. I think they work best—this is not an all-inclusive list—when they target specific activity connected—linked to specific behavior that we want to change, and furthermore, when the sanctions themselves actually harm the people who are in the decisionmaking roles or capacities so that they can see, feel, and touch the damage to deter them from continuing it.

And so my question out of all of that—because it really isn’t clear to me at all—is how is Secretary Kim Jong-un in any way damaged by the sanctions we have levied? Because it is not clear to me that he has suffered any damage. Indeed, I think, maybe the general population has; they are not in the decisionmaking seats.

Mr. BILLINGSLEA. So in an absolute dictatorship, as we have in the case of North Korea, the key has been to impose significant financial costs that affect the broader economic situation. It is certainly the case that it will allow his people to starve while he continues to ensure that the elites in Pyongyang received their share of the wealth.

But when you have a precipitous drop in revenue generation, as they have faced because of our sanctions and the U.N. sanctions, it is—the estimates are really difficult to come by, but at a minimum I would say 40 to 50 percent of the revenue they were generating has gone away. And that has led to some significant shortages in luxury goods for the elites and pressure on the regime itself.

Mr. HECK. Do we have evidence of that? Because I am not aware of any.

Mr. BILLINGSLEA. We do, and I would be happy to come back in a closed session—within a classified session with you on what we know, but again, it is a bit challenging to give you concrete econometric numbers, since they—

Mr. HECK. Understood. I have the privilege also to serve on HPSCI, and I am aware of the challenges associated with this. It is still nonetheless not clear to me that he is feeling any of this.

Mr. Secretary, as you know we passed CAATSA (Countering America’s Adversaries Through Sanctions Act) by a vote of something like 515 to 4. It was ridiculously overwhelming. And the administration was pretty slow to actually pull the trigger on all of that and to move forward on the sanctions vis-à-vis Russia; why?

Mr. BILLINGSLEA. Oh, I would—Congressman, I would have to disagree with that premise. We have imposed three times as many sanctions on Russia for cyber activities as the previous administration in just our first 20 months.

Mr. HECK. Well because we passed CAATSA but you were very slow to do it, it took months and months and months.

Mr. BILLINGSLEA. OK but on CAATSA, a couple of key points, one is the legislation is prospective so it is forward-looking, so we are building the case on a number—in a number of areas to use the CAATSA sanctions.

But second when we have a target that we want to designate, like I mentioned the sanctions evaders in Russia, for the North Korea sanctions. We want to use whatever legal authority or executive order we have that gets us onto the target most efficiently and most rapidly so CAATSA—

Mr. HECK. Let me interrupt Mr. Secretary and I am encouraged to hear that, I encourage you in the strongest terms possible to proceed. I do, however, want to point out that the sanctions have mostly been targeted against low-level operatives for example, in the internet research agency or Concord Catering and I harken back to what I said at the top of my questioning, which is they work best when the people who are in the decisionmaking capacities get whacked.

And it is not at all clear to me that these sanctions have been taken to the degree to actually harm, injure and therefore deter the oligarchs or Mr. Putin himself as a matter of fact. Low-level people being sanctioned is not an effective deterrent.

So from where I sit, it was slow and it went after low-level people.

Mr. BILLINGSLEA. Congressman, I couldn't agree with that characterization, here's why. When we targeted Oleg Deripaska, who is an oligarch that the previous administration was unwilling to touch, in part because he came to power through his Saint Petersburg connections and controls the world's second largest aluminum company.

He has lost half his net worth. Viktor Vekselberg has lost \$3 billion in our designation.

Mr. HECK. And yet there's no evidence that those sanctions have been levied against enough people in decisionmaking capacities to change behavior. I am out of time and I thank you Mr. Chairman, incredibly erudite gentleman from Kentucky.

Chairman BARR. Thank you, the gentleman's time has expired, the Chair now recognizes the Vice Chairman of the subcommittee, Mr. Williams from Texas.

Mr. WILLIAMS. Thank you Mr. Chairman for holding this important hearing on this issue that you have passionately pursued throughout this Congress and Assistant Secretary Billingslea, I thank you for your testimony this morning there today and for your service to our Nation in such a critical capacity.

Each day we are reminded which states are friends to the United States and which are not. Under the leadership of President Trump and this Republican Congress, I hope that in the end we will have more friends than ever before. That said, before there is a demonstrable shift from the actions and behaviors of regimes like Iran,

North Korea, and Russia and Venezuela, we must maintain a vise grip on every bad actor.

The aforementioned governments are not our friends as is evidence from the deliberate intent to destabilize the United States and her financial institutions, citizens, and businesses. So, Mr. Billingslea, once again, I thank you for your testimony and for your commitment to countering the persistent threats to our homeland and also please extend our gratitude to your counterparts at the Treasury Department.

First question, as you know, I have introduced legislation H.R. 4324, the Strengthening Oversight of Iran's Access to Finance Act which requires a Treasury Secretary to submit a report to Congress regarding financial transactions authorized in connection with aircraft sales.

HR 4324 passed the House last November with bipartisan support as you know, and at your hearing with us last November you were asked if Iran air had ceased all sanctionable activities. You replied that you would need to get back to the committee, but we haven't received that answer yet and can you tell us today whether Iran Air has ceased all sanctionable activities?

Mr. BILLINGSLEA. I think the airline of, I am going to choose my words very carefully here because I don't want to stray into classified territory, but the airline with which we are most preoccupied but not exclusively preoccupied is Mahan Air.

Mahan Air is the airline that the Quds force tends to rely on when they need to ferry weapons terrorists, explosives, or bulk cash to the Assad regime or other places.

Mr. WILLIAMS. Watch that very closely, needless to say.

Mr. BILLINGSLEA. Sorry sir.

Mr. WILLIAMS. Watch that very closely, needless to say.

Mr. BILLINGSLEA. Yes sir, yes sir.

Mr. WILLIAMS. There seems to be a dividing line in Russia sanctions with sector-based measures on the one hand and on the other hand personalized sanctions are focusing on the oligarchs, these are very different approaches but they are being employed at the same time.

So my question would be what is the relative effectiveness of one over the other and when it comes to influencing Moscow's behavior?

Mr. BILLINGSLEA. I ultimately—these are critical questions, ultimately a lot of this I would defer to the Department of State to explain how sanctions are an enabler for the broader diplomatic efforts that we undertake.

Sanctions in and of themselves are not the primary vehicle for our foreign policy but they do underpin much of what we are doing now vis-a-vis the Russians. We have decided that the nature of Russian malign behavior is unacceptable, and we will impose enormous costs and consequences on the inner circle surrounding President Putin.

I think they have come to the realization that we are serious about this and that we will react forcefully if they continue these malign behaviors. The Russian stock market took a 9 percent dip when we acted in April and it has not recovered since the ruble is still trading near all-time—all-time lows for the past several years.

Mr. WILLIAMS. Well, thank you again for your testimony. Mr. Chairman, I yield my time back.

Chairman BARR. Gentleman yields his time, the Chair now recognizes the gentleman from Texas, Mr. Green.

Mr. GREEN. Thank you Mr. Chairman, thank the witnesses for appearing as well and would ask about sanctions in terms of the messaging associated with the sanctions that are being imposed. What type of messaging are we engaged in when the President gives one impression about the efficacy of a circumstance and the intelligence community gives another?

When the President talks in glowing terms about relationships with the leader of North Korea and the intelligence community is indicating to us that things that are to be done are not being done. How does that impact the effectiveness of the sanctions?

Mr. BILLINGSLEA. So obviously we deliver a wide range of messages at different levels for different purposes but I think our messaging in the case of North Korea has been pretty clear and unambiguous as far as Treasury's posture, which is that sanctions will not only be maintained until North Korea denuclearizes but that we will combat North—continuing efforts by North Korea to evade our sanctions by interdicting or otherwise disrupting those conduits through our sanctions authorities and also through our financial diplomacy.

Mr. GREEN. Similar circumstance with Russia. Intelligence community in a very explicit way indicated that there was involvement in our election. The President, on the other hand, was late to the game, if I may use such a term. How does that impact the messaging? How does that messaging impact the sanctions that we have imposed and then there's this little thing of the meeting that took place wherein it was indicated that this was all about adoptions, when clearly it was not.

That language was taken out of context and put into another context so what—the messaging seems to be a little bit confusing, I think, to the people that we rely on to engage in sanctions with us when they see one message from the President and then another from the intelligence community.

Mr. BILLINGSLEA. Thanks for the question Congressman. I think that as Congressman Foster noted in his opening statement and as you just alluded to, maintaining and engaging—maintaining international support for our measures is really crucial and I am very pleased that we have been able to do so with regard to Russia sanctions and the European Union.

And we have worked very, very closely. I was just in Scandinavia, we worked very closely with a number of those key countries to ensure that the EU stays tough on Russia together with us for Crimea, Ukraine, and other actions.

I would simply note that our actions do, I think, speak for themselves. We have, we, the Treasury Department have engaged, we have targeted more than 223 Russian entities in our first 20 months in office.

That is in comparison, in our 20 months in office and 220 entities, more than in 8 years the Obama Administration did 550 sanctions. So, we are definitely proving, I think, that we will hold the Russians accountable.

Mr. GREEN. Special purpose vehicle, the European Union. We have decided, by and through our President, that we will no longer be a part of what we have called the Iran deal and our allies have now taken the position that they will do things that in effect will circumvent the position that we have taken.

The messaging seems to put us at odds with people that we may need at some point because really, there are only two ways to prevent Iran from having nuclear weapons. Iran can decide not to do it on their own volition or they can attempt to do it and we can take kinetic action.

So this notion that we are somehow going it alone, what kind of message does that send to the allies that we depend on to enforce sanctions to make them efficacious?

Chairman BARR. A brief answer, the gentleman's time is expired so a brief answer, please.

Mr. BILLINGSLEA. Yes, Congressman I—again, you are touching on exactly the importance of working together in a multinational context, it is absolutely the case that we enjoy enormous support from our allies and our friends in the Middle East, the Gulf nations in particular who have joined us to impose sanctions on Hezbollah and other Iran proxy groups.

I would—I think it is important to talk about the special purpose vehicle in these other matters and with the Chairman's just indulgence, suffice to say, I wouldn't get enormously worked up over the special purpose vehicle discussion because the European companies are voting with their feet.

They recognize that a \$20 trillion business opportunity to work with United States versus a \$400 billion-dollar liability to work with the corruption in the Iranian economy, it is a pretty clear-cut case and so we have had more than a hundred of the major European companies make very clear, they are getting out.

Chairman BARR. The gentleman's time has expired. The Chair now recognizes the gentleman from Ohio, Mr. Davidson for 5 minutes.

Mr. DAVIDSON. Thank you Chairman and thanks for your comments, sir. I appreciate your service and really a critical national security component for our country, indeed economic security is as a vital component in national security and we have been able to leverage that with the sanctions regime.

And as you allude to, one of the keys to that effectiveness has been engaging allies to unite against adversaries, one of the things that I am concerned about is our trade policy. Our trade policy is currently doing just the opposite, its multiplying our enemies instead of multiplying our allies and so I am personally exploring, how we could use the sanctions regime, which has achieved great results, to be much more targeted.

In modern warfare, we do everything we can to minimize collateral damage and to focus everything on our adversaries and the nice thing about the sanctions toolkit is you don't even have to levy them against an entire country, you can levy them against a company or as you have alluded to already with a couple Russian oligarchs, against individuals.

So I am curious as you look at adapting the International Emergency Economic Powers Act which gives this authority, it is histori-

cally been used for other foreign policy objectives but do you see any particular roadblocks to applying it in trade policy?

Mr. BILLINGSLEA. Congressman, that is a—that is a very incisive question. I have to confess, I don't—trade policy's beyond my remit, I have a hard enough time just on the sanctions side of the house but I would actually like to explore this with you in greater detail to understand ways that we could work together on that.

Mr. DAVIDSON. Yes, thank you for that and so the logic would be that for similar purposes that we are currently engaging in unilateral action on tariffs, frankly, maximum collateral damage in the case of uniform tariffs, for example.

Here we could be very precise and say target Chinese steel companies rather than taxing all the steel in the world, we could simply use the power of sanctions to target two specific companies, for example.

I am curious, however, because the intent is very aggressive with our sanctions. Effectively once sanctions go into effect on a company, we are not anticipating a future for that company, in fact we are doing everything we can to disrupt their entire business model.

I am concerned about the collateral damage that may happen as we impose sanctions so help me understand what happens if an American company is actually partnered with a company or individual that becomes subject to sanctions.

In my preparation or study for how I would apply this to trade policy, I have come across some companies, some of them wholly owned by Americans but because they became involved with individuals or companies that were the targets of sanctions, they have found it impossible to even operate it, the business and, in general, when they can get a temporary relief with a license, it is really just to unwind the business.

So for the policy, I anticipate with application to trade, you would have to focus this in a way that could have not necessarily a terminal effect but a painful one and how do you minimize the collateral damage for the American?

Mr. BILLINGSLEA. Congressman, that is a great question. I—one thing I would say at the outset is that our sanctions are designed fundamentally to induce a change in behavior and so we need to keep—we want to be mindful of—

Mr. DAVIDSON. Apparently at the country level more so than at the company level, correct?

Mr. BILLINGSLEA. Company or individual but again, I think there are some instances where we have targeted companies, potentially very big ones, that were owned by some pretty nefarious actors and then immediately issued some licenses to allow them to extricate themselves from their ownership situation.

The other thing I would offer to look at, we could explore this together further is how we crafted the Venezuela executive order that prohibited U.S. persons from engaging in any new debt or equity with the Venezuelan regime. As you mentioned the issue of blowback, one of the things that we saw in the case of the PDVSA bonds that were issued but as Maduro was stealing—is stealing from his oil industry, as we wanted to ensure that the secondary bond market was protected from the effects of that action.

And that might be a very instructive model that we used in that particular case for what you are driving.

Mr. DAVIDSON. Yes, thank you for that. And just in general, let's say that U.S. Steel had partnered with Severstal in the U.S., we wouldn't want the employees in that company that are based in the United States to not be able to get payroll, for example.

And right now, those licenses are necessary, what is a general timeline to get that work through for a company that is partnered?

Mr. BILLINGSLEA. So that you are absolutely right, our goal is not to harm any U.S. jobs or and—or jobs in our friends or allies. I would have to get back to you with OFAC (Office of Foreign Assets Control) on the specifics on those licenses.

Mr. DAVIDSON. All right, thank you my time is expired. Chairman, I yield.

Chairman BARR. Gentleman yields back, the Chair now recognizes the gentleman from Arkansas, Mr. Hill.

Mr. HILL. I thank the Chairman, appreciate the Ranking Member, I want to echo Dr. Foster's comments that in my 3-1/2 years or so of serving in Congress, it is been refreshing to see the strong bipartisan support, particularly in this committee and the full committee on how to use sanctions as a political and economic tool to compel change in behavior.

Some successfully, some not so much. I do believe Iran is a reasonable case study though, where collectively multilateral sanctions and bilateral sanctions with the United States have been most successful along the way and I have always used as an example, particularly with my constituents, that if you look at other sanctions regimes, whether they are multilateral sanctions through the United Nations or bilateral sanctions imposed by the United States, either by action of the Secretary of the Treasury or legislatively, nothing compares to what we have done really on Iran.

Only in the recent time President Trump's been in office pressing South Korea, have we seen anything that has risen to the amount of sanctions and the most encompassing of sanctions. Venezuela, no, not so much; other countries we have had problems with over the years, not so much so I think Iran was instructive to the world community on how to create a sanctions regime.

So thanks for leading the effort. I believe we also would be very interested in new ideas that you are seeing in sanction design since we have had this intensive period in Iran and collaborated with our allies and the multilateral sources so that if you have new suggestions legislatively that would be helpful to aid to the United States, particularly the Secretary of the Treasury, we would be interested in those and be happy to meet in a classified session to discuss those if necessary.

I want to talk a bit about South Korea, North Korea, and our sanctions there to complement the President's moves in North Korea. Sanctions are great when they are written down but only in their enforcement do we get the response that you are looking for.

So according to the U.N. panel of experts, any vessel operator captained by a North Korean person is at risk of engaging in illicit activity, this is all consistent with the Security Council resolutions 2270 and 2321, as well as the work we have done under our Chair-

man's leadership with the Warmbier Nuclear Sanctions Act that we have proposed here in the House.

Consistent with that panel of experts and the U.N. work and what the Treasury's been doing, how are you in achieving that blacklist regardless of who owns the ships themselves in order to again tackle this enforcement issue?

Mr. BILLINGSLEA. Thank you Congressman. I would welcome the chance to explore with you additional tools and authorities. We are always on the hunt for the kind of flexibility that we need to do this job. On the shipping issue, you have put your finger, I think, on really if I had to pick the main area of concern, there are several areas of concern but the main area of concern we have regarding North Korean sanctions evasion, it is ship-to-ship transfers of oil and coal and other commodities out in the open ocean.

And so disrupting and targeting those vessels, the vessel owners but also the flagging—the mechanisms by which they received their national flags and they received their insurance underwriting are all key things that we, together with the Department of State, have been focused on.

And so I personally, for instance, have intervened with a couple of key flag-of-convenience nations to raise particular vessels with them and I have to say they have moved very swiftly when we do raise it to deflag and delist the vessel from their registries.

We also through—well, we don't usually talk about that, that we do in my organization is we engage in some pretty heavy financial diplomacy and so we will get out into the field or use our attaches to pass intelligence information and we have, I think, very successfully seen the impounding of some of these vessels by the South Koreans, the Indonesians, and others. These vessels that were engaged in this illegal activity have then been seized in national waters. So those are just some examples.

Mr. HILL. Thanks, let me switch gears in the few seconds remaining. The—again, staying on the same subject, Bank of Dandong and Bank of Delta Asia, those are fairly small financial institutions without a lot of clout. What are you doing to get the bigger players in finance in Asia?

Mr. BILLINGSLEA. We are talking directly with them and their chief compliance officers; we have engaged in a data process with them that has alerted them to a wide range of entities that we believe are controlled by the North Koreans, and we are helping them take enforcement actions to expunge these accounts from their roles.

Mr. HILL. I hope you will come back and keep the committee apprised of that, I think, that is—that will bear fruit if you press on that point. Thanks. I thank the Chairman.

Chairman BARR. The gentleman yields back, and I think we do not have any other Members in the queue. I think we would like to proceed with the second round if the Assistant Secretary be willing to take those so I will recognize myself for a second round of questioning and Mr. Heck and Mr. Hill, if you all would like another round, we will recognize you all as well.

Let me just stay on North Korea and foreign banks for a minute. When you testified last November, you made note of ship-to-ship

transfers that enabled North Korea to continue its petroleum imports.

According to a Washington Post report last week much like The Wall Street Journal report that I quoted earlier, the smuggling has continued and “Russia and China have shown a little enthusiasm for cracking down on the profiteers who are helping supply crucial fuel for Pyongyang’s vehicles and factories.”

I would ask unanimous consent to enter this article into the record. I am concerned that making designations ship-by-ship or individual-by-individual has not gotten us as far as we need to go. As you know, the legislation that was passed out of this committee and passed by the U.S. House 415 to 2, the Otto Warmbier North Korea Nuclear Sanctions Act.

That legislation would target, would require a more comprehensive targeting of foreign banks. I am encouraged to hear you talking about working with the compliance officers of some of the larger Asian financial institutions to help them identify shell companies or North Korean controlled accounts.

But can you elaborate on how Treasury is going after foreign banks, insurers, and registries that are doing business with these sanctions evaders and when can we expect an impact on the petroleum trade that is more comprehensive than just this individual-by-individual or ship-to-ship designation?

Mr. BILLINGSLEA. You are absolutely right and when I when previewed the phenomena of the ship-to-ship transfers to this committee back in November, I would say the situation continues to be a big issue for us and perhaps has only intensified as an evasion technique.

And so our response that has to be a whole-of-government response that employs not just our Treasury actions but our State Department demarcheing process but also the actions of our United States Navy and others.

And then I would further add that our work with our key allies like South Korea and Japan to conduct surveillance overflights of the transfers to furnish that information, to follow the vessels and to impound them would be additional actions that are illustrative of how we are operating but, at the end of the day—at the end of the day, as Ambassador Haley has made clear at the United Nations, it is incumbent upon both the Russians and the Chinese to step up and enforce these Security Council resolutions.

Chairman BARR. Well, we appreciate continued pressure on those Russian and Chinese banks to help enlist their cooperation. Can you tell us from the beginning of the maximum pressure campaign to date, how much is there—can you quantify the hard currency that we have denied to North Korea? Is there a—does Treasury quantify how much sanctions pressure since we have made this shift in policy?

How much sanctions pressure has actually deprived North Korea of hard currency?

Mr. BILLINGSLEA. Let me check, we have a rolling estimate, we attempt to quantify it, the hard data is very difficult to come by, we watch the currency valuation, we also watch basket-of-goods estimates, we will need to get you the exact number for the record, a number for the record, it is not an exact number but like I indi-

cated previously, we believe we have cut the regime's revenue generation by at least 40 percent if not more so that would translate into several billion dollars.

They weren't generating tens of billions to begin with, so we have cut it by roughly half.

Chairman BARR. I obviously don't want to get into any classified territory here but if it is—if you are able to answer this question, do you have an assessment of whether or not the sanctions has limited the capabilities of the North to maintain its nuclear program or is it in your best judgment, assessment of a voluntary response to the Singapore summit or the diplomatic work that has been done?

In other words, have we actually degraded their capability, their nuclear and ballistic missile capabilities and that is why they haven't been engaged in these testing activities?

Mr. BILLINGSLEA. So on the on the details, I defer to the intelligence community on some of that. I would say—I would say we believe we have certainly degraded their procurement efforts.

Chairman BARR. OK, thank you. My time is running out but one final question. At last year's hearing, the committee discussed cutting off North Korean leaders' access to financial services, which you indicated something your office was working on. Ten months after that hearing, can you tell us if Kim Jong-un's inner circle still enjoys access to assets abroad?

Mr. BILLINGSLEA. I suspect they do, we are hunting it down, when we get indications as we made very clear and the actions we undertook in Latvia against the bank there, we had evidence of North Korean-related money laundering so we have been very active, but I couldn't give further details on that.

Chairman BARR. Thank you, my time has expired. The Chair now recognizes the gentleman from California, Mr. Sherman.

Mr. SHERMAN. When the crisis 10 years ago, we were told certain banks were too big to fail, then prosecutors told us some banks are too big to jail, are their banks in China that are too big to sanction? What we have seen is that in dealing with North Korea, you have been willing to sanction a small Chinese bank, the Bank of Dandong but have been unwilling to go after the Industrial and Commercial Bank of China, the China Construction Bank Corporation, or the Agricultural Bank of China.

Is this because those banks don't do any business with North Korea or because they are too big to sanction?

Mr. BILLINGSLEA. Thanks, Congressman, and we can pick up on the conversation we had just the other day on this in a different committee. I will reiterate when I said to them, which is there is no Bank that is too big for us to sanction if we determine that it is in our national security interest to do so.

We would juggle a couple of considerations together, but as I also had indicated just a moment ago, we are working with a number of the very large banks to ensure that they are aware of and taking action against accounts that we believe are associated with North Korean front companies.

Mr. SHERMAN. But you are saying that the three large Chinese banks I mentioned and, by the way, Chairman Yoho and I have sent a letter to the administration to urge and have not received

a response. We sent the letter 2 or 3 months ago, I believe the letter was not addressed to you personally, asking for why these major Chinese banks had not been sanctioned.

Are you here telling me that those three Chinese banks haven't done anything like what the Bank of Dandong did?

Mr. BILLINGSLEA. I wouldn't want to comment on any particular bank or financial institution at this stage. I am told by staff that we believe, we have responded to the letter. I want to make sure you have it so—

Mr. SHERMAN. We will work to make sure we get a response. For our best sanctions that are most effective have been banking sanctions. We introduced those against Iran I believe in 2013. My fear is that if you keep using the best hammer, you eventually break the hammer.

Can Europe, will Europe invent a payment system for Iran in order to preserve the JCPOA that will make our banking sanctions less effective, not only against Iran but in future decades, future other targets?

Mr. BILLINGSLEA. It's a crucial question and it is one that we spend a lot of time focusing on, there certainly is a lot of aspirational talk along these lines. At the moment, the United States dollar, or particularly with the strength that the dollar enjoys now, does remain the fundamental currency of choice for the banking system and for clearing financial transactions.

Mr. SHERMAN. Now drug dealers use dollars, they put them in suitcases, why does that not work for Iran?

Mr. BILLINGSLEA. The Iranians will not hesitate to try to move dollars in bulk cash for their malign activity.

Mr. SHERMAN. But—OK, if they want to sell oil instead, they could accept euro currency or dollar currency, it doesn't take—those oil tankers come in empty so there's plenty of room.

Mr. BILLINGSLEA. Right and this is why, in August, we prohibited transactions involving U.S. banknotes with the Iranians and it is why, in November, we will designate the Central Bank of Iran as well as a large number of Iranian banks to preclude exactly what you are—what you are talking about.

Mr. SHERMAN. Let me point out that if sanctioning Iran is a good idea, the fact that we have chosen to do it for the one reason that Europe wouldn't support, which is the JCPOA instead of identifying, this is more on the foreign policy side, all the other wrongs that Iran is committing, which Europe regards as wrong, is the worst packaging and marketing of sanctions that I have seen.

But finally, cryptocurrencies. Obviously often cryptocurrencies are used as a medium of exchange for a normal transaction, I remember one supporter of cryptocurrencies waving around an article that said 9 out of 10 times when there's a crypto transaction, it is legitimate and doesn't involve drugs or terrorists, but is there any advantage that cryptocurrencies have to the legitimate non tax evading business person or are they uniquely well-suited for those trying to evade sanctions and tax laws?

Mr. BILLINGSLEA. So we definitely are seeing some of the cryptocurrencies being used for money laundering or other behaviors. I think we will arrive at a point in time where we have digital currencies that are tied to a fiat currency and I also definitely be-

lieve that the underlying technology, the distributed-ledger technology that underpins cryptocurrencies will have enormous benefit for the financial services industry.

And so these are—

Mr. SHERMAN. Nobody's against descriptive—distributed ledgers but what can you do with a cryptocurrency that you cannot do with a dollar? I assume a dollar can also be accounted for in a distributed ledger.

Mr. BILLINGSLEA. Right, I am not assuming I know. I think that is a very valid point but because we believe the technology is here to stay and that it will continue to evolve, for this very reason we have decided to make the U.S. presidency of the Financial Action Task Force, which is a year-long presidency that started in June, we have decided to make securing international agreement on a global standard for how we are going to regulate anti-money laundering regulations of cryptocurrencies to be one of the three priority areas for us.

And I am optimistic, time will tell but I am optimistic that, at the FATF meeting in October, the nations will agree to such a standard, for exactly the reasons you are pointing to Congressman.

Chairman BARR. The gentleman's time is expired but it was an interesting question and so I have wanted to provide Mr. Billingslea an opportunity to answer that question and the Chair now recognizes the gentleman from Minnesota, Mr. Emmer.

Mr. EMMER. Thank you Mr. Chair. Thank you Mr. Billingslea, for being here. That last question was interesting. I would ask you this, when we are talking about the distributive ledger, the blockchain platform, wouldn't you agree with me that it is easier to track criminal behavior on a distributive ledger than perhaps a suitcase of cash that is being carried by an individual that is unknown?

Mr. BILLINGSLEA. In general, yes as long as the ledger was not—as long as the blockchain in question was not designed specifically to be non-attributional.

Mr. EMMER. Right.

Mr. BILLINGSLEA. And so I think that is a key discriminating factor in the technologies.

Mr. EMMER. Right.

Mr. BILLINGSLEA. Very quickly, on Monday, the European Union announced that it would set up a special purpose vehicle to permit its companies to deal with Iran and avoid U.S. sanctions. How will you treat foreign companies that use this mechanism and is it accurate to say that they will still be subject to U.S. sanctions?

Mr. BILLINGSLEA. Congressman, it is accurate to say and we—absolutely accurate to say, we have made crystal clear to companies around the world that they need to make a business calculation and if the business decision that they make is they want to trade with the Iranians in the prescribed sanctioned areas that we have laid out, that is their business decision.

But they will not transact with the United States and they will not have access to the United States financial system if they so choose. I think the net effect of that is been pretty clear, the vast majority of multinational companies that were even just contem-

plating business with the Iranians have made clear, they are not interested at this stage.

Mr. EMMER. Thank you. In an August report the research group C4ADS, using open-source information identified 125 North Korean restaurants in 14 countries, two-thirds of which are in China.

Restaurants abroad have long been a source of hard currency for the regime, when can we expect appropriate designations by Treasury so that they are all put out of business?

Mr. BILLINGSLEA. You are describing an issue of fundamental importance to me because what I did in the private sector before I came to the Treasury Department was I led the investigative arm of one of the big four that focused on using open-source information to reveal true beneficial ownership of entities.

And I believe we can do a much better job in our government of using open-source information like you are laying out. That said, if we are going to hit the evidentiary standards necessary for a sanction, we are going to need multiple sources of information and press reporting alone is often insufficient.

Mr. EMMER. But the question is when can we expect appropriate designations by Treasury or do I take by your answer that, that is in process because you have to figure out—

Mr. BILLINGSLEA. Right.

Mr. EMMER. A source you are talking about it.

Mr. BILLINGSLEA. Figure out and often we found, particularly in the restaurant front, that engaging diplomatically with the host country in question can get us where we need to go. We have done that in the case of a couple of NATO countries, where they were operating restaurants or hostels almost right out of the backyard of their embassies.

Mr. EMMER. OK, last, I would like to go through a few quick yes-or-no questions with respect to North Korea sanctions, if you don't mind. First, have any of China's largest banks including ICBC, Bank of China, and others knowingly engaged in sanctionable activities?

Mr. BILLINGSLEA. I don't think we have determined knowingly.

Mr. EMMER. OK, have any of China's largest oil companies including China petroleum and chemical corporation, China National Petroleum Corporation, and China National Offshore Oil Corporation knowingly engaged in sanctionable activities?

Mr. BILLINGSLEA. I don't think we have made that determination.

Mr. EMMER. Have any large Russian banks knowingly engaged in sanctionable activities with respect to North Korea?

Mr. BILLINGSLEA. Yes, and we sanctioned very recently the Agrosoyuz Bank for exactly this reason.

Mr. EMMER. Have any of Russia's largest oil companies knowingly engaged in sanctionable activities?

Mr. BILLINGSLEA. I don't think we have made that determination, we are looking at all these topics.

Mr. EMMER. Last, the U.N. panel of experts recently concluded that several dozen foreign companies have been operating joint ventures in North Korea, which is prohibited under U.N. sanctions. Under the Otto Warmbier Sanctions bill which the House passed

last October by a vote of 415 to 2, each of those companies and their foreign banks would be subject to U.S. sanctions.

Do you support such a measure and if so when can we expect designations from Treasury?

Mr. BILLINGSLEA. So joint ventures with the North Koreans are prohibited under the U.N. Security Council's resolutions and I have to say and I am going to echo Ambassador Haley here but Russian efforts to water down the panel of expert reports, it is egregious behavior and it is unacceptable.

And we are determined to protect the integrity of that process so that the panel of experts can advise all of us on what they see in terms of potential sanctions evasion.

Mr. EMMER. Any timing on the designation?

Mr. BILLINGSLEA. I don't want to tip our hand but, I think, if you look at the pattern of actions we have been taking, it is almost been an action a week or thereabouts in recent months.

Mr. EMMER. Thank you very much, my time has expired.

Chairman BARR. Gentleman's time has expired, the Chair recognizes gentleman from Washington, Mr. Heck for another round.

Mr. HECK. Thank you Mr. Chairman. Mr. Secretary, as you know, gas from state-owned enterprise in Russia is currently constructing a gas pipeline in the Baltic Sea from Russia to Germany. Consensus is that, that will weaken the economic energy security, I should say of Europe so given that those profits feed right back into both the military and the intelligence operations of Russia, presumably to undertake activities such as the interference in our 2016 elections and on an ongoing basis.

Why haven't we targeted Nord Stream 2, which is the name of the pipeline for sanctioned consideration?

Mr. BILLINGSLEA. We have made—you are focused on a major issue. We have made crystal clear to the Europeans and Germans, in particular that we view the Nord Stream 2 project as extremely ill-advised and we oppose it and that message has come from the President all the way down.

But I myself have engaged, the Baltic nations are extremely concerned about Nord Stream 2, Poland is extremely concerned about Nord Stream 2, was just talking with the Polish government about this last week.

Likewise, there's concern in Scandinavia, I have talked—I told Finland we regretted the decision to approve the permits there. Denmark has not yet approved the permitting process for a Nord Stream 2 and I am hopeful that that they would not on the very grounds that you have laid out.

I think if Nord Stream 2 comes online, the Russians will use it, they will weaponize fuel in Europe, and they will ultimately choke off the Ukrainians, so this is a big, big issue for us. Now that said, in terms of the actual sanctions authorities that you put into law through CAATSA, those authorities were delegated to the Department of State and I would have to defer to them on that matter.

Mr. HECK. I am exceedingly encouraged to hear the basic policy premise for your view of this proposed pipeline. Can I assume that you are speaking on behalf of the administration since you honor the President?

Mr. BILLINGSLEA. Absolutely.

Mr. HECK. And can I reasonably conclude that, that therefore is the perspective of the Department of State as well?

Mr. BILLINGSLEA. This comes from the President himself, he has been clear that he is not happy with the Nord Stream 2 project.

Mr. HECK. Well, we have sanctions that could be levied. Let me ask you and again, I am pleased to hear the position, would like to see some—some action to follow up. Is it too late to stop? Are we letting the cat out of the bag here? And I want to acknowledge, Mr. Secretary, it is complicated and it is big and we are talking about some kind of three-dimensional chess that would need to be played with traditional friends and allies.

At least we used to think they were friends and allies, still do as a matter of fact, it just seems to me that time is not our friend and if we are serious in the way in which you describe the policy perspective and I will take your word, sir, then time is a-wasting.

Mr. BILLINGSLEA. The challenge we face and again, I am not an expert, I am not a pipeline expert, I am not an energy expert. I am told that the Russians have alternative pathways for laying the pipelines that could go around the Danish waters, but I do think that a delay is on our side in the sense that we need to continue to push for other alternative energy independent sources for Europe. So that they are not held hostage to Russian natural gas.

Mr. HECK. I am interpreting your answer to be that even if they have alternatives; if we were to, for example, sanction them and caused them to delay the current path, that would be a good thing.

Mr. BILLINGSLEA. Again, on the matter of the sanction, I would—I really need the Department of State here with me but I would tell you that we need Europe to have non-Russian sources of energy, upon which they can rely.

Mr. HECK. I couldn't agree more, it just seems to me that we can do something about it and we ought to. I yield back the balance of my time Mr. Chairman.

Chairman BARR. Gentleman yields back and I will use one more round for myself if that is all right and I want to echo—yes, I want to echo the sentiments expressed by my friend Mr. Heck, I share his concern and your concern and the administration's concern about the Nord Stream 2 and I think that sanctions, if there needs to be some collaboration with the State Department on this, I would urge the administration to sanction Nord Stream 2.

And not just Nord Stream 2 but in our visits in a delegation to Vilnius and Lithuania, our allies in Lithuania expressed concern not only about Nord Stream 2 but the nuclear, the construction of a nuclear facility in Astravyets in Belarus, just 30 miles or so from Vilnius.

And so if the strategic objective is energy independence for our Eastern European NATO allies, independence from Russian sources of energy, I think the menu should include Astravyets, Nord Stream 2, any other attempts by the Russians to create a dependency on the part of our Baltic friends or Eastern European allies to Russian sources of energy.

I had a conversation with the Department of Energy also about using U.S. policy, not just on the sanctions side but also doing more in the way of exports of U.S. LNG and coal and other sources of

energy that the Eastern Europeans would be willing to access in lieu of Russian sources of energy.

So I want to work with you on that and again, give the administration bipartisan encouragement, as a member of the Baltic caucus, as someone who believes that this administration has been serious and is to be credited for countering Russian aggression.

The Congress wants to work with this administration to ratchet up the pressure and help our NATO allies in that regard. Let me switch gears really quickly after that editorial comment to operational activities that OFAC and in your part of the Treasury Department.

A 2015 audit report by the Treasury's Inspector General concluded, "written standard operating procedures for many day-to-day functions of OFAC's sanctions programs have not been deployed or developed contrary to governmentwide internal control standards."

Moreover, OFAC's resistance to documenting a set of standard operating procedures is contrary to governmentwide internal control standards and Treasury policy. It is hard to understand OFAC's position given the importance of its mission to U.S. foreign policy.

The IG also noted that OFAC lacked a lessons learned process as a result, "OFAC lacks a viable way of identifying strengths and weaknesses in the administration of sanctions programs and could miss valuable opportunities to improve its effectiveness and efficiency."

Now, I understand we don't have an OFAC director as of now and these findings obviously, date from the previous administration, but can you help us understand how Treasury has been organizing the day-to-day workflow at OFAC and whether the IG's conclusions may still be relevant today and whether or not this administration has taken actions to remedy some of these deficiencies identified by the IG in 2015.

Mr. BILLINGSLEA. Chairman, thank you for that. That does predate my time, I am happy that we do—the Under Secretary has appointed the new OFAC director and I think she just assumed office just very recently, couple of days ago.

The—as far as what I see from my vantage point, OFAC has been, I think, highly successful at being able to handle a wide range of demands on them for the production of executive orders which was at the heart of the IG investigation and I have not seen them in my time suffering from any lack of standard operating procedures to generate those executive orders.

And they are—of which there have been a multitude. I would want to take the rest of that back for action and get OFAC up here with you, to give you more details on how they have addressed the situation but from the policymaking standpoint, I have not—I have not seen an issue there.

Chairman BARR. One final question on Iran and that is obviously, the second phase of Iranian position of sanctions is coming in November, we are interested in the kinds of incentives that are going to be built into the Treasury sanction policy and what behavioral change on the part of Iranians are you expecting?

What does success look like? New talks, regime change, a cessation of the terrorists' activities, what is success with respect to a post-JCPOA policy?

Mr. BILLINGSLEA. Sir, I want to be crystal clear, we are not pursuing regime change, what we want is an immediate end to the terrorism and the funding of terrorism, the support to the brutal Assad regime, the proliferation of missile technology to the Houthis who then launch attacks into Riyadh for instance.

Ship attacks on shipping in the Gulf of Aden, that is got to stop. The effort to pursue ballistic missiles because again no nation has ever wanted ballistic missiles, that also hasn't wanted a nuclear warhead to go on, on the front end of that so the ballistic missile program needs to be terminated.

And they need to return to the negotiating table to negotiate an agreement that is free from the deficiencies that were contained in the JCPOA. The Secretary of State has laid out in a speech, a few months ago, at a very detailed level, the actions that we expect the Iranians to undertake and until they agree to return to the negotiating table, they will face these economic consequences.

Chairman BARR. I agree with all of those objectives and I would add another one and that is we need better verification in a future deal on the nuclear side. Access to international inspectors that includes military sites where nuclear—illicit nuclear activity is most likely to be taking place, that in my mind was a major deficiency of the JCPOA.

Defenders of the JCPOA often talked about the denuclearization or the access to the inspectors but that was, in my mind, a major problem, so with respect to verification of ceasing nuclear activities, international inspectors need access, better access. With that, I think we have exhausted our time here today, we appreciate your time with us today Secretary Billingslea and we appreciate your testimony.

The Chair notes that some Members may have additional questions for this panel, which they may wish to submit in writing. Without objection, the hearing record will remain open for 5 legislative days for Members to submit written questions to these witnesses and to place their responses in the record. Also, without objection, Members will have 5 legislative days to submit extraneous materials to the Chair for inclusion in the record.

[Whereupon, at 3:32 p.m., the subcommittee was adjourned.]

# **A P P E N D I X**

September 26, 2018

**Opening Remarks by Assistant Secretary of the Treasury Marshall Billingslea before the House Committee on Financial Services Subcommittee on Monetary Policy and Trade**

Chairman Barr, Vice Chairman Williams, Ranking Member Moore, and distinguished Members of the Subcommittee, I am pleased to appear before the Committee today to discuss how the Treasury Department is using the full range of its authorities and tools to address three unique—yet in many ways related—challenges in Iran, Russia, and North Korea.

Each of these countries poses its own particular challenge to the United States, our allies, and the international order, yet there are common threads linking them together. Iran, the world's leading state sponsor of terrorism, continues to squander its wealth through corruption and terrorism instead of prioritizing the Iranian people, whom the United States seeks to help. Russia provides weaponry and defense materiel to Iran, and extensive support to the Syrian regime enabling Assad's brutal targeting of his own citizens. Furthermore, Russia continues its occupation of Ukraine and Crimea and subversion of Western democracies, and remains a permissive environment for North Korean procurement efforts and circumvention of prohibitions under United Nations (UN) Security Council resolutions. Finally, North Korea continues to deliberately evade domestic and international sanctions and has not yet abandoned its weapons of mass destruction and missiles programs.

On the one hand, all three countries use some similar tactics to exploit the global financial system, particularly by establishing and employing front and shell companies to mask the origin and beneficial ownership of illicit financial flows, to disguise the nature of—and intent behind—transactions. But on the other hand, these three countries differ in terms of the size of their respective economies, the extent to which they have businesses intertwined within global supply chains, and in the degree to which their financial sectors are connected to the global system.

For these various reasons, our Iran, Russia, and North Korea sanctions programs are among our most active and complex. Under the leadership of Secretary Mnuchin and Under Secretary Mandelker, we have developed tailored strategies to employ the full suite of Treasury's powerful tools and authorities to maximum effect. This also means that in every case, we must closely examine and take into account each country's distinct economic characteristics in addition to our broader foreign policy and national security objectives to ensure that the financial impact we seek is achieved, our national security objectives served, and disruption to the supply chains of friendly nations is minimized and international cohesion is maintained to the maximum extent practicable.

Beyond sanctions, Treasury possesses multiple other tools and authorities that are used in conjunction with sanctions actions by the Office of Foreign Assets Control (OFAC). These include reporting and analysis of financial intelligence provided by U.S. financial institutions to the Financial Crimes Enforcement Network (FinCEN), FinCEN's authorities under the Bank Secrecy Act and USA PATRIOT Act, extensive private sector engagement both at home and abroad, and financial diplomacy conducted globally by our international financial attachés and the Office of Terrorist Financing and Financial Crimes. On a daily basis, we work bilaterally and multilaterally to strengthen the anti-money laundering/countering the financing of terrorism

(AML/CFT) regimes worldwide, including with those countries exposed to Iranian, Russian, and North Korean illicit financial flows.

Today, I will share with you a brief overview of the steps Treasury has taken to counter each challenge. Across all of our efforts, we have been clear and consistent in our message; we have left no doubt as to why we are imposing sanctions, and what changes we expect. These are all complex and highly dynamic issues, and we continuously refine and adapt our approach to each problem against the ever-evolving nature and manifestation of the threat. As we have demonstrated, we will continue to tailor the use of our financial tools as necessary, in close coordination with all of our interagency partners.

### *Iran*

The President's decision on May 8 has now set in motion the reimposition of a wide range of sanctions. These measures are designed to greatly reduce Iran's capacity to continue its malign activities, including its support for terrorism, its human rights abuses, its aggressive development of ballistic missiles and proliferation of missiles to militant groups such as Hizballah and the Houthis in Yemen. As Secretary of State Pompeo has made clear, we seek to negotiate a new more comprehensive deal to replace the fatally flawed Joint Comprehensive Plan of Action (JCPOA).

The U.S. nuclear-related secondary sanctions on the Iranian regime that were relieved under the JCPOA are being reimposed in two phases. We structured this process to occur in two phases, over a 180-day period, to allow the global business community to wind down any transactions initiated before our withdrawal from the JCPOA that would be off limits after the reimposition of sanctions. On August 6, the first phase of sanctions reimposition occurred, and the President issued Executive Order (E.O.) 13846 which reinstated relevant provisions of the E.O.s that were revoked or amended on JCPOA Implementation Day in January 2016.

As of August 7, U.S. sanctions came back into full effect on:

- (i) the acquisition of U.S. dollar banknotes by the Government of Iran;
- (ii) Iran's trade in gold and precious metals;
- (iii) the provision of graphite, raw or semi-finished metals, and software for integrating industrial processes;
- (iv) transactions related to the Iranian rial;
- (v) activities related to the issuance of Iranian sovereign debt; and
- (vi) Iran's automotive sector.

Once the second phase ends on November 4, 2018, we will reimpose the remaining sanctions that were lifted under the JCPOA. These sanctions include far-reaching sanctions on Iran's energy and shipping sectors, and on foreign financial institutions conducting certain transactions with the Central Bank of Iran and designated Iranian banks. We will aggressively enforce these authorities. We intend to hold Iran accountable for its lethal and destabilizing actions, and to leave no doubt that it must return to the negotiating table.

In addition to these actions, under this Administration Treasury has issued 18 rounds of sanctions, designating 146 Iran-related persons for a range of activities related to terrorism,

proliferation, and human rights abuses, and to thwart Iran's exploitation of the global financial system.

For instance, a major focus of our efforts is Mahan Air, an airline that provides material support to the Islamic Revolutionary Guard Corps-Qods Force (IRGC-QF), which was designated under our counter-terrorism authorities. Via this airline, the Iranian regime attempts to covertly move weapons and explosives, terrorists and other fighters, and cash in support of regional malign activities. These activities have fueled Iran's proxies, such as Hizballah, and have given additional aid to the murderous Assad regime in Syria. In July, we designated Mahan Travel and Tourism, a Malaysia-based General Sales Agent (GSA), which is Mahan Air's sole GSA in Kuala Lumpur, Malaysia, and provides reservation and ticketing services for Mahan Air. Earlier this month, we designated My Aviation Company Limited, a Thailand-based GSA, for acting on or behalf of Mahan Air. We will continue targeting individuals and entities supporting Mahan Air, and we are warning airport operators and GSAs, whether in Europe, Asia, or the Middle East, that if they continue to transact with Mahan Air, they are at risk of our sanctions.

We are also working to disrupt and expose Iran's abuse of the international financial system. In May, for example, we sanctioned the then-Governor of the Central Bank of Iran (CBI) and the assistant director of the CBI's International Department for conspiring with the IRGC-QF to conceal the movement of millions of dollars to enrich and support Hizballah. Likewise, we targeted a currency exchange network that Iran was using in Iran and the UAE to procure and transfer millions of U.S. dollars to the IRGC-QF, again facilitated by the CBI. We simultaneously worked with the Government of Iraq to take action against the operations of a major bank that was deeply involved in routing money on behalf of the IRGC-QF to terror networks. This is just one example of how Treasury used a combination of sanctions and financial diplomacy to disrupt a significant terror financing network through close collaboration with partner nations.

We are also wielding our authorities to go after Iran's human rights abuses and censorship. We've designated Iran's Supreme Council of Cyberspace, which has been involved in blocking of social media in Iran; the head of Iran's judiciary, who facilitated torture and cruel and inhumane treatment of prisoners; and, human rights abusers at Evin Prison, where prisoners are subject to brutal tactics inflicted by prison authorities.

To continue to galvanize international efforts to constrain Iran, the Treasury and State Departments have deployed delegations around the world. We have visited over 30 countries for the express purpose of highlighting Iran's malign activities and to explain the rationale for reimposing sanctions; I personally have been to 13 countries as part of this effort, and Treasury leadership has had countless additional conversations with our foreign counterparts on this topic.

In addition to talking with governments, during these engagements we also delivered direct messages to the private sector detailing how Iran is involved in extensive illicit business activities, including using front and shell companies, counterfeiting currency, and cyberattacks to fund their support for terrorism. We continue to urge companies around the globe to toughen their financial networks and conduct the necessary due diligence to prevent them from being caught in Iran's deceitful web.

Treasury's efforts are already generating results. In recent months, we have seen evidence of our economic pressure taking hold. Since April, the Iranian rial has lost more than two-thirds of its value. While the Iranian regime continues to maintain an official exchange rate of 42,000 rials per U.S. dollar, the true market rate is closer to 143,000 (as of September 18, 2018), and we see it continue to drop on a near daily basis. We've welcomed our partners' efforts to wind down imports of Iranian crude oil ahead of the November deadline and encourage others to follow suit. Foreign direct investment and business activity within Iran is also decreasing as the private sector recognizes the risk of doing business with Iran. Approximately 100 international companies have indicated they will leave Iran, and we expect to see more follow in their footsteps.

However, let me be clear: Iran's own economic mismanagement is also responsible for its economic situation, as it is busy squandering its wealth through corruption and terrorism instead of prioritizing the Iranian people. Last month, the Supreme Leader even admitted that "the main source of the current economic problems can be traced back to internal mismanagement and actions." In addition to rial devaluation, we are seeing indicators that show the Iranian regime's economic strategy continues to fail its people. Unemployment remains at over 12 percent, with youth unemployment at over double this rate, as of March 2018. The International Monetary Fund is forecasting a decrease in GDP growth for Iran in 2018, decreasing from 4.3% in 2017 to 4% this year. Likewise, the inflation rate is now squarely in the double digits at 11.5%, according to the CBI.

The disastrous state of the Iranian economy has led to the firing of the finance and labor ministers, the arrest of a Central Bank deputy governor, as well as the firing CBI Governor, whose designation I discussed earlier for facilitating the transfer of millions of dollars to Hizballah on behalf of the IRGC-QF. The regime has done the Iranian people no favors by making Abdolnaser Hemmati the new CBI Governor, given his leadership at banks previously sanctioned by the U.S. and European Union for facilitating terrorism and weapons of mass destruction proliferation. For only the second time in the regime's nearly 40-year history, the Iranian President was called before the Iranian Parliament, the Majlis, to answer for the failure of the regime's economic policies. While President Rouhani sought to blame the United States for his country's own economic problems, the Majlis rejected the vast majority of his explanations.

Instead of investing money wisely, the Iranian regime allows Commander of the IRGC-QF, Qasem Soleimani to travel far and wide, despite his being subject to a United Nations travel ban, and to spend extravagant amounts to fuel terrorism. Instead of keeping money at home, the regime is sending \$100 million per year to Palestinian terrorist groups like Hamas. This is nothing in comparison to the \$700 million provided to Lebanese Hizballah each year, which is a fraction of the staggering \$16 billion Iran has spent on its terrorist proxies in Iraq, Syria, and Yemen.

Elements of the regime are continuously conspiring to defraud not only people in Iran, but also foreign companies and countries. For instance, in November 2017, Treasury designated a large-scale IRGC-QF ring working to counterfeit currency to support its destabilizing activities in Yemen. Using deceitful tactics, this ring created front companies in Europe to skirt European

export control restrictions and acquire sophisticated equipment and materials from European suppliers to print counterfeit Yemeni bank notes potentially worth hundreds of millions of dollars for the IRGC-QF. Such nefarious activity depicts the depths the Iranian regime is prepared to sink to advance its malevolent goals, and should motivate all those seeking to maintain the integrity of the global financial system to act to hold Iran accountable.

These examples of the Iranian regime's engagement in corrupt activity show that the Iranian people deserve better. Treasury will continue to target the entire spectrum of the regime's malign activity to change its behavior, and we urge the world to work with us to seek a better future for the Iranian people.

### ***Russia***

The Treasury Department has a clear understanding of the continued threat posed by Russia's wide-ranging malign activities. Russia's continuing occupation of Crimea, human rights abuses, malicious cyberattacks, illicit procurement of sensitive defense and intelligence technologies, election interference and other influence efforts, as well as its support to the Assad regime's massacre of its own citizens, are unacceptable, and demonstrate Russia's complete disregard for acting as a responsible member of the international community. Countering these threats is one of Treasury's top priorities, which is clearly evidenced by the actions we have taken to impose an unprecedented level of financial pressure against those working on behalf of the Kremlin and in key sectors of the Russian economy targeted by U.S. sanctions.

Russia stands apart from other countries subject to broad U.S. sanctions in several important ways, and we have tailored our approach accordingly. We cannot, for example, counter Russian aggression in the same way we approach countries like North Korea or Iran. Russia's economy is large and well-integrated into the global economy, international financial system, and global supply chains. North Korea and Iran, on the other hand, have been largely or almost entirely isolated from the global financial system for decades. Accounting for this stark contrast, we've surgically deployed Treasury tools to maximize pressure on Russia while minimizing unintentional spillovers to the United States, our European allies, and the global economy.

To discuss one particularly insightful example, a number of Russia's state-owned entities and oligarch-owned businesses are intricately integrated into global economies and supply chains, including those of some of our closest NATO allies. Despite these challenges, on April 6, we designated the Russian oligarch Oleg Deripaska. As a result of his designation, we also designated several companies he owns or controls, to include RUSAL, the second-largest producer and supplier of aluminum in the world, and EN+, a vertically integrated aluminum and power producer. As a result of our designations, Deripaska's estimated net worth has dropped by more than 50%, and the share price of EN+ on the London Stock Exchange plummeted. On the same day, we also designated the oligarch Viktor Vekselberg, as well as multiple companies he owns or controls. As a result, Viktor Vekselberg's net worth has dropped an estimated \$3 billion, foreign governments have launched investigations in response to his designation, and he has had assets frozen across multiple jurisdictions. Furthermore, Vekselberg's Renova Group was forced to divest from ventures in Switzerland and Italy.

Since January 2017, the Administration has sanctioned 232 Russia-related individuals and entities, 215 under Treasury authorities. 136 were designated under Ukraine/Russia-related sanctions authorities codified by the Countering America's Adversaries Through Sanctions Act, or CAATSA. We have aggressively targeted key sectors of the Russian economy. Since 2014, Treasury has imposed blocking sanctions on 14 financial institutions and sectoral sanctions on 124 financial institutions and 50% or more-owned subsidiaries; in the energy sector, Treasury has imposed blocking sanctions on 20 Russian firms and sectoral sanctions on an additional 80 Russian entities.

Additionally, on September 20, President Trump issued an Executive Order to further the implementation of Title II of CAATSA and the Ukraine Freedom Support Act of 2014, as amended. This E.O. provides the Secretary of the Treasury the authority to take certain actions with respect to those sanctions and directs departments and agencies to take all appropriate measures within their authority to ensure the full implementation of those sanctions. Pursuant to this E.O. and also on September 20, the State Department added 33 entities and individuals to the CAATSA section 231 List of Specified Persons (LSP) for being a part of, or operating for or on behalf of, the defense or intelligence sectors of the Government of the Russian Federation. State, in consultation with Treasury, imposed sanctions pursuant to section 231 of CAATSA on the Chinese entity Equipment Development Department (EDD) and its director, Li Shangfu, for engaging in significant transactions with Rosoboronexport, Russia's main arms export entity, which is on the LSP. These significant transactions involved Russia's delivery to China of Su-35 combat aircraft in 2017 and S-400 surface-to-air missile system-related equipment in 2018.

While our Russia sanctions program is among our most active, sanctions are not and cannot be the only tool on which we rely. The scale and sophistication of Russian malign activity is far more advanced than that of other states currently subject to broad U.S. sanctions. Accordingly, in certain circumstances, other tools will either complement or far more effectively advance our national security interests in countering Russian aggression.

As an example, as Treasury works aggressively to deter and prevent illicit Russian financial activity abroad, we are simultaneously protecting the U.S. financial system. On February 13, 2018, Treasury's FinCEN issued a notice of proposed rulemaking pursuant to Section 311 of the USA PATRIOT Act that Latvia-based ABLV Bank AS (ABLV) was a financial institution of primary money laundering concern. In its public notice, FinCEN cited multiple instances of institutionalized money laundering in which ABLV management solicited high-risk shell company activity that enabled the bank and its customers to launder funds. ABLV's facilitation of shell company activity typically benefitted illicit actors engaged in an array of illicit conduct, including transnational organized criminal activity, corruption, and sanctions evasion, emanating mostly from Russia and Commonwealth of Independent States, but notably also for the benefit of the North Korean regime. Pursuant to this finding, FinCEN proposed the imposition of a prohibition on U.S. financial institutions from opening or maintaining correspondent accounts for, or on behalf of, ABLV. The reporting of U.S. financial institutions of suspicious activity involving ABLV was important to FinCEN's understanding of the bank's AML and customer due diligence failures. This action not only safeguards U.S. financial institutions, but effectively shuttered a key access point being exploited by illicit Russian actors to access the European and international banking system.

***North Korea***

In Singapore, President Trump and Chairman Kim Jong Un committed to complete denuclearization of the Korean Peninsula. Treasury is supporting President Trump's goal of the final, fully verified denuclearization of North Korea, as agreed to by Chairman Kim Jong Un. Treasury coordinates closely with the State Department to ensure our actions support the broader diplomatic effort.

We are supporting the denuclearization process by maintaining pressure on North Korea's finances and economy and we continue to target its ability to earn and spend revenue in furtherance of its illicit weapons programs. It is clear that these efforts are having the desired effect. The President's Maximum Pressure Campaign created the conditions necessary for the historic Singapore Summit, and it is continued pressure that will avoid the mistakes of the past. As the President has said, implementation of existing sanctions will continue until North Korea denuclearizes. Our continued designations demonstrate our commitment to implementing North Korea-related UN Security Council resolutions, and holding other countries accountable where they have fallen short on their UN obligations. We will continue to hold third-country individuals and entities accountable through our sanctions programs where they flout UN Security Council prohibitions and continue to facilitate the DPRK's illicit activities. Sustained pressure and sanctions implementation are crucial to achieving our objective of denuclearization.

Treasury is deploying all of our authorities—including sanctions, AML/CFT measures and reporting requirements, enforcement actions, regulatory actions under Section 311 of the USA PATRIOT Act, foreign engagement, and private sector partnerships—to identify and disrupt North Korea's ability to generate revenue and move funds in support of its weapons programs.

Under this Administration, Treasury has sanctioned more than 200 individuals, entities, and vessels related to North Korea. Overall, Treasury has now sanctioned approximately 400 individuals, entities, vessels, and aircraft related to North Korea since 2005.

Furthermore, in 2016, Treasury identified North Korea as a jurisdiction of "primary money laundering concern" under Section 311 of the USA PATRIOT Act, prohibiting U.S. financial institutions from maintaining correspondent accounts for, or on behalf of, North Korean financial institutions and requiring them to ensure they do not process North Korea-related transactions through correspondent banking relationships with other foreign banks. Treasury took a similar 311 action in 2017 against the China-based Bank of Dandong for serving as a gateway for North Korea to access the U.S. and international financial systems, despite U.S. and UN sanctions. This was the Treasury Department's first action in over a decade that targeted a non-North Korean bank for facilitating North Korean financial activity. It clearly demonstrates the Administration's commitment to protecting the integrity of both the U.S. and international financial systems.

Reporting from U.S. financial institutions were important sources of information in developing our understanding of the risk that Bank of Dandong posed to the U.S. financial system. And more broadly, the public-private partnership of FinCEN Exchange brings law enforcement, FinCEN, and financial institutions together to exchange key information on priority illicit threats,

including North Korea. These types of exchanges enable the private sector to better identify risks and provide FinCEN and law enforcement with critical information to disrupt money laundering and other financial crimes.

Our efforts to uncover North Korea's deceptive practices and expose the nature of their financial networks is imperative given that North Korea does little business in its own true name and instead uses a network of agents, front and shell companies, and complex ownership structures to access the international financial system. The UN 1718 Committee Panel of Experts has portrayed how these North Koreans are based in countries like China and Russia, and they are the key financial enablers for the Kim regime's weapons of mass destruction and ballistic missile development programs. These individuals are important to North Korean networks because they have expertise that they use to establish front companies, open bank accounts, and conduct transactions enabling North Korea to launder funds. Since the beginning of this Administration, we have designated 60 of these operatives acting on behalf of U.S.- and UN-designated banks and weapons trading companies. As demonstrated by our action in August against Russia-based Agrosyuz Commercial Bank, we will not hesitate to use our authorities to implement UN and U.S. sanctions and shut down illicit revenue streams to North Korea.

We further illuminated the roles of North Korean financial facilitators and associated financial networks in a comprehensive advisory issued by FinCEN to financial institutions in November 2017. The advisory provided U.S. and financial institutions across the globe with specific financial red flags of illicit North Korean schemes being used to evade U.S. and UN sanctions, launder funds, and finance the regime's weapons of mass destruction and ballistic missile programs. This includes the use of overseas financial representatives and the use of China-based front or shell companies, trading companies, and financial institutions operating in areas bordering North Korea.

We are very focused on North Korea's use of deceptive shipping practices to evade sanctions, including ship-to-ship transfers. On February 23, Treasury issued its largest North Korea-related sanctions tranche related to shipping, trading companies, and vessels, as well as an advisory to the maritime sector to highlight sanctions evasion tactics used by North Korea that could expose businesses to sanctions compliance risks under U.S. and/or UN sanctions authorities. In recent weeks, we have issued additional designations against shipping companies, a port service provider, and vessels for enabling and supporting illicit ship-to-ship transfers on behalf of North Korea.

Our focus on depriving North Korea of its ability to conduct trade and to earn and move revenue through the international financial system means that we must work with other countries to achieve this goal. Not only do we work bilaterally with key partners to coordinate our domestic sanctions programs, we engage with leaders around the world to stress the importance of implementing United Nations Security Council resolutions. We also work bilaterally and multilaterally with like-minded governments to ensure that countries have the regulatory framework in place to detect and freeze assets linked to North Korea.

