

**NOMINATIONS OF BRIAN EDDIE NELSON AND
ELIZABETH ROSENBERG**

HEARING
BEFORE THE
COMMITTEE ON
BANKING, HOUSING, AND URBAN AFFAIRS
UNITED STATES SENATE
ONE HUNDRED SEVENTEENTH CONGRESS
FIRST SESSION

ON

NOMINATIONS OF:

BRIAN EDDIE NELSON, OF CALIFORNIA, TO BE UNDER SECRETARY FOR
TERRORISM AND FINANCIAL CRIMES, DEPARTMENT OF THE TREASURY

ELIZABETH ROSENBERG, OF VERMONT, TO BE ASSISTANT SECRETARY FOR
TERRORIST FINANCING, DEPARTMENT OF THE TREASURY

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NOMINATIONS OF BRIAN EDDIE NELSON AND ELIZABETH ROSENBERG

TUESDAY, JUNE 22, 2021

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
Washington, DC.

The Committee met at 10:05 a.m., in room 538, Dirksen Senate Office Building, Hon. Sherrod Brown, Chairman of the Committee, presiding.

OPENING STATEMENT OF CHAIRMAN SHERROD BROWN

Chairman BROWN. The Senate Committee on Banking, Housing, and Urban Affairs will come to order.

Thank you all for joining us. This hearing will consider President Biden's nominations for two key Treasury roles charged with combating domestic and international terrorism and financial crimes. Brian Nelson, to be Treasury—the Under Secretary for Terrorism and Financial Crimes, welcome. And, Elizabeth Rosenberg, to be Assistant Secretary for Terrorist Financing, welcome.

Welcome to your family and friends who are hearing watching remotely. Mr. Nelson will introduce his parents, coming from California, in a moment. Thank you for all your work serving the public, for your willingness to serve in these critical roles.

I welcome Senator Leahy, who has arrived, and Senator Padilla, who will arrive shortly. I want to thank them for taking time to introduce our nominees.

Both of the nominees have substantial experience relevant to their critical national security positions to which they have been nominated. If confirmed, both would take on these jobs at a critical time for protecting our country's national security as we work to rebuild alliances abroad while threats of domestic terrorism are on the rise at home. The FBI director testified recently that racially motivated, antigovernment extremists are likely to be the biggest domestic threat this year and in 2022.

The Treasury's Office of Terrorism and Financial Intelligence is one of the cornerstones of our country's efforts to combat terrorist financing at home and around the world. The offices these two nominees would lead are charged with protecting our financial system from terrorists and other criminals and with combating rogue nations, WMD proliferators, money launderers, drug kingpins, and others who threaten our national security.

Mr. Nelson brings a strong record of public service and from our discussions I think will be a tough, assertive enforcer of our Nation's sanction laws against rogue States, money launderers, terror-

ists and narcotraffickers. Mr. Nelson clerked for two Federal judges and served at the National Security Division of the Department of Justice. He worked extensively on countering terrorism, illicit finance, and other crimes. He went to work for the California Department of Justice, where he served as special assistant attorney general, then as general counsel, to then-Attorney General Kamala Harris.

Mr. Nelson, we look forward to your testimony and to an ongoing collaboration with the Committee following what I hope will be a quick confirmation process.

Elizabeth Rosenberg is a senior leader familiar to Members, many Members, of this Committee from her testimony in the past. President Biden has nominated her to serve as Assistant Secretary for Terrorist Financing. Growing up in Middlebury, Vermont, hence, Senator Leahy's attendance. She got her education in my home State, Oberlin College, where I was her congressperson for her time at Oberlin. And she served in a number of senior roles in the Treasury Department, working on anti-money laundering sanctions and counterterrorist financing policy. She currently serves as senior advisor to the deputy secretary of the Treasury and has distinguished herself throughout her career in policy debates on terrorism, illicit finance, proliferation finance and sanctions.

If confirmed, she will be responsible for formulating and coordinating the counterterrorist financing, anti-money laundering efforts of the department, and overseeing the Office of Terrorist Financing and Financial Crimes. Her substantial experiences makes Ms. Rosenberg uniquely qualified to take on this important role.

Ms. Rosenberg, we welcome you back to the Committee. We hope your nomination will move through the Committee quickly as well.

We look forward to testimony from both of you this morning.

Senator Toomey.

OPENING STATEMENT OF SENATOR PATRICK J. TOOMEY

Senator TOOMEY. Thank you, Mr. Chairman.

Mr. Nelson and Ms. Rosenberg, welcome to both of you. You have been nominated for senior and important national security roles at the Treasury, as you know. If confirmed, you will directly influence the Biden administration's policies toward China, Russia, North Korea, dangerous non-State actors, and certainly, not least, Iran.

So I want to stress today that we need strong leadership at Treasury and sometimes that means being willing to push back, including on the White House or the State Department, if the policies they are pursuing actually undermine America's national security. An example of this that I want to talk about this morning is the Administration's Iran policy. It is very, very concerning.

And let me be clear. There are Republicans, including myself, that would work with the Administration on the nuclear deal with Iran but not the JCPOA. Now we have reached out to the Administration on this, and we have been met with silence.

But the most enduring U.S. policy toward Iran would be one that is bipartisan. The JCPOA's history demonstrates that. The Obama administration entered the JCPOA with no Republican support and

bipartisan opposition. Not coincidentally, when President Trump came into office, he left the deal.

If the Biden administration reenters the JCPOA, with unanimous Republican opposition and bipartisan opposition, for a second time, how is that likely to end under the next Republican administration? But instead of taking a bipartisan approach, the Administration seems to be racing to offer sanctions relief to an Iranian regime that, in the words of its own chief diplomat, is dominated by the Islamic Revolutionary Guard Corps, a terrorist organization that is responsible for the deaths of hundreds of Americans.

And what is it that the Administration hopes to receive in return for the sanctions relief? First, it says returning to the JCPOA will put Iran's nuclear program back in the box, and second, the Administration hopes that the Iranians will agree to negotiate a longer and stronger deal after we have given away all our leverage in the form of sanctions relief. Both of these ideas are unrealistic.

It is hard to say that Iran's nuclear program was ever really in the box. The JCPOA required Iran to disclose the entirety of its past nuclear activities, for instance. Yet, when confronted with evidence of undisclosed nuclear activity at several sites, Iran has refused to offer any explanation whatsoever. And the IAEA is now on record that it cannot even attest to the peaceful nature of Iran's nuclear program. And furthermore, within a few years, key parts of the JCPOA that ostensibly limit certain elements of Iran's nuclear program are going to expire. So this box offered by the JCPOA is more like a wet paper bag.

Then there is the notion that once the Administration lifts sanctions on Iran then Iran will enter into negotiations for a longer and stronger deal. It is completely unreasonable to believe that Iran will grant concessions to the West after the United States gives up its primary form of leverage on Iran, which is sanctions. And that is especially true given that the new Iranian president, a hardliner who ordered the extrajudicial killings of thousands of political prisoners in 1988 and who is currently under U.S. sanctions, has stated clearly he opposes even talking with the U.S. about limiting Iran's ballistic missile program and its support for terrorist groups.

Now I recognize that neither of you are going to be able to dictate the Administration's policy with respect to the JCPOA, but the status of U.S. sanctions against Iran are at the heart of these negotiations. And, if confirmed, you both will play critical roles in enforcing U.S. sanctions around the world that are an essential and vital part of our foreign policy as such. I think you need to defend the process by which, and the people through whom, we implement these sanctions.

Now unfortunately, last month, an unnamed senior State Department official—but this is on the State Department's web site—suggested to reporters that sanctions imposed by the Trump administration against Iranian entities for terrorist activities were done illegally and without any evidentiary basis. This is a reckless and dangerous comment. And I mention this because it opens up our entire sanctions regime to legal challenges when a senior State Department official says they were imposed illegally. This is a clear instance where your leadership can make a big difference. In the absence of compelling evidence to the contrary, you should pub-

lically make clear that no terrorism sanctions imposed under the previous Administration were done illegitimately.

So, Mr. Chairman, Iran is one of many of our national security challenges facing our Nation. It is one in which the witnesses today will have an important role.

In this hearing, I hope to hear from both of you candid and straightforward views on these and other issues. And, if confirmed, it is critical that you swiftly take up Treasury's important work to advance this important national security interest. Thank you.

Chairman BROWN. Thank you, Senator Toomey.

I want to welcome Senators Leahy and Padilla to today's hearing, each of whom wanted to be here in person to introduce the nominees from their States, with whom they have had a strong relationship and, in Senator Leahy's case, a long, longstanding relationship.

Senator Padilla will introduce Mr. Nelson. Then Senator Leahy will introduce Ms. Rosenberg. If the Senators need to leave after their introductions, they may certainly, if they need to. They may want to stay for the openings; that is OK as well. Once they are finished with the introductions, the nominees will be sworn in and will deliver their opening statements.

Senator Padilla, you may begin.

Senator PADILLA. Thank you, Chairman Brown and Ranking Member Toomey, for the opportunity to introduce Mr. Brian Nelson from the great State of California as President Biden's nominee for Terrorism—excuse me, to be the Under Secretary for Terrorism and Financial Intelligence at the Department of Treasury. The Office of Terrorism and Financial Intelligence upholds the integrity of our financial system and protections our Nation from security threats.

President Biden has committed to tackling corruption as an economic and national security priority, and he has set an ambitious agenda to curb illicit finance, improve accountability, and strengthen international partnerships to combat bad actors. Mr. Nelson is the right person to lead the Treasury Department's efforts to carry out these critical objectives.

Mr. Nelson is a dedicated public servant. Before joining the Organizing Committee for the 2028 Olympic and Paralympic Games in Los Angeles, he served in a senior role in the California Department of Justice. There, he led efforts to thwart human traffickers, crack down on transnational criminal organizations, and partnered with other States and foreign Nations to prevent criminal activity. Mr. Nelson has also served in the United States Department of Justice, where he was the National Security Division's Deputy Chief of Staff, and in that role he oversaw the division's work to ensure foreign investments do not have adverse law enforcement, national security, or public safety implications.

Mr. Nelson will bring his expertise and dedication to the Treasury Department's critical work of protecting our financial system. I strongly support Mr. Nelson's nomination, and I urge you to do the same. Thank you.

Chairman BROWN. Thank you, Senator Padilla.

Senator Leahy, welcome.

Senator LEAHY. Thank you very much, Mr. Chairman. I am glad you are having the hearing, but I also appreciate the opportunity to introduce Elizabeth Rosenberg, who is here right beside me. Her husband is sitting directly behind me. She is the President's nominee to be the next Assistant Secretary of the Treasury for Terrorist Financing, Financial Crimes.

As you can imagine, I am proud she is from Middlebury, Vermont. And she graduated Phi Beta Kappa from Oberlin College. I think in the Phi Beta Kappa from Oberlin she was anticipating the fact that she would appear before you 20 years later as chair. She obtained her master's degree from New York University.

I am always glad to be with another Vermonter, but this one is extraordinary. She serves as counselor to the deputy secretary of the Treasury. She guides and oversees the development of major policy, previously served as senior fellow and director of the Energy, Economics, and Security Program at the Center for a New American Security.

You have all this, and I am going to put the—my whole statement in the record so you can go on with this. But, you know, she speaks multiple languages, widely published. She has testified before this Committee before as an expert.

What often is not mentioned, her first position in Government was as a Senate page back in 1994. I had nominated her for that. She watched the floor debates. She watched how we incorporate constituent feedback.

And I would like to think, Ms. Rosenberg, that it helped light that fire, not that you really needed to have anything lighted.

But she will be, if confirmed, responsible for guiding anti-money laundering, anticorruption. I could go on forever. This is one of the most amazing people I have seen over my years representing our State of Vermont, and I strongly support her, and I will certainly be doing everything possible to move her confirmation on the floor.

Thank you, Mr. Chairman.

Chairman BROWN. Thank you, Senator Leahy.

Would the witnesses please rise and raise their right hands? Do you swear or affirm that the testimony you are about to give is the truth, the whole truth and nothing but the truth, so help you, God. Do you agree to appear and testify before any duly constituted committee of the Senate?

Mr. NELSON. I do.

Ms. ROSENBERG. I do.

Chairman BROWN. Thank you. Please be seated.

Mr. Nelson, you may begin your testimony.

**TESTIMONY OF BRIAN EDDIE NELSON, OF CALIFORNIA, TO BE
UNDER SECRETARY FOR TERRORISM AND FINANCIAL
CRIMES, DEPARTMENT OF THE TREASURY**

Mr. NELSON. Here we go. Chairman Brown, Ranking Member Toomey, and Members of the Committee, it is privilege to come before you today as President Biden's nominee for Under Secretary of the Treasury for Terrorism and Financial Crimes. Thank you to Senator Padilla for his generous introduction. I also want to thank President Biden, Vice President Harris, and Secretary Yellen for placing their confidence in me.

I am joined today by my parents, Eddie and Carol, and they have been loving role models for me and my brother. I also want to especially thank my wife, Lane, for her support and shared commitment to public service. I am so proud of her service through this pandemic as the chief executive of our home city, which is why she is unable to join me here today. She is also my partner in raising our wonderful son, 7-year-old Drew.

Respect for service has guided my family across generations. In 1906, my great grandfather became the first African-American letter carrier of a small Mississippi town. His life was threatened for integrating the postal service, but his courage inspired a commitment to civic pursuits that spread among his seven children and endures today.

My grandfather, Waymon Eddie Nelson, went on to serve in both World War II and the Korean War, and my father also served in the military before becoming an air traffic controller.

My mother's father, Thomas George Lyle, also spent much of his professional life as a letter carrier, and he motivated his children to pursue rich, community-oriented lives. His daughters found—his daughters found careers in public education, and his youngest, my mother, was a special education, elementary school teacher for her career.

My parents' careers were stressful and demanding, but they approached their roles with dedication, proud of the contributions they made to our broader community. If I am confirmed, I will undertake the responsibilities of the under secretary with that same dedication.

I am keenly aware of the critical responsibilities associated with the role of under secretary. I am humbled by this nomination to lead Treasury's efforts to disrupt and sever lines of financial support for threats to our national security, domestically and around the globe, and to strengthen the integrity of the U.S. financial system. The work of Treasury's dedicated and skilled intelligence and enforcement personnel is on the front lines of our effort to protect the American homeland and American interests against terrorists, criminals, and other malign actors, including cybercriminals perpetrating ransomware attacks. If confirmed, I look forward to working with these dedicated men and women and in collaboration with others across our Government, our private sector, and with our foreign partners in this effort.

Over my career, I have had the privilege to support the country's national security mission in the public, private, and nonprofit sectors. Earlier in my career, I served as a special counsel and then as deputy chief of staff of the National Security Division of the U.S. Department of Justice. One of my core responsibilities was to oversee the economic national security work of the division's Foreign Investment Review staff, which participates in the Treasury-led Committee on Foreign Investment in the United States. In that work, I came to understand the critical role of economic and financial tools in supporting our national security.

Following my leadership at the Justice Department, I held senior roles in the California Department of Justice, including as policy chief. As policy chief, I led and executed efforts to combat transnational criminal organizations, dismantle human trafficking

networks, and build State and international partnerships to stop money laundering and cybercrimes. I worked directly with my Mexican counterparts and other leaders in the Mexican Government to coordinate these efforts.

Most recently, I served as a senior executive on the Organizing Committee for the 2028 Olympic and Paralympic Games in Los Angeles. In this role, I currently direct the efforts to make the 2028 Games secure across all levels of Government. This has been an extensive planning and coordination effort because we anticipate it will be the largest peacetime event in world history.

If confirmed, I look forward to working with Members of this Committee on a bipartisan basis to advance our shared interests in supporting and empowering the talented group of national security professionals who are safeguarding our financial system against illicit use and combating terrorist facilitators, proliferators, and others who seek to harm the United States.

Thank you very much for your time and consideration, and I look forward to your questions.

Chairman BROWN. Thank you, Mr. Nelson.

Ms. Rosenberg, you are recognized. Thank you.

TESTIMONY OF ELIZABETH ROSENBERG, OF VERMONT, TO BE ASSISTANT SECRETARY FOR TERRORIST FINANCING, DEPARTMENT OF THE TREASURY

Ms. ROSENBERG. Chairman Brown, Ranking Member Toomey, and Members of the Committee, it is a privilege to appear before you today. I am grateful to the Committee for consideration of my nomination. And I would like to thank President Biden, Vice President Harris, Secretary Yellen, and Deputy Secretary Adeyemo for placing their confidence in me. In addition, I would like to thank Senator Leahy for his very kind introduction.

On a personal note, I would like to thank my family for their invaluable support: my children, Sophie, Annie, and Alex, and my husband, Jonathan, who is here with me today and whose love, help, and encouragement makes it possible for me to be in the position to undertake the responsibilities associated with the role for which I have been nominated.

I would also like to acknowledge my brother, Eli, as well as my parents, Jean and David Rosenberg, none of whom were able to join me here today but who were my first teachers of foreign policy, economics, and the necessity of working for democracy, peace, and human rights. Also, my grandmother, Eleanor Gibson, and my great aunt, Emily Jack, who, as dedicated professionals at a time when it was rare for women to be in their lines of work, were powerful examples of diligence and courage to contribute to scientific advancement and to national security.

In coming before the Committee today, I am aware of the significant responsibilities of the assistant secretary for terrorist financing, leading the office that formulates and coordinates counterterrorist financing and anti-money laundering efforts of the Department of the Treasury. This work requires close collaboration with Congress, across the Executive branch, and with foreign counterparts, the private sector, and civil society. It directly supports U.S. goals of strengthening the integrity of our financial system and fa-

cilitating a robust economic recovery. The work serves to protect financial institutions and systems of monetary exchange from illicit finance and abuse by terrorists, criminals, kleptocrats, and those who threaten our peace and security. It also directly and immediately advances core U.S. foreign policy interests, including as related to Russia, China, Iran, North Korea, and other security threats.

The intertwined nature of U.S. economic strength and national security requires a creative, rigorous, and targeted approach and the use of economic instruments to advance U.S. interests. Now, in an era when Treasury's financial tools are often looked to as a first resort to combat threats, and when the United States faces significant international competition, a carefully calibrated, strategic approach to anti-money laundering and the use of financial measures is more important than ever, and so too is a commitment to work with allies and partners in advancing this critical work.

Since 2009, when I joined the office I have now been nominated to lead, I dedicated myself to advancing anti-money laundering and counterterrorist financing policy and crafting targeted strategies for the use of sanctions. I am grateful for the opportunities I have had to learn from the policy pioneers of the contemporary U.S. approach to anti-money laundering and counterterrorist financing efforts. They include Democrats and Republicans, former senior officials at the Department of the Treasury, and congressional leaders, many of whom have served and do serve on this Committee. They also include the hardworking, expert Treasury career staff.

Leading the economics and national security program at the Center for a New American Security for 8 years, I benefited from exposure to a wide array of stakeholder perspectives on anti-money laundering, illicit finance, and sanctions policy, including and beyond the U.S. Government. I engaged with representatives from civil society, the private sector, and the diplomatic community to learn their views on these policy issues.

I have been honored to testify before Congress and brief bipartisan groups of members and congressional staff on anti-money laundering, sanctions, and national security policy on several occasions. And, if confirmed, I intend to continue this collaborative engagement with Congress to advance our shared economic and security interests.

In closing, I want to once again thank the Committee for its consideration of my nomination, and I would be pleased to answer any questions you may have.

Chairman BROWN. Thank you, Ms. Rosenberg.

Mr. Nelson, no question about your qualifications or your experience or your knowledge on human trafficking, money laundering, terrorism, other issues, but share with us your priorities and your vision for TFI on sanctions and countering money laundering, on terrorism financing.

Mr. NELSON. Thank you for that question, Mr. Chairman, and thank you for the time and the frank conversation this week.

You know, my vision for TFI is really informed by a couple of things. One, I think recognizing that there has not been a confirmed leader of TFI for almost 2 years now. So really, I think the

first piece of action is to get to work advocating for the tools that we have, that TFI has, and to your point, Senator Toomey, making sure that we are advocating for the voices and the work of the dedicated professionals that are doing that work and that that is seen and felt throughout the interagency with our foreign partners and obviously with this Committee and Congress.

Two, my real introduction into how impactful the tool of countering the financing of terrorism came at the National Security Division. And when I arrived at NSD, it was at—it was really at a time when, in 2009, we were seeing terrorist plots that were being directed by foreign terrorist organizations like al Qaeda here in the United States. And what we saw and what I observed over the two-and-a-half years that I was there is that that opportunity for these foreign terrorists organizations to direct terrorist plots in the United States, in our homeland, was significantly degraded, and the reason for that was because of the execution of the countering of financing terrorism that TFI led. And I know that that work has saved American lives, and I know how important it is to execute against that tool.

So one of the very first things that I will want to do is participate in the ongoing sanctions review that is being led by the Treasury secretary and the deputy Treasury secretary to make sure that we are making that tool, that incredibly powerful tool of our foreign policy and national security, as effective and targeted as possible while managing and mitigating unintended consequences.

The second piece of my experience that I think relates directly to my vision and my priority for TFI comes from the California Department of Justice. And when I was the policy chief in the California Department of Justice we did a review of the threat posed to us by transnational criminal organizations. In the context of that review, what we assessed is one of the reasons transnational criminal organizations were so interested in California was for many of the reasons that they are interested in and are using our financial systems, which is big and open and global.

So really looking at the preventive tools and advancing our preventive tools, anti-money laundering and other tools, much like TFI, to really harden our systems in California is something I worked on. And that, obviously in the context of the Anti-Money Laundering Act and its implementation, is something that I want to prioritize and work hard with the leaders at FinCEN to land well.

So I will—I will stop there. Obviously, there are a lot of subject matter and substantive issues I would want to tackle as the under secretary if I am so fortunate to be confirmed, but those are—

Chairman BROWN. Thank you for Mr. Nelson.

Ms. Rosenberg, near the end of the last Congress, we passed the bipartisan Anti-Money Laundering Act and Corporate Transparency Act to strong support from Senator Crapo, then the chair of this Committee and the support of this whole Committee. Which of the many new requirements of the new law, in addition to establishing—two questions I have for you. Which of the new requirements in addition to establishing the beneficial ownership database, should be our top priority? And second question, what should

be the Treasury's priorities to implement the law most efficiently and effectively?

Ms. ROSENBERG. Thank you for that question. Here we go. There are a variety of—I would like to recognize the leadership from this Committee and from many others in Congress who brought forward that piece of legislation, which meaningfully strengthened the anti-money laundering legal basis for our country and also empowers those individuals who implement and enforce it.

There are a variety of very significant provisions, as you all know, within that law that have the effect of—the complementary of significantly strengthening the overall AML regime. I would like to point to the fact that Secretary Yellen has particularly—has given particular focus and attention to the beneficial ownership database and the activities associated with setting that up, including the rulemaking, the technology, the procurement, the staffing. And if I am confirmed, I would look forward to supporting that effort.

With regard to your second question, and Treasury is the prioritization there, of course, the requirements associated with this piece of legislation are meaningful and require resources and support in order to execute them. That is an area that Secretary Yellen and Deputy Secretary Adeyemo have called out, particularly looking forward to appropriately resourcing those provisions in order to be able to carry them out to the full extent, and that is something I would seek to support if confirmed.

Chairman BROWN. Thank you.

Senator Toomey.

Senator TOOMEY. Thank you, Mr. Chairman.

Ms. Rosenberg, in 2016, you wrote, "Using sanctions to address non-nuclear concerns with Iran is distinct from oversight of the nuclear deal." Now we had a nice conversation last week, and I recall I think you confirmed that that is still your view, but I would like to get it on record and out in the open here.

And I think this is a yes-or-no question; I certainly hope so. And that is: Do you still maintain and agree that terrorism sanctions on Iranian entities are not inherently inconsistent with the JCPOA?

Ms. ROSENBERG. Senator, thank you for the question and thank you also for taking the time to speak with me prior to this hearing. I support the position that the United States must hold Iran accountable for its support for terrorism and its destabilization in the region. That is something that can occur outside of any nuclear deal should the United States reenter it.

Senator TOOMEY. OK. So I would take that as a "yes."

Mr. Nelson, you stress the importance of fighting terrorism. So really, I would ask you to provide hopefully a yes-or-no answer to the same question. Do you agree that terrorism sanctions on Iranian entities are not inherently inconsistent with the JCPOA?

Mr. NELSON. I do.

Senator TOOMEY. Thank you. Now earlier, when I made my remarks, I highlighted a recent statement from an unnamed "senior State department official," suggesting that terrorism sanctions imposed by the previous Administration were done illegally and without any evidentiary basis.

So first, for Ms. Rosenberg, I know you are a counselor to the deputy secretary of Treasury now. Again, I think this is a simple yes-or-no question. Are you personally aware of any evidence that those sanctions were imposed illegitimately?

Ms. ROSENBERG. No, Senator, I am not.

Senator TOOMEY. OK. That being the case, I would be very grateful if you would commit to within, say, 7 days of your confirmation, if you could confirm that these sanctions were in fact imposed legitimately.

And, Mr. Nelson, I would ask you to join in that effort.

I just think it is extremely important when somebody maligns the character of the expert Treasury staff that went through the proper procedure, went through the process, and came to this conclusion, their work should not be maligned this way, and I think your voices are important to affirm that.

Next point, Nord Stream 2 AG is a company owned and operated by Russia's largest State-owned oil and gas company, Gazprom. Now according to its own web site, Nord Stream 2 AG is responsible, "for planning, construction, and subsequent operation of the Nord Stream 2 pipeline."

Now the State Department has reported that Nord Stream 2 AG is using a Russian pipe-laying contractor. And I will mispronounce the name, but I will call it Koksokhimtrans. And they are using this contractor, essentially a subcontractor, on this project. Now it is notable because Koksokhimtrans was sanctioned by the U.S. Treasury in 2016 for its involvement in Russia's invasion of Crimea.

Now all of this is important because under Section 228 of CAATSA Nord Stream 2 AG has to be sanctioned if it is facilitating a significant transaction with a sanctioned entity, and it clearly appears to be doing exactly that with Koksokhimtrans.

So, Ms. Rosenberg, my question for you—I know you are leading a systemic review of the Treasury sanction. Can you explain to us why Nord Stream 2 AG has not been sanctioned under CAATSA despite the clear language of that legislation requiring it?

Ms. ROSENBERG. Thank you for the opportunity to speak to this issue, and I would like to recognize the leadership from this Committee that brought forward legislation, including authorities that you are referencing here and CAATSA, as well as other ones related to Nord Stream 2. I share a deep concern about Russia's potential to destabilize energy security in Europe and particularly to target Ukraine if there is a cessation of natural gas there facilitated by additional support—additional flow of gas through the Nord Stream pipeline.

I am not in the position to have examined the facts and circumstances about whether there is a—the institute—the entity that you have named would meet criteria or threshold for designation, but if I am confirmed, I would—I can commit to you that I would look into that and would gladly come and follow up with you about that question.

Senator TOOMEY. So I guess it is my same point as last time. I would appreciate if you would reply in writing, if both of you would reply to this question, because my reading of the statute is very straightforward; it requires the sanctioning. The sanction can then

subsequently be waived, but there is a process that we need to go through. And it involves Congress, and it is important.

I do have one other quick question, Mr. Chairman, if I could, and that is in recent months Iranian oil shipments to China has, by all accounts, gone through the roof. It could be approximately 600,000 barrels per day at this point. By all accounts, China has been openly violating U.S. law with impunity because they are importing illicit Iranian oil.

So my question to both of you: First, do you acknowledge that it is a problem to have China flagrantly violating our sanctions law? And, is it not the case that if adversaries perceive that the U.S. is unwilling to enforce our own sanctions, then they are going to violate the sanctions?

Mr. NELSON. Senator, obviously, I am not in the Government. I would welcome the opportunity, if I am confirmed, to be briefed on this incredibly important issue, but predicate, assuming there are violations, then I would—I would agree we need to act appropriately.

Ms. ROSENBERG. Senator, I would certainly agree that violating U.S. sanctions law is a problem and something that if I were to be confirmed would be something I would look into and seek to address, furthermore, that the credibility and strength of U.S. sanctions depends on their effective implementation and enforcement.

Senator TOOMEY. Well, thank you very much, Mr. Chairman. Thanks for your indulgence.

And I am going to send both of you a QFR in writing about a recent Financial Action Task Force guidance involving cryptocurrencies and personal digital assets.

So thank you, Mr. Chairman.

Chairman BROWN. Thank you.

Senator Menendez, from New Jersey, is recognized.

Senator MENENDEZ. Thank you, Mr. Chair.

Congratulations to both of your nominations.

In my other role as the chairman of the Senate Foreign Relations Committee, the question of sanctions is one of the critical tools that we use in our foreign policy in order to get countries who are violating the international order to observe it or to get in line with it or to create consequences for those who are unwilling to get in line with it. And it is one of the few peaceful diplomacy tools that we have. Other countries, like Russia, use their military to engage in their foreign policy advocacy. We do not do that as a democracy.

So your two positions are incredibly important, and I have to be honest with you. With me personally, how you respond is going to be critical to my support for your nominations because this is one of the critical areas that I think is important and I think is lacking. So I give you that as a framework warning.

And I will have more questions that this 5 minutes allows me to. So I will submit some of them for the record. I would ask you to be significant in your answers. If I get the typical answer I get in a QFR, it will not garner my support. So I would like to see substantive answers.

With that as a framework, CAATSA, which I helped write, remains the law of the land and provides a congressionally mandated sanctions framework on Russia. The Trump administration ignored

many of its mandatory—underline “mandatory”—provisions, much to the consternation of many of us in the Senate. And I would just remind you that this legislation passed 98–2. So if a simple yes or no would do, do I have each of your commitment that you will fully implement all mandatory provisions of the law?

Mr. NELSON. Yes.

Ms. ROSENBERG. Yes, Senator.

Senator MENENDEZ. Now I believe that pressure on Russia’s oligarchs could have an impact on the Kremlin’s decisionmaking calculus and have supported blocking sanctions on them in close coordination with our European allies. Do I have your commitment to fully review the list of sanctions targets proposed by Alexei Navalny’s organization earlier this year?

Mr. NELSON. Yes. And thank you for your long leadership in that area.

Ms. ROSENBERG. Yes, Senator. And I would welcome the opportunity, if confirmed, to look broadly at potential sanctions targets, individuals, entities that may be eligible for such designation.

Senator MENENDEZ. Now the Trump administration negotiated a memorandum of understanding that eased sanctions on Russia oligarch Oleg Deripaska. I was opposed to the easing of those sanctions, but it is critically important that all terms of this agreement be fully met by Deripaska. So again, yes or no, if he does not abide by its terms, would you support the reimposition of sanctions on him?

Mr. NELSON. If confirmed, yes, I will look at that and to your point, yes, if he is not abiding by the terms.

Ms. ROSENBERG. Yes, Senator, I will certainly look into this and consider any available and appropriate measures to address the threats that he—

Senator MENENDEZ. OK. I appreciate you both looking into it. My specific question is the reimposition of sanctions if he does not meet the terms. Here is our problem, and I want to echo what the Ranking Member said. China is—I can tell you. You may not know, or you may know but figured you cannot have to deal with until you get confirmed. China is fully violating our sanctions. Over a billion dollars.

So when we send a global message that it is OK to go ahead and violate U.S. sanctions, then every other country will. And so we neuter the one foreign policy tool that we have of peaceful diplomacy. It is not acceptable, not to mention that it violates congressional will, specifically. Specifically. It is not a—it is not a “may.” It is a “shall.” So there is a reason we put “shall.”

And yes, sometimes there are waivers, and that is up to the Administration to do that. But it starts off with a “shall.”

Let me ask you this. How would you approach—there is—you know. My understanding there are soon to be completed negotiations on the Iran nuclear deal. If the United States reaches an agreement with Iran on its nuclear program, how would you approach the sanctions on the Central Bank of Iran that the Trump administration imposed?

For example, there are those who would advocate just lifting the sanctions as part of a deal in its totality. But is it not possible to consider specific licenses in which the central bank does not get a

total wash but actually would have specific licenses to do certain things that are otherwise sanctionable?

Mr. NELSON. Senator, thank you for that question. I am obviously not in the Government yet, but again, I am happy to look at that and would be very happy to continue to talk to you about what good strategies are both to protect the overall sanctity of our sanctions program and their effectiveness, which again appreciating your long leadership in this area, and specifically on how to address the Iranian central bank.

Senator MENENDEZ. Is it not possible—and I will close on this, Mr. Chairman—to consider a specific license versus an overall lifting? I mean as a procedural matter, forgetting about the policy or whether the Administration will tell you to do that or not.

Mr. NELSON. Well, you know, as you know, we do have the authority to provide licenses under certain circumstances. So I would need to talk with OFAC leadership about the specifics.

Senator MENENDEZ. Ms. Rosenberg, can you just answer that one question?

Ms. ROSENBERG. Senator, I appreciate the creativity and insight that you open here in thinking about various tools that the U.S. Government may have in seeking to hold Iran accountable. I believe that is an option.

Senator MENENDEZ. Yes. I am going to have very specific questions. Again, I want to urge you—I would like to be supportive, but your views on these are going to really dictate my support. Thank you very much.

Chairman BROWN. Thanks.

Senator Hagerty, of Tennessee, is recognized for 5 minutes.

Senator HAGERTY. Thank you. Thank you, Mr. Chairman; thank you, Ranking Member Toomey, for holding this hearing.

And congratulations to the two of you for your nomination.

I would just like to note at the start that America's financial markets are the envy of the world. We work very hard to create the most liquid, the most efficient, the greatest provider of low cost capital in the world. And it is a privilege to access the American capital markets, and those that would act against U.S. interest should clearly be denied that privilege. That is the important role that the two of you are undertaking today.

And I want to echo Senator Menendez's comments. This is a critical tool of diplomacy that the two of you are going to be in a position to exercise.

I think, both Mr. Nelson and Ms. Rosenberg, if you are confirmed, I think we will have opportunity to work closely together on matters of national security, on safeguarding our financial system, and constricting our enemies' access to a financial life blood that they may use to our detriment.

I would like to come back and follow up on something that Ranking Member Toomey highlighted, and that is very reckless commentary by a member of the State Department, the Biden administration State Department, back in April, that the sanctions that were issued by the Trump administration were illegitimate somehow. Let me tell you I worked my heart out in the last Administration to impose sanctions on Iran, to get Japan to stop buying Iranian oil. Iran is the largest State sponsor of terror in the world.

I want to ask both of you, first Mr. Nelson, then Ms. Rosenberg, do you think that those sanctions were illegitimate?

Mr. NELSON. Thank you. Thank you, Senator, and thank you for the meeting and the time and the frank conversation. I am not in the Government now, but I can speak from my experience when I was at the National Security Division, working with the dedicated career staff at Treasury. And I have every reason to believe that they are not only incredible public servants but incredibly diligent in their work, and that was my experience of them. And I would have no reason to question the evidentiary basis of any of the packages, sanction packages, that they produce.

And I would also just want to note that it would be really a wonderful opportunity to continue to think about and work together on how we can combat and address, through our sanctions programs and other tools, Iran's ongoing facilitation of terrorism, their support for terrorist proxies and other malign acts. And I would welcome the opportunity to work on those issues with you.

Senator HAGERTY. Thank you, Mr. Nelson.

Ms. Rosenberg.

Ms. ROSENBERG. Thank you, Senator, for the opportunity to share with you my views that the dedicated, excellent staff at Treasury, who work on targeting, investigations, licensing, enforcement, have conducted themselves in an—in an excellent fashion and have implemented their sanctions in this portfolio and in others with great integrity.

Senator HAGERTY. Well, beyond impinging the character of those who did this hard work, as Senator Toomey underlined, it also runs the risk when we have this sort of reckless comments coming from State Department officials, or any other officials in the Administration—when they comment that our sanctions are somehow illegitimate or illegal, it exposes our entire sanctions framework to legal challenge, which again would be very much to the detriment of U.S. Government activities and our efforts to impose sanctions, again a great diplomatic tool, as highlighted by Senator Menendez. So I appreciate the fact that you agree with me that that was a reckless statement and that you would act accordingly to uphold that.

I would also like to ask both of you, first Mr. Nelson, then Ms. Rosenberg, if you would commit to total transparency with this Committee about the Biden administration's financial dealings with our adversaries, and here I am thinking about the pallets of cash that we saw going to Iran. Mr. Nelson.

Mr. NELSON. Thank you for that question, Senator. You look—I think the Committee's oversight responsibility is incredibly important, and I would—I would communicate about that and every other issue within its jurisdiction as appropriate to the extent that I can.

Senator HAGERTY. Thank you.

Ms. ROSENBERG. Senator, I can commit to transparency, and full and frank exchange, with this Committee if confirmed.

Senator HAGERTY. Thank you.

Thank you, Mr. Chairman.

Chairman BROWN. Thank you, Senator.

Senator Cortez Masto, from Nevada, is recognized for 5 minutes.

Senator CORTEZ MASTO. Thank you, Mr. Chairman.

Congratulations to both nominees. Welcome. Congratulations and welcome to your families as well.

Let me start with cryptocurrency fraud, to both of you. As you well know, money laundering, tax evasion, terrorist financing, and fraud follow these privately created and managed currencies. If confirmed, how will you work with Federal regulators to limit the damage done by cryptoheists? And, Mr. Nelson, let me start with you.

Mr. NELSON. Thank you for that question, Senator Masto. Obviously, this is a—this is an issue that was of—has been of great concern for some time now, and it is reflected in the new Anti-Money Laundering Act that this Committee really championed. And if I am confirmed, I will prioritize implementing the pieces of that piece of legislation, including new regulations around cryptocurrency. I think that legislation provided new authorities or clarified the law that cryptocurrencies, or currency in whatever form, be it virtual or fiat, is covered by the Bank—the Bank Secrecy Act, which is a powerful tool to allow FinCEN to ensure that, again, no matter the form of the currency that they have the tools to regulate.

And I think the other really powerful piece of that legislation is that it reflected a balancing of regulating to prevent virtual currency and other types of new technology from undermining our anti-money laundering system while also being respectful of the fact that we need to support responsible innovation and preserve that here in the United States and not see that market and opportunity leave the country. So again, I know this is a space that FinCEN and the leadership at FinCEN have been active in for a long time, and additionally, it is—will be the work of TFFC and others within TFI to really rally our global partners so that we have one consistent standard across the world.

Senator CORTEZ MASTO. Thank you.

Ms. Rosenberg.

Ms. ROSENBERG. Thank you. You have mentioned these crypto heists, this threat which hurts people, and it hurts institutions. And if confirmed, I would welcome the opportunity to examine our AML/CFT regime which, as Mr. Nelson points out, applies to currency and financial institutions regardless of whether they are brick and mortar or if they are of this new and emerging fashion of technologies such as you have referenced. That is work that must be undertaken in close collaboration with those of—those colleagues of the AML professionals and leaders in our Government, who work on financial stability and on consumer protection. And I would seek to, if confirmed, ensure that the regulatory regime that applies to cryptocurrency, for example, is appropriate and consistent across these various areas of regulation.

Senator CORTEZ MASTO. And do either one of you see work with international law enforcement, with other Nations, to address this issue as well, and could you talk about that?

Ms. ROSENBERG. Absolutely, Senator. Something that TFFC, the office that I am nominated to lead, is very important in doing is coordinating with international counterparts and seeking to support, assist, and educate counterpart jurisdictions, financial regu-

lators, and leaders to implement the appropriate laws and controls. And frankly, without that kind of collaboration and without other countries having the appropriate regulatory framework, it is all too easy for criminals to avoid U.S. jurisdiction and conduct their illegitimate and criminal activity from another jurisdiction. So that kind of international coordination is absolutely essential to understanding and getting after the risk that exists with cryptocurrencies.

Senator CORTEZ MASTO. Thank you.

Mr. Nelson, anything further?

Mr. NELSON. No. Just, you know, one other note is thinking about it in the context of the new cybersecurity tools the President, through his Executive order, and there will be opportunities to work with law enforcement and take actions with those tools as well. So.

Senator CORTEZ MASTO. Thank you. And you both touched on this, and we have been talking about this. But I was able to work with my colleagues, Senators Cassidy, Moran, Sinema, Warren, on the Financial Crimes Enforcement Network Improvement Act, and that was included in the Anti-Money Laundering Act. And this bill gives FinCEN the authority to work with Tribal governments, to monitor digital currency and investigate financial issues related to domestic terrorism. It is new tools for FinCEN, and I am hopeful that recognizing these new tools that we are also ensuring that FinCEN is carrying out those and implementing that law.

So please—and this is a follow-up, and I am out of time, but I want to make sure that we are—FinCEN is partnering with our Tribal governments to address possible criminal or terrorist financing. As you well know, Mr. Nelson, we have seen this type of activity domestically, and this is what is really driving the work around this for me with respect to FinCEN.

So my time is up. We will submit—I will submit additional questions. But thank you again, and congratulations on your nominations.

Mr. NELSON. Thank you, Senator.

Chairman BROWN. Thank you, Senator Cortez Masto.

Senator Lummis, from Wyoming, is recognized for 5 minutes.

Senator LUMMIS. Thank you, Mr. Chairman.

Mr. Nelson, I want to concentrate on cryptocurrency, too, and draw your attention to the recent Colonial Pipeline ransomware saga. Our law enforcement agencies were able to recover about 85 percent of the digital assets paid as ransomware within 2 weeks of the initial breach. One of the reasons that we were able to accomplish this was through the use of digital asset analytics providers, like Chainalysis, Elliptic, and Cyber Trace, which are highly effective in harnessing data available on distributed ledgers. Research from one of those firms highlights that illicit activity in the digital assets spaces has decreased from 2 percent in 2019 to 0.34 percent in 2020, which is much less than the amount of illicit cash activity each year.

So my question to you, Mr. Nelson, is: Is not the Colonial Pipeline ransomware saga and other recent prosecutions demonstrative of how far the investigatory tools of law enforcement have come in the digital assets space?

Mr. NELSON. Thank you. Thank you for that very salient question at this moment. I am not in the Government, so I am not—I do not know exactly what tools FinCEN has at their disposal today. I do know that they are actively engaged on this question with—through their Bank Secrecy Act advisory group, where they engage with industry about tools to help support their AML/CFT mission. And I can commit to you that, if confirmed, I will be briefed on understanding what tools FinCEN does have, and will be very happy to come back to you and continue to discuss that with you, and ensure that they are aware of all of the tools that area available out in the marketplace.

Senator LUMMIS. Thanks, Mr. Nelson. It seems to me like we would still be working on recovering this money if it was done by wire transfer or other traditional payment rails. So there are real advancements in this space of which many people, I think, are unaware.

Mr. Nelson, I want to urge you and my colleagues to remember that all digital assets are not alike. It is pretty straightforward to investigators in digital assets like Bitcoin to comply with AML/BSA laws, for example. However, it is very difficult for users of Monero, for example, to comply with the law. The Monero white paper even states that other digital assets have “critical flaws”—they call them “flaws”—in that they leave a highly visible trail of transactions on a blockchain, which Monero does not do.

So I would draw the Committee’s attention to an article in the *Financial Times* today that states that criminals are increasing moving away from digital assets like Bitcoin, Ethereum, and Cardano, and increasingly toward assets that have privacy enhancing features, like Monero.

Mr. Chairman, I ask for unanimous consent that this article from the *Financial Times* be entered into the record.

Chairman BROWN. Without objection, so ordered.

Senator LUMMIS. Thank you, Mr. Chairman.

So, Mr. Nelson, do you have any thoughts on how we should treat digital assets that comply with our Bank Secrecy Act and anti-money laundering laws and our sanctions laws versus those that cannot comply with the law?

Mr. NELSON. Thank you for that question, and if confirmed, I will—I will commit absolutely to studying the issue and engaging with FinCEN leadership on this question. You know, I think philosophically the way I would approach it is to be less focused on the technology but focused on crimes and criminals and using the tools that we have at TFI to drive out the crimes and the criminals and creating, obviously, space for appropriate use of our systems.

Senator LUMMIS. Thank you, Mr. Nelson. And, one last quick question. Can you talk a bit about your views on how responsible innovation can maintain U.S. economic leadership in the world? I refer specifically to China being in the final stages of developing its central bank digital currency and the European Union announcing the European Payments Initiative of 2020. We can be a global financial innovation leader, but it is privilege, not a right. So thanks for your comments and congratulations on your nomination.

Mr. NELSON. Thank you. I look forward to working with you, if confirmed.

Senator LUMMIS. Thank you.

Chairman BROWN. Senator Warren, working on her birthday, from Massachusetts.

Senator WARREN. Thank you, Mr. Chairman.

And congratulations to both of you on your nominations. Good to see you here today.

Money laundering is a massive problem in our financial system. According to the United Nations, as much as \$2 trillion is laundered globally each year. This is dirty money that criminal networks, scammers, corrupt oligarchs move through the banking system to evade the law.

Now last year, Congress took an important step in reforming our anti-money laundering rules and gave the Treasury Department significant new authorities to crack down on illicit finance, including requiring companies to disclose their true owners so that bad actors cannot hide behind the anonymity and funnel money through the country. You both are going to be in charge of writing the regulations to implement these changes. So I would like to start off by asking you, Ms. Rosenberg, what specifically will you do to ensure that Treasury and FinCEN are writing the strongest possible rules to stop illicit finance?

Ms. ROSENBERG. Thank you very much for the question. If confirmed, I would seek to be an active partner for colleagues at the Financial Crimes Enforcement Network, working on writing the rules. They have several very significant issues to consider, and on which they have sought feedback from some of the people who have written this law and other stakeholders, concerning the definition requirements for who files—

Senator WARREN. Yes.

Ms. ROSENBERG. —or who has access. And I would seek to be a strong partner in trying to get to the strongest, best piece of regulation possible.

Senator WARREN. Good. I like hearing this. You know, I think these steps are critical to making sure that the information that is provided by these companies is clear, comprehensive and easily accessible, but collecting this information is just part of the puzzle. Last year, documents obtained by BuzzFeed and the International Consortium of Investigative Journalists, known as the “FinCEN Files,” showed the extent to which giant banks have helped criminals launder money, evade sanctions, and commit other financial crimes.

Let us take HSBC, for example. After admitting in 2012 to allowing drug cartels to launder hundreds of millions of dollars through its branches, HSBC then helped another customer involved in a massive Ponzi scheme move the money it scammed from people even though there was evidence that the customer was engaged in illicit activity.

Mr. Nelson, was HSBC or any of its executives ever indicted by the Federal Government for these misdeeds.

Mr. NELSON. Not that I am aware of.

Senator WARREN. Nope, they were not. HSBC paid a fine and was put on probation, which did not stop it from continuing to help criminals launder money.

So, Mr. Nelson, let me ask you, do you support using every tool possible to hold financial institutions accountable, including criminal prosecutions for corporate executives?

Mr. NELSON. I do, Senator, and as you know—thank you for that question and thank you for your leadership in this area. And I have some experience of it from my work in California on mortgage service fraud. So I am very familiar with the structure and historically how difficult it is—has been to prosecute executives of servicing and other financial institutions.

I would note, you know, really from a Treasury perspective the front line is the supervisors and the examiners and making sure that they are well resourced. You and this Committee have provided a new tool and a much more significant whistleblower provision, and I think that will be really powerful to the extent we are able to make a case for willful violation of the Bank Secrecy Act. Obviously, the criminal prosecutions are possible under current law, but I know your—you and others are seeking to add new tools to allow that process.

Senator WARREN. Good.

Mr. NELSON. I thank you for your leadership.

Senator WARREN. I really appreciate that. I think it is very important. I like your approach to this.

You know, my Ending Too Big To Jail Act would go further, and it would require bank executives to certify that no fraud is occurring on their watch and then be held personally liable if that turns out not to be the case. It would also overhaul the use of deferred prosecution agreements that allow banks to avoid criminal penalties, and it would give FinCEN the ability to investigate criminal activity at banks on their own without having to rely on DOJ. If we want to put an end to money laundering, strong rules are not good enough. We need strong enforcement, and we need penalties with teeth to ensure that we have real reform and real accountability at the biggest financial institutions.

I look forward to supporting both of you and look forward to working with you on this.

Thank you, Mr. Chairman.

Chairman BROWN. Senator Tillis is recognized for 5 minutes, from North Carolina.

Senator TILLIS. Thank you, Mr. Chairman.

Mr. Nelson, Ms. Rosenberg, thank you for being here and congratulations on your nominations.

Ms. Rosenberg, I know—I believe—and I know some other members have asked you this question, but that you support reentering the Iran nuclear deal. And I think you may have gone so far as to write an article that was titled on the broader issue of dealing with Iran, that the maximum pressure on Iran will not work.

But since we implemented the maximum pressure campaign, if my statistics are correct, over two million barrels a day of Iranian oil were kept off the market, and over 30 countries who were regular buyers are no longer importing Iranian oil. And the IMF reports this campaign brought Iran's foreign reserves to just about \$4 billion.

As a State sponsor of terror, as a country that has just had another sham election, do you believe that we should apply pressure to Iran, just not through the JCPOA, and why?

Ms. ROSENBERG. Senator, thank you for the question. I have long been concerned about the threats that Iran presents to the United States and U.S. interest, and I very much appreciate that that is something that is a concern for many Members of this Committee and for Congress more generally. I, if I am lucky enough to be confirmed into this position, the position for which I have been nominated, would welcome the opportunity to think critically about the right policies, including sanctions, to hold Iran accountable for its support for terrorism, its regional destabilization, its concerning nuclear activity.

The Biden–Harris administration has said that it will reenter the Iran deal, remove sanctions, if Iran makes good on its nuclear concessions, and furthermore, that it will seek to hold Iran accountable for its support for terrorism. That is something I would, if confirmed, welcome the opportunity to work with you on, to fully understand your concerns and create a strong policy for our Government.

Senator TILLIS. Thank you. I see Mr. Nelson nodding. You generally agree with Ms. Rosenberg's response?

Mr. NELSON. I am not in the Government, but I generally agree.

Senator TILLIS. Good. I can conserve my time. I have got something that I am very interested in talking with you, Ms. Rosenberg, about. You have, in the past, talked about the export of LNG as a key strategic weapon to counter Russia's revenue making. Now we have Nord Stream 2 back online.

I met with several Ambassadors from that part of the world for dinner last night, and there was an interesting discussion, and one of their responses led me to believe that you have not really given us much choice.

I mean, we could be an exporter, a major exporter, of energy in this country, but with the cancellation of pipelines, the limits on what we are able to extract out of the United States, really makes even a policy—I am curious to see if you still believe that we should have exports, significant exports, of LNG to particular friendly countries. But do you still believe that that should be a priority, one, and how do we balance that against the Administration's really attack on domestic energy production since he has been in office for the last 6 months?

Ms. ROSENBERG. Thank you for the question. I have long been interested on a personal level in energy security and responsible stewardship of U.S. natural resources and, if confirmed into the position for which I am nominated, would be in the position to focus on anti–money laundering and sanctions policies, and would defer the setting of policy with regard to natural resource stewardship and natural gas to my colleagues in other agencies, Interior, Energy, with responsibility for that.

But I can appreciate the concerns that you have raised, particular with regard to Russia natural gas, Russia's potential to threaten energy security in Europe, and would, if confirmed, like to work with you and other Members of the Committee on that set of issues.

Senator TILLIS. OK. And just back to the Iran deal, when we talk about going back to the Iran deal, are we talking about the deal that prior Administration exited or something that looks different? And if it is something that looks different, would you think that it would be prudent for us to consider it rising to a level of a treaty so that it has enduring value versus only as good as the next Administration?

Ms. ROSENBERG. Thank you for the question. I am not party to the negotiations—

Senator TILLIS. Yes.

Ms. ROSENBERG. —that are occurring. So I, unfortunately, cannot speak to the parameters or the provisions, how it may be similar or dissimilar to the previous JCPOA, if it is agreed. But I—well, I know our time is short. I will—I could keep it there.

Senator TILLIS. Yes, I have got a couple questions for the record. Mr. Nelson, I am sorry I did not get to any questions for you. But again, congratulations to all and your families on this honor, and I wish you the very best.

Thank you, Mr. Chair.

Chairman BROWN. Thank you, Senator Tillis.

Senator Ossoff, from Georgia, is recognized for 5 minutes.

Senator OSSOFF. Thank you, Mr. Chairman, and thank you to our panelists. Congratulations on your nominations.

I would like to ask you both about the commitment that you can make as prospective leaders of OTFI to comply with requests for information from Congress. In addition to serving on the Banking Committee, I chair the Homeland Security Committee's Permanent Subcommittee on Investigations, and this Subcommittee, also known as PSI, has a long and productive history of working closely with the Treasury Department to investigate money laundering, sanctions evasion, and financial crime. And the Subcommittee often relies heavily on documents like Suspicious Activity Reports, or SARs, filed with FinCEN to do that work.

Unfortunately, in a recent review of the Permanent Subcommittee's efforts, I learned that at times in recent years the production of documents that Treasury typically provides to the Subcommittee swiftly and within days, instead, began to take months for the completion and production of those materials. And at one point Treasury officials even questioned the Subcommittee's need for, and ability to properly handle, SARs and intervene with private banks to try to block their compliance with subpoenas issued by the Subcommittee. Much of that has been ironed out, and luckily, a lot of progress was made in restoring the trusting and prompt and responsive working relationship between the Department and particularly OTFI and the Permanent Subcommittee on Investigations.

My question for each of you is: Will you commit to working with me and the staff of the Permanent Subcommittee on Investigations, as well as the Banking Committee, to ensure that documents requested by PSI are swiftly and appropriately provided by the Treasury Department so that we can do our important oversight work? I will start with you, please, Ms. Rosenberg.

Ms. ROSENBERG. Yes, Senator, I can commit to doing so.

Senator OSSOFF. Thank you.

Mr. NELSON. Thank you, Senator. Absolutely.

Senator OSSOFF. Thank you, Mr. Nelson. Appreciate that.

Ms. Rosenberg, regarding ransomware and the Anti-Money Laundering Act of 2020, curious whether you believe that the new authorities provided to Treasury by that legislation can be used to counter this proliferating ransomware threat. Oftentimes, the threat actor in a ransomware attack is financially motivated. So how could the Anti-Money Laundering Act, or perhaps other Federal statutes that would authorize your components', should you be confirmed, operations, help shift the risk-reward balance against ransomware attackers?

Ms. ROSENBERG. Thank you, Senator, for the question. And just to take a step back and recognize the danger that, and disruption that, ransomware attacks present to so many communities, to institutions. Certain recent events have made it central as a news focus, but it also has existed and is a serious problem for smaller organizations and communities.

Treasury has a number of authorities and important roles to play when it comes to identifying and going after the attackers who conduct these ransomware attacks. There are provisions of the new Anti-Money Laundering Act that would serve to strengthen some of those Treasury capabilities, but Treasury's opportunities to work in this space are even beyond some of those new provisions. They involve working closely with law enforcement to track the financial footprints of ransomware attackers, working with financial institutions to ensure that they have appropriate information so that they can file appropriate Suspicious Activity Reports when there is a ransomware payment made. And, if confirmed, I would welcome the opportunity to work on this terrible and disruptive set of criminal activity.

Senator OSSOFF. Thank you, Ms. Rosenberg. Appreciated. And indeed, just in the State of Georgia, March 2018, the city of Atlanta suffered a crippling ransomware attack. Just this past Thursday, a large hospital system in Savannah, Georgia, St. Joseph's/Candler, was attacked. Of course, the recent high profile attack on Colonial Pipeline, which is headquartered in Georgia as well. So will you commit, Ms. Rosenberg, to working with my office, with local leaders in Georgia, with the Permanent Subcommittee on Investigations as well, to help address these cybersecurity threats in Georgia and nationwide?

Ms. ROSENBERG. Certainly, Senator, I would be honored to do so if confirmed.

Senator OSSOFF. Thank you. And with my short remaining time, Mr. Nelson, could you please comment on the authorities that the Anti-Money Laundering Act provides with respect to improving transparency in corporate ownership, determining the beneficiary owners of shell companies, and helping to see into some of the complex financial networks that can be used to obscure financial flows, whether within the United States or internationally?

Mr. NELSON. Yes, I will—I will try to comment very briefly. But as you—as you know, Senator, the Anti-Money Laundering Act provides that Treasury, through FinCEN, will develop a registry for beneficial ownership and that plan needs to be in place by January of next year in order to receive information about the beneficial ownership of entities at creation. So I am looking forward, if

confirmed, to prioritizing getting that—getting that registry in place and supporting FinCEN in meeting those deadlines and supporting the need for additional resources in order to execute against those important requirements that will bring tremendous additional transparency to our financial system.

Senator OSSOFF. Thank you both for willing to serve.

I yield back, Mr. Chair.

Chairman BROWN. Thank you, Senator Ossoff.

Senator Daines, from Montana, is recognized for 5 minutes.

Senator DAINES. Chairman, thank you.

I want to welcome our two witnesses, and I really appreciate the opportunity to discuss some of these issues that affect the security of our Nation. You have a couple of very important jobs, if confirmed.

Like many States, Montana has been adversely affected by the flow of illegal drugs coming across our southern border. Recent media reporting has shed light how China has facilitated drug traffic in the U.S., including the recent conviction of Tao Liu, who laundered money for the Sinaloa Cartel, which actually operates in Montana. I was with our law enforcement leaders in Montana on Friday. We literally are holding Mexican cartel members in jails in Montana at times over the last few months.

Mr. Nelson, to the extent that you can discuss in an unclassified setting, can you expound upon Chinese money laundering efforts here in the United States and what actions you will take to curb its influence?

Mr. NELSON. Thank you very much for that question, Senator. In certainly, my experience in the California Department of Justice, we dealt significantly with the challenges of a number of transnational criminal organizations but in particularly the Sinaloa Cartel, which was the biggest one operating in the State of California. And what we found there, too, what you are finding in Montana, is the role of Chinese intermediaries. And at the end of last year, end of 2020, the Treasury Department put out a report on illicit finance and illicit finance in the United States, and they actually highlighted exactly the example that you have given.

So I think part of the strategy needs to be the threat assessment, which we now have, and the recommendation of tools that will be helpful in interdicting that type of money laundering. And the report that the Treasury Department and the Federal Government put out about strategies to attack illicit finance in our system noted the importance of the new beneficial ownership tool that the—through this Committee, we are now—or if I am so confirmed, would be support in getting in place by the beginning of next year. So there are a number of recommendations in the report, and I am happy to, if confirmed, discuss those with you and additional opportunities to address the problem that you have identified.

Senator DAINES. Thank you, Mr. Nelson. I want to shift gears and talk about Iran. I think Senator Tillis brought that up here a moment ago as well. A defiant Iran has continued its pursuit of obtaining a nuclear weapon in spite of multiple Presidents' efforts over the past several Administrations, but for Iran, often at the expense of its own citizens.

For both witnesses, under the JCPOA, do you believe the United States has the right to sanction entities that engage in illicit activities even if those entities receive sanctions relief under the agreement? For example, should the Central Bank of Iran get a free pass for its financing of terrorism simply because it received relief under the JCPOA? Ms. Rosenberg, we will start with you on that.

Ms. ROSENBERG. I appreciate you opening this question, which is so significant to our national security. The United States has a role and, indeed, responsibility to push back on the threats to our national security presented by Iran, particularly its support for terrorism, its regional destabilization. And advancing those U.S. interests in that regard and seeking to hold Iran accountable is something that existed alongside and outside of the Iran nuclear deal previously and can and should occur outside of the Iran nuclear deal if the United States enters back into it and it is, in some fashion, reconstituted. If confirmed, I would welcome the opportunity to hold Iran accountable through various strategies and authorities for its support for terrorism.

Senator DAINES. Thank you, Ms. Rosenberg.

Mr. Nelson.

Mr. NELSON. I do not—I do not have anything to add to that.

Senator DAINES. All right. That is fine. I have got another question I want to ask anyway, so that is great.

The American people recently felt the effects of cybercrime on our food and oil supplies caused by Russian-backed transnational criminal organizations. I strongly believe that deterring such behavior will take more than just robust cyberdefenses. Mr. Nelson, what measures will you take to deter cybercrimes and to punish those who commit them?

Mr. NELSON. I thank you so much for that question, and this will obviously be a priority, to immediately be briefed on the programs as they relate to Russia that are currently in place, the new authorities. As you know, there was recently an Executive order in response to the SolarWinds attack, which will provide new opportunities to push back against that type of Russian malicious activity. And I commit to you that I will robustly use the tools of TFI to do exactly that.

Senator DAINES. I am out of time, Mr. Chairman. I will respect the time of the Chairman here. So, thank you.

Chairman BROWN. Thank you, Senator Daines.

Senator Van Hollen, from Maryland, is recognized.

Senator VAN HOLLEN. Thank you, Mr. Chairman, Ranking Member Toomey.

And to both of you, congratulations on your nominations and to your families. And I had a chance to speak with both Mr. Nelson and Ms. Rosenberg yesterday. Thank you for that opportunity. And I just want to follow up on a couple things because I know the Biden administration is undertaking a review of our sanctions policy and strategy broadly. But you both agree, I believe, that it is incumbent upon the Treasury Department to enforce existing sanction law as is, right?

Ms. ROSENBERG. Yes, Senator.

Mr. NELSON. Yes.

Senator VAN HOLLEN. And I raise that because just about a year ago, July last year actually, Senator Toomey and I introduced a bill that was passed, called the Hong Kong Accountability Autonomy Act, which called upon the Executive branch to identify officials who were complicit in undermining democracy and human rights in Hong Kong. I think we were both pleased to see the Biden administration sanction 24 officials under that legislation.

The legislation also requires that any financial institutions that are facilitating those individuals be sanctioned. To date, that has not happened, and maybe it is because we have been unable to identify those financial institutions. But Senator Toomey and I have written to the Treasury Department and asked for a classified briefing on that, and I do look forward, if you are confirmed—and I support your confirmation—to follow up on the capabilities we have for tracking those institutions.

In a similar vein, we passed something called the BRINK Act, the Otto Warmbier BRINK Act. Senator Toomey, myself, the Chairman, Senator Brown, all very involved in passing that legislation, which requires mandatory secondary sanctions against financial institutions or other firms we identify that are violating the sanctions with respect to the North Korea.

And in March of this year, the United Nations, a panel, put together a report indicating there are big holes in the sanctions regime and that there is lots of leakage here, and yet, we have not seen the Treasury Department impose secondary sanctions.

And so one question is: How is it that the, you know, U.N. has identified and been able to make the conclusion we have big leakage in our sanctions regime, and yet, the Department of Treasury has not yet imposed those secondary sanctions? Do you have an explanation for that, and if you do not, I look forward to hearing it if and when I hope you are confirmed? Either of you. What would be the cause of that, starting with Mr. Nelson?

Mr. NELSON. No. Thank you for the question and thank you for meeting with us and the opportunity to have a frank conversation. I would—I would welcome the opportunity to be briefed on the intelligence, if confirmed, and come back to you to continue to discuss this with you and, obviously, recognizing that secondary sanctions are and can be a really powerful tool that we have at our—at our disposal. So I appreciate your leadership on that and would welcome, if confirmed, to be able to continue to talk with you about that.

Senator VAN HOLLEN. Thank you.

Ms. Rosenberg.

Ms. ROSENBERG. Thank you, Senator, and I would like to recognize your leadership on North Korea as well as a number of other significant sanctions authorities that the Treasury Department has. The BRINK Act provides authorities to address North Korean threats, and there are other important statutes there related to nonproliferation, for example, that may also be well suited to addressing the particular threats that North Korea presents. And I am familiar with the panel of expert report you just mentioned from the United Nations, and unfortunately, they have documented a variety of ways in which North Korea moves around international and U.S. sanctions.

If confirmed, I would welcome the opportunity to speak further with you about the BRINK Act, its authorities, and other appropriate authorities to address North Korea and proliferation and threats to U.S. interest.

Senator VAN HOLLEN. Yes, I appreciate that. There just seems to be a disconnect, right, between the fact that this U.N. panel of experts, that does not necessarily have access to all of our intelligence capabilities, can identify big gaps in the sanctions regime, and yet, we have not yet imposed secondary sanctions. I understand there are certain standards we have to apply in terms of due diligence and due process before we ultimately apply sanctions, but still, there seems to be a big gap there. I look forward to working with both of you on that.

And I have some other questions which I will submit for the record. Thank you.

Chairman BROWN. Thank you, Senator Van Hollen.

Thank you to both witnesses for being here and providing testimony and your candor in answering these questions. I think it was a useful discussion for all of us. It is clear there is much more to be done by these nominees to protect our national security. I hope to move forward quickly on your nominations when we return in July.

For Senators who wish to submit questions for the record, given the upcoming Fourth of July holiday recess and State work period, those questions are due this Friday, June 25th to expedite moving forward the nominees.

The nominees, we would like your responses by Thursday, July 1st, if you would note that. Thank you for your testimony today.

With that, the hearing is adjourned.

[Whereupon, at 11:32 a.m., the hearing was adjourned.]

[Prepared statements, biographical sketches of nominees, responses to written questions, and additional material supplied for the record follow:]

PREPARED STATEMENT OF CHAIRMAN SHERROD BROWN

Today we will consider President Biden's nominations for two key Treasury roles charged with combatting domestic and international terrorism and financial crimes: Brian Nelson, to be Treasury Undersecretary for Terrorism and Financial Crimes, and Elizabeth Rosenberg, to be Assistant Secretary for Terrorist Financing.

Welcome to you both, and to your family and friends who are here and watching remotely. Thank you for all of your work serving the public, and for your willingness to serve in these critical roles. I also welcome Senator Leahy and Senator Padilla to the Committee, and thank them for taking time to introduce our nominees today.

Both of today's nominees have substantial experience relevant to the critical national security positions to which they have been nominated. If confirmed, both would take on these jobs at a crucial time for protecting our country's national security, as we work to rebuild alliances abroad, while threats of domestic terrorism are on the rise at home.

The FBI Director testified recently that racially motivated and antigovernment extremists are likely to be the biggest domestic threat this year and in 2022.

Treasury's Office of Terrorism and Financial Intelligence is one of the cornerstones of our country's efforts to combat terrorist financing, at home and around the world.

The offices these two nominees would lead are charged with protecting our financial system from terrorists and other criminals, and with combating rogue nations, WMD proliferators, money launderers, drug kingpins, and others who threaten our national security.

Mr. Nelson brings a strong record of public service, and from our discussions I think will be a tough, assertive enforcer of our Nation's sanctions laws against rogue states, money launderers, terrorists, and narcotraffickers.

Mr. Nelson clerked for two distinguished Federal judges and served at the National Security Division of the Department of Justice. He worked extensively on countering terrorism, illicit finance, and other crimes.

He went to work for the California Department of Justice, where he served as Special Assistant Attorney General and then as General Counsel to then-Attorney General, now Vice-President Kamala Harris.

Mr. Nelson, we look forward to your testimony, and to an ongoing collaboration with the Committee following what I hope will be a quick confirmation process.

Elizabeth Rosenberg is a senior leader familiar to many Members of the Committee from her testimony before us. President Biden has nominated her to serve as Assistant Secretary for Terrorist Financing. Ms. Rosenberg got her education in my home State, at Oberlin College, and has served in a number of senior roles in the Treasury Department working on anti-money laundering, sanctions, and counterterrorist financing policy.

She currently serves as a senior advisor to the Deputy Secretary of the Treasury, and has distinguished herself throughout her career in policy debates on terrorism, illicit finance, proliferation finance, and sanctions.

If confirmed, she will be responsible for formulating and coordinating the counterterrorist financing and anti-money laundering efforts of the Department, and overseeing the Office of Terrorist Financing and Financial Crimes.

Her substantial experience makes Ms. Rosenberg uniquely qualified to take on this important role.

Ms. Rosenberg, we welcome you back to the Committee, and hope your nomination will move through the Committee quickly as well.

We look forward to both nominees' testimony this morning.

PREPARED STATEMENT OF SENATOR PATRICK J. TOOMEY

Mr. Chairman, thank you.

Mr. Nelson and Ms. Rosenberg, welcome to you both. You have been nominated for senior national security roles at Treasury. If confirmed, you will directly influence the Biden administration's policies towards China, Russia, Iran, North Korea, and dangerous non-State actors.

I want to stress we need strong leadership at Treasury that's willing to push back on the White House or the State Department if they try to advance policies that actually undermine America's national security. For instance, the Administration's Iran policy is extremely concerning. Let me be clear: There are Republicans, including myself, that would work with the Administration on a nuclear deal with Iran—but not the JCPOA. We have reached out to the Administration on this—only to be met with silence.

The most enduring U.S. policy towards Iran would be one that is bipartisan. The JCPOA's history demonstrates that. The Obama administration entered the JCPOA with no Republican support. As a result, when President Trump came into office he left the deal. If the Biden administration enters the JCPOA with no Republican support, for a second time, how is that likely to end under the next Republican administration? And how will it look to the world when we leave the JCPOA for a second time?

Instead of taking a bipartisan approach, the Biden administration is blindly racing to offer sanctions relief to an Iranian regime that, in the words of its own chief diplomat, is dominated by the Islamic Revolutionary Guard Corps—a terrorist organization that is responsible for the deaths of hundreds of Americans.

What does the Administration hope to receive in return for this sanctions relief? First—it says returning to the JCPOA will put Iran's nuclear program "back in the box." Second—the Administration hopes the Iranians will agree to negotiate a "longer and stronger" deal—after we've given away all of our leverage in the form of sanctions relief. Both of these ideas are unrealistic.

Let's dispense with the notion that reentering the JCPOA puts Iran's nuclear program "back in the box." It's difficult to say whether Iran's nuclear program was ever entirely "in the box." The JCPOA required Iran to disclose the entirety of its past nuclear activities. Yet when confronted with evidence of undisclosed nuclear activities at several sites, Iran has refused to offer any explanation. As a result, the IAEA—the world's nuclear watchdog—is now on the record that it can't even attest to the peaceful nature of Iran's nuclear program.

Furthermore, within a few years, key parts of the JCPOA that ostensibly limit certain elements of Iran's nuclear program will expire.

So "the box" offered by the JCPOA is more like a wet paper bag.

Then there's this notion that once the Administration lifts sanctions on Iran, Iran will enter into negotiations for a "longer and stronger deal." It's completely unreasonable to believe Iran will grant concessions to the West after the United States gives up its primary form of leverage on Iran—which is sanctions.

That's especially true given that the new Iranian president has made clear he opposes talks with the U.S. on limiting Iran's ballistic missile program and its support for terrorist groups. This is unsurprising. He's a hardliner who ordered the extrajudicial killings of thousands of political prisoners in 1988. And he's currently sanctioned by the U.S. for being part of the inner circle of Iran's Supreme Leader.

I recognize that you will not be able to dictate the Administration's policy with respect to the JCPOA. But the status of U.S. sanctions against Iran are at the heart of these negotiations. If confirmed, you will both play critical roles in enforcing U.S. sanctions around the world that are an essential and vital part of our foreign policy. As such, you need to defend the process by which—and the people through whom—we implement these sanctions.

Unfortunately, last month an unnamed "senior State Department official" suggested to reporters that sanctions imposed by the Trump administration were done illegally and without any evidentiary basis. Specifically, this "senior official" said, and I quote:

"The Trump administration deliberately and avowedly imposed sanctions by invoking labels—terrorism labels and other labels even though it was done purely for the purpose of preventing a return to the JCPOA. We have to go through every sanction to make sure whether they were legitimately or not legitimately imposed."

This reckless comment is dangerous because it opens up sanctions to legal challenges.

This is a clear instance where your leadership matters. In the absence of compelling evidence to the contrary, you should publicly make clear that no terrorism sanctions imposed under the previous Administration were done illegitimately.

Iran is among many of national security challenges facing our Nation. In this hearing, I hope to hear from you both candid and straightforward views on these and other issues. If confirmed, it's critical that you swiftly take up Treasury's important work to advance our national security interests.

PREPARED STATEMENT OF SENATOR PATRICK LEAHY

Thank you Mr. Chairman, and thank you for providing me the opportunity to introduce Elizabeth Rosenberg, President Biden's nominee to be the next Assistant Secretary of the Treasury for Terrorist Financing and Financial Crimes.

Ms. Rosenberg is from Middlebury, Vermont, and graduated Phi Beta Kappa from Oberlin College. She obtained her Masters Degree from New York University.

I am always glad to be in the company of a fellow Vermonter, but even more so when I have the opportunity to introduce a person from my State who has so clearly excelled in her field of expertise.

Ms. Rosenberg currently serves as a Counselor to the Deputy Secretary of the Treasury, where she guides and oversees the development of major policy regulation and enforcement matters related to national security.

She previously served as a Senior Fellow and Director of the Energy, Economics and Security Program at the Center for a New American Security; a Senior Advisor to both the Under Secretary for Terrorism and Financial Intelligence and the Assistant Secretary for Terrorist Financing and Financial Crime; and a journalist covering energy policy in the Senate.

If that were not enough, she speaks multiple languages, is widely published, and has previously testified as an expert before this Committee.

But perhaps the most memorable position that she has held, at least to me, is when Ms. Rosenberg served as a Senate Page for my office back in 1994. That experience—watching floor debates and the business of incorporating constituent feedback into legislation—launched her career in public service, and she has been on an upward trajectory ever since.

If confirmed as Assistant Secretary of the Treasury for Terrorist Financing and Financial Crime, Ms. Rosenberg will be responsible for guiding anti-money laundering, countercorruption, and sanctions policy for the Biden–Harris administration.

It is an immensely important role, as everyone here knows, and for which she is extraordinarily qualified.

I congratulate Elizabeth and appreciate her willingness to continue to serve the American people.

Thank you Mr. Chairman.

PREPARED STATEMENT OF BRIAN EDDIE NELSON

TO BE UNDER SECRETARY FOR TERRORISM AND FINANCIAL CRIMES, DEPARTMENT OF THE TREASURY

JUNE 22, 2021

Chairman Brown, Ranking Member Toomey, and Members of the Committee, it is a privilege to come before you today as President Biden's nominee for Under Secretary of the Treasury for Terrorism and Financial Crimes.

Thank you, Senator Padilla, for your generous introduction. I also want to thank President Biden, Vice President Harris, and Secretary Yellen for placing their confidence in me.

I am joined today by my parents, Eddie and Carol, who have been loving role models for me and my brother. I also want to especially thank my wife, Lane, for her support and shared commitment to public service. I am so proud of her service through the pandemic as the chief executive of our home city, which is why she is unable to join me this morning. She is also my partner in raising our wonderful 7-year-old son, Drew.

Respect for service has guided my family across generations. In 1906, my great-grandfather became the first African-American letter carrier of a small Mississippi town. His life was threatened for integrating the postal service, but his courage inspired a commitment to civic pursuits that spread among his children and endures today. My grandfather went on to serve in both World War II and the Korean War, and my father also served in the military before becoming an air traffic controller.

My mother's father also spent much of his professional life as a letter carrier, and he motivated his children to pursue rich, community-oriented lives. His daughters found careers in public education and his youngest, my mother, was a special education elementary school teacher.

My parents' careers were stressful and demanding, but they approached their roles with dedication, proud of their contributions to our broader community. If I am confirmed, I will undertake the responsibilities of the Under Secretary with that same dedication.

I am keenly aware of the critical responsibilities associated with the role of Under Secretary. I am humbled by this nomination to lead Treasury's effort to disrupt and sever lines of financial support for threats to our national security domestically and around the globe, and to strengthen the integrity of the U.S. financial system. The work of Treasury's dedicated and skilled intelligence and enforcement personnel is on the front lines of our effort to protect the homeland and American interests against terrorists, criminals, and other malign actors, including cybercriminals perpetrating ransomware attacks. If confirmed, I look forward to working with these

dedicated men and women, and in collaboration with others across our Government, our private sector and with our foreign partners in this effort.

Over my career, I have had the privilege to support the country's national security mission in the public, private, and nonprofit sectors. Early in my career, I served as a special counsel and then as deputy chief of staff of the National Security Division of the U.S. Department of Justice. One of my core responsibilities was to oversee the economic national-security work of the Division's Foreign Investment Review Staff, which participates in the Treasury-led Committee on Foreign Investment in the United States. In that work, I came to understand the critical role of economic and financial tools in supporting our national security.

Following my leadership at the Justice Department, I held senior roles in the California Department of Justice, including policy chief. As policy chief, I led and executed efforts to combat transnational criminal organizations, dismantle human trafficking networks, and build State and international partnerships to stop money laundering and cybercrimes. I worked directly with my Mexican counterparts and other leaders in the Mexican Government to coordinate these efforts.

Most recently, I have served as a senior executive on the organizing committee for the 2028 Olympic and Paralympic Games in Los Angeles. In this role, I currently direct the effort to make the 2028 Games secure, across all levels of Government. This has been an extensive planning and coordination effort, because we anticipate this will be the largest peacetime assembly in world history.

If confirmed, I look forward to working with Members of this Committee, on a bipartisan basis, to advance our shared interest in supporting and empowering the talented group of national-security professionals who are safeguarding our financial system against illicit use and combatting terrorist facilitators, proliferators, and others who seek to harm the United States.

Thank you very much for your time and consideration, and I look forward to your questions.

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS
UNITED STATES SENATE

Room SD-534 Dirksen Senate Office Building
Washington, D.C. 20510
(202) 224-7391

STATEMENT FOR COMPLETION
BY PRESIDENTIAL NOMINEES

Procedures formally adopted by the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, on February 11, 2021, establish a uniform questionnaire for all Presidential nominees whose confirmation hearings come before this Committee.

This questionnaire shall be made part of the public record except for financial and certain other personal information, which shall be kept confidential. A version will be published on the Committee's website in advance of any hearing on the nomination.

Nominees are requested to answer all questions, and to add additional pages where necessary. All nominees routinely shall testify under oath at their confirmation hearings. Should nominees have any questions about the questionnaire or its contents, please contact the Banking, Housing and Urban Affairs Committee at (202) 224-7391 and ask to speak with the lead nominations staffer for either the Majority or Minority.



STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

Name: NELSON BRIAN EDDIE
(Last) (First) (Other)

Position to which nominated: Undersecretary for Terrorism and Financial Intelligence, Department of the Treasury

Date of nomination: May 27, 2021

City of Residence: Santa Monica, CA

Education*:	Institution	Dates Attended	Degrees Received	Dates of Degree
	Yale Law School	09/2001-06/2004	J.D.	June 2004
	UCLA	09/1995-06/2000	B.A., Communications Studies and B.A., American Literature	June 2000
	University of Ghana	08/1997-06/1998	N/A (study abroad program)	N/A

*Nominees should provide information for all institutions attended, whether or not the nominee was granted a degree by the institution

Honors and awards: List below all scholarships, fellowships, honorary degrees, military medals, honorary society memberships and any other special recognitions for outstanding service or achievement.

California Department of Justice, special recognition for exceptional service (2015)
 National Security Division, Special Achievement Awards (2009, 2010)
 Sidley Austin, Vincent F. Prada Pro Bono Award (2007, 2008)
 U.S. Court of Appeals for the Ninth Circuit, special recognition for distinguished service (2005)
Yale Law Journal, Book Reviews Editor (2003-04)
 Yale Law School Coker Fellow (2003-04)
 Phi Beta Kappa Society (1999)
 Golden Key Honor Society (1999)
 Thurgood Marshall Scholarship (1999-2000)
 UCLA Morgan H. Harris Scholarship (1999-2000)
 Jackie Robinson Scholar (1995-2000)
 UCLA Henry J. Brandon/Nestle "Man of Courage" Scholarship (1997-98)
 University of California Regents Scholar (1995-99)
 UCLA Alumni Association Scholarship (1995-96)
 UCLA Black Alumni Association Scholarship (1995-96)

Memberships: List below all memberships and offices held in professional, fraternal, business, scholarly, civic, social, charitable and other organizations.

Organization	Office Held (if any)	Dates of Membership
The National Bar Association	Member	12/2020-present
Los Angeles Mayor's International Advisory Council	Member	2020-present
Dilg Nelson Family Trust	Trustee	06/2019-present
Sigma Pi Phi Fraternity	Member	11/2018-present
U.S. Olympic and Paralympic Properties	Director	10/2018-present
Griffin Club	Member	07/2017-present
Public Rights Project	Advisory Board Chair	10/2017-present
American Law Institute	Member	01/2016-present
Pacific Council on International Policy	Member	2016-present
Chelsea Trust	Grantor & Trustee	02/2014-present
Jackie Robinson Foundation (Scholar Alumnus)	Member	09/1995-present

Partnership for Transparency Fund Inc. | Volunteer | 10/2020-01/2021
 Senator Kamala Harris' Commission on the Judiciary | State Chair | 01/2018-01/2019
 Transition, Senator Kamala Harris | Member | 11/2016-01/2017
 LA28 Organizing Committee (formerly LA24 Bid Committee) | Director | 08/2015-09/2018
 State Bar of California | Member | 2006
 U.S. Court of Appeals for the Federal Circuit Bar | Member | 2007
 U.S. Court of Appeals for the Fourth Circuit Bar | Member | 2007
 District of Columbia Bar | Member (inactive) | 2008
 Yale Black Law Students' Association | Member | 09/2001-06/2004
 UCLA African Americans in Communication | President | 09/1999-06/2000

Employment record: List below all positions held since graduation from college including the title or description of job, name of employer, location of work, and inclusive dates of employment.

LOS ANGELES ORGANIZING COMMITTEE – OLYMPIC AND PARALYMPIC GAMES 2028, <i>Chief Legal Officer (2017 to present) and General Counsel (2015-2017)</i> , Los Angeles, CA	09/2015- Present
CALIFORNIA DEPARTMENT OF JUSTICE – OFFICE OF THE ATTORNEY GENERAL, <i>General Counsel (2014-2015), Interim Chief of Policy (2013-2014), and Special Assistant Attorney General (2011-2013)</i> , Los Angeles, CA	08/2011- 09/2015
U.S. DEPARTMENT OF JUSTICE – NATIONAL SECURITY DIVISION, <i>Deputy Chief of Staff (2010-2011) and Special Counsel to the Assistant Attorney General for National Security (2009-2010)</i> , Washington, D.C.	04/2009- 06/2011
SIDLEY AUSTIN LLP, <i>Associate</i> , Washington, D.C.	01/2007- 04/2009
LOUIS H. POLLAK, <i>Law Clerk</i> , U.S. District Court, Eastern District of Pennsylvania	08/2005- 08/2006
WILLIAM A. FLETCHER, <i>Law Clerk</i> , U.S. Court of Appeals, Ninth Circuit	09/2004- 08/2005
MUNGER, TOLLES, & OLSON, <i>Summer Associate</i> , Los Angeles, CA	06/2004- 08/2004
PROFESSOR JAMES WHITMAN, <i>Coker Fellow Teaching Assistant</i> , Yale Law School	08/2003- 12/2003
MAYER, BROWN, ROWE & MAW, <i>Summer Associate</i> , Washington, D.C.	07/2003- 08/2003

O'MELVENY & MYERS, <i>Summer Associate</i> , Washington, D.C.	06/2003- 07/2003
PROFESSOR GEORGE PRIEST, <i>Legal Research</i> , Yale Law School	Summer 2002
JAPAN EXCHANGE AND TEACHING PROGRAM, English Teacher, Ise, Japan	07/2000- 07/2001

**Government
Experience:**

List any experience in or direct association with Federal, State, or local governments including any advisory, consultative, honorary or other (including part-time) service or positions.

Name of Government Entity	Position	Dates of Service
LOS ANGELES MAYOR'S INTERNATIONAL ADVISORY COUNCIL, <i>Member</i>		10/2020- Present
SENATOR KAMALA HARRIS' COMMISSION ON THE JUDICIARY, <i>State Chair</i>		01/2018- 01/2019
CALIFORNIA DEPARTMENT OF JUSTICE – OFFICE OF THE ATTORNEY GENERAL, <i>General Counsel (2014-2015), Interim Chief of Policy (2013-2014), and Special Assistant Attorney General (2011-2013)</i> , Los Angeles, CA		08/2011- 09/2015
U.S. DEPARTMENT OF JUSTICE – NATIONAL SECURITY DIVISION, <i>Deputy Chief of Staff (2010-2011) and Special Counsel to the Assistant Attorney General for National Security (2009-2010)</i> , Washington, D.C.		04/2009- 06/2011
LOUIS H. POLLAK, <i>Law Clerk</i> , U.S. District Court, Eastern District of Pennsylvania		08/2005- 08/2006
WILLIAM A. FLETCHER, <i>Law Clerk</i> , U.S. Court of Appeals, Ninth Circuit		09/2004- 08/2005
WHITE HOUSE OFFICE OF SPEECHWRITING, <i>Intern</i> , Washington D.C.		04/2000- 06/2000

Published writings: List the titles, publishers and dates of books, articles, reports and other published materials you have written. The list should include any publicly accessible publications on the internet in the past ten years, including appropriate URLs for any posts on blogs you maintained or contributed to, and URLs for any other significant internet-based postings during that same period. If available, provide the Committee with **one digital copy** of each of the writings you list.

Listed as part of a “special project team” for the report “In School + On Track: Attorney General’s 2013 Report on California’s Elementary School Truancy & Absenteeism Crisis,” available at https://oag.ca.gov/sites/all/files/agweb/pdfs/tr/truancy_2013.pdf

Book Notices, 112 YALE L.J. 2600 (2003)

Echoes of the Past, in CONCEPTS (Kali Kirkham Boatright ed., 2000)

**Speeches and
Presentations:**

List all of the formal speeches and presentations (e.g., PowerPoint) you have presentations delivered during the past ten years which are on topics relevant to the position for which you have been nominated, including dates. If available, provide the Committee with **one digital copy** of each formal speech and presentation. If text is no longer available, list the date, place, and organization or group to whom you made the speech or presentation.

N/A

Public statements:

List all public statements you have made during the past ten years which are on topics relevant to the position for which you have been nominated, including dates. Whenever possible, provide the Committee with finding aids (such as citations, internet URLs, etc.) for each statement.

Regulation of financial industries

Orange County Register, March 19, 2012 [interview](#) on the CA Homeowner Bill of Rights

CA Assemblymember Tony Menendez, 09/20/2012 town hall [discussion](#) of the CA Homeowner Bill of Rights

Appellate Judicial Attorneys Institute, [discussion](#) of the CA mortgage fraud issues

State Bar of California, California Mortgage Settlement and the California Homeowner Bill of Rights Training August 14, 2012 (simulcast video)

Anti-corruption and cybersecurity (in the context of planning the 2028 Olympic and Paralympic Games)

American Bar Association’s White Collar Crime Committee, April 18, 2018 sports anti-corruption [panel](#)

Berkeley Law School, Center for Long-term Cybersecurity, October 10, 2017 cybersecurity [conference](#)

**Social media
usernames:**

Please provide a list of all of your currently active social media usernames (e.g., Facebook, Instagram, Twitter, etc.), and any usernames for any inactive accounts you have used within the previous ten years.

Linked In
-[Brian Nelson](#)

Instagram
-[@bruin007](#)

Twitter
-[@BrianENelson77](#)

Clubhouse
- [@brianenelson](#)

Peloton
-[@bruin007](#)

Facebook
-[Brian Nelson](#) (dormant)

Snapchat
-[@bruin007](#) (dormant)

Next Door (Wilshire Montana)
-Brian Nelson (dormant)

**Political affiliations
activities:**

List memberships and offices held in and services rendered to all political parties or election committees during the last ten years.

Biden for President Policy Committees – 21st Century Government Committee – Ethics & Rule of Law and Committee on Courts & Judicial Nominations | 09/2020-10/2020

Kamala Harris For the People, Volunteer Senior Advisor (09/2019-11/2019) and Volunteer National Policy Director (01/2019-09/2019) | 01/2019-11/2019

List all public offices, if any, for which you have been a candidate in the past ten years.

Name of Office	Elected/Appointed	Year(s) Election Held or Service	Terms of
	Candidate Only	Appointment Made	(if applicable)
N/A			

**Political
contributions:**

Itemize all political contributions which exceed \$200 or which aggregate to over \$200 in a calendar year any individual, campaign organization, political party, political action committee or similar entity during the last ten years and identify specific amounts, dates, and names of recipients.

President

Biden for President | 08/31/2020 | \$208.64
 Kamala Harris for the People | \$479.70 (aggregate amount)
 10/02/2019 | \$238.13
 11/16/2019 | \$88.54
 12/05/2019 | \$153.03
 Hillary for America | \$2950 (aggregate amount)
 10/23/2015 | \$2700
 10/25/2016 | \$250
 Obama for America | 09/05/2012 | \$250

Senate

Bullock Victory Fund | 10/05/2020 | \$500
 Catherine Cortez Masto for Senate | 11/02/2016 | \$250
 Kamala Harris for Senate | \$2796.87 (aggregate amount)
 12/22/2015 | \$2700
 10/29/2016 | \$96.87

House of Representatives

Lauren Underwood for Congress | 08/22/2018 | \$500
 Katie Porter for Congress | \$1000 (aggregate amount)
 09/21/2017 | \$750
 06/27/2017 | \$250
 Josh Gottheimer for Congress | 11/02/2016 | \$250

Qualifications: State fully your qualifications to serve in the position to which you have been named.
 (attach sheet)

Attached.

**Future Employment
relationships:**

1. Indicate whether you will sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate.

Yes

2. As far as can be foreseen, state whether you have any plans after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization

No

3. Has anyone made a commitment to employ you after you leave government service?

No

4. Do you expect to serve the full term for which you have been appointed?

Yes

**Potential conflicts
of interest:**

1. Describe any financial arrangements or deferred compensation agreements or other continuing dealings with business associates, clients or customers who will be affected by policies which you will influence in the position to which you have been nominated.

In connection with the nomination process, I have consulted with the Office of Government Ethics and the Department of Treasury's designated agency ethics official to identify potential conflicts of interest. Any potential conflicts of interest will be resolved in accordance with the terms of the ethics agreement that I have entered with the Department of Treasury's designated agency ethics official and that has been provided to this Committee. I am not aware of any other potential conflicts of interest.

2. List any investments, obligations, liabilities, or other relationships which might involve potential conflicts of interest with the position to which you have been nominated.

In connection with the nomination process, I have consulted with the Office of Government Ethics and the Department of Treasury designated agency ethics official to identify potential conflicts of issue. Any potential conflicts of interest will be resolved in accordance with the terms of the ethics agreement that I have entered with the Department of Treasury's designated agency ethics official and that has been provided to this Committee. I am not aware of any other potential conflicts of interest.

3. Describe any business relationship, dealing or financial transaction (other than tax paying) which you have had during the last ten years with the Federal Government, whether for yourself, on behalf of a client, or acting as an agent, that might in any way constitute or result in a possible conflict of interest with the position to which you have been nominated.

In connection with the nomination process, I have consulted with the Office of Government Ethics and the Department of Treasury designated agency ethics official to identify potential conflicts of issue. Any potential conflicts of interest will be resolved in accordance with the terms of the ethics agreement that I have entered with the Department of Treasury's designated agency ethics official and that has been provided to this Committee. I am not aware of any other potential conflicts of interest.

4. List any lobbying activity during the past ten years in which you have engaged in for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation at the national level of government or affecting the administration and execution of national law or public policy.

CA Attorney General's Office: June 2013 & March 2015

I drafted letters and in March of 2015 attended a press conference with then-Senator Barbara Boxer expressing the position of the Office of the California Attorney General on legislation to reform the Toxic Substances Control Act.

LA24 (now LA28): 08/2015-07/2016

I worked with LA24's then-strategic federal government advisor, Squire Patton Boggs, to advocate with members of Congress and Congressional staff in favor of House Congressional Resolution 142, which expressed support for Los Angeles' candidature to host the 2024 Olympic and Paralympic Games and was unanimously passed by the U.S. House of Representatives and the U.S. Senate in July of 2016.

To accommodate Los Angeles hosting the Games in 2024, along with LA24 volunteers and staff, I met with White House and Administration officials to advocate for a number of U.S. Government Games authorizations the International Olympic Committee requires as a condition of being a candidate to host the Games in the United States. These include U.S. Government commitments related to security, tax, immigration, transportation, communications, mint/coins, environmental, labor, freedom of the press, etc.

LA24/LA28: 08/2016-12/2017

Along with LA24 volunteers and staff, I had additional contact with White House and Administration officials to advocate for a number of U.S. Government Games authorizations the International Olympic Committee requires as a condition of being a candidate to host the Games in the United States. These include U.S. Government commitments related to security, tax, immigration, transportation, communications, mint/coins, environmental, labor, freedom of the press, etc. These U.S. Government authorizations to host the 2024 Games were provided to LA24 in September of 2016, January of 2017, and May of 2017 and, to host the 2028 Games, in August of 2017. Specifically, the Treasury commitments relate to existing U.S. tax treaties with foreign countries, U.S. treatment of 501(c)(3) organizations, and planning for Games-related tax guidance and legislation.

I also worked with LA24/28's strategic federal government advisor, DLA Piper, to engage with federal government officials on homeland security policy issues related to the 2024 and 2028 Games.

Additionally, I worked with DLA Piper, to advocate in favor of Senate Resolution 257 and House Congressional Resolution 436, which designate July 29 as "Paralympic and Adaptive Sport Day," and the Senate unanimously passed it in August of 2017.

LA28: Calendar Year 2018

To accommodate Los Angeles hosting the Games in 2028, I worked with LA28's strategic federal government advisor, DLA Piper, to coordinate with the Congressional Olympic and Paralympic Caucus and inform members of Congress and Congressional staff about plans for the 2028 Games and in support of the Olympic and Paralympic Movements in the United States, generally. I also worked with DLA Piper to engage with federal government officials on homeland security and transportation policy issues related to the 2028 Games.

Along with DLA Piper, I engaged with Congressional staff on draft sports betting legislation.

I discussed with White House officials to have a number of Games authorizations that U.S. Government officials authorized in the context of the 2024 Games ratified for the 2028 Games, which was a condition of hosting the 2028 Games required by the International Olympic Committee.

LA28: Calendar Year 2019

As in 2018, I worked with LA28's strategic federal government advisor, DLA Piper, to coordinate with the Congressional Olympic and Paralympic Caucus and inform members of Congress and Congressional staff about plans for the 2028 Games and in support of the Olympic and Paralympic Movements in the United States, generally.

I also worked with DLA Piper to engage with federal government officials on homeland security and transportation policy issues related to the 2028 Games.

I coordinated with White House officials to have a number of Games authorizations that U.S. Government officials authorized in the context of the 2024 Games ratified for the 2028 Games, which was a condition of hosting the 2028 Games required by the International Olympic Committee.

LA28: Calendar Year 2020

I coordinated with White House officials to have a number of Games authorizations that U.S. Government officials authorized in the context of the 2024 Games ratified for the 2028 Games, which was a condition of hosting the 2028 Games required by the International Olympic Committee. This culminated in a February meeting I attended with President Trump and senior Administration officials (including then-Treasury Secretary Mnuchin) to formally provide these authorizations on behalf of the U.S. Government.

I worked with LA28's strategic federal government advisors, DLA Piper and the Nickles Group LLC, to engage with federal government officials on athlete support, transportation, and homeland security issues related to the 2028 Games and to advocate for inclusion of certain 2028 Games authorizations in the National Defense Authorization Act for FY 2020.

I coordinated with DLA Piper on issues regarding legislation to amend the Ted Stevens Amateur Sports Act, commemorative coin legislation, and proposed sports betting legislation.

I coordinated with the Nickles Group LLC on issues related to our Games plan, including informing more members of Congress and Congressional staff about our plans for the 2028 Games.

LA28: Calendar Year 2021

I have had discussions with State Department staff about potential sports diplomacy opportunities and partnerships.

5. Explain how you will resolve any conflict of interest that may be disclosed by your responses to the items above.

As noted above, in connection with the nomination process, I have consulted with the Office of Government Ethics and the Department of Treasury designated agency ethics official to identify potential conflicts of issue. Any potential conflicts of interest will be resolved in accordance with the terms of the ethics agreement that I have entered with the Department of Treasury's designated agency ethics official and that has been provided to this Committee.

**Tax compliance
and bankruptcy:**

1. In the past ten years, have you and your spouse (if applicable) filed and paid all taxes (federal, state, and local) as of the date of your nomination? Indicate if you filed as 'married filing separately.'

Yes

2. In the past ten years, have you been required to make any back tax payments? If so, indicate if you have made any back tax payments and provide full details.

No

3. Has a tax lien or other collection procedure(s) been instituted against you or your spouse (if applicable) by federal, state, or local authorities? If so, provide full details.

No

4. In the past ten years, have you or your spouse (if applicable) ever been the subject of any audit, investigation, or inquiry for federal, state, or local taxes? If so, provide full details.

No

5. Were all your Federal, State, local, and other tax returns and tax liabilities of any kind current (filed and paid when due) as of the date of your nomination? If not, provide details.

Yes

6. Have you ever filed for bankruptcy? If so, provide details.

No

Civil, criminal and

Investigatory actions:

Have you ever been the subject of a complaint or been investigated, disciplined, or otherwise cited for a breach of ethics for unprofessional conduct before any court, administrative agency (e.g. an Inspector General's office), professional association, disciplinary committee, or other ethics enforcement entity at any time? If so, provide details, regardless of outcome.

No

2. Have you ever been investigated, arrested, charged, or held by any Federal, State, or other law enforcement authority for a violation of any Federal, State, county or municipal law, regulation, or ordinance, other than a minor traffic offense? If so, provide details.

Yes – Infraction: In 1996, I was charged with an infraction for possession of alcohol under the legal age for alcohol possession in Newport Beach, CA. The charges were dismissed and expunged pursuant to an agreement that I attend six AA meetings, which I did.

3. Have you ever been involved as a party in interest in any administrative agency proceeding, or civil litigation other than a divorce proceeding? If so, provide details.

Yes – Administrative Agency Proceeding: In 2016, a former household employee filed a claim with the CA Labor Commissioner's Office for additional severance and vacation pay. My wife and I disputed the claim, which was amicably settled.

4. Have you ever been convicted (including pleas of guilty or nolo contendere) of any criminal violation other than a minor traffic offense? If so, provide details.

No

Other information: Please advise the Committee of any additional information, favorable or unfavorable, which you believe should be considered in connection with your nomination.

None

Public records

search:

Do you consent to allow Committee staff to conduct a public records search on you using appropriate search tools? (including Westlaw, Lexis, etc.)

Yes

The undersigned certifies that the information contained in the public statement to the Committee is true and correct.

Signed: B. Hel Date: 6/24/21

Statement of Qualifications:

I am honored President Biden has nominated me for the position of Under Secretary of the Treasury for Terrorism and Financial Intelligence. If confirmed, I would bring significant government, civic and private-sector experience to the role.

Following graduation from Yale Law School and clerkships at the U.S. Court of Appeals for the Ninth Circuit and the U.S. District Court for the Eastern District of Pennsylvania, I began my career as an information-privacy and appellate attorney at a private law firm, Sidley Austin, in Washington, D.C. This work included counseling clients on a number of information-privacy issues, including client data protection and cooperation with law enforcement on national-security matters.

Like so many in the aftermath of 9/11, I strongly desired to support the national-security mission of the United States. I was deeply honored in 2009 to have the opportunity to serve in the National Security Division of the U.S. Department of Justice, first as special counsel to the Assistant Attorney General for National Security and later as the Division's deputy chief of staff. In those roles, I supported the development, implementation, coordination, and review of U.S. intelligence, counterintelligence, and national-security policies. I also regularly engaged in collaborative efforts with other national-security agencies across the federal government, including the White House, the Department of Homeland Security, and the National Counterterrorism Center. Finally, with the Division's chief of staff, I supported the economic national-security work of the Division's Foreign Investment Review Staff and its participation in the interagency Committee on Foreign Investment in the United States, which reviews business and telecommunications transactions that implicate national security.

Following my service with the National Security Division, I joined the California Department of Justice with an initial portfolio focused on reforming financial industry practices in the context of mortgage servicing in the aftermath of the national foreclosure crisis in the late 2000s. This work included serving as a senior advisor to the Attorney General during the negotiation of California's participation in a national servicing settlement with the nation's five largest mortgage servicers; designing and standing up a program to ensure those mortgage servicers' settlement compliance in the context of California's settlement participation; and leading successful negotiations with the legislature, Governor's office, and the mortgage servicing industry to evolve the state's statutorily-mandated mortgage servicing procedures.

In 2013, I was asked to lead all of the Department's policy work. In that role, I oversaw a number of the Department's policy efforts to mitigate threats by depriving international criminal actors of financial and other resources, including Attorney General-led efforts to combat transnational criminal organizations, dismantle human trafficking networks, and build state and international partnerships to stop human trafficking, money laundering, and high-tech crimes. Specific initiatives included the Department's sponsorship of asset forfeiture legislation targeting transnational criminal organizations and creating a binational working group to combat money laundering. Under the then-Attorney General's leadership, I also collaborated with tech and entertainment leaders to tackle issues ranging from theft of intellectual property to adoption of technology by the Department and other state agencies.

Beginning in 2014, I served as the California Department of Justice's general counsel. In that capacity, I was the lead attorney on the Attorney General's executive team charged with developing and implementing legal strategy in significant Department litigation – both affirmative and defense.

In 2015, I became the general counsel to LA28 (formerly LA24), the non-profit then responsible for Los Angeles' successful bid to host the Olympic and Paralympic Games in 2028. In that role, I served as a strategic partner to senior leadership and oversaw the legal work to meet the International Olympic Committee's bidding terms, which required LA28 to enter into hundreds of agreements with potential Games-delivery partners. I also oversaw LA28's extensive international compliance program, including compliance with the Foreign Corrupt Practices Act and the International Olympic Committee's ethics rules.

In 2017, LA28 transitioned from a Games bidding committee to the organizing committee for the 2028 Olympic and Paralympic Games in Los Angeles. As part of that transition, I became LA28's chief legal officer, in which capacity I am responsible for LA28's legal, compliance, regulatory, and government-relations functions. I also support LA28's public-diplomacy engagement and strategic planning to leverage opportunities for cross-cultural dialogue and engagement using the platform of the 2028 Games. In support of this strategic planning, I serve as a member of both the Los Angeles Mayor's International Advisory Council and the Pacific Council on International Policy.

I am a member of the American Law Institute and, for the last four years, I have advised on the ALI's recently-completed project to develop compliance, enforcement, and risk-management principles for corporations, nonprofits, and other organizations.

Finally, I recently was honored to serve as a volunteer member of the Biden-Harris Transition's Agency Review Team for the U.S. Department of Justice. My main responsibility was review of the Department's national-security functions.

###

PREPARED STATEMENT OF ELIZABETH ROSENBERG

TO BE ASSISTANT SECRETARY FOR TERRORIST FINANCING, DEPARTMENT OF THE
TREASURY

JUNE 22, 2021

Chairman Brown, Ranking Member Toomey, and Members of the Committee, it is a privilege to appear before you today. I am grateful to the Committee for considering my nomination. I would like to thank President Biden, Vice President Harris, Secretary Yellen, and Deputy Secretary Adeyemo for placing their confidence in me. In addition, I would like to thank Senator Leahy for his kind introduction.

On a personal note, I would like to thank my family for their invaluable support: My children Sophie, Annie, and Alex, and my husband, Jonathan, whose love, help, and encouragement makes it possible to be in the position to undertake the responsibilities associated with the role for which I have been nominated.

I would also like to acknowledge my brother, Eli, as well as my parents, Jean and David Rosenberg, who were my first teachers of foreign policy, economics, and the necessity of working for democracy, peace, and human rights. Also, my grandmother Eleanor Gibson and great aunt Emily Jack who, as dedicated professionals at a time when it was rare for women to be in their lines of work, were powerful examples of diligence and courage to contribute to scientific advancement and national security.

In coming before the Committee today, I am keenly aware of the significant responsibilities of the Assistant Secretary for Terrorist Financing, leading the office that formulates and coordinates counterterrorist financing and anti-money laundering efforts of the Department of the Treasury. This work requires close collaboration with Congress, across the Executive branch, and with foreign counterparts, the private sector, and civil society. It directly supports U.S. goals of strengthening the integrity of our financial system and facilitating a robust economic recovery. The work serves to protect financial institutions and systems of monetary exchange from illicit finance and abuse by terrorists, criminals, kleptocrats, and those who threaten peace and security. It also directly and immediately advances core U.S. foreign policy interests, including as related to Russia, China, Iran, North Korea, and other security threats.

The intertwined nature of U.S. economic strength and national security requires a creative, rigorous, and targeted approach in the use of economic instruments to advance U.S. interests. Now, in an era when Treasury's financial tools are often looked to as a first resort to combat threats, and when the United States faces significant international competition, a carefully calibrated, strategic approach to anti-money laundering and the use of financial measures is more important than ever. So too is a commitment to work with allies and partners in advancing this critical work.

Since 2009, when I first joined the office I have now been nominated to lead, I have dedicated myself to advancing anti-money laundering and counterterrorist financing policy and crafting targeted strategies for the use of sanctions.

I am grateful for the opportunities I have had to learn from the policy pioneers of the contemporary U.S. approach to anti-money laundering and counterterrorist financing efforts. They include Democrats and Republicans, former senior officials at the Department of the Treasury and Congressional leaders, many of whom have served on this Committee. They also include the hard working, expert Treasury career staff.

Leading the economics and national security program at the Center for a New American Security for 8 years, I benefited from exposure to a wide array of stakeholder perspectives on anti-money laundering, illicit finance, and sanctions policy including and beyond the U.S. Government. I engaged with representatives from civil society, the private sector, and the diplomatic community on these policy issues.

I have been honored to testify before Congress and brief bipartisan groups of Members and Congressional staff on anti-money laundering, sanctions, and national security policy on several occasions. If confirmed, I intend to continue this collaborative engagement with Congress to advance our shared economic and security interests.

In closing, I want to once again thank the Committee for its consideration of my nomination. I would be pleased to answer any questions you may have.

**COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS
UNITED STATES SENATE**

Room SD-534 Dirksen Senate Office Building
Washington, D.C. 20510
(202) 224-7391

**STATEMENT FOR COMPLETION
BY PRESIDENTIAL NOMINEES**

Procedures formally adopted by the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, on February 11, 2021, establish a uniform questionnaire for all Presidential nominees whose confirmation hearings come before this Committee.

This questionnaire shall be made part of the public record except for financial and certain other personal information, which shall be kept confidential. A version will be published on the Committee's website in advance of any hearing on the nomination.

Nominees are requested to answer all questions, and to add additional pages where necessary. All nominees routinely shall testify under oath at their confirmation hearings. Should nominees have any questions about the questionnaire or its contents, please contact the Banking, Housing and Urban Affairs Committee at (202) 224-7391 and ask to speak with the lead nominations staffer for either the Majority or Minority.



STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

Name:
Rosenberg (Last) Elizabeth (First) (Other)

Position to which nominated: Assistant Secretary for Terrorist Financing, U.S. Department of the Treasury

Date of nomination: 5/26/21

City of Residence: Washington, D.C.

Education*: Institution Dates Attended Degrees Received Dates of Degree

- Oberlin College; 9/1996-5/2000; BA; 5/2000
- The American University in Cairo; 9/1998-5/1999; N/A; N/A
- Middlebury College Arabic Language School; 6-8/1998 and 6-8/2001; N/A; N/A
- Arabic Language Institute, Cairo; 9/2001-5/2002; N/A; N/A
- Center for Arabic Study Abroad, Cairo; 6/2004-5/2005; N/A; N/A
- New York University; 9/2002-5/2004; MA; 5/2004

*Nominees should provide information for all institutions attended, whether or not the nominee was granted a degree by the institution

Honors and awards: List below all scholarships, fellowships, honorary degrees, military medals, honorary society memberships and any other special recognitions for outstanding service or achievement.

- Phi Beta Kappa; Oberlin College; 2000
- Foreign Language and Area Studies Fellowship; New York University; 2002-2004
- Center for Arabic Study Abroad Fellowship; U.S. Department of Education; 2004-2005

Memberships: List below all memberships and offices held in professional, fraternal, business, scholarly, civic, social, charitable and other organizations.

Organization	Office Held (if any)	Dates of Membership
• The Wisconsin Project on Nuclear Arms Control; Board of Directors (unpaid)		2013-2021
• Friends of the National Zoo; Family Membership		2010-2021
• DC Minyan; Family Membership		2008-2020
• Adas Israel; Family Membership		2014-2021
• Beauvoir Pool; Family Membership		2016-2019
• Girl Scouts of America; Member		2018-2020; Troop leader
• Middlebury Area Land Trust (MALT); Family Membership		2017-2019
• Carderock Springs Swim and Tennis Club; Family Membership		2021

Employment record: List below all positions held since graduation from college including the title or description of job, name of employer, location of work, and inclusive dates of employment.

- Program Assistant; The Asia Foundation; Kathmandu, Nepal; 7/2000-12/2000
- Assistant to the Operations Manager of the Language Schools; Middlebury College Language Schools; Middlebury, Vermont; 6/2002-8/2002
- Bilingual Assistant to the Director of the Arabic Language School; Middlebury College Language Schools; Middlebury, Vermont; 6/2003-8/2003
- Energy Policy Correspondent; Argus Media; Washington, D.C.; 8/2005-4/2009
- Senior Advisor to the Assistant Secretary for Terrorist Financing and Financial Crimes; U.S. Department of the Treasury; Washington, D.C.; 5/2009-1/2011
- Senior Advisor to the Under Secretary for Terrorism and Financial Intelligence; U.S. Department of the Treasury; Washington, D.C.; 1/2011-09/2013
- Founder and Manager; Elizabeth Rosenberg Consulting LLC; 1/2018-Present (currently inactive)

- Senior Fellow and Director of the Energy, Economics, and Security Program; Center for a New American Security; Washington, D.C.; 10/2013-1/2021
- Senior Advisor; WestExec Advisors; Washington, D.C.; 2019-2020
- Consultant; Prospect Global Strategies; Washington, D.C.; 2017
- Consultant; Eversheds Southernland; Washington, D.C.; 2018-2019
- Consultant; Gerson Lehrman Group; Washington, D.C.; 2018-2020
- Consultant; Kings College London; Washington, D.C.; 2019
- Consultant; ExxonMobil; Washington, D.C.; 2018-2019
- Volunteer (unpaid); Biden-Harris Transition Treasury Agency Review Team; 11/2020-1/2021
- Counselor to the Deputy Secretary; U.S. Department of the Treasury; Washington, D.C.; 1/2021-Present

Government experience: List any experience in or direct association with Federal, State, or local governments including any advisory, consultative, honorary or other (including part-time) service or positions.

Name of Government Entity	Position	Dates of Service
---------------------------	----------	------------------

- | | | |
|---|--|--|
| United States Senate; Page, Sponsored by Senator Patrick Leahy; 1994 | | |
| United States Department of the Treasury; Senior Advisor to the Assistant Secretary for Terrorist Financing and Financial Crimes; 5/2009-1/2011 | | |
| United States Department of the Treasury; Senior Advisor to the Under Secretary for Terrorism and Financial Intelligence; 1/2011-09/2013 | | |
| United States Department of the Treasury; Counselor to the Deputy Secretary; 1/2021-Present | | |

Published writings: List the titles, publishers and dates of books, articles, reports and other published materials you have written. The list should include any publicly accessible publications on the internet in the past ten years, including appropriate URLs for any posts on blogs you maintained or contributed to, and URLs for any other significant internet-based postings during that same period. If available, provide the Committee with **one digital copy** of each of the writings you list.

Please see attachment.

Speeches and presentations: List all of the formal speeches and presentations (e.g., PowerPoint) you have delivered during the past ten years which are on topics relevant to the position for which you have been nominated, including dates. If available, provide the Committee with **one digital copy** of each formal speech and presentation. If text is no longer available, list the date, place, and organization or group to whom you made the speech or presentation.

- AIR/FCA Women's Empowerment TechSprint and Conference; 3/25/21
- Institute of International Bankers AML Seminar; 5/3/21

Please see attachment for full text.

Public statements: List all public statements you have made during the past ten years which are on topics relevant to the position for which you have been nominated, including dates. Whenever possible, provide the Committee with finding aids (such as citations, internet URLs, etc.) for each statement.

Please see attachment.

Social media usernames: Please provide a list of all of your currently active social media usernames (e.g., Facebook, Instagram, Twitter, etc.), and any usernames for any inactive accounts you have used within the previous ten years.

Elizabeth Rosenberg, <https://www.linkedin.com/in/elizabeth-rosenberg-44763329>

Elizabeth Rosenberg, [Twitter @RosenbergEliz](https://twitter.com/RosenbergEliz) <https://twitter.com/rosenbergeliz?lang=en>

Political affiliations activities: List memberships and offices held in and services rendered to all political parties or election committees during the last ten years.

List all public offices, if any, for which you have been a candidate in the past ten years.

Name of Office	Elected/Appointed Candidate Only	Year(s) Election Held or Appointment Made	Terms of Service (if applicable)
<ul style="list-style-type: none">Foreign Policy Volunteer; Elizabeth Warren Presidential Campaign; 7/2019-3/2020Foreign Policy Volunteer; Joe Biden Presidential Campaign; 3/2020-11/2020			
Political contributions:	Itemize all political contributions which exceed \$200 or which aggregate to over \$200 in a calendar year to any individual, campaign organization, political party, political action committee or similar entity during the last ten years and identify specific amounts, dates, and names of recipients.		
<ul style="list-style-type: none">Biden Victory Fund; \$100, 10/14/20; \$1000, 9/2/20Hillary Victory Fund/Hillary for America; \$500, 10/21/16, \$500, 8/25/16; \$500, 5/2/16; \$500, 5/5/15; \$250, 11/29/15Luke Bronin for Mayor; \$400, 6/15/15			

Qualifications: State fully your qualifications to serve in the position to which you have been named.

My current and prior professional experience qualify me to take on the role of Assistant Secretary of Treasury for Terrorist Financing and Financial Crimes, if confirmed by your committee and the Senate. I would bring immediately relevant experience from my work at the Department of the Treasury supporting Secretaries Geithner, Lew, and Yellen, Deputy Secretaries Wolin and Adeyemo, and senior leaders in the Terrorism and Financial Intelligence division, and in managing teams of career staff in the agency.

I am extremely well versed in the organization, policy processes, and ongoing activities of the Treasury Department broadly and the office of Terrorist Financing and Financial Crimes (TFFC) in particular. I served previously as the Senior Advisor to the Assistant Secretary for TFFC as well as the Senior Advisor to the Under Secretary for Terrorism and Financial Intelligence, and I serve currently as Counselor to the Deputy Secretary. From these roles I have strong working relationships with career staff in TFFC, and in other offices at Treasury and across the U.S. government that work closely with TFFC, including Treasury's Offices of Foreign Assets Control, Intelligence and Analysis, Financial Crimes Enforcement Network, International Affairs, Legislative Affairs, Public Affairs, and General Counsel, as well as an array of NSC directorates and State Department bureaus. At Treasury I have helped to craft, execute, and enforce sanctions and anti-money laundering and anti-corruption policy. Through this experience and my leadership in the Department, I have honed an ability to

successfully collaborate across offices of Treasury, agencies of the U.S. government, with Congress, and with external partners, communicating priorities, building bipartisan consensus and coalitions of support, and delivering, defending and enforcing U.S. policy.

Outside of government, from 2013 to 2021, as Director of the Energy, Economic, and Security Program at the Center for a New American Security (CNAS), I spent 8 years analyzing and contributing to the bipartisan public policy conversation in Washington on illicit finance, anti-money laundering policy, and other economic statecraft initiatives by advancing successful policy ideas for sanctions, financial transparency, economic competition, financial regulation, and enforcement. I published commentaries in outlets such as the New York Times, Foreign Affairs, and Bloomberg, as well as peer-reviewed research papers and reports. I frequently testified before the Senate Banking, House Foreign Affairs, and House Financial Services Committees. In addition, I worked extensively with Majority and Minority staff from congressional committees and offices considering new legislation on sanctions and anti-money laundering measures, as well as oversight activities and appropriations related to the Department of the Treasury. This included providing technical assistance and analysis to legislative staff and Members on Russia, China, and counter-terrorism sanctions, as well as on new anti-money laundering reforms such as the statutory mandate for establishment of a beneficial ownership database.

My experience in and passion for management and process would also directly serve me in the position for which I am nominated. In 2013 I developed the vision and strategy to launch a new economics and energy program at CNAS, and since then have a successful record of launching new forums and initiatives to examine the use of economic policy to address national security threats. In management roles at CNAS and at Treasury I have led and supported communications campaigns around illicit finance and sanctions matters, budget preparation and execution in the hundreds of millions of dollars, conferences and simulations for elite groups of former Members of Congress and Cabinet officials and generalist gatherings of over 2000 individuals, and I have created and delivered professional development courses on national security and economic statecraft to junior and mid-career staff. I have tackled with creativity, compassion, and practicality difficult management challenges involving staff reorganization and conflict mediation, and have been praised by my supervisors for highly effective performance in a fast-paced work environment handling sensitive information. I have also helped to launch, as a leader and mentor, initiatives to support women in the workplace and to bring underrepresented communities into the national security arena.

Future employment relationships: 1. Indicate whether you will sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate.

If confirmed by the Senate I will continue to work at the U.S. Department of the Treasury, my current employer. I continue to maintain an inactive LLC that will remain inactive throughout my government service.

2. As far as can be foreseen, state whether you have any plans after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization

I have no plans after completing government service to resume employment or affiliation with any of my employers, or the entities for which I provided consulting services, before government service.

3. Has anyone made a commitment to employ you after you leave government service?

No

4. Do you expect to serve the full term for which you have been appointed?

Yes

Potential conflicts of interest:

1. Describe any financial arrangements or deferred compensation agreements or other continuing dealings with business associates, clients or customers who will be affected by policies which you will influence in the position to which you have been nominated.

N/A

2. List any investments, obligations, liabilities, or other relationships which might involve potential conflicts of interest with the position to which you have been nominated.

In connection with the nomination process, I have consulted with the Office of Government Ethics and the Department of Treasury's designated agency ethics official to identify potential conflicts of interest. Any potential conflicts of interest will be resolved in accordance with the terms of the ethics agreement that I have entered with the Department of Treasury's designated agency ethics official and that has been provided to this Committee. I am not aware of any other potential conflicts of interest.

3. Describe any business relationship, dealing or financial transaction (other than tax paying) which you have had during the last ten years with the Federal Government, whether for yourself, on behalf of a client, or acting as an agent, that might in any way constitute or result in a possible conflict of interest with the position to which you have been nominated.

N/A

4. List any lobbying activity during the past ten years in which you have engaged in for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation at the national level of government or affecting the administration and execution of national law or public policy.

N/A

5. Explain how you will resolve any conflict of interest that may be disclosed by your responses to the items above.

In connection with the nomination process, I have consulted with the Office of Government Ethics and the Department of Treasury's designated agency ethics official to identify potential conflicts of interest. Any potential conflicts of interest will be resolved in accordance with the terms of the ethics agreement that I have entered with the Department of Treasury's designated agency ethics official and that has been provided to this Committee. I am not aware of any other potential conflicts of interest.

Tax compliance and bankruptcy:

1. In the past ten years, have you and your spouse (if applicable) filed and paid all taxes (federal, state, and local) as of the date of your nomination? Indicate if you filed as 'married filing separately.'

Yes

	2. In the past ten years, have you been required to make any back tax payments? If so, indicate if you have made any back tax payments and provide full details.
No	
	3. Has a tax lien or other collection procedure(s) been instituted against you or your spouse (if applicable) by federal, state, or local authorities? If so, provide full details.
No	
	4. In the past ten years, have you or your spouse (if applicable) ever been the subject of any audit, investigation, or inquiry for federal, state, or local taxes? If so, provide full details.
No	
	5. Were all your Federal, State, local, and other tax returns and tax liabilities of any kind current (filed and paid when due) as of the date of your nomination? If not, provide details.
Yes	
	6. Have you ever filed for bankruptcy? If so, provide details.
No	
Civil, criminal and investigatory actions:	1. Have you ever been the subject of a complaint or been investigated, disciplined, or otherwise cited for a breach of ethics for unprofessional conduct before any court, administrative agency (e.g. an Inspector General's office), professional association, disciplinary committee, or other ethics enforcement entity at any time? If so, provide details, regardless of outcome.
No	
	2. Have you ever been investigated, arrested, charged, or held by any Federal, State, or other law enforcement authority for a violation of any Federal, State, county or municipal law, regulation, or ordinance, other than a minor traffic offense? If so, provide details.
No	
	3. Have you ever been involved as a party in interest in any administrative agency proceeding, or civil litigation other than a divorce proceeding? If so, provide details.
No	
	4. Have you ever been convicted (including pleas of guilty or nolo contendere) of any criminal violation other than a minor traffic offense? If so, provide details.
No	

Other information: Please advise the Committee of any additional information, favorable or unfavorable, which you believe should be considered in connection with your nomination.

N/A

Public records search: Do you consent to allow Committee staff to conduct a public records search on you using appropriate search tools? (including Westlaw, Lexis, etc.)

Yes

The undersigned certifies that the information contained in the public statement to the Committee is true and correct.

Signed: Elizabeth Pasulka Date: 6/7/21

Senate Banking Committee Questionnaire Attachment – Rosenberg

May 26, 2021

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- [CNAS Commentary: Trump Administration Implementation of U.S. Sanctions on Russia and Next Steps in Russia Policy](#), Center for a New American Security, January 31, 2018. (With Peter Harrell)
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- [Don't Wreck the Iran Talks](#), New York Times, November 5, 2014. (With Zachary K. Goldman)
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- [Beyond the Trade War](#), Foreign Affairs, December 12, 2019. (With Ely Ratner, Paul Scharre)
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Foreign Policy

- [China Has Russia Over a Barrel](#), Foreign Policy, May 19, 2014.

When Putin arrives in Shanghai to try and ink a new multibillion-dollar energy deal, it'll be the Chinese -- not the Russians -- who will be laughing all the way to the bank.

By Ely Ratner and Elizabeth Rosenberg

MAY 19, 2014, 11:18 PM

Chinese officials are notoriously tough negotiators, especially when they know you're in a pinch. Just ask Gazprom, Russia's natural gas giant, which is on the brink of capitulating to Beijing on a massive energy project, 10 years in the offing. Gazprom and China National Petroleum Corp., one of China's oil giants, are gearing up to sign a 30-year multibillion-dollar deal to send natural gas from Russia to China through a colossal new pipeline network.

A week before Russian President Vladimir Putin was set to meet his Chinese counterpart, Xi Jinping, in Shanghai on May 20-21, Russia's deputy energy minister described the deal as "98 percent ready." However, a Chinese deputy foreign minister was far cagier, noting in mid-May: "We are still exchanging views with Moscow, and we will try our best to ensure that this contract can be signed and witnessed by the two presidents."

On the surface, this seems the kind of win-win outcome that Chinese diplomats regularly tout as the solution to nearly every international problem. Russia sits on the world's largest natural gas reserves, much of it buried in the Siberian hinterland north of its border with China. As the world's largest energy consumer, China is an obvious partner for Russia's economy, in which natural resources make up 70 percent of exports and over 50 percent of government revenue.

But energy trade between Russia and China is surprisingly limited, with only 9 percent of China's oil imports and 1 percent of its gas imports coming from Russia. China is eager to increase and diversify its energy supplies away from overreliance on expensive and volatile sources in Africa and the Middle East that have to pass through precarious sea lanes in the Strait of Hormuz and the South and East China seas. (Beijing really does worry about all the talk among U.S. strategists on how to blockade China's energy supplies in the event of armed conflict.)

Yet China has been unwilling to pay the premium prices that Russia has traditionally charged in Europe. Now, with Russia's worsening economy and an increasingly competitive Asian energy market, Beijing holds most of the cards — and time is not on Moscow's side. Gazprom has little choice but to make what Chinese industry experts are calling a "big concession" on price. Gazprom has little choice but to make what Chinese industry experts are calling a "big concession" on price. Although outlines of the deal are sketchy and may remain secret even after it is signed, China will reportedly help finance the related infrastructure, which could cost as much as \$80 billion. This is reportedly in exchange for a price of \$10-11 per cubic foot of gas: a rate below what Gazprom has long considered its break-even point of at least \$12 per cubic foot. So it's still a win-win — but a much bigger win for Beijing.

Why is Russia more eager to close a deal than China? It's tempting to credit the Ukrainian crisis and the subsequent warming of geopolitical ties between Beijing and Moscow. After all, isn't this all about Russia finally breaking with Europe and pursuing its fortunes in the East?

Hardly. The real precipitating factor is Russia's economic free-fall, whose roots run far deeper than the protests in Kiev. According to the International Monetary Fund, Russia's anemic economy is teetering on recession, projected to achieve only 0.2 percent growth this year, as the country confronts a corrosive mix of rampant corruption, stagnant growth, high inflation, and a shrinking population.

To dig out of this hole, Russia will need Chinese customers to supplement European consumption. If Putin manages to sign this deal, it will send 38 billion cubic meters of natural gas to China annually — less than a quarter of what Russia currently sells to Europe, but still a shot in the arm for Russian export earnings. It could also provide an additional boost for the Russian treasury by igniting broader development of untapped energy resources in Russia's Far East. Furthermore, the proposed pipeline would be on a different grid from Russia's gas infrastructure for Europe — in other words, Russia will not divert Europe-bound gas to China.

That's not to say there aren't clear benefits for China in doing the deal. Gas imports from Russia would support China's goal of moving away from carbon-intensive fossil fuels like coal and petroleum that are substantially responsible for the orange haze that often blankets the skies above China's megacities. On a bad day, breathing the air in Beijing is equivalent to smoking 21 cigarettes. And beyond the immediate environmental and health concerns, pollution is fast becoming a political issue that threatens the legitimacy of the Chinese Communist Party. Gas imports provide a potentially promising path to resolve these economic and political headaches — and there's substantial room to grow, as gas currently accounts for only about 5 percent of China's energy needs. Domestic production won't do the trick either: Major efforts to crack the shale gas code in China could eventually diversify gas supply, but serious water, infrastructure, regulatory, and financing challenges make that a long way off.

The major difference is that unlike Moscow, Beijing has options. With the shale gas revolution in full swing, the Asia-Pacific region is fast becoming a buyers' market, as new producers from all over the world scramble to get in on the action. Gazprom will have to move quickly to lock in the infrastructure and financing commitments necessary for the Siberian pipeline project. Otherwise it risks being beaten to the Asian market by alternative suppliers in

Central and Southeast Asia (which already have pipeline infrastructure to China) or by suppliers from North America, Australia, and East Africa that are working furiously to build gas liquefaction and export facilities that can deliver (literally) boatloads of gas to Asia. China is increasingly prepared to be on the receiving end of this boom, with nine existing import terminals and another five on the way. Seaborne cargoes from the United States could start arriving as early as 2015. If Russia doesn't bend far enough on price, China could look elsewhere to meet its needs.

Even if Putin succeeds in signing up the Chinese to purchase Russian gas, there will be few reasons to pop the champagne in Moscow. This deal isn't an escape hatch for a country whose relations in the West are quickly souring. Instead, it's a virtual necessity in Russia's desperate attempt to shore up its wobbly economy.

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Ely Ratner is the Maurice R. Greenberg senior fellow in China studies at the Council on Foreign Relations. He was deputy national security advisor to Vice President Joe Biden from 2015 to 2017 and previously served in the Office of Chinese and Mongolian Affairs at the State Department and as a professional staff member on the U.S. Senate Foreign Relations Committee. His current work focuses on U.S.-China relations, regional security in East Asia, and U.S. national security policy in Asia. Twitter: @elyratner

Elizabeth Rosenberg is a senior fellow and director of the Energy, Economics, and Security Program at the Center for a New American Security. From 2009 to 2013, she served as a senior advisor at the U.S. Department of the Treasury, helping senior officials develop, implement, and enforce financial and energy sanctions. Rosenberg previously worked as an energy policy correspondent at Argus Media, analyzing North American and Middle Eastern energy policy, regulation, and derivatives trading. In that capacity she spoke and published extensively on OPEC, strategic reserves, energy sanctions and national security policy, oil and natural gas investment and production, and renewable fuels. Twitter: @Energy_Liz

Is Trump Trying to Tweet Us Into a War With Iran? Foreign Policy, February 2, 2017.

Even if the Trump administration wants to walk away from the nuclear agreement or provoke the Iranians to walk away, criticizing the nuclear deal was unwise.

By Ilan Goldenberg and Elizabeth Rosenberg

FEBRUARY 2, 2017, 9:51 AM

On Wednesday, the White House put out a statement from National Security Advisor Michael Flynn criticizing Iran's recent ballistic missile test as well as a number of attacks in recent months by Iranian-supported Houthi militias against American, Saudi, and Emirati ships off the coast of Yemen. The statement then criticizes the Iran nuclear deal and the Obama administration, before concluding that "we are officially putting Iran on notice."

This is the Trump administration's first meaningful foray into Iran policy since taking office. In some ways, it is reassuring, as parts of the statement are reasonable. And it does not appear that the administration is at least at this point determined to walk away from the nuclear agreement. But then President Donald Trump started tweeting. And now, there are some reasons for concern.

First the good news. The elements of the official statement calling out Iran's destabilizing behavior in the Middle East are on point. Indeed, the Barack Obama administration was also worried about missile launches off the coast of Yemen, which is why last October it struck Houthi radar sites and, over the past year, pursued a number of interdictions of Iranian arms shipments to the Houthis. Additionally, over the last five years the Obama team used a series of sanctions measures to target Houthis in Yemen for their threatening and destabilizing activities, as well as scores of powerful sanctions on Iran's ballistic missile program and its support for terrorism and regional violence. But fair or not, there was a perception across the Middle East that the Obama administration overlooked some of these problematic actions because of its prioritization of the nuclear agreement. So for the new team to come in and signal that this is a priority should be reassuring to some of our Gulf partners and send an unambiguous message to the Iranian leadership.

But the Trump team needs to be careful. The Yemen conflict is a difficult and ugly slog in which America's core interests are not fully engaged, which is why the Obama administration chose for the most part to stay out. There is a value in reassuring partners, but it must be weighed against the risks of diving into a quagmire. Moreover, the Houthis are not under the direct control of Iran. Compared to other non-state proxies such as Hezbollah or Iraqi Shiite militias, the Iranian-Houthi connection is weak. If the United States threatens direct action against Iran for behavior taken by a proxy Iran cannot or does not actually control, that can be a dangerous pathway towards unintended escalation. Better to tie any threats to Iran's shipment of weapons to the Houthis — an action Iran's government has control over and which is a clear violation of U.N. Security Council Resolutions pertaining to the Yemen conflict.

The Trump administration also called for a U.N. Security Council consultation to discuss and highlight Iran's ballistic missile test. This is also a reasonable step and is reassuring in that — despite their disdain for multilateral institutions — the Trump team in this case appears to recognize the value of holding such a session and using it to politically isolate Iran for a provocative test. Moreover, doing so is a good step for counterproliferation efforts. The U.N. has unique abilities to rally member states to publicly identify and target nodes in Iran's missile and nuclear proliferation networks, including through the implementation of sanctions.

Whether the missile test is a violation of U.N. Security Council Resolution 2231, the resolution recognizing the Joint Comprehensive Plan of Action (JCPOA), the nuclear accord with Iran, is open to interpretation. It is up to a panel of experts that monitors implementation of the Security Council Resolutions against Iran to conclude that. Those experts couldn't reach consensus about whether similar tests last year constituted a violation; the panel merely called them inconsistent with the spirit of the resolution. So, it was unwise for the Trump administration to so quickly call it a violation, putting it at odds with the Europeans and the Russians.

But the biggest problem with the statement is that Flynn used it to criticize the nuclear agreement as "weak and ineffective." And then, Trump doubled down on this position, tweeting this morning that "Iran was on its last legs and ready to collapse" before the JCPOA and claiming Iran had received \$150 billion as part of the deal — a number that has been repeatedly debunked. None of the steps Iran has taken in recent days violated the JCPOA. And more importantly, this whole situation would today would be much worse if Iran was significantly closer to a nuclear weapons capability, which it would be without the nuclear agreement.

Iran was not on the verge of collapsing in 2013 when the nuclear negotiations began in earnest, but it was weeks away from being able to produce enough highly enriched uranium for a nuclear weapon. As for the claim of \$150 billion, no one knows precisely what the number is — but most experts put the funds Iran was able to obtain in the aftermath of the agreement at far less than \$150 billion. And these funds were not a giveaway, but Iranian money that it had obtained through trade in past years but was unable to repatriate because of sanctions imposed by the Obama administration. The bottom line is that a medium range ballistic missile test and some delivery of arms to a second-tier proxy are a problem, but not a problem on the same level as obtaining a nuclear weapon, which the agreement has thus far stopped.

Even if the Trump administration wants to walk away from the nuclear agreement or provoke the Iranians to walk away, criticizing the deal was unwise. If it wants to build international support and put more pressure on Iran, the statement should have reaffirmed America's commitment to abiding by its obligations to the letter and spirit of the nuclear agreement and called on Iran to do the same. Critiquing the deal just isolates the United States from the rest of the P5+1, which does little to increase pressure or leverage on Iran.

Finally, the most newsworthy part of the statement came at the very end where the administration made clear it was putting Iran "on notice." On the one hand, this could be an effective tactic. Trump is seen as dangerous and unpredictable; a tough statement that does not commit the administration to specific action could be a useful deterrent. The Iranians want no part of a direct confrontation with the United States and Trump could, in theory, use his reputation as an impulsive and unstable actor to be crazy like a fox to deter Iran and force it to scale back some of its destabilizing behavior in the Middle East.

Unfortunately, there is little indication that he and his team have the deftness to pull this off and plenty of signs that he may just be plain old crazy. It is not clear if they have a next step planned or are even working an interagency

process to develop options such as new sanctions, more aggressive interdictions, or targeted strikes if Iran responds by escalating. Reports that Secretary James Mattis, while on his trip in Asia, had to convince Flynn to tone back the statement and that U.S. Central Command did not know the statement was coming are disconcerting, as Centcom would play a central role in developing response options. The reality is that most of the options that the administration develops would require support from partners across the globe, which means they require President Trump to be doing a better job of building coalitions and treating our allies with respect. Add to that the fact that the Trump team does not have the good communication channels with Iran that the Obama administration used to deescalate tensions and there is a high risk of the situation quickly exploding.

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· [The Wrong Move on Russia Sanctions Could Have Dire Consequences for the U.S.](#), Foreign Policy, February 2, 2017.

The greatest national security tests Trump will face are yet to come.

By Elizabeth Rosenberg

FEBRUARY 2, 2017, 4:36 PM

President Donald Trump has repeatedly suggested he would consider removing U.S. sanctions on Russia in order to improve ties with Russian President Vladimir Putin. On Thursday, the U.S. Treasury Department made a small tweak to the sanctions currently in place, issuing a license permitting U.S. firms to work with the Russian Federal Security Service to restart sales of encryption technology to Russia. In the scheme of U.S. sanctions, the change was small, but hopefully not the beginning of a much larger unraveling. The Trump administration would risk U.S. credibility and crucial alliances with security partners if it were to lift the powerful economic sanctions on Russia that target its territorial aggression in Crimea and eastern Ukraine without Russia first fulfilling Minsk deal, a protocol meant to pave the way towards peace.

As a former senior official at the Treasury Department, the agency that crafts and enforces sanctions, I know firsthand how powerful sanctions can be as a national security tool. I'm also keenly aware of how damaging a change in course on sanctions — out of step with close international allies or without a strong basis of support from Congress — could be to U.S. foreign policy. If Trump were to enact such a change, he would make any future U.S. sanctions less credible, available, and powerful.

Rumors flew last week that the White House was preparing an executive order to lift sanctions on Russia. A call over the weekend between Trump and Putin that covered "restoration of mutually beneficial economic ties" may support this prospect.

If Trump were to press ahead with a plan to unilaterally cancel sanctions, he would collapse the carefully coordinated transatlantic foreign policy stance on Russia that so many of my colleagues at the Treasury and State Departments built. He would also end the powerful economic leverage that joint U.S.-EU sanctions constitute. Plus, he would make the United States look weaker on sanctions than Europe does, upending conventional wisdom.

For the business community, Trump stands to open a new chapter of legal liability for companies still bound by European sanctions and wondering if the pendulum will eventually swing the other way.

European officials tell me (and everyone else concerned with European unity, security, and the transatlantic relationship) that they would scramble to stay on the side of the United States, yet maintain a tough stance toward Moscow. The rift between British Prime Minister Theresa May and German Chancellor Angela Merkel on Russia policy would find itself in the spotlight. European agreement on the sanctions would probably collapse. And this disarray and the cleavage in transatlantic ties would work out very well for Putin.

Putin would not be the only U.S. competitor to benefit from the breakdown of the transatlantic security relationship, the bedrock of U.S. national security since World War II. Leaders of proliferation networks, terrorist organizations, and organized criminal groups might feel emboldened by the reduced U.S.-EU ability to collaborate in deterring serious security threats. I expect that this would make it more difficult to use sanctions to effectively expose, condemn, and hinder these threats.

I'm also worried about the White House would send a message that sanctions are arbitrary if Trump were to pull back Russia sanctions unilaterally, with nothing in exchange. The United States' wary allies might be less inclined to partner with the United States on sanctions in the future.

What's more, those targeted by sanctions would be less likely to see sanctions as serious and would seek to circumvent them rather than pursue constructive behavior changes. Ultimately, these responses would undermine the ability of Trump, and his successors, to use sanctions as a tool of statecraft.

The greatest national security tests Trump will face are yet to come. Whether from Iran, North Korea, Russia, or the Islamic State, economic sanctions will likely be part of an appropriate policy response. But Trump may limit his ability to use sanctions if he erodes his credibility and the powerful transatlantic security alliances. A misstep on the U.S. relationship with Russia could do just that.

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· [The Maximum Financial-Pressure Strategy for North Korea](#), Foreign Policy, May 9, 2017.

The Trump administration wants to place "secondary sanctions" on North Korea. Here's how to do it.

By Elizabeth Rosenberg

MAY 9, 2017, 11:07 AM

The Trump administration has said that the maximum-pressure approach to address North Korea's destabilizing nuclear and missile activities includes sanctions. That's just the starting point to sever Pyongyang's external financial ties and build leverage to reduce the risk of conflict on the Korean peninsula. The success of such an effort

rests on a calculated strategy for sanctions implementation, aggressive diplomatic engagement around the measures, and a program for minimizing blowback from North Korea's main financial enabler, China.

Here's how to do it.

First, Washington needs the right financial tools to pressure North Korea. Contrary to what some believe, there is plenty of scope to increase the pressure. The most powerful way to do this is with secondary sanctions, measures that force foreign firms to choose between dealing with the United States or North Korea. Medium to large global firms will always choose the United States. They can't do without access to the U.S. market or the dollar.

The administration should layer on secondary sanctions targeting firms or people facilitating North Korea's nuclear and ballistic missile programs. They should also aim at economic sectors generating benefits for the regime, including North Korea's minerals, mining, and energy trade, and payments for this trade. In addition, secondary sanctions should target anyone abroad involved in shipping, financing, or insurance tied to trade with North Korea. Finally, the measures should also be applied to foreign banks servicing North Korean front companies and foreign firms employing North Korea's contract laborers.

The second feature of a successful U.S. financial-pressure strategy on North Korea is a calculated implementation strategy. Choosing the right targets and incrementally building pressure will cultivate leverage for the United States. Choosing the right targets and incrementally building pressure will cultivate leverage for the United States. Many of the targets will be Chinese, as China is North Korea's most significant trading partner and banker. The United States should aim first at medium-sized Chinese banks and firms facilitating North Korean commerce before moving on to bigger ones, if necessary.

The administration should also use waivers to allow foreign firms time to significantly reduce business with North Korea, and keep North Korean money from permitted trade in bank accounts abroad. These practical steps will make the sanctions implementable and allow the possibility for recalibrating and tightening, if necessary.

A third step in the financial pressure effort toward North Korea should be rigorous diplomatic outreach. The administration must engage China to explain a sanctions pressure strategy, the consequences of secondary sanctions, and the path for Beijing to direct a severing of financial ties with North Korea. This will reduce the risk of miscalculation and appropriately signal a U.S. willingness to escalate. U.S. leaders should also urge allies to independently underscore for China the urgency of cutting off revenue to North Korea. Of course, the U.S. administration should also prepare a sanction off-ramp for Pyongyang if it bends under pressure and commits to meaningful concessions on denuclearization.

The fourth component of the financial pressure strategy for North Korea is self-defense. Prior U.S. secondary sanctions on a Chinese target, Bank of Kunlun in 2012, did not provoke blow back. This time may be different. Beijing oversees a more powerful economy, has more leverage with trading partners given its greater global economic integration, and has a cooler relationship with Washington. Beijing has also increasingly used trade, and other, restrictions to respond to political disagreements with Taiwan, South Korea, Japan, Mongolia, the Philippines, Norway, and others.

Beijing may be most likely to retaliate against U.S. secondary sanctions by cutting trade with U.S. allies in Northeast Asia, with which it has significant economic leverage. U.S. leaders should work closely with these allies to consider alternative suppliers or markets. China could also threaten select U.S. firms, necessitating the scouting out of alternative suppliers and consumers. In addition, U.S. leaders should support U.S. and foreign firms in ally countries in adding new safeguards into trade contracts with Chinese firms, and new insurance products, to limit potential economic harm.

Ultimately, the United States may only have one more big chance to use secondary sanctions to pressure North Korea and show the world how powerful this tool can be to address a grave national-security challenges. If this effort is bungled, and lacking sufficient diplomatic engagement or appropriate sequencing and calibration, the United States will look unfocused, weak, and suffer a setback in the North Korea crisis. It could invite economic harm on the United States and allies, with no public policy benefit, and make sanctions less credible to address future security challenges.

Notwithstanding the risks associated with secondary sanctions on North Korea, they are a leading strategy to change Pyongyang's calculus in a shrinking window of opportunity. The U.S. Congress understands this and is moving a bill to toughen sanctions on North Korea. The administration must follow suit and immediately implement secondary sanctions, integrating them into the maximum pressure plan.

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· [The War Over Who Controls U.S. Foreign Policy Has Begun](#), Foreign Policy, July 28, 2017.

Sanctions on Russia are just the beginning.

By Elizabeth Rosenberg

JULY 28, 2017, 12:12 PM

The unprecedented, massive new sanctions bill that Congress sent to President Donald Trump on Thursday is a statement of outrage by legislators over the president's failure to responsibly carry out foreign policy on Iran, North Korea, and Russia. Fundamentally, it is also an overt effort to seize the national security reins from the president.

Legislators are near unanimous in their support for a tougher U.S. policy stance on some of the gravest national security challenges. Many believe that Trump and former President Barack Obama have not acted strongly enough to check Iran's ballistic missile program, support for terrorism, and efforts to destabilize the Middle East, as well as North Korea's alarming race toward long-range nuclear weapons capabilities.

Lawmakers took matters into their own hands and wrote the new sanctions legislation to address these threats. But the real target and virulence of their bill is the set of financial measures aimed squarely at Russia. A raft of new sanctions are designed to hold Moscow to account for its meddling in U.S. democratic processes and its continued aggressive actions in Europe and the Middle East.

In practical terms, the new Russia measures lock into statute existing sanctions, preventing the president from throwing them out. And they go much further: New provisions will cut deeper into the profit-making and international engagement of Russia's defense, intelligence, energy, banking, rail, mining, and metals sectors. They also target Russian cyberintrusions, and the country's military support for the Syrian regime. Taken together, these new restrictions send an appropriately tough message to the Kremlin that the United States will not tolerate Russia's election meddling and thuggery.

As tough as the legislation is, however, serving up venomous financial sanctions is nothing new. The truly remarkable and unprecedented element of this piece of law is an innocuously dubbed "congressional review" of sanctions. It handcuffs the president in his exercise of sanctions by creating elaborate mechanisms for scrutiny and blockade to prevent watering down of Russia policy. Congress wants the president on a very short leash. Congress wants the president on a very short leash.

This power grab is not dissimilar to Congress's creation of the War Powers Resolution in 1973 to check the executive's ability to engage in armed conflict without legislative consent. Now, as then, many legislators see the current state of affairs as dire, necessitating remarkable measures.

But there's a very high price to pay for this assertion of legislative prerogative. Congress is taking an irreversible step to significantly undermine one of the most prominent nonmilitary foreign policy tools available to the United States. Sanctions will be less nimble, less available, and the country's leverage to compel adversaries to change their threatening policies weakened.

Two factors explain why the Russia bill will curb the utility of sanctions as a tool of statecraft. First, Congress is ill-suited to tightly manage their implementation over a sustained period — it lacks the necessary intelligence assets, bureaucratic structure, and legal capabilities. Congress will slow down policy change and make sanctions more clumsy and punitive, and less flexible.

The other factor to undermine the utility of sanctions is that this law recasts them as less of a motivator for policy change. Congress, with its powerful hold over any diminution of Russia sanctions but cumbersome bureaucratic structure, will struggle to coordinate and act to give Russia relief from sanctions if political circumstances change. Russian President Vladimir Putin cannot practically negotiate on sanctions with the whole U.S. Congress. He will see no utility in making good on Minsk commitments. Even if he does, the sanctions appear locked in place.

The foreign policy consequences don't end there. Congress will likely replicate in other bills this straight-jacket approach to review of sanctions. And if it does, this could have the effect of limiting the ability of the executive branch to recalibrate sanctions in a myriad of other areas. The next president, and successors, will all be handcuffed on sanctions and have less flexibility to lead U.S. foreign policy.

In a world rife with security threats, it is dangerous to diminish our foreign policy flexibility and nonmilitary tools of statecraft. Some in Congress realize what a high-stakes move they are making and will try to address the consequences later. But the overwhelming support of legislators for the new sanctions bill makes clear the danger they see in leaving Russia policy up to the president.

This is only the first round of the fight. The administration will chafe at the congressional strictures and find ways to push back, including by failing to fully implement the new sanctions. In turn, Congress can be expected to ferociously micromanage any administration action to alter and enforce Russia sanctions. We will probably see hearings on specific license requests and narrow use of waivers, and a showdown over what constitutes "significant" foreign policy toward Russia.

Congress has scored a victory in passing this bill despite the objections of the White House, but the fight over who controls the direction of U.S. foreign policy is far from over.

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· [If Trump Won't Certify the Nuke Deal, He Should Do This Instead](#), Foreign Policy, October 10, 2017.

There is a way for the administration to address the agreement's shortcomings while sustaining its gains.

By Ilan Goldenberg and Elizabeth Rosenberg

OCTOBER 10, 2017, 4:46 PM

Despite assessments by the International Atomic Energy Agency, the chairman of the Joint Chiefs, and the secretary of state that Iran is in compliance with the 2015 nuclear deal, along with a public acknowledgement from the

secretary of defense that it is in the U.S. national interest to stay in the agreement, President Donald Trump is expected to give a policy speech on October 12 in which he will likely announce that he will not certify to Congress that Iran is abiding by its commitments. Though the administration is not likely to encourage Congress to reimpose all nuclear sanctions, the president's refusal to certify will jeopardize an agreement that has successfully contained Iran's nuclear ambitions. However, even if the president pursues this track, which we oppose, there is a way for the administration, Congress, and our European allies to jointly address the agreement's shortcomings while sustaining its gains.

Some critics of the deal have proposed that the president withhold certification, and Congress or the administration reimpose some sanctions, including measures to sabotage the multibillion-dollar civil aviation agreements with Boeing and Airbus that the deal explicitly permits. Then, leveraging the fear among U.S. allies that the United States will utterly abandon the agreement and hammer more foreign companies with sanctions, the United States should force Europe to agree to jointly present Iran with an ultimatum and new conditions Iran would have to meet to keep more sanctions from being reimposed.

This strategy will fail. Iran would walk away over what is clearly a U.S. breach of the deal. Our outraged European allies would not capitulate, and would view the United States as a bully acting in bad faith.

Instead, the United States should pursue an approach based on years of credibility and consensus building with international partners, established by both the George W. Bush and Barack Obama administrations. Together, transatlantic partners crafted a sanctions regime and diplomatic engagement strategy that yielded nuclear concessions by Iran. Now, it will similarly take years to pursue an effective, coordinated strategy to deal with remaining challenges.

Here is how this can be done: While not certifying Iran's compliance with the deal, Trump should announce a tough strategy to use powerful existing (not reimposed) sanctions authorities and limited military and intelligence actions to counter Iran's regional actions. This does not mean launching a war, but rather taking limited steps to send a firm signal, such as doing more to expose Iran's support for surrogates and proxies in the Middle East and interdicting weapons shipments across the region. He should also call for an immediate partnership with Europe to address his biggest concerns with the nuclear agreement.

For their part, European leaders should speak up loudly, as a few already have, clarifying that they will work with the United States, and be flexible, as long as the United States keeps the nuclear deal in place.

A first task for the partners should be the formation of a Europe-United States working group to facilitate European designation of Hezbollah as a terrorist organization and additional sanctions targeting Iran's ballistic missile development and the Islamic Revolutionary Guard Corps.

Then, the partners should develop a common strategy to address expiration of key limitations on Iran's nuclear program in eight to 13 years. This should include steps to coerce Iran into a supplemental nuclear agreement. But as previous negotiations with Iran have shown, coercion by itself is unlikely to work. Successfully negotiating a supplemental agreement will also require offering incentives such as reinstating so-called U-turn transfers for Iran through the U.S. financial system, or cooperation on civil nuclear technology in exchange for Iranian concessions.

Trump can then legitimately claim that he has succeeded in beginning to renegotiate the nuclear agreement as he promised. He can be clear that during this inevitably long and difficult process, the United States will hold steady on the current deal as long as Iran complies.

Congress then has numerous options to advance U.S. interests and do away with the constant cycle of deal crisis. It could amend current legislation so that the president no longer must certify every 90 days that Iran is abiding by the agreement. It could alternatively replace this requirement with a more limited certification that the United States and its partners are making progress in addressing the deal's shortcomings. The International Atomic Energy Agency and the U.S. intelligence community will monitor Iran's nuclear commitments regardless.

On sanctions, Congress should continue the approach it favored two months ago when it created new missile and terrorism sanctions to counter Iran's problematic actions, which were intentionally consistent with U.S. obligations under the nuclear deal.

This president-led strategy still involves risks. The president would put European partners in the bitter position of having to make public concessions under threat that the United States will destroy an agreement they care deeply about.

Moscow and Beijing will oppose these moves. However over time a united transatlantic front may be able to build consensus with Russia and China to address long-term nuclear security issues with Iran, if not Iran's regional actions. This strategy will also cause consternation in Tehran and erode already grudging openness to nuclear diplomacy.

The best strategy for preserving and expanding U.S. credibility, security alliances, economic leverage, and nuclear safeguards lies with the president continuing to certify Iranian deal compliance this month while pursuing the approach we outline. But if Trump will not, this proposal is the best alternative for the United States to set the conditions for generating essential international support to counter Iran's long-term nuclear ambitions and dangerous regional behavior.

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· [Trump's Use of Sanctions May Be Unsustainable](#), Foreign Policy, February 9, 2018.

The president risks weakening one of America's most formidable policy tools.

By Peter E. Harrell and Elizabeth Rosenberg

FEBRUARY 9, 2018, 2:56 PM

A year into his presidency, President Donald Trump has become an aggressive practitioner of economic sanctions. So far, the Treasury Department has added over 700 people, companies, and government agencies to sanctions lists. The administration has also increased other forms of economic pressure on North Korea and Venezuela. Its tactics are different too. Trump has threatened to rip up the Iran nuclear deal, thereby abandoning a multilateral approach to the application of financial sanctions on Iran.

Trump's use of sanctions has notched some notable wins. Three rounds of North Korea sanctions adopted by the U.N. Security Council last year will, if fully enforced, cut off 90 percent of North Korea's pre-sanctions export revenues. Sanctions on Venezuela target President Nicolas Maduro, who has presided over a humanitarian catastrophe that prompted over half a million Venezuelans flee in the last two years and caused hunger and child mortality rates to soar. U.S. sanctions have dramatically increased pressure on Caracas.

But there are worrying signs that Trump's use of sanctions may not be sustainable. The administration needs a long-term strategy to shore up multilateral cooperation, prevent career staff burnout and departures, and get ahead of emerging trends that threaten to undercut U.S. sanctions dominance. Absent a holistic plan, America's dealmaker-in-chief risks leaving his successors with a much weaker tool to deploy against future national security threats.

The first troubling sign is that Trump's aggressive use of sanctions is straining cooperation with allies. While the United States has more sanctions leverage than any other country, the reality is that U.S. sanctions have powerful bite when allies apply coordinated, parallel measures. This is particularly true of sanctions targets such as Iran and Russia that have deeper economic ties with other countries than they do with the United States. European and Asian cooperation was essential to success of the oil sanctions on Iran between 2012 and 2015, since the United States did not purchase Iranian oil.

The Trump administration's threat to end the Iran nuclear deal is the most significant example of the rift between the administration and key U.S. allies. The Trump administration's threat to end the Iran nuclear deal is the most significant example of the rift between the administration and key U.S. allies. European governments denounce this possibility in uncharacteristically derisive terms. Actually tearing up the deal would damage U.S.-EU cooperation on Iran and poison transatlantic ties needed to secure cooperation on other security priorities, including Russia and North Korea.

Like it or not, the Trump administration can only deliver true economic impact over the mid- and long-term if it invests significantly more diplomatic energy in securing sanctions alignment with U.S. allies. Moreover, sanctions are only as good as the broader strategy in which they are applied. So going it alone without allies to counter major global security threats will reveal both Trump's strategy, and his tools, to be damningly inadequate.

Another troubling sign of sanctions unsustainability is the specter of staff burnout and departures at U.S. sanctions agencies. Sanctions depend on human capital — the talented women and men across the U.S. government who analyze targets, develop regulations, and work with allies to craft broad-based financial pressure campaigns. There has always been high turnover among sanctions staff, given the demanding workload and pull of lucrative private sector job offers. But the frenzied pace, with no additional resources, and hasty reversal of sanctions implementation conducted over the last several years on Iran, Cuba, and Russia, pushes more bureaucrats toward the door.

This is the recipe for institutional crisis. The Pentagon needs an increase in resources to adapt to the growing range of U.S. national security threats, and the same is true of the economic wing of the U.S. national security arsenal. Congress should include a dramatic increase in staffing and other resources for sanctions agencies in its next appropriations bill.

Perhaps the most alarming indication that Trump may preside over the end of the era of powerful U.S. sanctions is that his team is not staying ahead of emerging trends that threaten to undercut U.S. sanctions dominance.

Over the next decade new financial technology, such as cryptocurrencies and blockchain-based international settlement mechanisms, could significantly diminish the impact of U.S. financial sanctions. Cost-cutting and efficiency-seeking entrepreneurs drive financial technology innovations. However, the reckless use of U.S. sanctions could speed the migration of China, Russia, and other U.S. adversaries away from U.S. markets and currency. The Trump administration needs a major new effort to understand and adapt to potential risks that threaten to reduce the power of U.S. sanctions.

Sanctions have been a central part of the U.S. foreign policy toolkit for the last two decades. No president has been more ambitious in the use of this tool than Trump. But his team must craft a long-term strategy, and bigger fighting force, to ensure continued impact in the years to come.

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· [Leaving the Iran Nuclear Deal Will Have Unintended Consequences](#), Foreign Policy, May 15, 2018.

Trump's actions may ultimately weaken the strength of sanctions as a tool of U.S. statecraft.

By Elizabeth Rosenberg

MAY 15, 2018, 4:21 PM

President Donald Trump's decision to withdraw the United States from the Iran nuclear deal and reinstate all U.S. sanctions won't deliver punishing economic pressure capable of forcing Iran to submit to Washington's policy demands. Along with diplomatic furor and a blow to nuclear arms control, the move also comes with damning unintended economic consequences for the United States.

The new U.S. policy involves snapping back all the sanctions on Iran that were removed in 2016 under the deal. Primary among them are the sanctions on Iran's central bank and on its oil trade, the engine of the country's economy.

Administration officials are betting that foreign firms that have invested in Iran and buy its oil will abide by the sanctions. They will also fan out around the globe to try to pressure foreign countries into joining the United States with measures of their own. Presumably the White House thinking is that the Iranian regime, once backed up against the wall, will capitulate or crumble.

This scenario is unlikely. Not every foreign company, bank, or oil trader will be inclined to comply with U.S. sanctions, particularly if their own governments are frustrated with the U.S. re-imposition of sanctions. There is no multilateral interest now in targeting Iran with financial pressure and diplomatic isolation, unlike during the 2012 to 2015 period of most intensive global sanctions on Iran.

Even when foreign firms are inclined to comply, many will be confused about how to do so. Explaining the rules to foreign banking associations, chambers of commerce, foreign financial and commercial regulators, and central banks takes an army of U.S. diplomats. The Trump administration has hollowed out the State Department's ranks, and the department did away with its sanctions implementation office last year. Several key senior staff members at the Treasury Department, which is responsible for crafting and enforcing the sanctions, just resigned.

To be sure, some purchasers of Iranian oil will wind down their business to escape legal liability and out of grudging loyalty to the United States, a security ally. European refiners, which buy more than 500,000 barrels per day, will probably unhappily follow the U.S. sanctions rules. Japanese and South Korean purchasers, which together account for more than 500,000 barrels per day, will too. Even here, though, the effects may be delayed or softened as countries seek temporary waivers or exemptions.

But Iran's biggest oil purchasers, China and India, may be less inclined to cooperate. They might even find opportunities to purchase additional barrels of oil from Iran, which has been pushing out more supplies in recent months. This could meaningfully diminish the effect of the sanctions.

When it comes to foreign banks and traders severing financial relationships and trade in goods with Iran, compliance will also be a mixed bag. European and Asian firms of any meaningful size will not tolerate the risk of violating sanctions and will stop dealing with sanctioned entities. These institutions, however, were already risk-averse and

had minimized their exposure to Iran, so the effect of the new sanctions will be marginal at best. Meanwhile, some foreign banks insulated from U.S. jurisdiction could create bespoke facilities to sustain trade with Iran, even if they are hit with sanctions. There is precedent for this in China.

More generally, these broad new Iran sanctions will encourage some countries to explore an array of alternative financial conduits to Iran, from barter to blockchain, to shield their banks and companies from U.S. jurisdiction. Russia and China are already pioneering alternative payment systems to stay outside of U.S. banks and currency, and these measures will likely accelerate that work and international interest.

European leaders are threatening to push back re-imposition of U.S. sanctions, guaranteeing a path for their companies to sustain business with Iran. They are exploring a revival of blocking statutes that ban European companies from complying with U.S. sanctions, measures that during the Bill Clinton presidency helped undermine the effect of U.S. Iran sanctions. However, these European Union leaders ultimately cannot tell private companies how to operate and force them to tempt the U.S. Treasury's sanctions enforcement team.

Chinese and Indian political officials are no doubt also considering how to continue some oil business with Iran in defiance of the United States. And Iranian and independent oil smugglers are dusting off their old playbooks for moving Iranian crude. During the prior period of intensive global sanctions on the country, smugglers mislabeled Iranian crude cargoes, blended Iranian crude with other regional grades, and engaged in ship-to-ship transfers to disguise its origin.

Unfortunately, smugglers were very good at this activity then and show evidence of sophisticated evolution over time. They learned from the Iran sanctions of the 1990s that U.S. pressure can practically shut down foreign oil and gas exploration and production in Iran, but it has limitations that can be exploited when it comes to rules against trading petroleum, condensate, refined product, and petrochemicals. This energy trading will probably be enough to enable Iran's resistance economy to soldier on, though not to achieve marked growth. Iran is no Venezuela, which will no doubt see more of its barrels disappear from the market this year than Iran will, as President Nicolás Maduro drives Venezuela toward total economic collapse.

Now, there will be far more opportunities to cheat if the rest of the world does not cooperate with the U.S. sanctions. That lack of cooperation will make it harder to enforce the sanctions. Foreign partners may not collect or share intelligence on evasion with U.S. government analysts as they did in the past under a multilateral sanctions framework. They also may stand in the way of efforts to enforce sanctions by impeding U.S. official access to violators to try to convince them to desist.

This slow-rolling tactic to stymie U.S. sanctions enforcement would actually be a smaller problem for the United States than the lack of foreign cooperation to match U.S. sanctions in the EU and other jurisdictions. Prior sanctions on Iran were as forceful as they were because they were multilateral and involved the strong will of foreign counterparts to join the effort. Some of the most powerful oil import restrictions and the cutoff of Iran from SWIFT, the global financial payments messaging system, came from the EU, not the United States.

Now, U.S. allies have sanctions fatigue (to say nothing of their tariff woes) and are fed up with the United States bullying them and their companies. U.S. allies have sanctions fatigue (to say nothing of their tariff woes) and are fed up with the United States bullying them and their companies. As an example, sanctions on Russia that the United States rolled out last month roiled financial markets, spiked the price of aluminum, and squeezed supply chains around the world. In the face of distress and outrage from businesspeople from Munich to Seoul to Hong Kong, the U.S. Treasury had to back off. Firms in the same countries, many of whom are allies, would also be hemmed in with the Iran measures.

This picture does not bode well for the strength of U.S. sanctions. Beyond this challenge, the sanctions involve serious unintended consequences that will make life more expensive and less safe for U.S. citizens. To begin with, the announcement of sanctions drove up oil prices and may continue to apply upward pressure as the conditions for the new oil penalties become clearer over the next 180 days. Higher oil prices translate into higher gasoline prices for U.S. consumers right as the country enters the summer driving season, which already puts pressure on fuel stocks and prices.

Another unintended consequence of the sanctions is that they give Russia and Saudi Arabia more clout as alternative oil suppliers to fill the gap left by Iran as customers wind down their contracts. This arrangement directly empowers and enriches Russia, giving it a greater ability to support Syrian President Bashar al-Assad's bloody campaign against his citizens, and to undermine U.S. democratic institutions with misinformation and malicious cyber activities. By enriching Moscow and its oil companies, the new Iran sanctions also undermine U.S. sanctions on Russia, a stark example of U.S. policy working at cross purposes.

Both Russia and Saudi Arabia have an interest in exercising their influence to keep oil prices fairly high to break even on their enormous burdens of state spending. Also, ahead of the pending public offering of the Saudi state oil company Aramco, high oil prices are an excellent way to pump up company value.

As a further unintended consequence, the new Iran sanctions introduce a major source of tension into the U.S.-China relationship. China is the largest consumer of Iranian crude and probably the only one with the scale of economy and political will necessary to sustain trading of Iranian oil even if an offending Chinese importer or bank is slapped with sanctions penalties. China's potential to not comply with sanctions is a new lever over the United States that it could pull if Beijing decides to engage in a power struggle with Washington.

The most strategically significant unintended economic consequence of the new sanctions, however, is that these measures may ultimately weaken the strength of sanctions as a tool of U.S. statecraft. Limited or uneven compliance with the sanctions will contribute to the impression that sanctions do not work, which will make countries less likely to heed them in the future. In turn, this will make this tool of U.S. foreign policy less cogent and less useful to U.S. leaders not just to counter Iran, but against all security threats.

This would be devastating to the Trump administration, which has made maximum-pressure financial sanctions a cornerstone of an array of foreign-policy files, from Iran to North Korea to Venezuela and even now to Russia, in a reversal from its early interest in rolling back Russia sanctions. It will also be damaging to future presidents, shrinking the tools available to project U.S. strength and leadership internationally. Ultimately, this unintended legacy of the present reversal in Iran policy may be among the gravest and most debilitating for U.S. national security.

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· [China and the EU Are Growing Sick of U.S. Financial Power](#), Foreign Policy, November 16, 2018.

They are trying their best to erode Washington's rules.

By Elizabeth Rosenberg and Edoardo Saravalle

NOVEMBER 16, 2018, 4:03 PM

This month, the United States imposed on Iran its most draconian round of sanctions yet. These measures made clear something the global community has long known: When it comes to international finance, Washington sets the rules for others to follow. Though some governments, led by the European Union, have announced initiatives to break free of this U.S. dominance, their policies will likely fail. Less publicized trends, however, are already eroding U.S. financial power and may make aggressive U.S. sanctions policies untenable.

When U.S. President Donald Trump announced in May that he would reimpose sanctions on Iran lifted under the 2015 nuclear deal, the effect was swift. Companies began to comply, independently of their governments' stances toward Tehran. Even as the EU moved over the summer to make it illegal for its companies to comply with the new U.S. sanctions, firms were already turning away from Iran.

The costs of not following U.S. rules are very high. The U.S. dollar greases the wheels of global commerce, and legitimate businesses cannot risk losing access to it. The U.S. dollar greases the wheels of global commerce, and legitimate businesses cannot risk losing access to it. French energy giant Total made this calculation explicit when it decided over the summer to stop operating in Iran. U.S. banks were involved in over 90 percent of its financing, and American shareholders owned over 30 percent of its shares. It could not "afford to be exposed to any secondary sanction," the company said in a press release. Similarly, the SWIFT payment messaging system earlier this month suspended sanctioned Iranian banks, saying that the decision, though "regrettable," was "taken in the interest of the stability and integrity of the wider global financial system."

Unable to counteract U.S. sanctions, some countries are pushing for structural changes. The EU is in the lead. China is following, and Japan, South Korea, and India are watching closely. European Commission President Jean-Claude Juncker has argued that the euro should become a global reserve currency to reduce financial dependence on the United States. Additionally, the EU has called for a so-called special purpose vehicle that would facilitate trade with Iran in a formalized barter system, offering some new economic opportunities to Iran to incentivize its continued participation in the nuclear deal.

This is not the first time countries have tried to move away from a U.S.-dominated financial system. During the global financial crisis a decade ago, policymakers from French President Nicolas Sarkozy to People's Bank of China Governor Zhou Xiaochuan called for a system beyond U.S. leadership. As historian Adam Tooze has shown, the opposite happened, and the United States solidified its central role.

Today's calls for change will also likely stall against ingrained U.S. financial power. However, less-discussed trends are already chipping away at America's hold on the global financial system—but not in the way the EU would wish.

The city of London, for example, keen to rebuild business after the crash, presented itself as a partner to Beijing in its goal of expanding China's financial reach. Jeremy Green, in an article for the *British Journal of Politics and International Relations*, documented how the United Kingdom courted new business from Asia after 2010. In 2012, London launched its "RMB initiative" to increase its Chinese exposure and smooth market frictions for Chinese customers. The national government supported this effort to turn the gaze of London financial markets east.

London has looked to Moscow, too. Since 2011, it has laid out what one expert called a "red money carpet" for Russian money. This effort has already caused headaches for U.S. sanctions policy. During the 2014 Ukraine crisis, photographers captured the notes of a British civil servant indicating that Downing Street opposed sanctions measures that would close off London's services to Russians.

It is no secret that China and Russia are actively looking to exploit the growing divide between London and Washington on sanctions. Already, when it thinks it can, Beijing has ignored Washington's economic threats. China has signaled that it will continue importing Iranian oil, only partially complying with U.S. sanctions. Still, there are some areas in finance where China cannot afford to go against Washington's wishes. If Beijing could count on a more cooperative London, with its key financial services, to circumvent U.S. jurisdiction, it could seriously damage the U.S. sanctions edifice.

Trans-Atlantic divisions are further weakening the sway of U.S. sanctions and finance. A political wave of opposition to U.S. economic and foreign policy has undermined trans-Atlantic unity. A political wave of opposition to U.S. economic and foreign policy has undermined trans-Atlantic unity. Recently the populist Italian Lega-Five Star Movement government questioned Russia sanctions, a hit to the U.S. push for these restrictions. As a Brexit-minded U.K. seeks new economic partners and strikes deals with countries with heightened illicit finance risks, Washington-London coordination on sanctions will be harder.

Neither Juncker nor Italian Prime Minister Giuseppe Conte is likely to weaken U.S. sanctions or dislodge the United States from the center of the global financial system, but emerging financial arrangements like China's money ties

with Britain might. Next time Washington drops a massive sanctions hammer, these new arrangements could offer an appealing alternative to the U.S.-centered system. Leaders on both sides of the Atlantic should consider what the world would look like if Washington struggled to set the rules.

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· [Two Years of Trump: Views From the Democratic Sideline](#), Foreign Policy, January 20, 2019.

Resolutions for the Democratic Party in 2019.

By FP's Shadow Government contributors

JANUARY 20, 2019, 12:58 PM

Sunday marks the second anniversary of U.S. President Donald Trump's inauguration—the halfway point of his first term. With the Democrats back in control of the House of Representatives and the 2020 presidential race already underway, Foreign Policy asked its Shadow Government contributors, foreign-policy hands who served under former President Barack Obama, for a set of resolutions for the Democratic Party in 2019.

Daniel Baer

In 2019, Democrats on Capitol Hill should:

Hold hearings that compel the executive branch agencies engaged in foreign policy to explain and defend their actions. Democrats should use the House Armed Services Committee and the House Foreign Affairs Committee to hold the administration accountable and compel testimony from the executive branch. (Sen. Ed Royce, the former chairman, was certainly not the worst House Republican, but he did a feeble job of holding the administration accountable.)

Lay out—again and again—the ways in which a progressive foreign policy can deliver for working people across the country. The vision for a values-based, pragmatic foreign policy that reinforces U.S. global leadership and is responsive to the interests and concerns of the middle class has to be front and center as they confront Trump's haphazard, corrupt, defeatist approach.

Take action in the legislature to support career diplomatic and development professionals, those working in U.S. intelligence agencies, military personnel, and the families of all these public servants. Trump has damaged what the United States stands for in the world. He also has failed to stand up for those who stand up for all of us.

Derek Chollet

As Democrats try to figure out how to handle the next two years, my advice is pretty simple: Study carefully the behavior of the House Republicans over the past decade and do the opposite.

That means approaching oversight and investigations with a healthy dose of sobriety and restraint. Don't reprise anything like the cynical, phony outrage of the Benghazi investigation, which, let's never forget, catapulted the career of Secretary of State Mike Pompeo. It also means that Democrats, while crafting policies and conducting legitimate oversight of the Trump administration, should remain mindful about setting precedents that may come back to haunt them. For example, I've written before for Shadow Government on my concerns about former Secretary of State James Mattis's impact on civil-military decision-making in the service of thwarting Trump (which the new House Armed Services Committee should look into), and Democrats should be careful with ideas like subpoenaing State Department interpreters. Democrats must also always put their best foot forward and show their unique seriousness and expertise on foreign-policy issues, especially from the rising generation of political leaders. Yet here there are worrying signs. The House leadership apparently blocked all of the newcomers to the House of Representatives with significant intelligence experience from positions on the House Intelligence Committee, mainly because they voted against Rep. Nancy Pelosi for speaker. At a moment when the United States needs to have vigorous intelligence oversight, it is hard to explain how that serves the national interest.

Finally, as several other Shadow Government contributors have also urged, Democrats must be more than a check against Trump, as essential as that will be. Consider the House Republicans: When Obama was president, nearly their entire agenda was about blocking and undermining him and, since 2016, rolling back everything he did. Outrage and hysterics will generate attention and maybe even get you elected—but that's no way to govern. Democrats must always offer a positive vision for the future—showing how, after Trump, they intend to undo the damage and rebuild. Democrats must always offer a positive vision for the future—showing how, after Trump, they intend to undo the damage and rebuild.

Evelyn Farkas

In 2019, Democrats should resolve to craft a smart, strong policy approach to China that protects U.S. national security interests and business competitiveness. Democrats should develop and articulate a strategy to prevent China from gaining advantage in all military and industrial domains—land, air, sea, space, and cyberspace—and in the political, informational, and diplomatic arenas.

This new policy approach should block Chinese actors from stealing U.S. defense and intellectual property and deter the Chinese government from cyberoperations against private and public targets. U.S. policy should establish firm lines regarding disputed territories and waters, defending freedom of navigation. At the same time, Democrats should propose new diplomatic and legal initiatives to resolve issues of sovereign ownership or control without use of military assets. Understanding that U.S. commercial businesses rely on China for supplies and markets, Democrats should work to help businesses establish decision-making and practices that factor in national security imperatives.

Ilan Goldenberg

Develop a sensible approach toward Israel that works for the broad majority of the Democratic Party.

One of the potentially most sensitive foreign-policy issues heading into the Democratic primaries in 2019 is the party's approach to Israel. The two loudest voices are on opposite extremes. On one side is a constituency that argues for unconditional support. On the other is a progressive base that wants to take a much more critical approach. In the quiet middle is the broad majority of Democrats who are increasingly uncomfortable with Israeli Prime Minister Benjamin Netanyahu's cozy relationship with Trump and Israeli settlement activity. But they still recognize that the United States shares progressive values with Israel and that there are meaningful security benefits to the relationship. Democrats should resolve to not let the voices on the extreme control this debate but instead forge a consensus message that emphasizes that Israel is a close and important friend of the United States and there are real benefits to the relationship. But when you see your friend doing things that you disagree with and are damaging both to their interests and to yours, it is okay to criticize their behavior and encourage them to change.

Charles Kupchan

Now that the Democrats have won a majority in the House, they should focus on three priority tasks.

First, Democrats need to broaden the party's appeal among working people by pursuing ambitious legislation to raise living standards and promote economic opportunity. Improving the accessibility and affordability of higher education and job retraining, expanding health care coverage and managing its costs, addressing inequality through tax policy, curbing the role of money and special interests in politics—these are the kinds of policies that Democrats need to pursue if they are to address the anger and discontent fueling the country's political dysfunction. Even if the Republican-controlled Senate balks, Democrats need to demonstrate their commitment on these fronts. Winning back the confidence of more working Americans is key to setting the stage for a Democratic victory in 2020 and ensuring that Trump is a one-term president.

Second, Democrats should seek to restore truth and decency to public debate. Deliberative democracy depends on civil, informed, and fact-based discussion to function. The Trump administration has denigrated the country's politics and debased public discourse by misleading the electorate. Democrats should call out each and every fabrication and distortion and seek to move the country toward a fact-based policy debate. Democrats should press their Republican colleagues in Congress to join them in this exercise, putting them on the spot and challenging them to stand up to falsehoods.

Third, even though the executive branch wields considerable control over foreign policy, the Democrats should be prepared to limit the damage that the Trump administration is inflicting on U.S. statecraft and U.S. interests. Congress's demonstrated readiness to stand up to Trump on Russia sanctions provides a good example. Should Trump try to do damage to or withdraw from NATO, Congress should do what it can to block him. When Trump insults allies, Democrats should counter forcefully and make clear that much of the country still cherishes like-minded partners around the world. When Trump tells Americans that North Korea no longer poses a nuclear threat to the United States, Democrats should promptly correct the record. Given that Trump's own foreign-policy advisors are regularly at odds with him over foreign policy, Democrats can help make clear that Trump speaks for no one but himself.

Kelly Magsamen

My New Year's resolution for the Democratic opposition to Trump is that we should not be afraid to defend our values, make affirmative arguments, and think big on foreign policy. We need to generate a new and compelling story about the U.S. role in the world that people can understand and get behind. And while the United States is indeed facing unprecedented challenges, we should seek to dwell in the land of hope and not fear. The new House of Representatives also has the chance to start putting in place the building blocks of what Democrats in 2020 should stand for—defense of democracy at home and abroad, rule of law, restraint on use of force, better balance between defense and diplomacy resourcing, and making the right investments at home that will make the country more competitive.

Jeffrey Prescott

This year, Democrats should ground their opposition to Trump in what the party stands for, not just what it stands against. Democrats have rightly focused attention on Trump's damage to U.S. security and standing, including his embrace of autocrats and eschewing of allies, throwing migrant children in cages, and withdrawing from the Paris and Iran agreements. But we must also articulate a foreign policy that is grounded in our values, restores U.S. leadership in the world, and takes on the biggest challenges the United States faces, from climate change to China and Russia. Democrats must use their new House majority to serve as a check but must also point the way forward. A new House resolution that addresses foreign dark money flows is a good start. And it is past time to chart a new course on Yemen. More broadly, Democrats should try to restore respect for allies, promote U.S. values, and limit Trump's long-term cost to the country's credibility and influence. By pursuing a bold affirmative agenda this year, they can show the American people what is truly at stake in 2020.

Elizabeth Rosenberg

Congressional Democrats are preparing to make Russia policy a battlefield for opposition to Trump. With extraordinary oversight abilities to block the president from relieving pressure on Moscow, which he has signaled interest in doing, Democrats have powerful levers they should use to instead compel a grave, sustained focus on Russia's threats to U.S. sovereignty, interference in democratic processes, chemical attacks, and human rights

violations. Democrats should also draw attention to the president's alarmingly friendly overtures to Moscow. But they must avoid letting politics distract from the greater task of leading the United States toward a sound, aggressive response to Russia. Through oversight, appropriations, and new Russia legislation, including sanctions, congressional Democrats, along with key Republicans, should focus on the insidious and evolving threats Russia poses.

Amanda Sloat

My wish for 2019 is that Democrats maintain unity of purpose amid their newly empowered role in the legislature, and in the next presidential primary. The 2018 elections brought new faces and diverse perspectives to Congress, including more women, minorities, and national security experts. These members are rightly eager to hold the Trump administration accountable and to advocate for alternative policies. Similarly, the primary campaign will showcase a range of voices in the battle to determine who is best placed to defeat Trump. The main fissure in the Democratic Party, between those seeking a centrist approach and those doubling down on progressive objectives, is already clear. The main fissure in the Democratic Party, between those seeking a centrist approach and those doubling down on progressive objectives, is already clear. Amid this contest of ideas, I hope the party remains focused on the larger shared aims of defending the country's political institutions, healing the country's divisions, and reassuring international allies.

Julie Smith

Americans on both sides of the aisle are increasingly questioning the value of U.S. engagement in the world. Democrats would therefore be wise to seek opportunities to make the case for some of the pillars of what was once the bipartisan foundation of U.S. foreign policy. Through hearings, trips abroad, and public speeches both in Washington and their districts, Democrats need to make the case for alliances, democracy promotion, and human rights. Americans need to see and hear concrete examples of how support for those three pillars make the country safer and serve U.S. interests and values. Furthermore, Democrats need to argue that only by strengthening all elements of U.S. power—including diplomatic, economic, and military—can U.S. leadership be restored.

Jim Townsend

The Democrats should waste no time in using the diverse and fresh faces of the new House of Representatives to show U.S. allies that change is coming. With the departure of Mattis and a small band of Atlanticists, there are not many in the Trump administration left who see allies as anything more than competitors. Democrats should send a planeload of new House members to attend the Munich Security Conference in February, not only to present a Democratic vision for a new deal with Europe but also to show in person that a young and energetic political force is gathering speed that will restore U.S. leadership in the trans-Atlantic community. With the new House of Representatives, we can begin to recapture the high ground: a U.S. foreign policy that reflects the best the country has to offer and restores a version of U.S. leadership to be proud of.

Jon Wolfsthal

Democratic Rep. Adam Smith is the new chairman of the House Armed Services Committee and is uniquely placed to reimpose nuclear and budgetary sanity on the Trump administration. The growing recognition within the Democratic caucus that Trump is running headlong into a costly, dangerous, and unnecessary nuclear arms race with Russia should lead to a congressional rejection of new nuclear weapons, including Trump's request for more usable low-yield weapons for U.S. submarines. At the same time, Democrats need to put pressure on Trump to extend the New START nuclear arms reduction treaty, which is clearly in National Security Advisor John Bolton's sights, but do so without accepting a trade that requires the support all of Trump's misguided and risky nuclear spending.

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Jeffrey Prescott served as a special assistant to the president and senior director for Iran, Iraq, Syria, and the Persian Gulf states on the National Security Council. He joined the Barack Obama administration in 2010 as a White House fellow and was Vice President Joe Biden's deputy national security advisor and senior Asia advisor.

Elizabeth Rosenberg is a senior fellow and director of the Energy, Economics, and Security Program at the Center for a New American Security. From 2009 to 2013, she served as a senior advisor at the U.S. Department of the Treasury.

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· [Maximum Pressure on Iran Won't Work](#), Foreign Policy, April 26, 2019.

Trump's new Iran sanctions will hurt the United States in the long term.

By Elizabeth Rosenberg

APRIL 26, 2019, 3:24 PM

This week, U.S. Secretary of State Mike Pompeo moved to end sanctions waivers on Iranian oil—a major step to increase financial pressure on Tehran. The new policy, once it goes into force on May 2, aims to force China, India, Japan, South Korea, and Turkey to stop buying crude from Iran, depriving the country of its primary source of cash.

In the near term, the pressure tactic will mostly work, successfully siphoning off a significant share of Iran's oil exports. The big buyers in the handful of countries still doing oil business with Iran will plead for leniency, or kick and scream, and then grudgingly wind down. They are unlikely to get to zero, for lack of affordable and available alternatives, possible permission from the United States to slow-walk their retreat, and good old-fashioned recalcitrance. But they will likely steer away from committing reputational and financial suicide by flagrantly breaching U.S. sanctions.

President Donald Trump will surely shout victory. He is right that the United States can, for now, weaponize the global financial system. Washington can use sanctions to bring businesses around the world to their knees, making them the unwilling executors of U.S. national security policy.

Tehran is seething and threatening retaliation. It is probably closer to leaving the 2015 nuclear deal than it has ever been. European countries and other supporters of the agreement are irate. Their limited willingness to cooperate with the United States on security issues is shrinking.

These are all desired outcomes for the Trump administration, regardless of the collateral damage to the working poor around the globe, who will bear the brunt of spiking energy prices.

Ultimately, by tightening the economic vice, the Trump administration aims to isolate Iran and create enough pressure to instigate regime change. Ultimately, by tightening the economic vice, the Trump administration aims to isolate Iran and create enough pressure to instigate regime change. The White House wants to exact commitments from Iran to end its support for terrorism, missile proliferation, and human rights abuses—along with other destabilizing regional activities—and curtail the country's nuclear ambitions. The administration also wants Iran to embrace transparency, liberal politics, and peace.

To be sure, many people both in and outside Iran want to see new leadership in Tehran that is more committed to rule of law, a free and protected civil society, and global engagement. However, there is little to indicate that the Trump administration's brand of maximum economic pressure will deliver this result.

What the White House strategy is set to deliver is a meaningful, if temporary, dip in Iran's oil exports. This hollow triumph will come at an exceedingly high cost.

To begin with, Iranian oil exports should only take a serious slide when most of the big players exit Iranian oil deals next month. But exports will inevitably creep back up and continue to flow. Smaller-scale traders will ferry cargoes to smaller-scale refineries. Smaller-scale banks or trading companies, with extremely limited exposure to the United States and U.S. sanctions enforcement, will process the oil transactions. Regulators in countries angered by the U.S. policy may look the other way as this barter and smuggling activity occurs. Chinese, Indian, and Turkish entities are the most likely candidates for this new kind of commerce.

The United States cannot possibly hit every Iran sanctions violator, no matter how much it wants the pressure policy to work. Washington cannot rely on the same international intelligence sharing and enforcement assistance as it made use of during the 2012-2015 period of intensive Iran sanctions. As some Iranian oil continues to make its way to market, observers may conclude that U.S. sanctions are not so tough after all, which could supercharge the incentive to push the envelope or breach them. This will make Trump's Iran policy less effective.

Many expect that Iran will suffer through the intensive sanctions regime instead of capitulating. Irregular warfare is cheap, and Iran has always put funding for terrorist proxies ahead of a broad social safety net and domestic investment. Iran's revolutionary generals will continue to threaten Israel and others in the Middle East.

Another enormous problem with Trump's strategy is that it could send a message to the world that all U.S. sanctions, not just those on Iran, are underwhelming—a heavy cost for the United States to bear. As major, long-term competition mounts with a rising China over strategic influence and global leverage, weakening sanctions seems particularly misguided.

Even considering the immediate future alone, it is deeply unwise for the Trump administration to undermine the power of U.S. sanctions. They are a core part of Trump's strategy to move North Korea toward denuclearization and

weaken Nicolás Maduro's brutal regime in Venezuela. Economic pressure is also one of the few tools the United States can deploy against the Kremlin's democratic interference campaigns, hacking, and violation of territorial integrity.

For now, the Trump administration can thrill in its sanctions adrenaline high—a victory for policy-driven market manipulation. The next generation of U.S. leaders will be the ones who have to cope with the troubling and enigmatic longer-term outcomes: an even more entrenched and embittered Iran and a weakened U.S. arsenal of economic tools. Their part will be to win back the confidence of U.S. partners and allies and seek their help with the daunting challenge of addressing the Iranian security threat and restoring the United States' tarnished economic leverage.

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[There Is Still Time for Diplomacy With Iran](#), Foreign Policy, May 10, 2019.

The risk of war has risen. But a diplomatic solution remains likely.

By Ilan Goldenberg and Elizabeth Rosenberg

MAY 10, 2019, 5:50 PM

Iranian President Hassan Rouhani announced this week that Iran would stop complying with certain elements of the 2015 nuclear agreement. The announcement, a year after President Donald Trump pulled the United States out of the multiparty pact, was not a surprise. And it did not cause an immediate crisis, but rather set off a slow-motion march that could eventually end in war. There is no question that the situation just got much more dangerous—but there is still time and opportunity for diplomacy.

For the past year, the Iranian strategy had been to stay in the nuclear deal, try to isolate the United States politically, avoid a military confrontation, and try to win economic benefits from China, Europe, and Russia. The European parties to the deal have explicitly tried to deliver economic benefits to Iran. Their companies will not deliver on that commitment, however, because it would mean violating U.S. sanctions and risking loss of access to the U.S. banking system.

This week, the Trump administration imposed new sanctions on Iran's metals industries and prepared to move more military assets to the region. Last month, it dramatically ramped up pressure by pressing importers of Iranian oil to halt all purchases, about 1 million barrels of oil—dealing a major blow to Iran's economy. Shortly before that, the U.S. government announced a high-profile designation of Iran's Islamic Revolutionary Guard Corps (IRGC) as a foreign terrorist organization. In response to these actions, the Iranians have signaled that they will begin taking steps outside of the nuclear deal.

These are grave developments that signal the potential for reckless destabilization in a volatile region on the part of well-armed and deeply entrenched U.S. adversaries.

The good news is that the Iranians are playing it slow. Rouhani announced that Iran would begin stockpiling low enriched uranium and heavy water above the limits stipulated in the nuclear deal. He did not indicate that Iran would begin spinning more centrifuges, enriching to higher levels, or restart construction on a heavy water reactor. Most importantly, he did not say that Iran would reduce its compliance with inspections.

For now, this is rhetoric and saber rattling. If Iran pursues these steps it will be months before it has enough enriched uranium for even one nuclear weapon—let alone an arsenal. In other words, Iran is not on the verge of a nuclear weapon that will threaten the United States, Israel, Saudi Arabia, or the rest of the region in the immediate future.

Rouhani also said that if in 60 days the remaining parties to the nuclear deal do not find a way to meet their obligations under the agreement, Iran will take further steps to restart its nuclear program. Iran wants its oil buyers to stand up to U.S. sanctions and keep a lifeline of hard currency flowing to the isolated nation.

What Iran appears to be doing is continuing the strategy it has pursued for the past year while trying to project greater resolve for the purposes of national pride, domestic politics, and future negotiating leverage.

China, Europe, and Russia will do all they can to dissuade Iran from building out its nuclear program and encourage a return to the nuclear deal. This will include stern words for Iran about the need to abide by its nuclear obligations and the threat that Europe will join the United States in reimposing major sanctions if it does not.

In addition, China, Europe, and Russia are likely to try to offer inducements in the form of economic benefits to encourage Iran to continue adhering to the deal. Europeans may try to accelerate development of the British-French-German nonbank financial vehicle to facilitate humanitarian payments between Iran and European firms. This promises little actual international financial flow, but it's an important symbolic source of European support for Iran and the nuclear deal.

China will likely protest the oil sanctions and seek dispensation to continue to purchase Iranian oil. Other nations outside of the nuclear deal, but significant to Iran's revenue streams, will also protest the sanctions and plead for leniency. India and Turkey are scrambling for strategies to replace Iranian oil but don't want to break up with this important supplier.

Ultimately, Iran is likely to be disappointed by the meager economic flows that China, Europe, and other nations outside of the deal can supply. No significant international company or bank will risk violating powerful U.S. sanctions and the extraordinary financial and reputation costs that go along with that. What's more, Iran is a difficult environment in which to operate for foreign companies, and opaque, sanctions-toxic IRGC business structures litter its economy. Iran will have to make do with business ties to relatively small foreign traders, firms, and financial institutions far from U.S. jurisdiction that can manage to operate even if they are hit by U.S. sanctions.

Still, since Iran does not want a major escalation, one could see a scenario in which it extends its 60-day deadline. This is especially likely if China, Europe, and Russia enter more intricate negotiations with Iran to try to deliver greater economic benefits.

But if it takes longer than 60 days, looking months into the future, it is hard to imagine a scenario in which Iran does not wind up unhappy with what it gets. Eventually, it is likely to respond by slowly but surely building up its nuclear program. It will install more centrifuges, increase its production capacity, and move to a more enriched form of uranium that will bring it meaningfully closer to a nuclear weapon. But it will try to leave open the option for negotiation and try to avoid steps that unify the world against Iran.

Indeed, what the Iranians might still be doing is buying time until after the 2020 elections in the United States. A new U.S. president may offer Iran a viable opportunity to reenter negotiations. If Trump is reelected, Iran may eventually choose to pursue the approach North Korea took: dramatically escalate its rhetoric and provocations. After building leverage, Iran could eventually agree to a summit with Trump to deescalate tensions and win concessions. However, these types of tactics always increase the risk of miscalculation and war.

For now, though, conflict does not appear imminent.

First, Trump is not interested in another war in the region. He has consistently railed against U.S. military investment in the Middle East, and his instinct has been toward withdrawing U.S. troops from the region. The administration's stated position is that it wants to apply greater pressure on Iran to return to the negotiating table for a comprehensive deal on nuclear and other issues tied to Tehran's regional behavior.

The Israelis will raise the alarm as Iran rebuilds its nuclear program. Israeli Prime Minister Benjamin Netanyahu may start talking about the possibility of military action. However, he spent three years from 2009 to 2012 threatening military action against Iran's nuclear program but ultimately chose not to pursue it because the risks were too high. Netanyahu would likely be pleased to see a U.S. attack on Iran, but he would prefer not to take on that fight on his own. Similarly, Trump would support an Israeli strike on Iran's nuclear program, but he seeks to avoid a scenario that would drag the United States into another quagmire.

Another indication that no conflict is imminent: At the end of the day, the Iranians have no appetite for a conventional military confrontation with the United States. Another indication that no conflict is imminent: At the end of the day, the Iranians have no appetite for a conventional military confrontation with the United States. While Iran pushes the envelope in the region through its support for violent surrogates and proxies in Iraq, Lebanon, Syria, Yemen, and elsewhere, it also wishes to avoid a major conflict with the United States that it knows would end badly for itself.

But no one should feel complacent about the situation. The risk of conflict, particularly driven by unintended escalation, has certainly increased. There are hard-liners on all sides who believe a direct military conflict is inevitable. U.S. National Security Advisor John Bolton has a long track record of supporting regime change in Iran and may support military action. His statement earlier this week tying a long-planned carrier deployment to the Middle East to Iranian behavior and threatening "unrelenting force" was unnecessarily provocative. Any U.S. administration with intelligence regarding potential attacks on American interests would respond, seeking to deter Iran. But Bolton's escalatory statement was over the top and, according to a number of military and intelligence officials, an "overreaction" given the nature of the intelligence.

On Iran's side, the Quds Force continues to arm and train Lebanese Hezbollah militants, Shiite militia groups in Iraq and Syria, and the Houthis in Yemen. The irresponsible tactics of the IRGC Navy around the Strait of Hormuz could certainly lead to a dangerous incident that in this environment could spin out of control.

The bottom line is that the current environment is highly combustible. The Trump administration's policies have resulted in an Iranian nuclear program that is less constrained. These policies have separated Washington from its allies and generated a major test to the U.S. sanctions architecture that will demonstrate cracks and breed small-scale but reliably ongoing cheating. A war is not imminent, and the most likely outcome is still a diplomatic solution. But the fact alone that none of the main actors involved want war does not mean they can avoid it.

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· [Trump Has Made Sanctions a Path to Strikes](#), Foreign Policy, January 14, 2020.

Economic measures can de-escalate tensions, but not if used crudely.

By Elizabeth Rosenberg and Neil Bhatiya

JANUARY 14, 2020, 5:04 PM

U.S. President Donald Trump's decision to kill the Iranian general Qassem Suleimani, the architect of Iran's political and military influence in the Middle East, and the Iranian response represent grave escalations in hostilities between the United States and Iran. While both sides have signaled a desire to pull back since these strikes, the world should not exhale too deeply. Trump has offered fresh threats of "punishing economic sanctions" on Iran, which he followed through with on Friday, imposing sanctions on more Iranian officials who had a direct role in the missile attacks, as well as more important economic sectors such as steel, aluminum, copper, and iron.

The continued use of U.S. sanctions, in the absence of negotiations and with a heightened military posture, means that the United States and Iran are locked into a confrontational stance with no plans for de-escalation.

In his speech on Jan. 8 addressing Iran's attack on U.S. targets in Iraq, Trump said he wanted a new deal to replace the Iran nuclear accord. He refrained from announcing fresh strikes on Iranian targets. Many relieved observers have praised the move as a critical pause in hostilities.

But it would be going too far to call this a de-escalation. In the press conference held by U.S. Secretary of State Mike Pompeo and Treasury Secretary Steven Mnuchin Friday, they framed these new sanctions as immediate, painful economic pressure on Iran. This is consistent with the president's aggressive sanctions posture since leaving the Iran nuclear deal. His penchant for tough sanctions, alongside a willingness to use lethal force, suggests that the administration seeks Iranian capitulation rather than peaceful negotiations. To realize true de-escalation, Trump would need to signal the possibility for sanctions relief in the context of a meaningful and structured diplomatic process. At the present moment, such measures appear remote, at best. As a result, all sides remain prepared for the possibility of further hostilities.

The current tit-for-tat cycle of hostilities between the two countries can be traced to a particular tipping point: Trump's reimposition of punishing financial sanctions on Iran in 2018. The current tit-for-tat cycle of hostilities between the two countries can be traced to a particular tipping point: Trump's reimposition of punishing financial sanctions on Iran in 2018. Last year, this move galvanized Tehran's campaign of attacks on shipping and energy targets, as well as U.S. installations and personnel, in the Middle East. It also elevated Tehran's demands for sanctions relief as a precursor for returning to any negotiations with Washington.

Trump's ominous sanctions threats are not a middle ground policy option meant to create space for diplomatic negotiation or de-escalation. His track record on Iran sanctions suggests that the White House sees sanctions as a windup to missile strikes or other hostile measures. Sanctions are a new signaling tool to advise U.S. adversaries of lethal intent. They also now appear to be a diplomatic *démarche*. Sanctions exceptions permit the U.S. State Department to issue visas to Iranian political leaders to attend United Nations meetings. But Trump just threw out this adherence to the U.N. Headquarters Agreement and denied Iran's Foreign Minister Mohammad Javad Zarif's visa to travel to the U.N.

The strictures of sanctions can illuminate the possible future trajectories of U.S.-Iran tensions. These economic measures box Iran and the United States in, foreclosing certain de-escalatory paths in the bilateral relationship. The forced isolation and stigma of sanctions make it difficult for Iran to communicate with the United States and others. This can be a particular challenge for conflict management in tense times.

Sanctions also make humanitarian exchanges extraordinarily difficult. This exacts a human toll on Iranians only exacerbated by Iran's own mismanagement of funds for critical social spending. As a political matter, the sanctions hamper a possible future move by the United States to permit further food and medicine delivery to Iran—an olive branch that could create a pause in frantic, escalating hostilities.

Additionally, adding more U.S. sanctions now, as Trump has promised, can make a climbdown politically infeasible with dug-in domestic constituencies in Iran and in the United States. As Zarif said ahead of the September 2019 U.N. General Assembly, "Abandon the illusion that Iran can be defeated by pressure." For Iran, each additional sanction is a freshly humiliating and offensive gesture by its greatest adversary. For the United States, new sanctions

are an affirmation of the policy of denunciation and distance from a repressive and brutal regime. For all sides, further sanctions erode the small measure of political feasibility that exists to find an accommodation and seek de-escalation.

Trump appears to agree that sanctions inhabit a middle ground between military moves and diplomatic talk. This is why he invoked sanctions as a way to pause in hostilities with Iran. But this is hardly a de-escalation or pivot toward diplomacy.

The lesson Trump is delivering to us now about sanctions is that the United States and Iran are entrenched in a middle ground of forever sanctions. This is Trump's preference and periodic, violent attacks by both sides are tolerable. Forever sanctions may pull back adversaries from an escalation into all-out hostilities and another forever war in the Middle East. But the economic pressure measures have their challenges, and they may ultimately forestall diplomacy and true de-escalation.

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Foreign Affairs

· [Pointless Punishment](#), Foreign Affairs, August 18, 2014.

Pointless Punishment
How the Sanctions on Russia Will Hurt Asia
By Ely Ratner and Elizabeth Rosenberg
August 18, 2014

The Obama administration has responded to increasing Russian aggression by stepping up its own efforts to inflict economic pain on Moscow and isolate it diplomatically. The United States and the European Union announced a new round of sanctions on July 29 that bar a number of Russian banks from U.S. and European capital markets, deny Russian energy companies sophisticated oil development technologies, and expand restrictions on Russian defense technology.

Even worse for Moscow, the new measures make it harder for Russian companies to raise medium- and long-term financing in Western markets, and extract oil from the Arctic and new deep water and shale reserves. They also hurt the Russian economy by increasing investor anxiety, which is likely to accelerate capital flight and cause foreign bankers to cut back on loans to Russia.

After announcing the latest sanctions, U.S. diplomats traveled to China, Japan, Singapore, and South Korea to urge their Asian partners to support efforts to tighten the economic vice on Russia.

From a Ukraine-centric perspective, this makes good sense. A U.S.-EU-Asian sanctions regime could inflict serious damage on the Russian economy. The EU is Russia's largest trading partner. And Russia's trade with China, Japan, and South Korea amounts to about 45 percent of total Russian-EU trade. In addition, access to U.S., European, and Asian markets and currencies is necessary for Russian economic growth.

Yet Russian President Vladimir Putin seems unlikely to back down. In fact, the conflict has only escalated, most recently, with Russia reportedly deploying troops along the Ukrainian border. If the crisis worsens, the United States might be tempted to continue slapping more and more sanctions on its nemesis. But it will eventually have to face the reality that further Russian isolation might be more costly than it is worth. U.S. allies in Europe are facing substantial economic costs as a result of their participation in the latest efforts to deter Putin. And no less significant, further U.S.-led sanctions will also begin to undermine American interests and harm U.S. allies and partners in Asia.

The majority of the Asia-Pacific governments -- including U.S. allies Australia and South Korea -- have little appetite for imposing harsh sanctions on Russia. The fate of Ukraine simply doesn't rank among their top priorities with Moscow. South Korea not only values Russia as an important trading partner, but also as a member of the Six-Party Talks, the multilateral grouping charged with reining in North Korea's illicit nuclear weapons program. Beijing, for its part, not only won't get on board, it will actively oppose a multilateral sanctions regime given, among other reasons, its own concerns about how the international community might respond to Chinese assertiveness at home or abroad.

But even sanctions that don't involve Asian governments will reverberate throughout Asia as private participants in the banking and energy sectors seek to avoid the penalties of U.S. sanctions and the reputational risks of doing business with Russian firms. East Asian energy equipment fabricators, production services providers, and project financiers will rescind plans to work with Russian firms. And that will hit Asia's highly integrated regional economy hard.

Meanwhile, those Asian countries that are willing to join U.S. efforts to increase economic pressure on Moscow will almost certainly be forced to forgo cooperation with Russia in other areas of national interest. That tradeoff is likely to be most pronounced for Japan, where Tokyo's recent sanctions on Russia have already compromised Prime Minister Shinzo Abe's efforts to improve ties with Moscow. For instance, once-encouraging efforts to restart bilateral talks over disputed islands in the northwestern stretches of the Pacific Ocean have frozen in the wake of Japan's most recent round of sanctions. The mood has deteriorated sharply, with both sides now trading barbs over subsequent Russian military exercises on the islands, which Abe called "totally unacceptable."

Perhaps more troubling are the costs to Japan's economic well-being and energy security. The country is already in a tight spot; its economy is struggling to pick up momentum while the Abe administration tackles tough issues at home, including reinterpreting the country's pacifist constitution, restarting nuclear power plants, raising the consumption tax to rein in the national debt, and pursuing structural economic reforms that take on powerful special interests in Japan. Furthermore, its energy future is uncertain. Japan imports more than 90 percent of its energy and uses imported liquefied natural gas (LNG) to meet half of its electric power needs.

Russia could help. Roughly 10 percent of Japan's LNG comes from Russia, along with non-negligible amounts of Russian oil and coal. Tokyo is eager to purchase significant volumes of new Siberian and Arctic Russian LNG exports in the coming years. Russian natural gas is especially attractive to Japan because of its geographic proximity, large potential volumes, and the greater diversity of suppliers it would bring to Japan's LNG portfolio.

Yet a substantially stronger U.S. and EU sanctions regime against Russia, even without extensive Japanese participation (but surely with it), will make one of the United States' most important allies less wealthy and less secure. Moreover, if future sanctions on Russia target its natural gas sector, Russia's customers in Japan and the rest of East Asia, as well as Europe, will pay a heavy price.

This isn't, however, just about economics. In Asia, Russian isolation from U.S. partners also runs counter to key U.S. security interests in the region. The Obama administration has sought to drive a wedge between Moscow and Beijing -- by pressuring China to not support Russia at the UN Security Council, for example -- to prevent the Ukraine crisis from leading to deeper ties between the two powers. This is a worthy effort, given that such a partnership would almost certainly complicate U.S. goals in almost every foreign policy arena, including Afghanistan, Iran, North Korea, Syria, the South China Sea, climate change, and nonproliferation.

But the best way to preclude such an outcome is not to coerce or seduce China away from Russia (probably in vain), but to instead ensure that Russia has even better relations with other Asian countries -- India, Japan, and Vietnam -- that see China as a potential threat. Washington needs to remember that Russia's diversified partnerships in Asia are

a major factor preventing greater collusion between Moscow and Beijing, particularly on critical security issues in Asia that directly affect the United States. To support the maintenance of these relationships, the United States should not attempt to curb Russian participation in Asia's leading multilateral political and security institutions, such as the East Asia Summit and the ASEAN Defense Ministers' Meeting-Plus, a forum for the ASEAN ministers and eight of their dialogue partners to discuss defense and security issues.

Although the Russia-China relationship is largely transactional and is defined by competing interests and mutual distrust, the countries have also proved they can cooperate when they have nowhere else to turn, seen most recently from their decision to sign a \$400 billion natural gas deal.

If the crisis over Ukraine deepens, it will be up to the Obama administration to follow a policy that punishes Russia, but also directly addresses the deleterious effects of further isolating it. This will require expanding U.S. efforts to support the energy and economic security of East Asian nations, including by finalizing the Trans-Pacific Partnership and expediting the export of LNG from the United States.

Taking actions that sever ties between Russia and its partners in Asia invites the reordering of Asia's balance of power to the detriment of the United States. By no estimation would a weaker Japan and a stronger Sino-Russian relationship be good for the United States.

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[Don't Mistake Russia for Iran](#), Foreign Affairs, October 20, 2014.

Don't Mistake Russia for Iran
Why the Same Sanctions Strategy Won't Work
By Eric Lorbier and Elizabeth Rosenberg
October 20, 2014

With sanctions beginning to bite, Russia is starting to play a new economic game. To alleviate the pain of Western restrictions on its financial and energy sectors, Russia is turning for help to non-Western partners. Last week alone, Russia and China signed over 40 agreements that provide Russian firms with lines of credit worth billions of dollars and establish strategic partnerships in the energy sector.

The United States, in turn, is looking to step up its own game. Policymakers are considering giving global companies a choice: stop providing long-term financing and energy assistance to major Russian companies or be kicked out of the U.S. financial system. Such measures resemble the sanctions the United States placed on Iran a couple of years ago. But Iran was a different problem. And treating Russia the same way would be a mistake.

Sanctions can be an effective tool for forcing engagement and negotiation. But the pace and implementation must be tailored to the target. In the case of Iran, the United States was able to tighten the screws by pressuring foreign firms to stop dealing with the country. That move created some angry blowback, but it generally worked. And partially as a result, Tehran is at the negotiating table. When it comes to Russia, though, the political pushback that would come from blacklisting dealings with the strategic Russian energy and banking sectors would be much more severe because Russia is a more important market. Further, more companies would likely be willing to forego access to U.S. markets in order to continue working with the Russians. And that would undermine the sanctions' effectiveness.

More generally, policymakers in the United States should be wary of continually relying on sanctions that penalize foreign firms by preventing their access to U.S. markets. Ultimately, such a strategy could backfire. At some point, foreign companies may decide that doing business in U.S. markets -- and being subject to U.S. sanctions policies --

is simply not worth it. That would hurt the U.S. economy and diminish the United States' ability to use economic levers to advance its foreign policy.

Since March of this year, the United States and the European Union have used sanctions to pressure Russia to cease its support of separatists in eastern Ukraine and to relinquish control of Crimea. A series of narrowly-tailored economic sanctions designed to degrade Russia's banking, energy, and defense sectors has slowly cut off pathways to U.S. and European capital markets and to critical technology. Yet as U.S. and European firms have wound down many of their relationships with Russian companies, these companies have turned to the Kremlin for financial lifelines or to alternate partners in Asia. For example, Russian companies such as Rosneft are picking up Chinese financing for major energy development projects and are partnering with state-owned Chinese oil companies to help develop certain Russian natural resources.

Obama administration officials have urged Asian countries not to fill the economic void in Russia left by exiting U.S. and European companies. However, policymakers are considering hammering the message home by threatening punishment should its message go unheeded. For example, proposed legislation in the U.S. Senate would provide the president with the authority to prevent foreign firms that significantly invest in certain areas of the Russian energy sector from accessing the U.S. financial system. Likewise, lawmakers in the Senate are considering granting the president authority to target foreign firms conducting certain financial transactions with a number of Russian companies and effectively freeze those firms out of the U.S. financial system. Such powerful prohibitions would apply to a vast universe of global companies and make them choose between maintaining access to U.S. markets or dealing with Russian partners. They would not be able to do both.

This choice is remarkably similar to the one that the United States put to foreign companies as it ratcheted up the sanctions pressure on Iran. Beginning in 2010 with the passage of CISADA (Comprehensive Iran Sanctions, Accountability, and Divestment Act) -- which gave the president authority to cut off foreign banks from U.S. markets if they did business with Iranian institutions on the U.S. sanctions list -- Congress and the president worked to prevent Iran from circumventing U.S. sanctions by seeking alternate business partners. Although only a few foreign companies have been sanctioned under CISADA, since its passage and the enactment of additional tough sanctions laws, foreign companies have virtually shut down their business relationships with Iranian institutions, choosing instead to stay on the good side of U.S. regulators. This significantly damaged the Iranian economy and helped bring Tehran to the negotiating table.

Although policymakers may be eager to emulate the success of the Iran sanctions regime in Russia, the Iran-inspired approach won't be as effective there. Moreover, it may create significant -- and underappreciated -- problems for U.S. policymakers in both the short and long term.

For example, targeting foreign firms for their work with Russian companies can create major diplomatic tension between the United States and its partners and allies abroad. During the implementation of CISADA, officials at the Treasury Department spent a tremendous amount of time soothing relations with European and Asian countries, who viewed the United States' ability to sanction their companies as nothing short of a violation of international law. Eventually bringing many of these countries on board was one of the most extraordinary diplomatic feats of the last several years.

And, even though they have been constructive partners on Iran policy, foreign capitals have remained uneasy with Washington's attempts to prevent foreign companies from doing business with Iran. This partly explains why so few foreign companies have actually been sanctioned under CISADA. When the Treasury Department did try to crack down on the few global companies that cast their lot with Iran in defiance of U.S. sanctions, such as the Chinese Bank Kunlun, it caused a diplomatic row. Given that Russia has reached out to many Chinese companies to help mitigate the pain caused by U.S. and EU sanctions, the United States would likely be risking dramatically more diplomatic tension with the Chinese by imposing such sanctions again. And that could complicate other issues in the U.S.-China relationship.

There's another reason why potential new Russia sanctions that set East Asian banks and companies in U.S. sights might not be as effective as policymakers hope. Unlike Iran, Russia has a large, globally-integrated economy. It is more than five times the size of the Iranian economy and is an attractive investment opportunity. For many companies -- big banks in particular -- their business with Iran was not worth losing access to U.S. financial

markets. However some firms, particularly in China, may conclude that their strategic interests and financial future lie with Russia. If they make this decision, there is very little the United States can do to get them to cooperate again.

It is hard to conceive of a large, reputable, multinational company that would pursue its business completely outside of the U.S. financial system, avoiding U.S. dollar transactions and U.S. citizen employees -- all things that could subject them to penalties under U.S. sanctions. But if enough smaller, regional businesses abroad try to chart such a course, it will take a toll on the sanctions regime and the U.S. economy.

Rather than rushing into new, Iranian-style sanctions that will create more problems than they solve, policymakers should consider further narrowing Russian firms' access to U.S. and EU financial markets and to a larger universe of critical and unique Western oil and gas extraction technology and field production services, and defense technology and equipment. It would also be worth targeting a larger number of Russian firms with the existing sanctions, such as additional companies in the energy, financial, and defense sectors. Creating incentives for Asian partners to go along with U.S. and European sanctions would also maintain the pressure on Russia without penalizing our partners and allies with penalties. These incentives could include promoting cooperation and investment in Western energy and financial sectors.

U.S. policymakers will need to work overtime to keep international partners together in the stand against Putin. United governments will collectively keep foreign companies from undermining the sanctions on Russia. They will also make it harder for Russia to strike back with asset expropriation against U.S. corporate interests in Russia. Transatlantic sanctions cooperation will be a must, as will close cooperation between the United States and its partners in East Asia.

Before the going gets any tougher with Russia, Washington's policymakers should also work more with foreign business leaders and their regulators to better understand which companies abroad would abandon U.S. markets if they were directly threatened with new sanctions. That will help U.S. policymakers judge whether certain sanctions measures may ultimately undermine the United States. Only with such an understanding will Washington be able to calibrate its strategy in Russia to achieve the same success seen in Iran.

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• [Dollar Diplomacy in Tehran](#), Foreign Affairs, July 15, 2015.

Dollar Diplomacy in Tehran
How Promoting Business in Iran Boosts the Nuclear Agreement
By Eric Lorber and Elizabeth Rosenberg
July 15, 2015

The United States and international partners have signed a historic agreement with Iran on its nuclear program, but they still face important choices about just how far to go in allowing Iran back into the global economy. In the short term, U.S. companies will be limited in their ability to join the corporate march back to Iran when sanctions are lifted, and many in the West who have advocated for Iran's isolation for decades do not want to see their nations' companies and banks participate in Iran's economic reintegration. Keeping Western companies on the sidelines, however, would be a strategic mistake. Allowing—or even encouraging—Western companies to invest in Iran provides Tehran with incentives to abide by the deal and gives Washington more leverage over Iran in the future.

The new nuclear accord lays out a path for international companies to initiate broad new trading and investment activities once Iran meets key nuclear commitments. For the private sector, this relaxation presents significant opportunities as well as a minefield of commercial risks. The sanctions on Iran for state-sponsored terrorism, regional destabilization, and human rights violations will remain in place. Investors thus face tremendous uncertainty in balancing an emerging market opportunity with the potential for expensive, damaging business losses.

if they inadvertently violate remaining sanctions. Over the past few years, regulators in the United States have already imposed billions of dollars in fines against Western companies for violating sanctions, even when they have done so unintentionally. This precedent might lead many European and Asian businesses to conclude that Iran's potential financial rewards are simply not worth the risks. U.S. corporations are even more cautious. For many global companies and banks, hanging back will be the easiest and safest course of action.

U.S. policymakers should take a more strategic approach to Iranian sanctions relief and encourage the international business community to pursue commerce in the nation. It is not the United States' job to rehabilitate the Iranian economy, of course, but clarifying the legal pathways toward Western investment in Iran is an important and necessary task. Doing so will increase Washington's credibility as a good-faith actor, strengthen the nuclear deal, and, most important, provide future economic leverage with Iran. Clarifying the new rules for would-be investors would also limit Iran's ability to claim that the United States has violated the agreement by stymieing much-needed relief.

The U.S. Treasury Department has offered little guidance for companies on how to navigate Iranian sanctions in the past—what it has offered was often vague, contradictory, and not legally binding. Likewise, streamlining Iranian investment policy will also pressure Tehran into becoming a better financial actor. Iran's financial system has been blacklisted for its lack of integrity, and it received a horrendous report card from the Financial Action Task Force, the preeminent global standard-setting body against money laundering and terrorism financing. Western companies can begin business activities in Iran once sanctions are lifted, and this can provide an effective form of commercial diplomacy. Iran will have to accelerate its nascent efforts to reduce corruption and illicit financing if it is to make deals with the reputable international companies it is courting.

Opening financial channels between the West and Tehran may mitigate—although not remove—concerns that Iran could use a revitalized economy to increase its support of terrorism and destabilization throughout the Middle East. If the country's economic institutions have a financial interest in being responsible actors within the global economy and international financial system, they will be less likely to participate in illicit activities. There is also a strategic advantage for the West in having a broad array of international companies operating within the Iranian energy, infrastructure, and manufacturing markets. U.S. policymakers should ensure that Western companies receive equal footing with their Chinese and Middle Eastern counterparts, who will be quick to enter Iran once sanctions are relaxed. This will help ensure that Iran's new commercial relationships do not pivot exclusively to Asia.

Facilitating U.S. and European commercial investments in Iran should involve three key components. First, U.S. President Barack Obama has to instruct U.S. regulators to provide the private sector with detailed guidelines on how to do business in the country. The U.S. Treasury Department has offered little guidance for companies on how to navigate Iranian sanctions in the past—what it has offered was often vague, contradictory, and not legally binding. If the Treasury Department provides inadequate guidance, companies will be unable to navigate a broad rollback of the most complicated sanctions regime in history.

Second, the U.S. government must establish a better, institutionalized system to engage with the business community. To do so, the Treasury Department should create a dedicated "Iran sanctions" hot line, host monthly public meetings with the business community, and release legal opinions and specific licenses for permitted activity with Iran. This will go a long way to make clear which types of activities Washington will and will not support, thereby allowing the business community to begin working within Tehran sooner.

Third, the Treasury Department should allow U.S. companies to engage in targeted investment in Iran by expanding the issuance of general licenses. As demonstrated by the recent relaxation of certain Cuban sanctions, general licenses can allow U.S. banks and investors to fund development in Iran—thereby empowering the nation's youth, entrepreneurs, and civil society through new projects and businesses. This approach could, in turn, help advance U.S. interests by promoting positive changes in Iran. Moreover, a connection between Iran and Western business sectors will provide essential economic leverage in the future. If the nuclear deal breaks down, U.S. policymakers will be best positioned to impose punishing new sanctions if large sums of foreign investment are at stake.

Implementing any deal would be fraught with challenges. But if the United States is to uphold credible nuclear diplomacy with Iran, it will need to chart a clear course for the private sector to navigate the changing landscape of

sanctions. Promoting the return of European and U.S. business in Iran is a smart new way to advance U.S. interests within the country.

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· [How to Save the Iran Nuclear Deal](#), Foreign Affairs, March 13, 2018.

How to Save the Iran Nuclear Deal
A Grand Bargain That Can Satisfy Both Trump and the Deal's Supporters
By Ilan Goldenberg and Elizabeth Rosenberg
March 13, 2018

After a year of complaining about the Iran nuclear deal, formally known as the Joint Comprehensive Plan of Action (JCPOA), U.S. President Donald Trump finally resorted to threats. In January, he gave Congress and Europe an ultimatum: if they did not fix what he considered the agreement's shortcomings by May, he would kill the deal.

Trump's chief objection is that certain restrictions on Iran's nuclear program expire, or "sunset," after 10–15 years. He has also raised concerns about Iran's support for Hezbollah in Lebanon and various Shiite militia groups in Iraq, Syria, and Yemen, and has decried the absence of measures to address Iran's ballistic missile program. These latter concerns are broadly shared, but Trump seems to harbor unrealistic expectations that the nuclear agreement address all of Iran's problematic activities. In the rough and tumble world of international diplomacy, it is impossible to get a perfect deal. And the JCPOA stands as a meaningful framework for nuclear arms control, offering a robust inspections regime that ensures compliance. More important, the JCPOA is far superior to the alternatives: allowing Iran, which had already reached the nuclear threshold when the deal was signed, to continue moving forward or else pursuing U.S. military action to set Iran back.

Many who originally opposed the JCPOA—including National Security Adviser H. R. McMaster, Secretary of Defense James Mattis, and Secretary of State Rex Tillerson—now support maintaining it. They fear that if the United States walks away from the agreement, it will be blamed for the JCPOA's collapse. Iran could then restart its nuclear program while the international community, split over whether to continue honoring the deal, would be unable to collectively isolate Iran. But given Trump's threats and the looming May deadline, the question is now whether Europe and members of Congress can address Trump's concerns with the JCPOA while setting implementation on a more stable long-term path to ensure that it survives.

The Trump administration's concerns about inspections and missiles can be relatively easily addressed without crossing European or congressional redlines or violating the terms of the agreement. European and congressional negotiators have already come to an agreement with the administration on language that focuses on Iran's intercontinental ballistic missile capability and emphasizes that international inspectors must have access to any facility in Iran that they believe is necessary to inspect. (Concerns with Iran's regional behavior require a much more comprehensive long-term strategy, but the administration has wisely chosen to keep those discussions outside of its nuclear deal talks for the moment.)

The more difficult question is how to extend the sunset provisions. The administration wants to permanently prevent Iran from spinning more than 5,060 centrifuges or stockpiling more than 300 kilograms of low enriched uranium, activities that are prohibited under the deal until 2026 and 2031, respectively. But this puts the Europeans in a tough position, since they are deeply invested in preserving the nuclear agreement and in not changing terms that would violate the deal.

An obvious long-term solution is to draft a new agreement that extends some of the sunset provisions in the JCPOA, while providing Iran with new incentives, such as further sanctions relief or cooperation on a civil nuclear energy program. This is standard practice in the world of arms control. Ideally, such an agreement should be pursued a few years from now, following a longer stretch of compliance with the JCPOA. The Trump administration's decision to set a May deadline only generates an artificial crisis over an issue with years left to solve.

In any case, this theoretical future agreement will not address Trump's concerns today. There is simply no appetite for a new deal after only two years of implementation. The most practical option at the moment, which is currently being discussed between France, Germany, the United Kingdom, and the United States, is issuing a joint public statement, indicating a desire to address the sunset clauses and an intention to roll out a strategy for a follow-on arrangement in a few years' time.

Of course, China and Russia, which are also signatories to the JCPOA, are not pleased that they have been excluded from the negotiations, and they will therefore regard any agreement that emerges with reserve. It may be possible to convince Beijing and Moscow, however, to support an extended agreement, given their own interests. They too consider a nuclear-armed Iran as destabilizing. And economically, they would prefer to prevent Iran from expanding its civilian nuclear energy technology so that they can become its key suppliers.

Although the Iranians will certainly reject a joint statement by the United States and its European allies, they will continue honoring the deal as long as there are no clear violations of it. Tehran does not wish to be blamed for having caused the deal's collapse, which would condemn it to international isolation and harsh sanctions once more. In the long term, Tehran may be open to a follow-on arrangement, especially if the other parties to the agreement are united and it is offered new incentives.

Alongside its discussions with the Europeans, the Trump administration has pursued a second, parallel track with U.S. congressional leaders. The White House is pushing for new legislation authorizing the automatic reimposition of sanctions on Iran should it engage in nuclear activities that are forbidden under the JCPOA today but permitted in 10–15 years. It has set a low bar for reimposing sanctions, requiring 51 votes in the Senate to actively block a move by the president. Democrats have rightly argued that the legislation would violate the terms of the accord.

A better solution would be to allow the automatic snapback of sanctions if Iran takes actions that clearly violate the deal and that indicate a move toward the building of a nuclear weapon. Such steps include the construction of a secret nuclear facility, restarting production of 20 percent enriched uranium (it takes 90 percent or higher to produce a bomb), or conducting additional research on nuclear weapons building. Such legislation would be productive because it would create an additional deterrent for Iran not to cheat.

In regard to the sunset clauses, Congress could still propose a bill to quickly review and reimpose sanctions if Iran were to ramp up its nuclear program after the restrictions expire, but with a higher bar for passage, such as an affirmative vote by 60 or possibly 51 senators and a simple majority in the House. There are numerous variations of this option that it could experiment with, but whatever formulation legislators agree on, they must ensure that from Europe's view the bill does not violate the nuclear accord. If done correctly, such legislation could provide additional motivation for all parties to negotiate a follow-on nuclear agreement in a few years' time.

As Europe and Congress undertake the hard work of saving the JCPOA while also addressing Trump's concerns, they must make it clear that their concessions will not come free.

As Europe and Congress undertake the hard work of saving the JCPOA while also addressing Trump's concerns, they must make it clear that their concessions will not come free. They should demand an end to the crisis that Trump generates every three months when a deadline nears for certifying Iran's compliance with the nuclear deal or for waiving sanctions so that foreign companies can pursue business opportunities in Iran. Thus far, Trump has used these moments to call into question whether he will honor the JCPOA, creating confusion and uncertainty in the business community, distracting the deal's signatories from advancing other priorities, and undercutting confidence in multilateral agreements.

One way forward on this front is for Congress and the Trump administration to reduce the number of waiver and certification requirements associated with the nuclear agreement. They could issue them once every two years or

even scrap them altogether. To be sure, this would not be an easy change, as many opponents of the JCPOA prefer to keep the waivers in place as a way to destabilize the agreement. Moreover, Congress has traditionally used waiver requirements to hold the executive branch accountable. Removing these requirements may elicit bipartisan concern about weakening legislative oversight. Trump, on the other hand, might be open to an adaptation of waiver requirements, given how much he dislikes the constant need to renew President Barack Obama's nuclear commitments.

As for the Europeans, in addition to demanding that the president provide direct assurances of not unilaterally walking away from the agreement, they should press Trump to explicitly push Republicans in Congress to agree to amending the waivers. (Only Congress can adjust the waivers, and Republicans in Congress will only make this change if pressed by the president.) This will reduce the political drama around the deal, as well as its vulnerability to U.S. violations. Europeans should also urge Trump to allow the civilian airline deals signed by Boeing and Airbus with Iran Air to stand, unless Iran Air is involved in significant, threatening activity subject to U.S. sanctions. These business deals are symbolically significant to the success of the JCPOA. French President Emmanuel Macron is due to visit Washington in late April. It would be an opportune moment for Trump to deliver assurances to the Europeans directly.

That said, the biggest impediment to reaching a new agreement will be Trump himself. He has a tendency to renege on deals and gloss over the details necessary for complex international arrangements to succeed. Thus, deal supporters in Congress and in Europe should remain clear-eyed when negotiating with the Trump administration. They must seek to extract concessions that bring stability to the JCPOA, but if they cannot, they should stand back, leaving Trump with the burden of having to shoulder the blame if he throws away the accord. Given the importance of the Iran nuclear agreement, however, whether it's strengthening the global nonproliferation regime and bringing stability in the Middle East, Europe and JCPOA supporters in Washington must at least explore whether a deal with Trump is possible.

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· [The EU Can't Avoid U.S. Sanctions on Iran](#), Foreign Affairs, October 10, 2018.

The EU Can't Avoid U.S. Sanctions on Iran
But Trump's Policies Will Hurt U.S. Dominance in the Long Term
BY ELIZABETH ROSENBERG
October 10, 2018

Late last month, the European Union and China announced that they intended to set up a special global payments system to allow companies to continue to trade with Iran despite U.S. sanctions. Some of the sanctions are already in place, but the bulk will go into effect in November, thanks to the U.S. withdrawal from the Iran nuclear deal earlier this year.

The announcement marks a small but notable step toward the fragmentation of the global economic order. Friends and foes of the United States were already seeking paths away from the traditional, dollar-dominated financial system. The Trump administration's policy on Iran provided additional incentive to those who strive to undermine U.S. economic primacy and the effectiveness of U.S. economic statecraft. Washington should take note of the danger.

In May, U.S. President Donald Trump delivered on his promise to leave the Iran deal, also known as the JCPOA, and reimpose unilateral, aggressive economic sanctions on Iran. The most forceful of these measures will snap into

place on November 4, dropping an axe on Iran's core banking institutions, oil sales, and conduits to the global financial system. The measures will prevent Iran from using the prevalent global payment system. They will also cause most of the international businesses that buy Iranian oil and conduct other commercial transactions with Iran to cease such activity.

Traditional U.S. friends and allies are angry that the Trump administration's choice to spurn the accord includes punishing them if they continue business with Iran. "[The EU] cannot accept that the U.S. decided the regions with which European companies can or cannot do business," Belgian Prime Minister Charles Michel said recently.

At first shrill and chaotic, Europe's outrage at Trump's take-no-prisoners Iran policy has now found a bold and practical course of action. A core group of creative European civil servants has devised several economic mechanisms meant to demonstrate the EU's continued support for the nuclear deal, deliver Iran its economic benefits, and assert Europe's ability to take its own policy path.

In August, the EU formally revived a 1990s-era blocking law that allows it to protect or compensate European companies exposed to U.S. sanctions. Then, in September, Federica Mogherini, the EU high representative for foreign affairs and security policy, outlined EU plans to establish a so-called Special Purpose Vehicle (SPV), a financial institution that is technically not a bank and which would process payments between Iran and its international trading partners. In August, German Foreign Minister Heiko Maas said it was "essential that [Europe] strengthen European autonomy by establishing payment channels independent of the U.S. ... and an independent SWIFT [payments] system."

Setting up this new payments system and getting companies to use it will be a tricky business, and time is not on Europe's side. The nuclear agreement has been profoundly hobbled by the U.S. withdrawal, and there is reason to doubt whether Iran will continue to adhere to it. In September, Iranian Foreign Minister Javad Zarif said that Iran might restart its nuclear program. That may mean Europe's efforts will be wasted. But at the moment, Europe's most urgent goal may be less to keep Iran in the nuclear deal than it is to chart an independent economic course.

The United States has long been able to use sanctions to impose devastating economic consequences on faraway countries. The EU never much worried about this when U.S. interests were closely aligned with its own. Now Europeans are facing down a barrage of tariffs, while the Trump administration expresses hostility toward NATO, attacks the International Criminal Court, and prepares a new round of potentially damaging sanctions. President of the EU Commission Jean-Claude Juncker asserted European independence from the United States when he explicitly established the goal of undermining the dollar's dominance in global markets.

In the short term, this is just tough talk. EU politicians cannot force European businesses to keep buying Iranian oil or supplying Iran with auto parts. These sorts of transactions would trigger U.S. sanctions, which would freeze those businesses out of the global dollar payments system and the \$20 trillion U.S. economy, a likely death sentence for any global company.

When the sanctions take effect in November, few companies will take advantage of the blocking law, as it provides only meager protection and compensation. The same is true for the SPV, which cannot protect the companies that use it, or the banks that serve as the gateways between the SPV and the formal financial system, from sanctions. The United States might well sanction the SPV itself if it hosts activities prohibited by U.S. sanctions law. Dozens of big European companies, including Airbus, Maersk, Peugeot, Siemens, and Total, have already announced that they intended to break off business with Iran.

Small and medium-sized firms that do not do much business in the United States will be able to continue doing business with Iran. They may use the blocking statute and the SPV. But they do not account for enough Iranian trade with the world to keep the Iranian economy from contracting. Already, inflation is rising in Iran, and businesses are preparing for a shortage of hard currency when the sanctions hit in a few weeks' time. In 2012, when harsh sanctions were imposed on Iran, its oil exports fell by over one million barrels a day. A drop of that size today would cost Iran (at current oil prices) more than \$80 million in daily revenue, almost half its earnings from oil exports.

Against this backdrop, it's easy to dismiss Europe's efforts as so much wishful thinking. The preeminent British banking association, UK Finance, for example, has cast significant doubt on the practical utility of the blocking law, saying it presents significant risks and legal complexity. Moreover, there is no chance that the SPV will displace the Belgium-based global payments system SWIFT, a pillar of the world financial system. European trade with Iran amounted to \$787 million in 2017, less than three percent of total European trade. By comparison, nearly \$5 trillion passes through the SWIFT system every day. Much of the scant European commerce with Iran will likely drop off following the reimposition of U.S. sanctions, but even if it all migrated to the SPV it would not reduce SWIFT's usefulness, reliability, or profits.

Yet to write off the European effort to set up an alternative payment mechanism would be short-sighted. U.S. economic primacy is not immutable, and the conventional financial architecture and payment system will not necessarily last forever. In fact, the fragmentation of the global economic system is likely to be a major theme of the coming decades.

As the United States pushes away its allies, they will push back. The EU economy is too big to sanction: it comprises 22 percent of global GDP, carries out one-sixth of global trade, forms the largest single market for goods and services, and its predominant currencies—the euro and the pound—are the second and third most used for global payments, respectively. If China and Russia get involved in the SPV, as Mogherini has suggested, then the project will be even better resourced and the players even more able to tolerate the threat of sanctions.

China has ambitions that could make it particularly useful to the EU's efforts: It seeks to elevate its currency while investing in projects around the world, and it rejects many of the international norms on commercial practices, developing its own unique national standards in sectors where there is already international guidance and establishing its own courts to settle commercial disputes for countries involved in the Belt and Road Initiative.

The current effort to bypass U.S. sanctions is unprecedented in its creativity. It is also more elaborate, multinational, and mainstream than prior attempts at sanctions busting. And the political will behind it looks sustainable, as the United States shows no signs of letting up on its aggressive policies.

In the near term, the SPV is unlikely to grow very fast or to host very large companies. It may only serve as an accounting system for legal, un-sanctionable trade with Iran in food, medicine, and medical devices. Some small businesses with limited ties to the United States might also participate, testing the waters on prohibited trade with Iran. This would allow policymakers to improve the SPV so that it can be expanded or replicated later.

But eventually, the SPV, or a similar mechanism it inspires, may succeed in creating a regularized and functional, if limited, way to make payments outside the conventional banking system. Such a vehicle may come to provide liquidity to people, companies, and states that struggle within the conventional financial system, whether because they are corrupt rogues or because they simply lack access to normal banks because banks find it too costly to perform the due diligence for customers in war-torn places or jurisdictions with weak banking oversight.

The benefits Iran might reap from the SPV or a similar payment facility are probably limited. That is because many of the country's firms are corrupt and non-transparent, and business with Iran is generally perceived as risky. But the SPV, more than providing a truly workable system of its own, will likely provide a blueprint for future bespoke payment systems that seek to avoid U.S. jurisdiction and conventional payment platforms.

Some non-Western countries have already made efforts to avoid the traditional major currencies and payment systems, whether out of nationalism, a desire to evade sanctions or taxes, or a quest for efficiency. Russia is exploring creating a cryptocurrency and China is developing an expansive payment system that doesn't involve Western banks or payment processors at all. Venezuela infamously launched an oil-backed cryptocurrency, the Petro, earlier this year. (No one really used it.) But none of these will undermine the dominance of the dollar and the euro currencies or drive cracks in the global payment architecture until they bring tangible economic benefits to their users and get some G-7 economies and major companies on their side.

The SPV is just one of many mechanisms that will redirect trade flows, supply chains, banking relationships, and payment processing to the detriment of U.S. economic power. Nevertheless, it is worrying that the United States itself is accelerating this trend. By imposing sanctions in a unilateral, belligerent manner, the United States is

encouraging other nations to build independent economic channels. Such efforts can draw those countries closer together as they seek to counterbalance the United States. And foes of the United States can then use those channels to avoid U.S. sanctions, which will have lost their bite.

The day after Mogherini announced the EU's plans, U.S. Secretary of State Mike Pompeo quipped that the SPV "is one of the most counterproductive measures imaginable for regional and global peace and security." He didn't know how right he was.

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· [Beyond the Trade War](#), Foreign Affairs, December 12, 2019.

Beyond the Trade War

A Competitive Approach to Countering China

BY ELY RATNER, ELIZABETH ROSENBERG, AND PAUL SCHARRE

December 12, 2019

The verdict is in on U.S. President Donald Trump's trade war with China. Regardless of whether U.S. negotiators soon reach a deal with Beijing, the administration's initial gambit has run aground. After wreaking havoc on portions of the U.S. economy with his trade policies, the president is now angling to freeze or roll back tariffs on Chinese products in exchange for almost nothing. Deal or no deal in the coming days, it is clear that the United States needs a fundamentally different approach to economic competition with China—one that bolsters U.S. technological and financial power while countering Beijing's malign activities directly.

Tariff hikes haven't forced Beijing to capitulate. Chinese negotiators are reportedly making only vague commitments to assuage U.S. concerns about currency manipulation and intellectual property theft. They have refused outright to accept a much-needed enforcement mechanism on international trade practices or to make structural reforms to promote economic competition at home and abroad. At best, Beijing will restore agricultural purchases to pre-trade war levels, offering as its biggest concession something it wants to do anyway: let in more U.S. capital to balance China's checkbook and reenergize sluggish growth.

Part of the Trump administration's problem is that it is divided over what exactly it is trying to achieve with the trade war. One camp sees higher tariffs as leverage to compel Beijing to abandon industrial policies that harm the United States. Such an approach might have worked better if the tariffs had been implemented by allies as well as the United States. But leaders in Beijing haven't budged on unwinding their state-led economic model. To the contrary, the country's chief negotiator, Vice Premier Liu He, announced recently that China aims to make its public sector "stronger, better and bigger."

Another camp within the Trump administration champions tariffs as part of a comprehensive "decoupling" of the world's two largest economies. Yet while the United States certainly needs to recalibrate its economic relationship with China, an abrupt separation would incur enormous and unnecessary costs. Decoupling—particularly if unilateral and without requisite investments at home—is more likely to isolate the United States than China, engendering a world in which Beijing has control over leading technologies, data, and standards and sets global trade and investment rules in its favor. Fortunately, such an outcome is readily avoidable, but only if Washington focuses on outpacing China with a more competitive strategy.

Such a strategy should begin with ambitious U.S. investments in scientific, technological, and financial innovation, supercharging research and development (R&D) in critical areas where China has gained or is gaining a competitive edge. But it must go beyond that, sustaining ties with China where commercial exchange benefits the U.S. economy while at the same time developing more powerful safeguards to protect and advance vital U.S. technological advantages. This should include, among other things, building a coalition of allies to design and create new rules and

institutions for trade, technology, and investment that level the playing field and erode Beijing's ability to profit from anticompetitive practices.

An effective strategy for competing with China should start with innovation at home. The United States should boost U.S. R&D spending, nurture and recruit talent, and provide public goods to support U.S. research. China is on track to surpass the United States in total R&D spending as early as 2019. To sustain its technological advantage, the United States should increase federal R&D spending from 0.7 percent of GDP last year to 1.2 percent of GDP and strive to bring combined public and private spending to four percent of GDP by 2030.

In addition to investing in education, the United States should take steps to attract the best and brightest from around the world, such as expanding high-skilled visa programs. The federal government should further invest in leading-edge public goods, including data sets for researchers and better computing resources for universities, to help unlock innovation in critical areas such as artificial intelligence. When it comes to other strategic technologies such as 5G wireless networks, the U.S. government can help American companies compete with China's state-backed "national champions" by combining R&D spending, tax incentives, and government buying power to encourage markets toward more diverse and competitive ecosystems.

But investing in innovation isn't enough. China continues to prey on American openness and to exploit U.S. technology for malign purposes. The United States should therefore adopt more powerful measures to counter systematic intellectual property theft and forced technology transfer. The U.S. government has already stepped up screening of foreign investments and increased counterespionage investigations. But the State Department, Federal Bureau of Investigation, and intelligence community should work together to develop enhanced visa-screening criteria to identify espionage risks. The FBI should also increase its collaboration with universities in order to combat academic espionage, while seeking wherever possible to preserve academic and research exchanges that enable "brain gain" for the United States. To that end, the FBI should bring back the National Security Higher Education Advisory Board, which facilitated communication between universities and the national security community on counterintelligence threats, among other issues, until the FBI dissolved it in 2018.

The United States also needs stronger guardrails to prevent the transfer of U.S. technology to China for illicit or repressive purposes. In October, the Trump administration took an important initial step by placing eight Chinese tech firms responsible for human rights abuses on the Commerce Department's Entity List, which generally bans companies in the United States from exporting to designated entities. The administration should add to the Entity List organizations linked to the People's Liberation Army and prohibit work and study visas for individuals who are employed, funded, or sponsored by the PLA. The Commerce Department should also expand export controls based on end use, thereby requiring U.S. companies to conduct greater due diligence to ensure that their products don't enable activities that run counter to U.S. values and interests, including human rights abuses, repressive surveillance, cyber-espionage, or use by China's military and security services.

With these protections in place, U.S. companies could more securely engage with China on many dual-use emerging technologies. But stricter export controls are still necessary for certain critical technologies. To protect its competitive edge in artificial intelligence, Washington should coordinate with allies such as Japan and the Netherlands to prohibit the export to China of semiconductor manufacturing equipment and design tools. At the same time, the United States should diversify and secure its own sources of key technology inputs, including those related to semiconductor manufacturing and rare earth minerals, to mitigate the risk of disruption to U.S. supply chains.

Similar competitive measures are needed in the world of finance, where China is increasingly challenging the United States as well. Alongside technological advantages, financial power is among the United States' greatest sources of international influence. It generates enormous U.S. wealth, provides the basis for sanctions authority, and allows the United States to set rules and norms on investment, state subsidies, market distortions, and trading practices. To sustain this power, the United States must ensure that its financial system remains a transparent, stable, and attractive market for the world to create and store wealth. China does its best to exploit what opacity exists in the system and to further muddy the waters when doing so serves its interests. Congress should therefore legislate an end to anonymous corporations and shed light on shell games and illicit operations by requiring those who control companies to declare themselves. Congress should also require foreign companies—including Chinese ones—that

list securities on U.S. exchanges to comply with the same audit and disclosure requirements that apply to U.S. firms. This will help investors assess risk and support market stability.

At the same time, the United States should discourage the development of alternative, foreign payments or clearing mechanisms that seek to evade U.S. jurisdiction. China has launched its own payments facility and seeks opportunities to internationalize its currency—both fiat and virtual—to erode the dominance of the U.S. dollar. The United States should work to beat out foreign cross-border payment mechanisms by promoting U.S.-based or U.S.-linked alternatives that improve efficiency, lower costs, offer privacy, and have full digital functionality. The United States should also encourage European payment mechanisms for humanitarian trade with Iran or other sanctioned countries so long as they do not violate U.S. sanctions. This will diminish growing sanctions-busting sentiment abroad.

With China making aggressive investments in financial technology, the U.S. administration should support a regulatory posture that provides more active support, flexibility, and guidance to U.S. developers. Through such an approach, regulators can help U.S. firms better compete against foreign firms, including Chinese ones. In particular, the United States should look to support financial technology development for domestic and cross-border insurance, lending, payments, settlement, clearing, and tokenized assets applications, all of which will help make the U.S. financial sector more competitive, efficient, and reliable. Leading the field in these areas will also help U.S. firms beat out the competition to capture billions of new financial sector entrants across Asia, Africa, and Latin America.

The U.S. government should also do more to promote the development of blockchain technology, which will be critical for increasing the efficiency, sophistication, automation, and cost-effectiveness of financial applications, supply chains, and contracting—all of which will make the U.S. economy stronger. U.S. policymakers should leverage federal research grants and procurement, as well as regulatory and licensing support, to encourage the development of blockchain-based financial and supply chain applications. This should include open-source software that can be used by multiple developers, elevates principles of privacy and reliability, and discourages illegitimate surveillance in service provision. As U.S. blockchain developers become more sophisticated and competitive, they will put American firms in a stronger position to serve the U.S. market and compete for underbanked populations globally.

When it comes to countering China, Washington's approach to coordinating with allies has been ad hoc at best. A more structured framework for multilateral cooperation, particularly on technology policy, is needed. The United States should work with advanced democratic allies to develop a new intergovernmental body to promote collaboration and coordination on R&D spending, supply chain security, standards setting, export controls, foreign investment screening, and norms for sensitive technology use. In some key areas, such as 5G and semiconductor manufacturing, the United States should work with allies to build consortia of trusted and secure vendors. U.S. officials should also engage more proactively in international technology standards setting, especially in 5G, where China has aggressively pursued international standards that would advantage its national champions.

Additionally, the United States should pursue new multilateral agreements with Asia-Pacific and European nations that set high standards for trade and investment. These agreements will grow the U.S. economy while also helping U.S. partners reduce their economic dependence on China. They will also expand the portion of the global economy committed to free and fair trade rules on labor, the environment, currency, and intellectual property. For similar reasons, the U.S. trade representative should articulate conditions under which the United States would join the successor agreement to the Trans-Pacific Partnership and work toward a digital trade agreement with the European Union and other close security partners and advanced economies.

China is a formidable challenger, but the United States can still compete favorably against it. Doing so will require a fundamental rethink of U.S. strategy. Having observed the dramatic shortcomings of the tariff war, Washington should move quickly to renew American competitiveness by bolstering innovation, advancing technological and financial power, and countering China's harmful activities with the help of allies and partners.

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Speeches and presentations:

- AIR/FCA Women's Empowerment TechSprint and Conference; 3/25/21
- Institute of International Bankers AML Seminar; 5/3/21

See below for Text

Elizabeth Rosenberg Keynote Speech

**AIR/FCA Women's Empowerment TechSprint and Conference Thursday March 25, 2021
11:00AM-11:20 AM EDT (Demo Day)**

Introduction:

Good morning. I am honored to join you at the Women's Empowerment TechSprint. I'd like to thank the Financial Conduct Authority (FCA) and AIR for inviting me to talk to you today and congratulate them on bringing us together in a creative, focused effort to turn insight into action.

The FCA and AIR are globally recognized leaders in supporting the development and adoption of responsible innovation in the financial sector. The Department of the Treasury works closely with them to advance our shared goals of improving financial inclusion and equitable outcomes, combating illicit financing, and strengthening anti-corruption efforts.

I am delighted to have this opportunity to highlight how leveraging responsible innovation to implement anti-money laundering and counter terrorist-financing—or AML/CFT--safeguards and strengthen national security can help drive women's economic empowerment.

Financial inclusion is vital for national security

My career, both at Treasury and outside government, has focused on policies and strategies to identify and combat money laundering, terrorist financing, proliferation financing, and other dark money flows—and by extension, the underlying crimes that generate these ill-gotten gains. Leveraging innovative technology can greatly advance women's financial inclusion, which is critically important to the effectiveness of our AML/CFT regimes.

AML/CFT safeguards are undermined when large numbers of people—women, people of color, *women* of color, and other vulnerable groups—are excluded from the regulated financial sector and must resort to cash or underground services. Financial inclusion means that all eligible individuals and entities—including women-owned businesses—have meaningful access to appropriate, affordable, sustainable financial products and services from regulated service providers, rather than having to use cash or black market services, which are not transparent, often more expensive, and sometimes exploitative.

Sunlight truly is the best disinfectant. By enabling women to participate in the regulated financial sector, we bring them and their financial activities into the sunlight and make our financial system more transparent.

Of course, access to safe, transparent financial products and services for women and other excluded groups is not only a vital part of national security. It is also critical for the robust economic recovery the Biden Administration is spearheading in the United States, and for improving economic efficiency as we build back better.

Combatting corruption is also important for a robust economic recovery. Like exclusion, corruption undermines financial equality, hinders economic growth, and deprives people of dignity. Significantly, corruption has a disproportionate impact on the poor and most vulnerable—especially women—increasing costs and reducing access to services. Combatting corruption is increasingly recognized as central to reducing the gender gap.

Finally, as a matter of fundamental principle, the empowerment and financial inclusion of women, and people of color, is essential for social justice, equal opportunity, and equitable outcomes—values this country and this Administration stand for.

As Secretary Yellen said at the U.S. Financial Sector Innovation Policy Roundtable in early February, two weeks into her tenure at the Department, “Treasury is not just invested in innovation for the sake of security. . . [as] a shield to protect against bad actors. Innovation should also be a ladder, to help more people climb to a higher quality of life.” This TechSprint is all about empowering women to achieve a better life for themselves, their families and their communities by developing innovative solutions that can help reverse historical inequities and ameliorate the disparate impact the pandemic has had on women and people of color.

This TechSprint set out an overarching challenge, “Can we use technology and innovation to enable vulnerable women to attain financial security and independence?” The U.S. side of the TechSprint posed two use cases: creating innovative solutions to help vulnerable women (1) access credit, and (2) establish an adequate profile—which I take to mean both official identity and sufficient information for financial institutions to develop a risk profile that will permit access to needed financial services.

As we explore the relevance of AML/CFT regulations to empowering women, I ask you to consider a parallel policy challenge: How can we use the flexibility built into the risk-based approach to AML/CFT to support financial inclusion and equitable outcomes for women?

Risk-based AML/CFT has an important role to play in empowering women

Now, I’ll turn to how risk-based AML/CFT regulatory requirements that implement the global standards established by the Financial Action Task Force—or FATF—can help empower women by enabling them to open accounts and access payments, credit, and other digital financial services.

For those who may not be familiar with it, the FATF is the global standard setting body for legal, regulatory, and operational measures for combating money laundering, terrorist financing, proliferation financing, and other illicit financing threats to the international financial system. Its Standards are set forth in 40 Recommendations and their Interpretive Notes. To implement them, countries incorporate the FATF requirements into their own AML/CFT legal frameworks. The

extent to which they have effectively done so is assessed through mutual evaluations of more than 200 countries. In the United States, the Bank Secrecy Act is the body of law that incorporates many of these global standards.

Under the FATF Recommendations, financial institutions are required to conduct Customer Due Diligence—or CDD—when onboarding customers, carrying out occasional transactions for non-customers above \$15,000, or when something about a customer or non-customer’s activity gives rise to a suspicion of money laundering or terrorist financing. Customer identification and verification of the customer’s identity at onboarding is a key element of CDD and the focus of most attention when we are talking about financial inclusion. But CDD also includes three other important elements: identifying beneficial owners, understanding the purpose and intended nature of the business relationship, and conducting ongoing due diligence on that relationship, with transaction monitoring to ensure consistency with the customer’s financial activity and risk profile.

You may be more familiar with the term, Know-Your-Customer (KYC). The financial services industry and the development community commonly use KYC to refer to a financial institution’s process of identifying a customer and verifying the customer’s identity at onboarding. But people sometimes use KYC to include all four elements of CDD. For clarity, I’ll be specific when I’m talking about identification and verification and will use CDD to refer to the comprehensive set of obligations.

Risk-Based Approach

The FATF takes a risk-based approach to CDD, including customer identification and verification, and to the use of digital identity solutions for conducting customer identification and verification at onboarding. This risk-based approach is very important for supporting financial inclusion for women. Under it, financial institutions must conduct enhanced CDD when there is a higher risk of money laundering or terrorist financing. *But when illicit financing risks are lower, countries may allow financial institutions to apply simplified CDD measures.* Indeed, they are encouraged to do so to facilitate financial inclusion. The FATF has made clear in a binding Interpretive Note that “Financial products or services that provide appropriate ... limited services to certain types of customers ... for financial inclusion purposes” are considered lower risk.

In low risk situations, simplified CDD permits financial institutions to use tiered CDD—sometimes called tiered accounts or progressive CDD—to enable customers to access a range of financial services with different functionalities, depending on the extent of identification and verification conducted. A financial institution could open a very basic account that limits risk by restricting transaction and/or total account value to a specified low threshold and often, also by limiting the ways the customer can receive, access or send funds, with minimal customer *identification*. The customer would not be required to provide official identity documents or other identity evidence for *verification* of identity until higher account levels with higher transaction limits and balances and additional services, such as diversified access and delivery channels or cross-border functionality, are provided.

To increase financial inclusion, in 2005, the Central Bank of India authorized banks to provide a basic account with strict thresholds and delayed verification of customer identity to unbanked individuals. Building on this example, in 2011 Mexico pioneered the use of multi-tiered accounts, with three progressive levels of CDD and functionality. A growing number of developing countries have adopted this three-tiered model, including Nigeria, Egypt, Peru, and the eight countries of the West Africa Economic and Monetary Union.

Simplified CDD also permits financial institutions to streamline account opening by inferring the purpose and intended nature of the account without collecting specific information or undertaking the measures used at standard or higher risk levels. This makes it easier for a woman to open a household account or a female entrepreneur to access financial services to start a small business. An easily opened basic account gives her the ability to deposit and safeguard her earnings and small loan proceeds and use digital financial services to pay workers and vendors securely and efficiently.

Moreover, to facilitate financial inclusion when individuals lack all traditional identity evidence, such as a driver's license, passport, or utility bill, the global standards allow the use of Trusted Referees (also called 'introducers') to vouch for an individual as a form of identity evidence where legally permitted by a country. Depending on the jurisdiction, trusted referees may be local government authorities, judges and magistrates, employers, persons with good standing in the community, such as businessmen, lawyers, and notaries, NGO officials or clergy, or some other type of trained and certified individual. This flexibility can enable a woman with very limited resources and identity evidence to "build a profile" and obtain financial services. For example, a victim of intimate partner abuse who flees an abuser without identity documentation or a cell phone—which is a common scenario—could obtain government benefits and/or a basic account, based on verification of her identity by a representative of a reputable NGO or other appropriate introducer.

This is now happening for victims of human trafficking under the Finance Against Slavery and Trafficking (FAST) Survivor Inclusion Initiative, in which nine participating banks and 15 survivor support organizations in the United States, UK and Canada collaborate to facilitate survivors' access to basic checking and savings accounts and in some cases, also debit and credit cards, after the victims' official identities or banking products have been hijacked by traffickers and used for criminal purposes. The support organizations connect survivors to participating banks and help them manage the risk of onboarding—including by serving to verify survivor details and status. The initiative is global and intends to expand to other countries this year.

AML/CFT customer identification/verification and ongoing CDD are key enablers of women's economic and social empowerment

Now, I'll shift to how risk-based customer identification/verification and ongoing CDD with transaction monitoring can empower women.

As a general matter, risk-based customer identification and verification at onboarding enables women to open their own personal and business accounts, save and control the account balance, make secure transactions, and build a financial footprint and risk profile over time to increase

their access to a broader range of financial services, including personal and business loans and insurance. By “general matter”, I mean absent abuse by intimate partners or relatives or exploitation by human traffickers or other criminal predators. Later, I’ll discuss the role AML/CFT regulatory requirements can play to assist women if they do become victims of these types of aggressors and criminals.

Innovative digital identity solutions that align with the global standards can facilitate in-person account opening and transactions for women. Importantly, they can also enable remote customer identification and verification and support remote financial transactions at standard or even low levels of risk. The FATF Guidance on Digital Identity emphasizes this.

In ordinary times, remote customer identification and verification enables women to open accounts and conduct transactions when work or family obligations, distance, lack of transportation, medical conditions, family dynamics, cultural norms or other factors prevent them from going to a brick-and-mortar financial institution, and to do so privately, greatly increasing their ability to exercise independence across many aspects of their lives. Confidential online accounts, payments and loans that can be opened and used remotely enable women to receive, save and use funds to educate and provide for themselves and their families, free of undue influence or outright misappropriation of funds by relatives or intimate partners. They also enable women to build and protect their creditworthiness and general risk profile.

But we are not living in ordinary times. In the context of the pandemic and the need for social distancing, having a bank account or being able to open one remotely allows governments to use digital financial services to quickly deliver emergency benefits to their intended recipients and keep them out of the hands of fraudsters. The importance to women and their families of being able to securely receive and use urgently needed pandemic benefits remotely, online or in app, cannot be overstated.

Digital identity solutions that *authenticate customer identity for authorizing account access and conducting transactions* reinforce a woman’s ability to receive and control the funds in her account—especially when those solutions use her biometrics and/or mobile phone data for multi-factor authentication to safeguard account access. Fundamentally, innovative digital identity solutions can help a woman achieve and preserve her autonomy by frustrating the efforts of husbands, fathers, brothers, other male relatives, boyfriends or other intimate partners (same-sex, trans or nonbinary) to treat her hard-earned funds as their own or divert social support benefits intended for the woman and her children. Over time, empowering women to engage in the regulated financial system and control their financial affairs can shift restrictive cultural norms and gendered expectations and expand women’s legal rights, creating a virtuous cycle that further empowers women and girls.

AML/CFT requirements can also help identify and remediate women who are victims of intimate partner violence or human trafficking

Now I’ll turn to how effective AML/CFT measures can help combat crimes like human trafficking that target women; identify and potentially help rescue victims of intimate partner violence or human trafficking; help governments, NGOs, and others provide survivors with

immediate assistance; and facilitate survivor's financial inclusion as they work to rebuild their lives.

Identifying and combating human trafficking and intimate partner violence and assisting survivors

Human trafficking is a widespread and highly profitable crime and an abuse of human rights that disproportionately victimizes women. According to the 2020 United Nations Office on Drugs and Crime Global Report on Trafficking in Persons, about 70% of human trafficking victims globally are female. Worldwide, human trafficking generates an estimated \$150 billion per year. Most of these proceeds, as well as financial transactions to carry out the criminal enterprise, pass through financial institutions. One of the most effective ways to detect and shut down human trafficking networks is to follow their financial trails. Identifying and reporting suspicious transactions, as the global standards require, and seizing the traffickers' assets helps take the profit out of this terrible business and dismantle trafficking networks so they do not ensnare and exploit additional vulnerable women. It also allows us to return trafficking profits to survivors through restitution measures. A 2020 FinCEN advisory provides an extensive, updated list of red flag indicators to help financial institutions recognize and report financial activity that may be associated with human trafficking.

In addition, human traffickers commonly exploit their victims' personal identity information and identity evidence to conduct illicit financial activities. Effective customer identification and verification at onboarding and ongoing CDD and transaction monitoring can sometimes help identify human trafficking victims, especially when financial institutions have conducted training and use red flag indicators to enhance the ability of frontline staff to determine whether a third party is controlling the victim, based on their observations when interacting with the customer. These AML/CFT requirements can also help other staff identify transactions associated with human trafficking, based on their monitoring processes.

For example, if a woman is always escorted by a third party under the pretext that she needs an interpreter and transfers funds that seem to be her salary to other countries, it may raise suspicions that she is a human trafficking victim and provide opportunities to intervene by alerting local law enforcement or NGOs, in addition to reporting the suspicious financial transactions to FinCEN, as the Bank Secrecy Act requires.

Victims of intimate partner violence are typically controlled by their abuser in ways that resemble the control exercised by human traffickers over their victims. The abuser may have seized the victim's identity documents to prevent her from opening a bank account and hiding funds to enable her escape. If the abuser permits the woman to engage in financial activity, he is likely to accompany her to monitor and control whatever financial conduct he has decided to allow. Red flag indicators and frontline training that can help identify a human trafficking victim may therefore also help identify victims and provide opportunities for intervention in the intimate partner violence context.

Importantly, as noted above, the risk-based approach to customer identification and verification and simplified due diligence can enable both human trafficking and IVP survivors who lack

traditional identity documentation to open basic accounts to receive emergency financial assistance and provide them with essential financial services—savings, payments, and possibly credit—as they work to rebuild their lives.

Conclusion

The pandemic has inflicted tragic personal losses and untold economic injury on society—some individuals much more than others. And it continues to present daunting challenges. But the scourge of COVID-19 has also accelerated digital transformation and made us more fully confront the stark truth that in today's world, trustworthy digital identity and responsible digital financial services are no longer cutting-edge conveniences for the few; they are essential financial sector and national security infrastructure that must be made available to all.

Only if we work together through domestic and international efforts, including international public-private partnerships like this TechSprint, can we leverage responsible innovation and modernize the financial sector to achieve our essential aims of integrity, efficiency, inclusion, and equitable outcomes. Treasury and the Biden Administration as a whole are committed to doing just that. We look forward to continuing to engage with you, so that we can grow a more inclusive, robust economy and better prepare for the next pandemic, natural disaster, or other exigency that will require immediate access to secure remote digital financial services to meet the urgent needs of all our people. Thank you.

Keynote Remarks for Institute of International Bankers (IIB) AML Seminar May 3, 2021 09:00 EDT

Introduction

Thank you very much for having me. I am glad to have the opportunity today to continue an ongoing series of productive conversations between the U.S. Treasury and the private sector on a wide range of illicit finance issues. We rely on these relationships to share information, typologies of illicit activity, and best practices, and to effectively implement our policies to mitigate illicit finance threats. Moreover, such relationships provide an invaluable opportunity to hear from all of you on compliance challenges and successes, and the illicit financial trends you observe and work so hard to counter.

To that point, we truly appreciate this two-way dialogue with the private sector. It creates a positive feedback loop, sharing with the broader financial community the typologies from these exchanges, and enabling the financial industry to identify and report similar activity.

Today I'd like to highlight some of our key priorities moving forward, which include the implementation of the Anti-Money Laundering Act of 2020, or the AMLA, which tackles corruption, promotes responsible innovation, furthers digital ID initiatives, and lastly, addresses illicit finance risks associated with digital assets.

My core message to you all is that there are many challenges in implementing our policies and strategies to combat illicit finance risks, and a key to success is to establish a strong partnership between the public and private sector so we can continuously share information regarding challenges and opportunities associated with the topics that I will discuss with you today.

We have much to cover so let me get right to a few specific areas of focus.

AML Act Implementation

Let me begin with a historic reform that gets at issues I suspect many of you have focused on for quite a long time. If you are here with us at the AML seminar, you probably know that the AMLA, enacted as a part of the last National Defense Authorization Act, constitutes a significant advance for the U.S. AML framework, and it is a tribute to the many public and private sector advocates who helped make it a reality. I understand that AMLA implementation is a subject of great interest to this group. I can assure you it is one of the Department's highest priorities.

Among other things, the AMLA enshrines and empowers efforts to modify the U.S. AML framework to better align supervision with national illicit finance threats and facilitate innovation. It also directs Treasury to conduct numerous studies on specific threats and threat actors, and the efficacy of the AML framework.

One of the most significant aspects of the AMLA, and one that I know that many stakeholders have been following closely, is the Corporate Transparency Act (CTA). Under the CTA, reporting companies are required to disclose to FinCEN information about their beneficial owners—that is, the real people who actually own or control a company. This will need to occur at two key points: when companies are formed (or, for non-U.S. companies, when they register with a State or Tribe to do business in the U.S.); and when the beneficial ownership information changes. The beneficial ownership information that will be provided to FinCEN is not public, and the CTA empowers FinCEN to establish strict controls for use and access of the information by federal agencies for law enforcement, national security, and intelligence purposes; to support State, local, and Tribal civil and criminal investigations, subject to Court approval; to satisfy international law enforcement cooperation requests in connection with investigations and prosecutions; for financial institutions to meet their customer due diligence obligations; and for financial regulators to assess compliance with these obligations.

FinCEN is hard at work implementing these beneficial ownership requirements—as you may be aware. The CTA requires FinCEN to issue the regulations implementing the requirement to report beneficial ownership information within one year from enactment, that is, January 1, 2022. FinCEN already took the first major step in that process by issuing an Advance Notice of Proposed Rulemaking or ANPRM on April 1. This ANPRM highlights numerous questions relevant to implementing the beneficial ownership reporting requirements. The 30-day comment period for the ANPRM ends on May 5, so you still have two days to weigh in on those questions by providing written comments. The next step in the process will be a Notice of Proposed Rulemaking, or NPRM, which will provide an additional opportunity to comment; I strongly encourage you to do so. Other rulemakings will address other aspects of the implementation process, including the protocols to protect the security and confidentiality of reported beneficial

ownership information and the rules for authorized disclosure of this information, as well as revising the Customer Due Diligence rule for financial institutions. You will have plenty of opportunity to weigh in on these issues in those separate rulemakings as well. The entire Treasury team looks forward to receiving your thoughtful input, which we will consider as we finalize these rules.

Treasury has long supported requirements for companies to disclose their beneficial ownership information at the time they are formed (or transfer ownership) and when they open accounts at financial institutions, thereby gaining access to the U.S. and international financial system. Many others supported these requirements, including our law enforcement colleagues, many in the financial sector, civil society, and, ultimately a majority of congressional members. Until recently, the United States had major gaps in its legal and regulatory framework for both of these disclosure touchpoints. We are confident that with the CTA, building on the base established by the Customer Due Diligence Rule and revising that rule as appropriate to take into account the requirements of the CTA, the United States will plug these gaps. Moreover, we will be better positioned to combat illicit activity conducted through shell companies by requiring the identity of the beneficial owners at the time of formation or registration or after any change in beneficial ownership.

Corruption

Now, I'll turn to another key priority for the Biden administration, tackling corruption. While we are still in the early days of the Biden administration, I hope we have already made clear our intent to prioritize efforts against public corruption worldwide. It has a wide range of corrosive effects, including depriving countries of revenues, stifling economic growth, distorting markets, undermining the rule of law, and enabling criminal networks and terrorism. These dangerous consequences of corruption can contribute to state instability and weaken the community of like-minded partners and security allies of the United States. In short, we are less safe, and have less chance of a robust domestic and international recovery from this difficult pandemic-induced downturn, when public corruption festers.

Broadly, corruption, human rights abuse, and illicit finance are all impediments to global development and financial inclusion. The United States must play a leadership role in addressing them. Treasury uses its anti-money laundering, countering the financing of terrorism, and financial sanctions authorities to enhance financial transparency, accountability, and rule of law. In so doing it also serves to promote democratic reforms to address financial and economic risks, vulnerabilities, and deficiencies that enable human rights abuse and corruption to flourish.

The use of multilateral targeted financial sanctions against corrupt actors has created a need for businesses to shift to a proactive corporate risk and due diligence strategy that takes into account both human rights and corruption issues. Sanctions have demonstrated to United States and global businesses that corruption directly impacts them. The recent action by Treasury and multilateral partners in the United Kingdom, Canada, and the EU to sanction Chinese government officials over human rights abuses has shown that the cost of companies performing increased due diligence may indeed be less than the economic and reputational costs of economic sanctions.

Financial institutions have customer due diligence obligations as well as obligations to implement sanctions and report suspicious activity. We are eager to leverage our private sector partnerships in this campaign. I want to specifically highlight the roles that supply chain due diligence and corruption prevention measures can play in these efforts.

Treasury encourages financial institutions to identify and mitigate their supply chains risks associated with their clients. Enhancing transparency in supply chains can help financial institutions identify corruption risks in corporate lending and underwriting activities.

Corruption has become a particularly acute issue during the pandemic, as the role of government transparency in our lives has become more critical than ever to protect public health and ensure emergency relief programs. In some countries, corruption has led to the theft and waste of vital public resources intended to protect citizens from the COVID-19 virus and support economic recovery from the pandemic. For example, Transparency International found that countries affected by high levels of corruption were less prepared to provide adequate health care in response to the pandemic.

Treasury has unfortunately identified new areas of corrupt activity both domestically and abroad tied to misappropriation or diversion of pandemic relief funds. This informed several FinCEN public advisories on COVID-19 relief-related fraud, including relating to economic impact payments, unemployment insurance and health insurance and healthcare programs fraud. In addition, Treasury worked with the FATF in its issuance of COVID-19-related money laundering and terrorist financing risks and policy responses.

These efforts provided guidance to support the international community in addressing corruption to ensure relief funds reached their intended recipients, while balancing the need to quickly deploy funds to help vulnerable populations, often without access to banking. We are determined to work together with the international community and private sector to ensure corruption prevention measures and risks are incorporated into the work of financial institutions and increase transparency in global supply chains.

Fintech and Payment Modernization

Looking more broadly at the economy, I'd like to note an undeniable shift taking place in the financial sector. Digitization in the financial sector was already well underway before the COVID-19 pandemic, with the rapid growth of financial technology (fintech) companies. However, the pandemic has accelerated changes to the ways that many people interact with financial services. For example, the U.S. Department of Commerce revealed that total e-commerce sales for 2020 were estimated at \$791.7 billion, an increase of 32.4 percent from 2019. Additionally, recent surveys indicate that the majority of Americans view fintech as the "new normal," which, at least in part, illustrates how significant the impact of the pandemic is in changing the way consumers transact. Customers now expect a frictionless customer experience from the comfort of their homes, which can present many challenges for mitigating illicit finance risks, such as account takeover fraud, which has grown exponentially since the start of the pandemic. Some industry reports suggest it accounts for over 70% of all fraud attacks. Fraudsters frequently acquire customer credentials using tactics such as phishing emails, malicious ads on

social media to install malware, purchasing stolen identities being monetized by hackers via the internet, and caller ID spoofing to trick victims into providing sensitive data, to name just a few. Fortunately, you and your customers have a partner in Treasury, particularly in dealing with business e-mail compromise fraud. Through its Rapid Response Program, FinCEN, its international financial intelligence unit partners, and both domestic and foreign law enforcement have been able to return more than \$1 billion to your customers.

Innovation is important and exciting, but it must not come at the expense of financial transparency that we need to safeguard the integrity of our financial system and our national security. Treasury continues to advocate for responsible innovation and the need to monitor emerging risks to ensure that new technology does not create loopholes or vulnerabilities that bad actors can exploit for money laundering, terrorist financing, or other illicit finance risks. With that said, there is also an optimistic way to look at these trends. New technologies can potentially strengthen AML/CFT compliance programs, or at least make them cheaper and more efficient without decreasing effectiveness. Treasury encourages all regulated entities to explore innovative capabilities and techniques, such as artificial intelligence and/or machine learning, to promote risk-based, effective, and efficient AML/CFT programs, so compliance professionals can be used to prevent, detect, and respond to higher risk areas of your respective organizations. To back this up tangibly, we released a statement to that effect jointly with the federal banking agencies in 2018. And, just two weeks ago, the federal banking agencies and FinCEN took a major step to address one of the issues that banks like you raised: the application of the federal banking agencies' model risk management guidance to BSA programs. Their statement has provided additional clarity for the banking industry and the open request for information needs your input so we can continue to refine our approaches on this issue.

Promoting and embracing responsible innovation is also a key priority for Treasury. Responsible innovation and modernizing the financial sector is needed to improve integrity, security, efficiency, and financial inclusion. Private sector real-time payment solutions, such as same-day ACH and permissioned blockchain-based payment systems, are examples of the rapid pace of innovation that are causing a shift in domestic and global remittances. As a result, we are actively monitoring illicit finance risks associated with the changing landscape of payments and engaging in public-private sector dialogues to preserve existing AML/CFT safeguards and ensure any impacts to such safeguards are well understood and properly addressed. I'll note the report that FinCEN issued in late March on the emerging themes arising through the FinCEN Innovation Hours Program and planned next steps to address the AML Act's innovation-related requirements.

Without question, there is more to do to modernize our AML/CFT system and we are looking hard at other ways to accomplish that. Treasury is focused on identifying strategies that can create efficiencies and improve the overall effectiveness of private sector AML/CFT programs. We believe employing financial technology solutions in combination with policy and regulatory reform efforts, can help us achieve this goal.

Digital Identity

Another area of important advancement in the fintech domain is digital identity. The Covid-19 pandemic has revealed a significant need for digital identity solutions, already underway before the pandemic, to help protect our identities, mitigate fraud, and to create a means of credentialing to bring new participants into the financial system.

Unfortunately, however, fraud numbers continue to rise, according to a recent research report from LexisNexis, when looking at all U.S. merchants—both store-based and online—the cost of fraud is up 7.3% in 2020 from 2019. Aside from payment fraud, the Federal Trade Commission reported 1.4 million complaints for identity theft in 2020, up from 651,000 in 2019.

In light of increasing threats related to vulnerabilities that exist in the current identity framework, we are exploring how biometrics may play an integral role in how digital identities might be constructed in the future.

There is an urgent need for action as evidenced by large-scale data breaches that have compromised countless consumers' personally identifiable information (PII), which is often made available for sale on the dark web, and synthetic identity theft, which the FBI has said is one of the fastest growing financial crimes in the United States.

The fact is that authenticating and verifying the identity of a customer is often no longer done through a handshake. We at Treasury understand the challenges with the existing identity framework in the U.S. I'd like to assure you that Treasury is actively engaged in numerous projects related to a digital identity framework, including one that looks at biometrics to assist with authentication. We are also currently engaged in a study with the Financial Action Task Force (FATF) that is aimed at exploring opportunities and challenges of new technology to make the implementation of AML/CFT measures by private sector and supervisors more efficient.

Trustworthy digital identity solutions are a key driver of essential digital financial services and vital element of financial sector and national security infrastructure in the digital age. Moreover, digital identity solutions can play a critical role in supporting financial inclusion and equitable access to regulated financial services—including through remote digital customer identification and verification for onboarding, and authenticating existing customers identity to authorize secure account access and conduct transactions.

Digital identities can also be a very effective tool to combat fraud, money laundering, terrorist financing, and other illicit financing activities. For example, the covid-19 pandemic has shown how trustworthy digital identity solutions enable governments to quickly and safely deliver urgently-needed benefits to eligible recipients and keep them out of the hands of fraudsters. As we engage in dialogues with counterparts in other countries and work with FATF on exploring opportunities and challenges of new technology, we will ensure the design of a future digital identity framework contains the necessary safeguards to minimize fraud and eliminate the incentives for fraudsters and hackers to steal PII data.

Digital Assets

Digital assets are another emerging technology that Treasury is closely watching for opportunities for innovation as well as ways in which we can mitigate AML/CFT risks. To start, “digital assets” is a broad term that continues to evolve with the rapidly-developing technology and innovation. It covers digital currencies, including some virtual currencies, like bitcoin, and other emerging payment methods that substitute for value. It also covers digital securities, commodities, and derivatives, and related products. Over the last couple of years, consumers, the private sector, and governments have expressed strong interest in a variety of digital assets. For example, there are well over one hundred million active virtual currency wallets, and 80 percent of central banks have reported that they are engaged in work or research on the development of central bank digital currencies. Digital assets have the potential to spur financial innovation, create efficiency in payments and increase financial inclusion. Treasury supports responsible innovation in payments, and host innovation hours with the private sector as well as interagency discussions engage on these innovations. We have been very encouraged by some of the tech solutions that leverage unique characteristics of digital assets to these ends.

However, digital assets can also have features that create new opportunities for illicit actors to obtain, launder, and spend funds. To address these risks, we think that payment systems using digital assets should be designed and should operate in a responsible manner and meet all applicable AML/CFT and sanctions obligations. The U.S. regulatory regime for AML/CFT obligations for digital assets is functional and based on the financial service provided or activity conducted, not the technology or business model used to provide it. Thus, providers of digital asset services are subject to the same rules as anyone else who offers similar financial services using non-digital assets. If you offer money transmission services, for example, the rules are the same for traditional providers and those who specialize in digital assets.

With regards to some of the specific risks for digital assets, some digital assets add technical features that are explicitly designed to obscure or anonymize transactions, and some digital assets can be transferred cross-border nearly instantaneously. These vulnerabilities can be exacerbated through increased disintermediation of financial institutions, as a result of which covered financial institutions may be less necessary to serve as on-and-off ramps to fiat currency. Additionally, uneven AML/CFT regimes across jurisdictions can invite regulatory arbitrage and enable illicit actors to misuse the digital asset ecosystem.

And while the value of digital assets detected in illicit financing has been relatively small compared to traditional financial services and products, we have observed digital assets being used in malicious cyber operations, money laundering, proliferation financing, ransomware, terrorist financing, and sanctions evasion. For example, according to the UN Panel of Experts, North Korea and related cyber actors have likely stolen hundreds of millions of dollars’ worth of digital assets since 2019 from digital asset service providers. The actors have laundered stolen funds through other digital asset service providers and used techniques to layer funds using digital assets. Victim institutions and institutions used for laundering stolen funds were based in several countries, including Mexico, the Philippines, South Korea, and the UK, indicating that this is a global problem. This has also been identified in U.S. institutions, meaning it is a problem here at home as well.

I offer this as an example, but North Korea is far from the only threat actor in this space. We also recognize that the role that innovative technology and blockchain analysis can play in identifying, understanding, and sometimes even stopping illicit use of digital assets. This technology is a powerful complement to regulation and, in some cases, can help law enforcement, regulators, and the private sector trace illicit funds transfers and identify previously pseudonymous actors.

Treasury staff is closely engaged in the gamut of regulatory and policy work to combat these threats, from FinCEN supervising service providers in the United States to Treasury playing a leading role in international efforts to develop standards for regulation of service providers worldwide at the Financial Action Task Force. Our top priority now is to ensure that those global standards are being implemented thoroughly and evenly across the globe to ensure that bad actors can't use borders as a loophole. Ultimately, effective and globally consistent regulation and supervision that conforms to international standards in this area is pro-business, in that it is essential to create a foundation of trust and stability that allows legitimate commerce to flourish.

Conclusion

I would like to conclude where I began, with the thread that I think ties all of our efforts together. We have a lot of ambitious initiatives on our agenda, and our partnership with the private sector is a critical element in all of it. Accordingly, I want to reiterate how much we appreciate the partnership of the private sector, and how much mutual value we see in it. Whether we are taking on longstanding, core challenges like beneficial ownership and corruption, or new and rapidly evolving areas like digital assets and payment systems, we are cognizant that it is only through partnership that we can achieve our best results on both sides. While the breadth of important issues we face seems unlimited, my time is not. So I have to leave it there. Thank you, so much, for having me.

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**RESPONSES TO WRITTEN QUESTIONS OF CHAIRMAN BROWN
FROM BRIAN EDDIE NELSON**

Q.1. *Fighting Domestic Terrorism*—As mentioned in my opening statement at the hearing, the FBI Director testified recently that racially motivated and antigovernment extremists are likely to be the biggest domestic threat over the next few years. The Biden administration recently rolled out a new strategy to counter domestic terrorism. The strategy calls for greater scrutiny of public social media posts and better coordination among law enforcement and national security agencies. How should Treasury work with other law enforcement agencies like the FBI and Homeland Security to better fight domestic terrorism, while protecting people's civil rights and liberties? Is there anything more Congress should be doing now to better assist TFI in protecting us from these threats?

A.1. As noted in the National Strategy for Countering Domestic Terrorism, the Intelligence Community assesses that domestic violent extremists (DVEs) who are motivated by a range of ideologies and galvanized by recent political and societal events in the United States pose an elevated threat to the United States in 2021. Enduring DVE motivations pertaining to biases against minority populations and perceived Government overreach will almost certainly continue to drive DVE radicalization and mobilization to violence.

If confirmed, I pledge Treasury will continue to: (i) explore, in coordination with law enforcement and other interagency partners, ways to enhance the identification and analysis of financial activity associated with domestic terrorists and their foreign counterparts; (ii) enhance engagement with financial institutions on domestic terrorist financing, including through existing provisions of the Bank Secrecy Act; (iii) coordinate with the Department of State, other interagency partners, and with our foreign allies to assess whether additional foreign entities linked to domestic terrorism can be designated as Specially Designated Global Terrorists, or Foreign Terrorist Organizations; (iv) in coordination with interagency partners, continue to support law enforcement action against domestic terrorists and their foreign supporters through the provision of financial intelligence, information, and analysis; and (v) across these efforts, work to ensure that Americans' civil liberties and constitutional rights continue to be protected.

Additionally, I understand that Treasury is working with our foreign partners bilaterally and through the Financial Action Task Force to better identify cross-border financial activity associated with racially or ethnically motivated violent extremists. If confirmed, I will prioritize this critical work to counter domestic terrorism and working with Congress to assess whether there are additional ways the Office of Terrorism and Financial Intelligence (TFI) can support the national strategy to counter domestic terrorism.

Q.2. *Anti-Money Laundering Act/Corporate Transparency Act*—Most of the requirements of the new Anti-Money Laundering Act will be implemented by Treasury. In April, FinCEN issued an Advance Notice of Proposed Rulemaking, soliciting comments on the reporting regulation and the shape and function of the new beneficial ownership database. Will you commit to work to issue the

Final Rule on beneficial ownership information collection by January 1st of next year?

A.2. Yes, if confirmed, I will strive to meet the deadlines Congress set in the Anti-Money Laundering Act of 2020.

Q.3. *Anti-Corruption and Anti-Kleptocracy Initiative*—On June 3, 2021, President Biden issued a formal national security memorandum on “Establishing the Fight Against Corruption as a Core United States National Security Interest”. The memo requires collaboration between Federal agencies and establishes a whole-of-Government approach to fighting global corruption and kleptocracy to further the national security interests of the United States. Should you be confirmed, what role do you see your office playing in this important fight against international corruption, broadly and specifically?

A.3. As President Biden made clear in the National Security Study Memorandum you reference, countering corruption is a core national security interest of the United States. If confirmed, I will make this among my highest priorities and ensure that TFI uses a wide range of tools to tackle this global problem.

First, Treasury’s efforts against money laundering aim to make it more difficult for corrupt actors and their enablers to use the U.S. and global financial system to launder and conceal ill-gotten gains. Implementing the new beneficial ownership reporting regime established by the Anti-Money Laundering Act of 2020 (AMLA) will be a critical component of this effort, enabling the collection and dissemination of important information to law enforcement and financial institutions about the ownership of shell companies and other corporate vehicles that can be used to hide and launder illicit proceeds. In addition to implementing the AMLA, TFI’s anti-money laundering efforts include FinCEN advisories to financial institutions to assist them in complying with their Bank Secrecy Act (BSA) obligations by identifying typologies and red flags, as well as the recently published Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) National Priorities. These have included indicators of corruption, including corruption that enables human rights abuses. If confirmed, I will encourage these and other efforts against money laundering that facilitates corruption.

The Office of Foreign Assets Control’s (OFAC) sanctions authorities are another important tool against global corruption. If confirmed, I would ensure that OFAC continues to use financial sanctions to hold corrupt actors accountable, whether through Global Magnitsky (GloMag) sanctions, or other sanctions authorities. The United States has used GloMag authorities to target corruption and serious human rights abuses wherever they occur around the world, including Africa, Asia, Central America, Europe, and the Middle East. Earlier this month, I understand that Treasury took its largest GloMag action to date, sanctioning three Bulgarian individuals for their extensive roles in corruption in Bulgaria as well as their networks encompassing 64 entities. If confirmed, I will seek to capitalize on the momentum of this action to encourage like-minded countries to create anticorruption authorities in their sanctions programs and take similar actions.

In addition, TFI plays an important role in highlighting global corruption and kleptocracy on the international stage. Through dialogue in various multilateral fora (e.g., the recent G7 Summit) and engagement and information sharing with like-minded countries, civil society, and the private sector, TFI can expose and target corrupt individuals and institutions; make our financial systems more transparent and resistant to corruption; and promote democratic and regulatory reforms to address financial and economic risks, vulnerabilities, and deficiencies that can enable human rights abuse and corruption.

Specifically, TFI's Office of Terrorist Financing and Financial Crimes (TFFC) leads the U.S. delegation to the Financial Action Task Force, and, if confirmed, I will use that forum and others to ensure that TFI continues to actively engage with our foreign partners to effectively implement relevant international standards, including the Financial Action Task Force recommendations, as a key means to combat corruption.

I am also aware that TFI is establishing a pilot Kleptocracy Assets Recovery Rewards program that will provide payments to individuals for information leading to the identification and recovery of stolen assets linked to foreign Government corruption held in U.S. financial institutions. If confirmed, I will endeavor to make this program a success.

Q.4. *TFI Structure*—The prior Administration placed an emphasis on having all TFI components bring their unique equities and tools together to address anti-money laundering and counterterrorism as a whole-of-TFI effort involving approximately 900 employees. Do you agree with this approach?

How would you continue to strengthen TFI in this way?

A.4. Yes, I agree with that approach. The critical work of safeguarding the U.S. financial system from abuse, and bringing malign actors that threaten the national security of the United States to account for their activities, is best performed when TFI works together effectively across its components, with each bringing key technical expertise and institutional memory to the execution of TFI's core mission. If confirmed, I look forward to working with these dedicated men and women.

Q.5. *Human Trafficking*—I understand that as part of your work in the California Office of Attorney General you lead several multistate and multinational projects to address human trafficking, and that you are fiercely committed to this mission. And several years ago, Congress changed the law to make clear that illicit finance related to human trafficking was to be a core part of TFI's mission.

Would you please briefly summarize for the Committee your work in this area and, based on that, describe what you see as the best tools within TFI to combat human trafficking. Also, how might TFI better work with the States to address the issue?

A.5. At the California Office of the Attorney General, we prioritized the fight against human trafficking by comprehensively evaluating that threat and then working closely with key partners—including law enforcement, victim service providers, nonprofit organizations, and technology companies—to combat human trafficking in a co-

ordinated manner. A key finding from that intelligence-gathering and comprehensive report was the need to work more closely with our Mexican law enforcement counterparts. To that end, I directly negotiated with Mexican law enforcement officials to implement a Mexico Attorney General–California Attorney General accord to expand prosecutions and secure convictions of criminals who engage in the trafficking of human beings. We also successfully sought new enforcement tools, including asset forfeiture authorities for items used to facilitate human trafficking involving a commercial sex act where the victim is under 18 years of age; and new transparency legislation authorizing law enforcement agencies to seek a court order preventing the concealment of property implicated in a human trafficking prosecution.

If confirmed, I would seek to take much the same intelligence-driven and coordinated approach to this critical effort to combat human trafficking, leveraging TFI's wide range of tools, and coordinating with interagency and foreign Government partners, as outlined in the Administration's National Action Plan to Combat Human Trafficking, as part of a coordinated whole-of-Government approach.

As I briefly mentioned during the hearing, I believe a threat assessment is a necessary first step in combating illicit finance threats, including human trafficking. Treasury's publication of such reports as the National Money Laundering Risk Assessment (NMLRA) and the National Strategy for Combating Terrorist and Other Illicit Financing can highlight the grave threat that human trafficking poses not only to the safety and security of trafficked victims and the rule of law, but also to the U.S. financial system and the global financial system more broadly. If confirmed, I would emphasize the role and impact of such reports in identifying evolving threats, particularly given TFI's Office of Terrorist Financing and Financial Crimes (TFFC) leads Treasury's efforts in drafting and coordinating this report.

I pledge to continue TFI's efforts to address this critical issue, to include conducting risk assessments; collecting, analyzing, and sharing financial intelligence and data to identify human traffickers and their networks; engaging with foreign partners to promote effective anti-money laundering and countering the financing of terrorism (AML/CFT) regimes; disrupting and disabling the financial underpinnings of these networks through sanctions and other authorities; and supporting law enforcement investigations that can lead to accountability and justice.

I would work to apply financial sanctions, where appropriate, utilizing a range of sanctions programs that can target human trafficking, including country-specific sanctions programs, Global Magnitsky sanctions, the Transnational Criminal Organizations program, and the Counter Narcotics program. These programs also target activities that typically occur alongside human trafficking, such as narcotics trafficking, serious human rights abuse and corruption, malicious cyberenabled activities, terrorism, and transnational organized crime. I would also ensure financial intelligence obtained from Bank Secrecy Act reporting is provided to law enforcement at the Federal, State, local, and tribal level. I would encourage additional trainings, such as the event TFFC, in

coordination with DHS and DOJ, held in April for the gaming industry to raise human trafficking awareness for frontline workers who may interact with victims and illustrate how the perpetrators of human trafficking can use the casino industry to launder their illicit proceeds. I will also continue engagements with foreign partners, the private sector, and civil society as well as in multilateral forums to raise awareness about the illicit finance threats associated with human trafficking. TFI officials can highlight how effective AML/CFT regimes can help identify and mitigate these risks in speaking opportunities with key audiences.

**RESPONSES TO WRITTEN QUESTIONS OF SENATOR TOOMEY
FROM BRIAN EDDIE NELSON**

Q.1. *Congressional Oversight*—Please provide your philosophy on how the Office of Terrorism Financing and Financial Intelligence (TFI) at the Department of the Treasury (Treasury) will approach and respond to Congressional information requests (both for documentary information and oral testimony), if you are confirmed.

A.1. I recognize that Congress plays an important oversight role regarding Executive branch activities. If confirmed, I pledge to work through the accommodations process to comply with Congressional requests for information consistent with the constitutional and statutory obligations of the Executive branch.

Q.2. If confirmed, do you intend to respond to information requests differently depending on who is making the Congressional information request (whether it's the Chair of the Congressional Committee, the Ranking Member, or another Member of Congress)? Please answer "yes" or "no." If your answer is "yes," please explain.

A.2. I recognize that Congress plays an important oversight role regarding Executive branch activities, and I pledge to thoughtfully consider all Congressional information requests, recognizing the importance of transparency in Government. If confirmed, I pledge to work through the accommodations process to comply with Congressional requests for information consistent with the constitutional and statutory obligations of the Executive branch.

Q.3. Will you commit that, if confirmed, you will respond in a timely manner and fully comply with all information requests from me? Please answer "yes" or "no." If your answer is "no," please explain.

A.3. I recognize that Congress plays an important oversight role regarding Executive branch activities, and I pledge to thoughtfully consider all Congressional information requests including from any Member, recognizing the importance of transparency in Government. If confirmed, I pledge to work through the accommodations process to comply with Congressional requests for information consistent with the constitutional and statutory obligations of the Executive branch.

Q.4. Will you commit that, if confirmed, you will make yourself and any other TFI employee expeditiously available to provide oral testimony (including but not limited to briefings, hearings, and transcribed interviews) to the Committee on any matter within its jurisdiction, upon the request of either the Chairman or Ranking

Member? Please answer “yes” or “no.” If your answer is “no,” please explain why.

A.4. I recognize that oral testimony plays an important role in Congress’ oversight responsibilities regarding Executive branch activities. If confirmed, I commit to brief or testify regarding Congressional requests consistent with the constitutional and statutory obligations of the Executive branch.

Q.5. *The Joint Comprehensive Plan of Action (JCPOA)*—On April 21, 2021, an unnamed senior State Department Official suggested that during the Trump administration some sanctions, including terrorism sanctions, on Iranian entities were “not legitimately imposed.”¹ Do you agree that such accusations undermine the integrity of the U.S. sanctions regime and disparage the career civil servants at Treasury who compile the evidentiary packages for such sanctions? Please answer “yes” or “no.” If your answer is “no,” please explain.

A.5. I have confidence in the diligence and dedication of Treasury’s career civil servants, including the civil servants in the Office of Terrorism and Financial Intelligence. If confirmed, I will look into this matter.

Q.6. If confirmed, will you commit to transmitting to me, in writing, no later than seven days after which you are confirmed, a determination on whether terrorism sanctions were imposed illegitimately by the Trump administration?

A.6. If confirmed, I will commit to expeditiously looking into the matter regarding the terrorism sanctions imposed on Iranian entities.

Q.7. Iran has not answered the International Atomic Energy Agency’s (IAEA) questions regarding why nuclear particles have been found at undisclosed Iranian sites. As a result, the nuclear watchdog recently warned it is now impossible to confirm Iran is not seeking a nuclear weapon.²

Do you believe Iran should account for the existence of these nuclear particles before the United States rejoins the Iran nuclear deal and offers sanctions relief?

A.7. I believe Iran should only enjoy sanctions relief under the JCPOA if it takes the appropriate steps to resume compliance with its nuclear commitments under the JCPOA. Iran must also adhere to its nuclear obligations outside of the JCPOA. If confirmed, I will work to ensure that Treasury continues its important work to enforce U.S. sanctions and combat Iran’s support for terrorism, abuse of human rights, Weapons of Mass Destruction (WMD) proliferation and ballistic missile development, as well as the regime’s destabilizing activities in the region.

Q.8. What is your view of the JCPOA and the sanctions relief it provided Iran and will provide Iran if the United States rejoins it?

¹United States Department of State, “Briefing With Senior State Department Official on Recent U.S. Engagement in Vienna Regarding the JCPOA” (April 21, 2021), <https://www.state.gov/briefing-with-senior-state-department-official-on-recent-u-s-engagement-in-vienna-regarding-the-jcpoa-2/>.

²International Atomic Energy Agency, “IAEA Director General’s Introductory Statement to the Board of Governors” (June 7, 2021), <https://www.iaea.org/iaea-director-general-introductory-statement-to-the-board-of-governors-7-june-2021>.

A.8. If confirmed, I would support the Biden–Harris administration’s national security and foreign policy decisions regarding the JCPOA in these vitally important matters.

Q.9. If the United States returns to the JCPOA, do you agree that non-nuclear sanctions on Iran, such as terrorism sanctions, should be maintained?

A.9. Yes. Treasury’s sanctions programs address a wide range of malign activities, including terrorism, and if confirmed, I commit to vigorously enforcing U.S. sanctions.

Q.10. Will you commit to keeping in place U.S. sanctions on the Central Bank of Iran and other Iranian entities designated for supporting terrorism and the development of weapons of mass destruction (WMD) unless there is credible information that those entities have ceased engaging in the activity for which they were sanctioned? Will you commit to briefing this Committee and providing relevant information about changes in these entities’ activities if they are delisted?

A.10. As senior members of the Biden–Harris administration have said, if Iran implements its nuclear commitments under the JCPOA, the U.S. would implement its commitments under the JCPOA to lift sanctions. Furthermore, I will commit to keeping Congress informed regarding Treasury’s actions.

Q.11. Yes or no, do you agree that Iran’s Islamic Revolutionary Guard Corps (IRGC) is a terrorist organization?

A.11. Yes, Iran’s Islamic Revolutionary Guard Corps (IRGC) was designated as a Foreign Terrorist Organization (FTO) by the Secretary of State pursuant to section 219 of the Immigration and Nationality Act (INA) on April 15, 2019. On October 13, 2017, Treasury designated the IRGC pursuant to the global counterterrorism Executive Order (E.O.) 13224 and consistent with the Countering America’s Adversaries Through Sanctions Act.

Q.12. Are you committed to strict enforcement of sanctions against the IRGC and its subsidiaries and affiliates, including, but not limited to the National Iranian Oil Company?

A.12. U.S. sanctions depend on their effective implementation and enforcement. If confirmed, I will work to ensure that all economic sanctions are vigorously enforced.

Q.13. If a return to compliance with the JCPOA does occur, will you commit to continuing to prevent Iran from gaining any access to the U.S. financial system, including through so called “U-turn” transactions?

A.13. I will support the Biden–Harris administration and the President’s national security and foreign policy decisions regarding the JCPOA, and will work to protect the integrity of the U.S. financial system.

Q.14. If a U.S. return to the JCPOA is not achieved, what role do you believe conduct-based sanctions can play in persuading the Iranian regime to change its malign behavior?

A.14. I believe sanctions will remain a powerful tool to incentivize the Iranian regime to change its behavior. If confirmed, I would

seek to amplify the effects of our sanctions through coordination with U.S. allies and partners. As Secretary Yellen said, U.S. sanctions are more likely to compel changes in behavior and disrupt threatening activities when pursued in concert with our allies—carrying a more forceful economic impact by disrupting access to the international financial system—and sending a stronger message to malign actors by virtue of our solidarity.

Q.15. The United States imposed sanctions on Iran’s new president, Ebrahim Raisi, in 2019, pursuant to E.O. 13876. The order authorizes sanctions against the Supreme Leader of Iran, the Office of the Supreme Leader, any official appointed by him, and anyone conducting transactions with them. In particular, the order authorizes sanctions on foreign financial institutions that knowingly facilitate or conduct a significant transaction with any individual or entity designated pursuant to that E.O. These sanctions are not nuclear related and, thus, are consistent with the JCPOA.

What would be the conditions under which Treasury would lift or waive sanctions on Ebrahim Raisi?

Will you commit to consulting with me and the entire Committee before any potential waiving or lifting of sanctions on Ebrahim Raisi?

A.15. If confirmed, I would study the relevant legal authorities and available intelligence and can commit to briefing Congress on this topic.

Q.16. *Iranian Funding for Terrorism*—What is your assessment of the impact sanctions relief under a U.S. return to the JCPOA will have on Iran’s funding of terror groups, such as Hezbollah, Hamas, Palestinian Islamic Jihad, and Kata’ib Hizballah (KH)?

A.16. As Secretary of State Blinken has said, an Iran with a nuclear weapon or the ability to produce one in very short order is an Iran that is going to act with even greater impunity when it comes to support for terrorist groups and for destabilizing activities in the region. If confirmed, I will not hesitate to use counterterrorism authorities to target Iran’s support to Hizballah and HAMAS, or any other designated terrorist group.

Q.17. Would you agree that if the Iranian regime spent less money supporting terrorists and lining their own pockets, they could afford to purchase vaccines or pay the country’s U.N. dues?

A.17. Treasury’s Iran sanctions program is intended to reduce the Iranian regime’s funding of its support for terrorism, its nuclear program, and its other malign activities in the region.

I agree that financial systems should never be used to support terrorists or line the pockets of corrupt officials, and if confirmed, I will lead Treasury’s important work to fight corruption, human rights abuses, and the funding of terrorism.

Q.18. Do you agree that every dollar of U.S. sanctions relief provided to Iran, frees up another dollar that Tehran can spend on illicit activities?

A.18. As Secretary of State Blinken has said, an Iran with a nuclear weapon or the ability to produce one in very short order is an Iran that’s going to act with even greater impunity when it comes to support for terrorist groups and for destabilizing activities

in the region. I believe Treasury's sanctions are thoughtfully designed to create clear incentives to end malign behavior and illicit activity.

Q.19. China—According to leading ship tracking websites and the International Energy Agency (IEA), China has managed to import over 100 million barrels of oil from Iran since January 2021,³ in violation of U.S. sanctions on Iranian oil.⁴ By a conservative estimate, that is approximately \$5 billion in illicit revenues accruing to the regime in the space of 6 months. China purchased five times more oil in March 2021 than in the first 9 months of 2020, according to the IEA. The Biden administration has not sanctioned a single Chinese transgressor.

Do you believe that China's ongoing violation of our sanctions regime is a problem? Please answer "yes" or "no." If your answer is "no," please explain.

What specific steps would you take, if confirmed, to staunch the flow of Iranian oil to China and properly enforce U.S. sanctions?

Do you agree that if U.S. adversaries perceive the United States to be unwilling or unable to enforce U.S. sanctions, then they will be more likely to violate sanctions?

A.19. Yes, I am concerned by all reports of alleged sanctions evasion. U.S. sanctions depend on their effective implementation and enforcement. Since the passage and implementation of the Comprehensive Iran Sanctions, Accountability, And Divestment Act in 2010, successive Administrations have demonstrated a willingness to sanction Chinese targets for conducting sanctionable transactions related to Iran. If confirmed, I will also work to ensure that the Treasury Department is focused on any efforts to evade sanctions and abuse the international banking system, working closely with colleagues in the Treasury Department and throughout the interagency.

Q.20. Open source ship tracking websites have identified suspected vessels and entities involved in transporting Iranian oil to China since January 2021 (see UANI attached report). If confirmed, will you investigate these entities and apply sanctions to them if they have indeed violated U.S. law?

³Benoit Faucon, "Iran Boosts Oil Exports Amid Nuclear Deal Talks", *Wall Street Journal* (April 15, 2021), <https://www.wsj.com/articles/iran-boosts-oil-exports-amid-nuclear-deal-talks-11618497634>.

⁴See the Iran Freedom and Counter-Proliferation Act of 2012 (P.L. 112-239) and Section 1245 of the Fiscal Year 2012 National Defense Authorization Act (P.L. 112-81).

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UANI VESSELS REPORT – Vessels Suspected of Being Involved in the Transfer of Iranian Oil to China

June 23, 2021

This memo provides a list of vessels suspected of transporting Iranian oil to China since January 2020 and the entities suspected of being involved in the operation.

<u>Vessel Name</u>	<u>IMO</u>	<u>Flag</u>	<u>Vessel Operator</u>	<u>Port of Delivery in China</u>	<u>Delivery Date</u>	<u>Notes</u>
MARTINA	9254915	Panama	Nadezhda Tankers Inc (Marshall Islands)	Qingdao – Huangdao Terminal Qingdao – Huangdao Terminal	2/26/2020 3/18/2021	
SEVIN	9357353	Iran	National Iranian Tanker Company (Iran)	Huizhou	2/14/2020	
STREAM	9569633	Iran	National Iranian Tanker Company (Iran)	Yantai Huizhou Ningbo	3/26/2020 7/8/2020 9/20/2020	
ELVA (formerly EKATERINA)	9196644	Samoa (False)	Ravel Ship Management Pvt Ltd (India)	Qingdao	April 2020	
DORE	9357717	Iran	National Iranian Tanker Company (Iran)	Huizhou	4/21/2020	
SNOW	9569619	Iran	National Iranian Tanker Company (Iran)	Zhoushan Huizhou – MaBianZhou CNOOC Crude terminal Ningbo - Daxie Shihua Crude Oil Terminal Ningbo – Daxie Shihua	5/12/2020 7/23/2020 10/18/2020 12/11/2020	

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				Crude Oil Terminal Zhanjiang – Zhanjiang Petrochemical Berth	5/21/2021	
SEA VIXEN (formerly VIOLETA)	9265744	Unknown	Brizo Tanker Ship Management (UAE)	Longkou Longkou – Bingang Petrochemical Terminal	April 2020 10/24/2020	
HERO II	9362073	Iran	National Iranian Tanker Company (Iran)	Huizhou	5/3/2020	
HILDA I	9357389	Iran	National Iranian Tanker Company (Iran)	Zhoushan	May 2020	
DREAM II	9366593	Iran	National Iranian Tanker Company (Iran)	Huizhou	5/26/2020	
LAVAL	9246279	Unknown	Ahana Ship Management Pvt Ltd (Pakistan)	Qingdao Zhanjiang – Zhanjiang Petrochemical Terminal	June 2020 11/17/2020	
NEW GLOBAL	9235244	Marshall Islands	Link Harvest Enterprise Ltd (Hong Kong)	Vessel oil is transferred VIA STS which then is delivered to China		NEW GLOBAL took Iranian oil from the vessels UMM HABAYEB, ION, LADY D, PERUN, SAAVI, ATHENS VOYAGER, BLUE STAR
SONIA I	9357365	Iran	National Iranian Tanker Company (Iran)	Zhoushan	June 2020	

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PHOENIX	9181194	Unknown	Alfa Ship Management Pvt Ltd (Pakistan)	Qingdao		
CS BRILLIANCE	9153513	Marshall Islands	CSSC Energy SNG Pte Ltd (Singapore)	Vessel oil is transferred VIA STS which then is delivered to China		CS BRILLIANCE took Iranian oil from the vessels TELLUS, VERGIOS, SEA BREEZE, HERA on 5/18/2021
DIONA	9569695	Iran	National Iranian Tanker Company (Iran)	Ningbo - Daxie Shihua Crude Oil Terminal Ningbo - Daxie Shihua Crude Oil Terminal Ningbo - Daxie Shihua Crude Oil Terminal	9/5/2020 11/10/2020 1/3/2021	
SALINA	9357377	Iran	National Iranian Tanker Company (Iran)	Ningbo - Daxie Shihua Crude Oil Terminal	9/26/2020	
AMAK	9244635	Panama	Austinship Management Pvt Ltd (India)	Qingdao	11/9/2020	
HEENNA	9212929	Iran	National Iranian Tanker Company (Iran)	Maoming Yangjiang - Guang Tai Long Port	11/5/2020 3/29/2021	
INGRID	9201592	Sierra Leone	Siwan Trading International (UAE)	Longkou - Bingang Petrochemical Terminal Longkou - Bingang Petrochemical Terminal	11/9/2020 12/23/2020	

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TELLUS	9246138	Unknown	Costal Shipping Links (India)	Dongjiakou – Dongjiakou Crude Oil Terminal	12/25/2020	
LADY M	9256858	Russia	Marine Trans Shipping LLC (Russia)	Zhoushan	12/6/2020	
ALBA SUN	9111644	Panama	Brizo Tanker Ship Management (UAE)	Yantai – Yantai West Harbour	12/28/2020	
ROSSONERI	9242120	Togo	Vika Line Marine Services Pvt (India)	Qingdao – Yantai – Yantai West Harbour	1/18/2021 4/25/2021	
RANI	9250907	Panama	Grand Marine Services Pvt (Singapore)	Qingdao – Haiye Oil terminal	2/22/2021	
LAFIZA	9273052	Gabon	Clara Shipping LLC (UAE)	Zhanjiang – Zhanjiang Petrochemical terminal	5/3/2021	
AVENTINE	9123192	Panama	Brizo Tanker Management (UAE)	Qingdao – Huangdao Terminal Qingdao – Huangdao Terminal	3/4/2021 4/25/2021	
ERMIS	9203265	Cook Islands	Eastern Ships Management Pvt (Sri Lanka)	Zhanjiang – Zhanjiang Petrochemical Terminal	3/5/2021	
RAIN DROP	9233208	Panama	Indo Gulf Ship Management LLC (UAE)	Zhanjiang	5/27/2021	
MARIA GRACE	9224271	Marshall Islands	Jubilant Ship Management Pvt Ltd (India)	Dongjiakou Dongjiakou	5/9/2021 6/19/2021	
ENERGY STAR	9118393	Thailand	Nathalin Shipping Pte	Vessel oil is transferred VIA STS		ENERGY STAR took Iranian oil

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			Ltd (Singapore)	which then is delivered to China)		from PERUN on 3/30/2021, LADY D on 4/23/2021, PERUN on 5/14/2021, LADY D on 6/1/2021
ARZOYI	9248473	Panama	Vitava Shipping Inc (Panama)	Qingdao Qingdao	5/6/2021 6/21/2021	
CS PROSPERITY	9169691	Marshall Islands	CSSC Energy SNG Pte Ltd (Singapore)	Vessel oil is transferred VIA STS which then is delivered to China)		CS PROSPERITY took Iranian oil from FREESIA I on 4/30/2021
LEONID	9198771	Palau	Tianjin Shipping Ventures Pte (Singapore)	Dalian	4/26/2021	
HEBE	9259185	Panama	OnBoard Ship Management Ltd (Hong Kong)	Dalian	5/10/2021	
PHOENIX I	9236248	Panama	Tianjin Shipping Ventures Pte (Singapore)	Longkou	6/23/2021	

A.20. If confirmed, I pledge to review the facts and circumstances identified in this report and to promptly address any violations of U.S. law.

Q.21. China has long been one of the worst violators of U.S. sanctions. If confirmed, how would you go about seeking better cooperation from China on sanction matters?

A.21. If confirmed, I will be clear-eyed regarding where we can seek cooperation with China and where our interests diverge. Our sanctions play a crucial role in upholding international standards and norms, countering terrorism and the proliferation of weapons of mass destruction, and other national security interests. I am committed to using the full breadth of Treasury's tools and authorities to implement U.S. sanctions and where necessary to hold China accountable for violations.

Q.22. China is aggressively moving to develop and deploy a central bank digital currency (CBDC), which could potentially undercut the power of U.S. sanctions. What specific steps would you take at Treasury to prevent a Chinese CBDC from undermining U.S. sanctions?

A.22. If confirmed, I look forward to studying China's development of a central bank digital currency (CBDC), and to carefully consider the possible impacts of Chinese CBDC on U.S. sanctions.

Q.23. China has established a joint venture with the SWIFT network, which could facilitate the integration of a Chinese CBDC with existing international payments standards.⁵ What steps do you believe should be taken to ensure the United States retains its international economic leverage and leadership as the dominant international trade currency?

A.23. If confirmed, I will commit to using Treasury's existing tools and authorities, and if necessary, seeking new tools and authorities, as appropriate, to ensure the United States retains its economic leverage and leadership. I am committed to strengthening the antimoney laundering/countering the financing of terrorism (AML/CFT) regimes of countries around the world, including working with relevant multilateral organizations to ensure proper standards and mechanisms are instituted and effectively implemented to promote an environment that best supports our national security and economic prosperity.

Q.24. *Sanctioning NordStream II AG*—Nord Stream II AG is the company responsible “for planning, construction and subsequent operation of the Nord Stream 2 Pipeline.”⁶ The State Department—in its most recent Protecting Europe's Energy Security Act (PEESA) report to Congress⁷—reported that Nord Stream II AG is

⁵“UPDATE 1-SWIFT Sets up JV With China's Central Bank”, Reuters (February 21, 2021), <https://www.reuters.com/article/china-swift-pboc/update-1-swift-sets-up-jv-with-chinas-central-bankidUSL1N2KA0MS>.

⁶“Shareholder and Financial Investors”, Nord Stream 2, <https://www.nord-stream2.com/company/shareholder-and-financial-investors/>.

⁷See “Report to Congress and Waiver With Respect to Certain Persons Identified on the PEESA Report”, May 19, 2021.

using the Russian pipe-laying contractor LLC Koksokhimtrans for this project.⁸

Notably, in 2016, LLC Koksokhimtrans was sanctioned under E.O. 13685 for its involvement in Russia's invasion of Crimea and its connections to another sanctioned entity, the Russian shipping company, Sovfracht-Sovmortrans Group.⁹ Under Section 228 of Countering America's Adversaries Through Sanctions Act (CAATSA), which passed the Senate 98 to 2, Nord Stream II AG must be sanctioned if it is facilitating a significant transaction with a sanctioned entity, such as LLC Koksokhimtrans.

Furthermore, the State Department's most recent PEESA report also identified LLC Mortransservice, a company that reportedly acquired another one of the vessels identified in the PEESA report.¹⁰ LLC Mortransservice appears to be the successor to ZAO 'Mortransservis' a similarly named company established by the Sovfracht-Sovmortrans Group.¹¹ The Sovfracht-Sovmortrans Group was sanctioned under E.O. 13685 for its operations in Crimea.¹²

With the identification of LLC Koksokhimtrans and LLC Mortransservice in the most recent PEESA report, it appears Nord Stream II AG has conducted significant transactions with previously sanctioned entities, making the legal connection that warrants Nord Stream II AG to be sanctioned pursuant to CAATSA 228. If confirmed, will you commit to getting back to me within 7 days of you being confirmed on whether Nord Stream II AG should be sanctioned under CAATSA 228?

If confirmed, will you commit to getting back to me within seven days of you being confirmed on whether any foreign persons or entities affiliated with LLC Mortransservice, LLC Koksokhimtrans and ZAO "Mortransservis" have been involved in sanctions evasion efforts in connection with the Sovfracht-Sovmortrans Group or the Nord Stream 2 project?

A.24. If confirmed, I commit to looking into these very important questions and working with our interagency partners to respond to the Committee's questions on these subjects expeditiously.

Q.25. General Sanctions Enforcement—The Biden administration has emphasized the importance and strength of multilateral sanc-

⁸Title LXXV of Public Law 116-92, as amended by section 1242 of the William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021 (P.L. 116-283).

⁹"LLC Koksokhimtrans". Specially Designated Nationals and Blocked Persons List, U.S. Department of the Treasury, Office of Foreign Assets Control (May 20 2021) <https://sanctionssearch.ofac.treas.gov/Details.aspx?id=20290>; "Treasury Sanctions Individuals and Entities for Sanctions Evasion and Activities Related to the Conflict in Ukraine". U.S. Department of the Treasury, September 1, 2016. <https://www.treasury.gov/press-center/press-releases/pages/jl5048.aspx>.

¹⁰"Nord Stream 2: Russia Is Trying To Circumvent Sanctions Against the Project". Foreign Intelligence Service of Ukraine, March 28, 2021. <https://szru.gov.ua/en/news-media/news/nord-stream-2-russia-is-trying-to-circumventsanctions-against-the-project>; see also "Ein Rennen gegen die Zeit und die USA", *Süddeutsche Zeitung*, February 23, 2021, <https://www.sueddeutsche.de/politik/nord-stream-2-usa-russland-gaspipeline-1.5215746>.

¹¹"ZAO 'Mortransservis'". Comfex, 2021. <https://comfex.ru/1027700360522>; "JSC 'Sovmortrans'". Comfex, 2021. <https://comfex.ru/1027739349076>; "Kompanii grupiy", Sovfrakht. Accessed May 2021. <http://www.sovfracht.ru/group-companies/>; "Gruppa Kompaniy 'Sovfrakht-Sovmortrans' prinyala uchastiye v TransRossi 2012". Argumenti i Fakti, May 2, 2012. <https://pskov.aif.ru/money/realty/767137>.

¹²"Sovfracht-Sovmortrans Group", Specially Designated Nationals and Blocked Persons List, U.S. Department of the Treasury, Office of Foreign Assets Control, May 20, 2021. <https://sanctionssearch.ofac.treas.gov/Details.aspx?id=20288>; "Treasury Sanctions Individuals and Entities for Sanctions Evasion and Activities Related to the Conflict in Ukraine". U.S. Department of the Treasury, September 1, 2016. <https://www.treasury.gov/press-center/press-releases/pages/jl5048.aspx>.

tions. What steps will you take to engage our partners in the European Union and elsewhere to harmonize sanctions regimes?

A.25. If confirmed, I commit to prioritizing the Administration's efforts to work with our allies and partners, including through the issuance of coordinated sanctions actions with our allies as multilateral actions in order to amplify the financial and diplomatic impact of our economic authorities. In addition, this type of close coordination can help ensure our sanctions are calibrated to avoid unintended consequences on our allies and partners. As we have seen in recent months, the EU, United States, and other partners have taken multiple coordinated sanctions actions in relation to Belarus, most recently on June 21, 2021. If confirmed, I would also seek to increase our coordination across other programs. I would plan to prioritize the sharing of information as early as possible with allies and partners to help coordinate actions. In addition to working with the EU, I also look forward to working closely with strong allies like the United Kingdom, Canada, and Australia.

Q.26. *Sanctions on Hamas and Palestinian Terror Groups*—If confirmed, what steps will you take to identify and sanction material supporters of Hamas, Hezbollah, and Palestinian Islamic Jihad, which are all U.S. designated terrorist groups?

A.26. If confirmed, I commit to using Treasury's counterterrorism sanctions and enforcement authorities to identify and dismantle the financial networks of terrorists and their supporters as well as others who seek to perpetrate harm against the United States and its allies.

Q.27. In 2018, Congress unanimously passed the Sanctioning the Use of Civilians as Defenseless Shields Act in 2018 (Shields Act) (P.L.115-348). The law mandates sanctions on members of Hamas and Hezbollah that order, control, or otherwise direct the use of civilians to shield military objectives from attack. No sanctions have been applied pursuant to this law despite compelling evidence of the use of human shields by both Hezbollah and Hamas.¹³ Will you commit to prioritize implementation of the Shields Act?

A.27. I categorically denounce the use of civilians to shield military objectives. If confirmed, I commit to reviewing Treasury's use of its sanctions authorities, including the Shields Act, to address this human rights violation.

Q.28. *Cryptocurrency*—There has been a surge in cryptocurrency donations to Hamas since the start of its armed conflict with Israel in May 2021.¹⁴ Other terrorist groups and sanctioned actors are using digital currencies to circumvent sanctions and the international banking system. If confirmed, what will you do to ensure Treasury utilizes emerging technologies to combat the use of digital currencies to evade sanctions?

A.28. Malign actors cannot be permitted to utilize cryptocurrency or digital assets as a means to evade sanctions and violate U.S.

¹³ Orde Kittrie, "Time To Act on Human Shields", *Foundation for Defense of Democracies* (October 15, 2020), <https://www.fdd.org/2020/10/15/time-to-act-on-human-shields/>.

¹⁴ Benoit Faucon, Ian Talley, and Summer Said, "Israel-Gaza Conflict Spurs Bitcoin Donations to Hamas", *Wall Street Journal* (June 2, 2021), <https://www.wsj.com/articles/israel-gaza-conflict-spurs-bitcoin-donations-to-hamas-11622633400>.

law. If confirmed, I will examine Treasury's tools and authorities to combat this illicit activity and to ensure that Treasury staff, including sanctions investigators, are fully equipped to deal with the challenges posed by the use of cryptocurrency and digital assets to evade sanctions and finance terrorism.

Q.29. Recent FATF guidance could require entities that never take custody of or control another person's digital assets (that is, non-custodial entities) to register as Virtual Asset Service Providers (VASPs). In the United States, this would mean a noncustodial entity would have to register as a money service business (MSB). Contrary to FATF's guidance, Financial Crimes Enforcement Network (FinCEN) has standing guidance that noncustodial entities, such as cryptocurrency miners and software wallet providers, do not have to register as an MSB. Do you agree with standing FinCEN guidance, which states that certain noncustodial entities never having control over another person's digital assets are not required to register as an MSB?

A.29. In June 2019 under the U.S. Presidency of the FATF, the FATF revised its standards to explicitly require virtual asset service providers (VASPs) to implement the full range of preventive measures for AML/CFT and issued guidance to aid jurisdictions with swiftly implementing laws and regulations for this sector using a risk-based approach. I understand the FATF currently is updating the 2019 guidance and engaged in a public consultation in March to seek private sector input and feedback for purposes of issuing updated guidance later this year. If confirmed, I pledge to review the updated FATF guidance as well as FinCEN's guidance on this important topic.

Q.30. *Anti-Money Laundering (AML)*—William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021 (P.L.116-283) Section 6403(d)(1)(C) of the Anti-Money Laundering Act of 2020 (AMLA), dictates that FinCEN should “reduce any burdens on financial institutions . . . that are, in light of the enactment of [the AMLA] and the amendments made by [the AMLA], unnecessary or duplicative.”¹⁵

Do you commit to eliminate any Customer Due Diligence (CDD) requirements imposed on financial institutions that are now unnecessary or duplicative in light of the enactment of the AMLA?

A.30. The AMLA creates a new reporting regime that requires reporting companies to report beneficial ownership information directly to FinCEN, and that provides for disclosure of this reported information to financial institutions to assist them in performing their required due diligence. The AMLA further directs Treasury to revise the existing CDD rule to bring the rule into conformance with the AMLA, account for the access of financial institutions to beneficial ownership information under the new reporting regime, and reduce unnecessary or duplicative burdens. I understand that Treasury personnel, to include FinCEN, are hard at work on the thoughtful implementation of these and other provisions of the AMLA. If confirmed, I will ensure that Treasury's AMLA imple-

¹⁵ H.R.6395—William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021 (P.L. 116-283).

mentation pays careful attention to the directions Congress provided in the AMLA, including the direction to reduce unnecessary or duplicative burdens.

Q.31. What existing requirements on financial institutions can be reduced because they are unnecessary or duplicative in light of the enactment of the AMLA?

A.31. Treasury, including FinCEN, is at the beginning of the process of developing the regulatory framework to implement the AMLA's reporting regime. As noted above, implementation of the AMLA will ultimately include a consideration of existing requirements in the CDD rule, with a focus on reducing unnecessary or duplicative burdens on financial institutions.

Q.32. Under the AMLA, businesses are now required to report beneficial ownership information directly to FinCEN.

As a result, should financial institutions still be required to continue to collect and report to FinCEN beneficial information on businesses?

A.32. Financial institutions collect beneficial ownership information as part of satisfying their customer due diligence obligations; my understanding is that they do not currently report beneficial ownership information to FinCEN. As noted above, implementation of the AMLA will ultimately include a consideration of existing requirements in the CDD rule, with a focus on reducing unnecessary or duplicative burdens on financial institutions.

Q.33. If FinCEN continues to require financial institutions to collect and report to FinCEN beneficial ownership information on businesses, should the CDD rule be replaced with a risk-based collection standard?

A.33. As noted above, implementation of the AMLA will ultimately include a consideration of existing requirements in the CDD rule. I anticipate that such a review could consider modifications or alternatives to the current rule.

Q.34. Will you commit to review whether the CDD rule is still necessary given that businesses are now required to report beneficial ownership information directly to FinCEN?

A.34. Yes. As noted above, the AMLA directs Treasury to revise the existing CDD rule to bring the rule into conformance with the AMLA, account for the access of financial institutions to beneficial ownership information under the new reporting regime, and reduce unnecessary or duplicative burdens. I intend to carry out this obligation.

Q.35. AMLA exempts from beneficial ownership information reporting by nonprofit organizations (nonprofits) along with dozens of other exemptions from reporting requirement. Previous iterations of proposed—but not enacted—beneficial ownership legislation required exempt entities to provide some identifying information as a condition of receiving an exemption from reporting requirements. However, AMLA, as enacted, contains no such requirement. In fact, AMLA's exemptions are self-executing and do not require exempt entities to provide any information to receive an exemption.

FinCEN's Advance Notice of Proposed Rulemaking (ANPRM)¹⁶ implementing AMLA asks for public comment on what information nonprofits should be required to file to receive an exemption from AMLA's beneficial ownership reporting requirements. This question suggests that FinCEN is considering issuing a rule that requires nonprofits to provide information to receive an exemption, which is inconsistent with the legislative text and history of AMLA. The concerns that animated many members of Congress to oppose any requirement for exempt entities to provide identifying information related to the potential for confidential information to be leaked or otherwise made public. Unfortunately, such concerns have been validated by the recent unlawful leaks of confidential taxpayer information from the IRS. Notably, the IRS is required to use privacy safeguards more stringent than those AMLA requires of FinCEN for data related to beneficial ownership.

In light of AMLA's text and legislative history and Treasury's repeated inability to safeguard Americans' confidential information, will you ensure that FinCEN's AMLA rule does not require nonprofits to provide information to FinCEN in order to receive an exemption from beneficial ownership information reporting requirements?

A.35. I understand that the ANPRM sought comment from the public on numerous preliminary questions regarding implementation of the beneficial ownership reporting requirements. If confirmed, I commit to carefully considering the public comments, and to ensuring that any collection of information is consistent with applicable law. I also appreciate the importance of safeguarding confidential information and will ensure that privacy and information security are considered throughout Treasury's implementation of the AMLA.

Q.36. Enacted in July 2020 with unanimous bipartisan support, the Hong Kong Autonomy Act (HKAA) (P.L. 116-49) is an essential tool in holding individuals and foreign banks accountable when they assist Beijing in violating China's obligations to Hong Kong under the Joint Declaration and Basic Law. HKAA requires sanctions on entities that materially contribute to the erosion of Hong Kong's autonomy, and foreign banks conducting significant transactions with those entities. On March 16, 2021, the Biden administration identified 24 previously sanctioned officials undermining Hong Kong's freedoms pursuant to Section 5(a) of the HKAA, yet it failed to identify any foreign financial institutions (FFIs) doing business with persons identified under Section 5(a).

If confirmed, will you commit to prioritizing the investigation of foreign financial institutions (FFIs) doing business with the individuals sanctioned under HKAA?

A.36. Yes, if confirmed, I will commit to identify FFIs who may be doing business with individuals sanctioned under the HKAA.

Q.37. If confirmed, will you commit to notifying me in writing, within 30 days of your confirmation, why no foreign financial institutions that have been doing business with persons identified under Section 5(a) have been identified thus far?

¹⁶ Beneficial Ownership Information Reporting Requirements, 86 FR 17557.

A.37. If confirmed, I will commit to looking into why no foreign financial institutions that have been doing business with persons identified under Section 5(a) have been identified thus far. I will also commit to keeping Congress informed of Treasury's actions in a timely manner.

Q.38. On June 24, Senator Chris Van Hollen (D-MD) and I sent a letter to President Biden urging his Administration to use the HKAA to identify and sanction entities materially contributing to the Chinese Communist Party's assault on *Apple Daily*, the last prodemocracy newspaper in Hong Kong, and its founder Jimmy Lai.¹⁷ Last month, Reuters reported that Hong Kong Security Secretary John Lee ordered HSBC and Citibank's respective Hong Kong branches to freeze Jimmy Lai's accounts—they appear to have complied.¹⁸ After 500 policemen raided *Apple Daily*'s offices in June,¹⁹ Hong Kong's Security Bureau ordered banks to freeze the newspaper's assets, leading to its closure.²⁰

Section 5 of the HKAA requires the Administration to identify foreign entities that are “materially contributing” to the “inability of the people of Hong Kong to enjoy the freedom of assembly, speech, press, or independent rule of law.” It seems very likely that the breathtaking crackdown on Jimmy Lai and *Apple Daily* involves numerous foreign persons to whom Section 5 of the HKAA applies.

If confirmed, will you commit to investigating and identifying any entities to whom Section 5 of the HKAA applies, specifically those involved in the suppression of *Apple Daily* and Jimmy Lai?

A.38. Yes, if confirmed I will commit to looking into the crackdown on Jimmy Lai and *Apple Daily* and fulfilling Treasury's responsibilities under Section 5 of the HKAA.

Q.39. It is our understanding that the orders to the aforementioned banks were issued in an extrajudicial manner, by a single official outside of the court system, and without any criminal charges or subpoenas. In light of the clampdown on *Apple Daily*, and the events that have unfolded in the year since China imposed a national security law on Hong Kong, do you believe the rule of law still exists in Hong Kong?

A.39. I am deeply concerned by reports of recent events including the clampdown on *Apple Daily*, as well as the events over the past year to erode the autonomy of Hong Kong and repress its people. I believe China should abide by the rule of law and support freedoms enshrined in the Basic Law of Hong Kong.

¹⁷ Senator Pat Toomey, Letter to President Joseph R. Biden Concerning *Apple Daily* Closure, 24 June 2021, <https://www.banking.senate.gov/imo/media/doc/toomey-van-hollen-letter-to-pres.biden.pdf>.

¹⁸ “Exclusive: Hong Kong Security Secretary Threatened Bank Not To Conduct Account Transactions With Li Zhiying by Going to Jail (Translated via Google)”. Reuters (China), 27 May 2021, <https://cn.reuters.com/article/exclusive-hk-0527-thur-idCNKCS2D80P8>.

¹⁹ Munroe, Tony. “HK's *Apple Daily* Raided by 500 Officers Over National Security Law”. Reuters, 17 June 2021, www.reuters.com/world/asia-pacific/hong-kongs-apple-daily-newspaper-says-police-arrest-five-directors-2021-06-16/.

²⁰ Ho, Kelly. “Hong Kong's *Apple Daily* May Halt Publication This Sat, Pending Fri Board Meeting”. *Hong Kong Free Press*, 21 June 2021, <https://hongkongfp.com/2021/06/21/breaking-hong-kongs-apple-daily-mayhaltpublication-this-sat-pending-fri-board-meeting/>.

**RESPONSES TO WRITTEN QUESTIONS OF
SENATOR MENENDEZ FROM BRIAN EDDIE NELSON**

Q.1. In recent months, the *Miami Herald* has published investigations on how the Cuban regime has used a wide range shell companies in Europe and Asia to circumvent U.S. sanctions.

I have written to the Secretary asking for the Treasury Department to investigate the Cuban regime's sanctions evasion maneuvers, as they also have implications for the efficacy of all of our sanctions frameworks.

How will you address these actions by the Cuban regime?

A.1. I share your concern with these reports of sanctions evasion by Cuban State actors, and the possible use of shell companies abroad to circumvent U.S. sanctions. If confirmed, I commit to looking into these reports and pledge to work with Treasury staff to effectively enforce violations of our sanctions programs, and to continue working with Congress to support the Cuban people.

Q.2. In the last month, Nicaragua's Ortega regime has arrested four presidential candidates and over a dozen prominent leaders from the private sector and civil society. We have not seen an authoritarian crackdown of this nature in our hemisphere in decades. My RENACER Act requires a more strategic use of U.S. sanctions to address Ortega's dismantling of democracy and calls for the U.S. to use its financial tools to investigate the kleptocracy perpetrated by Ortega and his family.

If confirmed, what specific steps would you take to address the situation in Nicaragua?

A.2. I condemn authoritarian actions, including human rights violations. If confirmed, I pledge to work in close coordination with the State Department to hold Daniel Ortega and his allies accountable, and to promote a return to democratic processes in Nicaragua.

Q.3. Where do you assess the U.S. has leverage to impose sanctions on Burma that can actually move the needle of the juntas calculations?

How critical is it that we have cooperation from regional partners, including Singapore and Thailand, for success?

A.3. As President Biden stated when signing a new Executive order in response to the February coup in Burma, the assault on Burma's transition to democracy remains an issue of deep bipartisan concern, and the United States has been in close contact with our allies and partners around the world, particularly in the Indo-Pacific region, driving vigorous diplomatic outreach to help coordinate an international response. If confirmed, I will vigorously enforce U.S. sanctions to ensure Burma's military junta is held accountable for its actions while avoiding unintended impacts to the people of Burma.

Q.4. In 2018, the Treasury Department for the first time identified and published digital currency addresses associated with two sanctioned individuals based in Iran who helped exchange Bitcoin for Iranian cybercriminals that used ransomware to extort millions of dollars from over 200 victims.

How do you assess the impact of the growth of cryptocurrencies on our sanctions regimes? How do we make sure increased use of

cryptocurrencies don't undermine our use of sanctions to affect foreign policy goals?

A.4. Malign actors and rogue regimes cannot be permitted to utilize cryptocurrency or digital assets as a means to evade sanctions and violate U.S. law. OFAC has imposed sanctions on a wide range of entities and individuals known to abuse cryptocurrencies, including ransomware perpetrators and facilitators, Chinese fentanyl vendors, Chinese crypto launderers, North Korean State actors, Russian nationals stealing digital currency from U.S. and international victims, as well as Russian State actors abusing cryptocurrency to benefit a Russian troll farm. Where appropriate and available, OFAC will continue to list digital currency addresses on its Specially Designated Nationals and Blocked Persons List, or "SDN List". Inclusion of these identifiers enables the private sector to, among other things, more easily screen for and prevent digital currency payments associated with sanctioned persons.

If confirmed, I will examine Treasury's tools and authorities to combat this illicit activity and to ensure that Treasury staff, including sanctions investigators, are fully equipped to deal with the challenges posed by cryptocurrency and digital assets to evade sanctions and finance terrorism. Further, I will work closely with Secretary Yellen, the Federal Reserve Board, and other Federal banking and securities regulators, including the Securities and Exchange Commission and the Commodities Futures Trading Commission, as well as Congress, on how to implement an effective regulatory framework for these and other innovations in financial technology.

Q.5. Given China's growing power in international financial markets, what adjustments do you think are needed to how we think about sanctions with regards to the PRC so that we don't end up reading short term sanctions success for China's creation of alternate international financial architecture that render the sanctions toolkit ineffective over the longer term?

A.5. As Deputy Secretary Adeyemo has noted, competition with China and Chinese statecraft is one of the central challenges that the United States and its allies and partners face in the 21st century. If confirmed, I will commit to ensuring that Treasury's sanctions policies are aligned to promote U.S. economic and financial preeminence and the attendant power of U.S. sanctions.

When addressing major foreign policy and national security challenges such as these, we must leverage a broad range of tools. Increasingly prominent among these tools are economic sanctions, the aggressive use of which has resulted in notable successes, but has also created anticipated and unanticipated challenges. I believe the United States must be judicious in the use of its sanctions to limit and mitigate unintended consequences. To do this, we must thoroughly analyze not only the ramifications of individual actions, but also these actions' collective impact on the continued effectiveness of the sanctions tool, including to the U.S. dollar's status as the reserve currency of choice. If confirmed, I will work with experts across Treasury as part of the ongoing sanctions review process to identify potential areas for improvement in the deployment of our sanctions and to mitigate against the creation of alternative inter-

national financial architectures that could erode the effectiveness of our sanctions.

Q.6. CAATSA section 228 requires secondary sanctions on any entity that does business with a Specially Designated National.

Do I have your commitment that you will work to fully implement this provision?

A.6. Yes, if confirmed, I commit to working to implement Section 228 of the Countering America's Adversaries Through Sanctions Act (CAATSA) (P.L. 115-44).

Q.7. A sanctions regime is intended as a tool, not end-point, for broader policy objectives.

Given that the Biden administration's North Korea policy review suggests a different approach to dealing with the DPRK than the Trump administration's feckless and failed effort, are there changes to the sanctions regime—tighter or looser or simply different—that you'd recommend so that sanctions and diplomacy are fully complimentary?

A.7. I am deeply concerned by reports of North Korea's nuclear and ballistic missile capabilities, along with widespread systemic human rights abuses. If confirmed, I will carefully review available options to address these threats, including diplomacy and pressure options, and will not hesitate to use Treasury authorities to target malign actors and address sanctions evasion wherever appropriate. We will continue to work closely with regional partners to address these threats.

Q.8. Venezuela's Maduro regime is involved in a wide range of criminal activities: from alleged crimes against humanity to drug trafficking to a massive campaign of corruption and kleptocracy. The U.S. has responded with a range of reciprocal actions to deter Maduro's actions.

If confirmed, how will you advocate that the U.S. use its sanctions as leverage in order to curb the Maduro regime's criminal activities and forge a diplomatic breakthrough that leads to new elections in Venezuela?

A.8. The power and integrity of the U.S. Government's sanctions derive not only from the ability to sanction actors when appropriate, but to lift sanctions in a manner consistent with the law when a program's goals are met. If confirmed, I will ensure that Treasury will be prepared to implement sanctions consistent with the Administration's foreign policy goals to restore core democratic processes and institutions in Venezuela. If confirmed, I will not hesitate to explore additional targeted actions should the regime demonstrate that it is not acting in good faith.

Q.9. The Maduro regime has facilitated a massive expansion of illicit gold mining in Venezuela, which includes trafficking routes to Turkey and the Middle East, and has led to widespread environmental devastation in Venezuela.

What steps will you take to address Maduro's illicit gold trade?

A.9. I am very concerned regarding reports of human rights abuses, widespread environmental devastation, and other security threats stemming from illicit gold mining in Venezuela. If con-

firmed, I will work with our interagency partners to investigate reports of illicit gold mining activities, and to explore sanctions and using the full suite of our economic authorities and diplomatic leverage should the evidence indicate that such actions will be both feasible and impactful. Under E.O. 13850, Treasury has the ability to sanction any person determined by the Secretary of the Treasury, in consultation with the Secretary of State, to operate in the gold sector of the Venezuelan economy.

Q.10. New Jersey and 47 other States have passed legislation authorizing some form of cannabis for regulated medical or adult-use purposes. But we all know that businesses that serve this market have found themselves shut out of the banking system and forced to operate exclusively in cash, often depriving them of banking products and creating serious public safety risks in our communities.

The SAFE Banking Act, which I cosponsored, would fix this problem by allowing banks to provide financial services to cannabis businesses. I also introduced the CLAIM Act, which would ensure that legal marijuana and related businesses have access to comprehensive and affordable insurance coverage.

Would allowing State-regulated marijuana businesses to access financial services reduce the public safety risk and allow these legal businesses to operate like other businesses?

A.10. This is an important and complex issue, given the current treatment of marijuana under Federal law. If confirmed, I commit to evaluating information regarding the operation of State-regulated marijuana-related businesses (MRBs), and working with Congress to address this issue in a way that helps to ensure public safety and equitable access to financial services.

Q.11. Is congressional action needed so that businesses that serve State-regulated marijuana markets can have access to financial services?

A.11. Given the current treatment of marijuana under Federal law, the decision to provide services to an MRB is a risk-based decision that each financial institution must independently assess under its risk-based approach to Bank Secrecy Act compliance.

Q.12. In 2013, the Obama administration authorized U.S. companies to apply for Treasury Department licenses to engage in the agriculture, telecommunications, and energy sectors in areas of Syria outside of President Bashar al-Assad's control. Just last month, Treasury's Office of Foreign Assets Control revoked the license of U.S. company Delta Crescent Energy, who had been working with the Autonomous Administration of North and East Syria (AANES) to refine and secure oil export contracts. State Department officials stated this decision was undertaken because the United States is in Syria, "for the people, not for the oil." However, in the absence of this partnership, it seems likely that oil generated in Northeast Syria will ultimately benefit the Syrian regime and its external backers (Russia), undermining the broader intent of the U.S. Syria sanctions regime.

Please clarify the rationale behind this decision within the context of broader U.S. Syria policy.

How will the Administration ensure that the product of Syria's oil fields benefit neither ISIS, Russia, nor the Assad regime (including through sales to middlemen who sell back to the regime), and that the AANES has a means of self-sustainment that does not benefit the regime?

A.12. I support the Administration's foreign policy priorities in Syria. If confirmed, I will work to ensure vigorous enforcement of Treasury's Syria-related sanctions authorities, including those that prevent the flow of funds to the Assad regime.

**RESPONSES TO WRITTEN QUESTIONS OF
SENATOR VAN HOLLEN FROM BRIAN EDDIE NELSON**

Q.1. From the Microsoft hack, to Solar Winds, Colonial Pipeline, JBS (the world's largest meat supplier), and many others, it's clear that malicious cyberattacks are on the rise and have no signs of abating. Some of these may be profit-motivated economic espionage or theft, while others have a national security or intelligence gathering purpose.

Given this landscape, what role should sanctions play in imposing consequences on cybercriminals, and should the U.S. Government increase the use of sanctions on these criminals?

A.1. Malicious cyberattacks are a threat to our national security. Sanctions are a very powerful tool to respond to unusual and extraordinary threats to the national security, foreign policy, or economy of the United States that originate in whole or in substantial part outside the U.S. Depending on facts and circumstances, sanctions can be one of several tools that the U.S. Government can use with the goal of imposing costs on those engaged in malicious cyberactivity and deterring this malign behavior. Treasury has designated numerous malicious cyberactors under its cyber-related sanctions program and other sanctions programs, including perpetrators of ransomware attacks and those who facilitate ransomware transactions. If confirmed, I commit to continuing to find effective ways to use all appropriate tools, including sanctions, to take impactful action against cybercriminals.

Q.2. Do you believe sanctions for malicious cyberattacks might have real deterrence value? If not, what benefit might they provide?

A.2. Sanctions can be powerful tools to place restrictions on designated persons and entities and deter malign behavior. Sanctions are particularly effective when deployed in coordination with other U.S. Government efforts and in coordination with sanctions and nonsanctions actions by allied and partner Governments. For instance, in September 2020, Treasury targeted cybercriminals that used sophisticated schemes to steal account holders' passwords and steal the balances of the victims' virtual currency accounts. Simultaneously with the imposition of sanctions by Treasury, DOJ unsealed an indictment against the targeted cybercriminals, sought the civil and criminal forfeiture of assets traceable to the alleged crimes, and the United States Secret Service seized millions of dollars in stolen virtual currency and U.S. dollars. Multipronged actions like this send a clear message to all cybercriminals that the

U.S. Government will take aggressive action to disrupt their malicious cyberactivities, to hold them accountable, and to protect the international financial system.

Q.3. Do difficulties in attributing the activities of individuals to Nation-States make cybersanctions less effective? Are there ways to overcome this evidentiary hurdle?

A.3. Treasury's sanctions programs targeting significant malicious cyberenabled activities, whether by individuals or State actors, is an important and valuable tool. If confirmed, I commit to continuing Treasury's close collaboration with law enforcement, the intelligence community, and others to ensure that OFAC continues to have access to relevant, available information to assess opportunities for action. Treasury has an important role to play in the whole-of-Government effort against malicious cyberactivities and protecting our financial system from such threats.

Q.4. How might cybersanctions be coupled with other actions, including other forms of economic pressure, in order to develop a comprehensive and cohesive strategy toward the Nation-States and/or organizations being targeted?

A.4. The growing threats posed by malicious cyberactivity call for a whole-of-Government effort to respond to such threats, including raising awareness about cybersecurity and resilience measures for the private sector. Where appropriate, sanctions should be considered, in addition to other authorities granted to Treasury. In certain cases, bilateral engagement may be an effective step in persuading allied and partner Governments to take action against cybercriminals or their associated networks of supporters and facilitators. The whole-of-Government response to the SolarWinds incident was a compelling example of the U.S. Government using a wide range of tools, including imposing new sanctions against Russian entities to impose costs on the Russian Government for its actions against U.S. interests.

Q.5. Relatedly, many cyberattacks today come in the form of ransomware and other cyberattacks involving the use of cryptocurrency. North Korea, for example, has engaged in cybercrime to launder and steal billions in cryptocurrency in an effort to generate income (and evade sanctions) in ways that are harder to trace and subject to less Government oversight than the traditional banking sector.

One important aspect of combatting illicit financing threats is transparency, and ensuring we have the information that we need to go over bad actors. The ability for criminals to engage in regulatory arbitrage by using foreign cryptocurrency exchanges that are not subject to the same anti-money laundering obligations as those in the U.S. is troubling. Are there ways that we might be able to reduce this type of regulatory arbitrage?

A.5. I appreciate this concern. I recognize that the potential to send virtual assets nearly instantaneously and irrevocably across borders can increase illicit finance risks. For this reason, under the U.S. Presidency of the FATF, the FATF in June 2019 amended its standards to explicitly require virtual asset service providers (VASPs) to implement the full range of preventive measures for

AML/CFT and issued guidance to aid jurisdictions with swiftly implementing laws and regulations for this sector using a risk-based approach.

Many jurisdictions continue to make progress in implementing these requirements, but gaps in global implementation exist, which enable the continued misuse of virtual assets through jurisdictional arbitrage. More remains to be done to address this concern, and if confirmed, I look forward to continuing this important work.

If confirmed, I will ensure that Treasury actively encourages all jurisdictions to implement the FATF standards and work with the private sector to promote compliance with the international requirements. Treasury will also work with like-minded jurisdictions to ensure this is a multilateral push for global implementation.

Q.6. Do you think our current sanctions and AML regimes broad enough to effectively target bad actors when they engage in illicit activities through cryptocurrency? Are there ways that we might want to modernize our regimes to fully encompass these types of transactions?

A.6. The U.S. sanctions regime prohibits certain transactions involving property in which any foreign country or a national thereof has any interest. Such transactions subject to regulation may include convertible virtual currency, such as a cryptocurrency, in addition to those in traditional fiat currency. Similarly, Treasury administers a technology-neutral AML regulatory framework. If confirmed, I look forward to continuing this important work to deter illicit activities involving cryptocurrency.

As you know, cryptocurrencies can allow greater anonymity and pseudonymity than the traditional financial system in holding and transacting funds, and they simultaneously can enable the transfer of large amounts of value cross-border irrevocably and almost instantly. Cryptocurrencies can also permit the transmission of value by users without reliance on a financial intermediary on which AML/CFT obligations are placed. These features can present novel challenges. For example, bad actors can use different methods to obscure the traceability on such public blockchains, and the underlying protocols supporting such blockchains may change over time. Furthermore, there are certain cryptocurrencies that by their design are not transparent.

Thoughtful regulation requires a balancing between benefits and risks. If confirmed, I will continue Treasury's important work to continue to refine the sanctions and AML regimes to keep pace with new threats, including illicit typologies associated with cryptocurrencies and other emerging financial technology. If confirmed, I would work closely with this Committee and TFI personnel to ensure that evolution carefully balances risk mitigation against the costs and other burdens imposed on industry and innovation.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR CORTEZ MASTO FROM BRIAN EDDIE NELSON

Q.1. We only recently begun to develop machine learning technologies. What have you learned about machine learning and artifi-

cial intelligence's abilities and limitations to contribute to financial regulatory enforcement?

A.1. I believe it is essential for TFI to evaluate and where appropriate, incorporate new technologies, including machine learning technologies, into its financial regulatory enforcement mission. For example, machine learning could help address the challenge of digesting and analyzing large amounts of information. The Secretary recently discussed machine learning and artificial intelligence during a Treasury organized and hosted Financial Innovation Roundtable in February 2021, and I share her view of the importance of responsible innovation, both in the private and public sector.

**RESPONSES TO WRITTEN QUESTIONS OF CHAIRMAN BROWN
FROM ELIZABETH ROSENBERG**

Q.1. *Fighting Domestic Terrorism*—As mentioned in my opening statement at the hearing, the FBI Director testified recently that racially motivated and antigovernment extremists are likely to be the biggest domestic threat over the next few years. Last week, the Biden administration rolled out a new strategy to counter domestic terrorism. The strategy calls for greater scrutiny of public social media posts and better coordination among law enforcement and national security agencies. How should Treasury work with other law enforcement agencies like the FBI and Homeland Security to better fight domestic terrorism, while protecting people's civil rights and liberties? Is there anything more Congress should be doing now to better assist TFI in protecting us from these threats?

A.1. As noted in the National Strategy for Countering Domestic Terrorism, the Intelligence Community assesses that domestic violent extremists (DVEs) who are motivated by a range of ideologies and galvanized by recent political and societal events in the United States pose an elevated threat to the United States in 2021. Enduring DVE motivations pertaining to biases against minority populations and perceived Government overreach will almost certainly continue to drive DVE radicalization and mobilization to violence. If confirmed, I pledge Treasury will continue to: (i) explore, in coordination with law enforcement and other interagency partners, ways to enhance the identification and analysis of financial activity associated with domestic terrorists and their foreign counterparts; (ii) enhance engagement with financial institutions on domestic terrorist financing, including through existing provisions of the Bank Secrecy Act (BSA); (iii) coordinate with the Department of State, other interagency partners, and with our foreign allies to assess whether additional foreign entities linked to domestic terrorism can be designated as Specially Designated Global Terrorists, or Foreign Terrorist Organizations; (iv) in coordination with interagency partners, continue to support law enforcement action against domestic terrorists and their foreign supporters through the provision of financial intelligence, information, and analysis; and (v) across these efforts, work to ensure that Americans' civil liberties and constitutional rights continue to be protected. Beyond these forms of domestic collaboration, Treasury, as Head of the U.S. Delegation to the Financial Action Task Force (FATF) through the Office of Terrorist Financing and Financial Crimes (TFFC), works with foreign

partners, and otherwise works bilaterally to identify cross-border financial activity associated with racially or ethnically motivated violent extremists and adopt appropriate counter measures to address this activity.

Q.2. *Effectiveness of Sanctions*—Critics have long questioned the effectiveness of sanctions. In your prior policy role at the Center for New American Security, you developed an approach to harnessing and measuring the effectiveness of sanctions. How would you address these critics, how can we accomplish the goals of sanctions more effectively, and how might the Treasury Department, and specifically the Office of Terrorist Financing and Financial Crimes, develop metrics to better track the value and effectiveness of sanctions?

A.2. Sanctions are most effective when they are based on all-source intelligence and economic analysis, used in furtherance of a clearly communicated and specific policy objective, and when they are part of a comprehensive diplomatic and security strategy. Also, they are most effective when applied multilaterally, easily understood and enforceable, and have clearly defined and communicated options for escalation and wind down once the policy objective is met.

However, when these measures are not used in a focused and systematic manner, they can fail to impose meaningful economic, political, or other costs on a target and enrich adversaries. An arbitrary use of sanctions risks harming American workers, businesses, and competitiveness, as well as imposing unintended costs on U.S. allies and other third parties. These actions weaken U.S. credibility and may confuse allies, adversaries, and members of the private sector and civil society. These factors also weaken the United States' ability to use economic deterrence to further U.S. national security, foreign policy, and economic policy goals.

If confirmed, I would lead the TFFC office in collaborating closely with the Office of Foreign Assets Control (OFAC) to define an evaluative process to examine the effectiveness of sanctions, leveraging expertise from other offices of Treasury, including the Office of Intelligence and Analysis (OIA) and the Office of International Affairs (IA), as well as with other interagency partners.

Q.3. *TFI Structure*—You previously worked in TFI as a Senior Advisor to the Under Secretary, and you currently work at Treasury as Senior Counsel to the Deputy Secretary. Based on this work and your longstanding knowledge of the various components and roles within TFI, do you have any recommendations on restructuring or streamlining TFI in order to enable the Office to utilize its tools more efficiently and effectively?

A.3. I first joined the office I have now been nominated to lead in 2009. Since that time, I have developed a deep appreciation of, and learned tremendously from, the expertise and experience of the professionals in the various components of the Office of Terrorism and Financial Intelligence (TFI). There are unique roles and responsibilities throughout the organization, and many forms of impressive complementary work in service of national security. Most recently, through my work as Counselor to the Deputy Secretary, I have come to appreciate the ways in which TFI has changed over the years, with new anti-money laundering and sanctions authori-

ties, and an increasingly significant role to play in the execution of U.S. national security. In the context of the Deputy Secretary's sanctions review and in other engagements, the many talented staff members at Treasury, and others, have offered valuable ideas about ways to streamline the work of TFI and capture efficiencies, modernizing uses of data and information technology, ensuring that engagements and information sharing with financial institutions and other regulated entities can be as productive as possible, and that Treasury has robust partnerships with the law enforcement and intelligence communities, as well as foreign partners, for the purposes of enforcement and advancing policy interests. If confirmed, I would welcome the opportunity to implement some of these good ideas, in accordance with the views of Treasury's senior leadership and in close partnership with TFI's other component heads.

**RESPONSES TO WRITTEN QUESTIONS OF SENATOR TOOMEY
FROM ELIZABETH ROSENBERG**

Q.1. *Congressional Oversight*—Please provide your philosophy on how the Office of Terrorism Financing and Financial Intelligence (TFI) at the Department of the Treasury (Treasury) will approach and respond to Congressional information requests (both for documentary information and oral testimony), if you are confirmed.

A.1. I recognize that Congress plays an important oversight role regarding Executive branch activities. If confirmed, I pledge to work through the accommodations process to comply with Congressional requests for information consistent with the constitutional and statutory obligations of the Executive branch.

Q.2. If confirmed, do you intend to respond to information requests differently depending on who is making the Congressional information request (whether it's the Chair of the Congressional Committee, the Ranking Member, or another Member of Congress)? Please answer "yes" or "no." If your answer is "yes," please explain.

A.2. I recognize that Congress plays an important oversight role regarding Executive branch activities, and I pledge to thoughtfully consider all Congressional information requests, recognizing the importance of transparency in Government. If confirmed, I pledge to work through the accommodations process to comply with Congressional requests for information consistent with the constitutional and statutory obligations of the Executive branch.

Q.3. Will you commit that, if confirmed, you will respond in a timely manner and fully comply with all information requests from me? Please answer "yes" or "no." If your answer is "no," please explain.

A.3. I recognize that Congress plays an important oversight role regarding Executive branch activities, and I pledge to thoughtfully consider all Congressional information requests including from any Member, recognizing the importance of transparency in Government. If confirmed, I pledge to work through the accommodations process to comply with Congressional requests for information consistent with the constitutional and statutory obligations of the Executive branch.

Q.4. Will you commit that, if confirmed, you will make yourself and any other TFI employee expeditiously available to provide oral testimony (including but not limited to briefings, hearings, and transcribed interviews) to the Committee on any matter within its jurisdiction, upon the request of either the Chairman or Ranking Member? Please answer “yes” or “no.” If your answer is “no,” please explain why.

A.4. I recognize that oral testimony plays an important role in Congress’ oversight responsibilities regarding Executive branch activities. If confirmed, I commit to brief or testify regarding Congressional requests consistent with the constitutional and statutory obligations of the Executive branch.

Q.5. On June 10, 2021, I wrote a letter to Treasury Secretary Yellen requesting records related to the Biden administration’s efforts to reenter the Joint Comprehensive Plan of Action (JCPOA), by June 25, 2021.¹ I have yet to receive a response. When will Treasury respond and comply with my request?

A.5. If confirmed, I am happy to look into the status of the Department’s response to this letter.

Q.6. *The Joint Comprehensive Plan of Action (JCPOA)*—On April 21, 2021, an unnamed senior State Department Official suggested that during the Trump administration some sanctions, including terrorism sanctions, on Iranian entities were “not legitimately imposed.”² Do you agree that such accusations undermine the integrity of the U.S. sanctions regime and disparage the career civil servants at Treasury who compile the evidentiary packages for such sanctions? Please answer “yes” or “no.” If your answer is “no,” please explain.

A.6. Based on my experience working at the Treasury Department from 2009–2013, and as a Counselor in the current Administration, I have confidence in the diligence and dedication of Treasury’s career civil servants in the Office of Terrorism and Financial Intelligence and no reason to question the evidentiary basis of the designations. If confirmed, I will look into this matter and would actively work to ensure that staff have the resources and support necessary to continue with their excellent work.

Q.7. If confirmed, will you commit to transmitting to me, in writing, no later than seven days after which you are confirmed, a determination on whether terrorism sanctions were imposed illegitimately by the Trump administration?

A.7. If confirmed, I will commit to expeditiously looking into the matter regarding the terrorism sanctions imposed on Iranian entities.

Q.8. Iran has not answered the International Atomic Energy Agency’s (IAEA) questions regarding why nuclear particles have been found at undisclosed Iranian sites. As a result, the nuclear watch-

¹ Senator Pat Toomey, Letter to Secretary Yellen Concerning JCPOA Reentry (June 10, 2021), <https://www.banking.senate.gov/imo/media/doc/toomey-letter-to-treasury-on-jcpao-reentry.pdf>.

² United States Department of State, “Briefing With Senior State Department Official on Recent U.S. Engagement in Vienna Regarding the JCPOA” (April 21, 2021), <https://www.state.gov/briefing-with-senior-state-department-official-on-recent-u-s-engagement-in-vienna-regarding-the-jcpoa-2/>.

dog recently warned it is now impossible to confirm Iran is not seeking a nuclear weapon.³

Do you believe Iran should account for the existence of these nuclear particles before the United States rejoins the Iran nuclear deal and offers sanctions relief?

A.8. I defer to the State Department regarding these vitally important matters and the terms of any Iran nuclear deal. Broadly speaking, I believe Iran should only enjoy sanctions relief if it takes the appropriate steps to resume compliance with its nuclear commitments under the JCPOA. If confirmed, I will work to ensure that Treasury continues its important work to enforce U.S. sanctions and combat Iran's support for terrorism, abuse of human rights, Weapons of Mass Destruction (WMD) proliferation and ballistic missile development, as well as the regime's destabilizing activities in the region.

Q.9. What is your view of the JCPOA and the sanctions relief it provided Iran and will provide Iran if the United States rejoins it?

A.9. I have in the past and continue to support nuclear arms control. As senior members of the Biden–Harris administration have said, if Iran implements its nuclear commitments under the JCPOA, the U.S. would implement its own commitments under the JCPOA to lift sanctions. The U.S. would nevertheless retain a broad range of sanctions, including hundreds of sanctions imposed by the previous Administration, to deal with Iran's threats to regional stability, support for terrorism, human rights abuses, among other threatening activities.

Q.10. If the United States returns to the JCPOA, do you agree that non-nuclear sanctions on Iran, such as terrorism sanctions, should be maintained?

A.10. As senior members of the Biden–Harris administration have said, if Iran implements its nuclear commitments under the JCPOA, the U.S. would implement its commitments under the JCPOA to lift sanctions. However, even under the terms of the JCPOA, Treasury would retain the right to impose sanctions related to Iranian support for terrorism, human rights abuses, WMD proliferation and ballistic missile development, as well as the regime's destabilizing activities in the region. If confirmed, I will ensure that Treasury continues to enforce strong U.S. sanctions.

Q.11. You are currently working at Treasury as Counselor to Treasury Deputy Secretary Wally Adeyemo. In that role, you have been conducting a review of Treasury's sanctions program.

Do you have any evidence that the Central Bank of Iran has ceased activities connected to financing terrorism, including its connections to the Islamic Revolutionary Guard Corps (IRGC)?

Do you have any evidence that the National Iranian Oil Company has cut off all ties to the IRGC and eliminated all concerns that led to its terrorism designation under Executive Order 13224?

Do you have any evidence that the National Iranian Tanker Company has cut off all ties to the IRGC and eliminated all con-

³International Atomic Energy Agency, "IAEA Director General's Introductory Statement to the Board of Governors" (June 7, 2021), <https://www.iaea.org/iaea-director-generals-introductory-statement-to-the-board-of-governors-7-june-2021>.

cerns that led to its terrorism designation under Executive Order 13224?

Does the Financial Crimes Enforcement Network's (FinCEN) Section 311 finding that Iran's central bank is a primary jurisdiction of money laundering concern remain valid today?

A.11. Deputy Secretary Adeyemo is leading a review of U.S. use of economic and financial sanctions, and I work with him in this effort. The Treasury sanctions review is not focused on individual sanctions programs, individual designations, or on an intelligence review related to the application of sanctions. Rather, it is a relatively high-level examination of sanctions successes, opportunities for change or improvements, and steps for adjusting implementation across all sanctions programs. It is designed to identify ways to ensure that sanctions can most effectively advance the national security, foreign policy, and economic aims of the United States.

Q.12. Will you commit to keeping in place U.S. sanctions on the Central Bank of Iran and other Iranian entities designated for supporting terrorism and the development of weapons of mass destruction (WMD) unless there is credible information that those entities have ceased engaging in the activity for which they were sanctioned? Will you commit to briefing this Committee and providing relevant information about changes in these entities' activities if they are delisted?

A.12. As senior members of the Biden–Harris administration have said, if Iran implements its nuclear commitments under the JCPOA, the U.S. would implement its commitments under the JCPOA to lift sanctions. If confirmed, I will commit to keeping Congress informed regarding Treasury's actions.

Q.13. Yes or no, do you agree that Iran's IRGC is a terrorist organization?

A.13. Yes, Iran's Islamic Revolutionary Guards Corps (IRGC) was designated as a Foreign Terrorist Organization (FTO) by the Secretary of State pursuant to section 219 of the Immigration and Nationality Act (INA) on April 15, 2019. On October 13, 2017, Treasury designated the IRGC pursuant to the global counterterrorism Executive Order (E.O.) 13224 and consistent with the Countering America's Adversaries Through Sanctions Act.

Q.14. Are you committed to strict enforcement of sanctions against the IRGC and its subsidiaries and affiliates, including, but not limited to the National Iranian Oil Company?

A.14. U.S. sanctions depend on their effective implementation and enforcement. If confirmed, I will work to ensure that all economic sanctions are vigorously enforced.

Q.15. If a return to compliance with the JCPOA does occur, will you commit to continuing to prevent Iran from gaining any access to the U.S. financial system, including through so called "U-turn" transactions?

A.15. I will support the Biden–Harris administration and the President's foreign policy decisions regarding the JCPOA, and will work to protect the integrity of the U.S. financial system.

Q.16. If a U.S. return to the JCPOA is not achieved, what role do you believe conduct-based sanctions can play in persuading the Iranian regime to change its malign behavior?

A.16. I believe sanctions will remain a powerful tool to incentivize the Iranian regime to change its behavior. If confirmed, I would seek to amplify the effects of U.S. sanctions through coordination with allies and partners. As Secretary Yellen said, U.S. sanctions are more likely to compel changes in behavior and disrupt threatening activities when pursued in concert with our allies—carrying a more forceful economic impact by disrupting access to the international financial system—and sending a stronger message to malign actors by virtue of our solidarity.

Q.17. Do you agree with the Financial Action Task Force’s (FATF) call for countermeasures against Iran given the country’s failure to enact the Palermo and Terrorist Financing Conventions in line with the FATF Standards?⁴

A.17. I recognize that the FATF has called for countermeasures on Iran to be reimposed after Iran failed to implement the commitments it made to the FATF to improve its legal framework to combat money laundering and terrorist financing. I agree that Iran must ratify the Palermo and Terrorist Financing Conventions in line with the FATF standards.

Q.18. The United States imposed sanctions on Iran’s new president, Ebrahim Raisi, in 2019, pursuant to Executive Order 13876. The order authorizes sanctions against the Supreme Leader of Iran, the Office of the Supreme Leader, any official appointed by him, and anyone conducting transactions with them. In particular, the order authorizes sanctions on foreign financial institutions that knowingly facilitate or conduct a significant transaction with any individual or entity designated pursuant to that Executive order. These sanctions are not nuclear-related and, thus, are consistent with the JCPOA.

What would be the conditions under which Treasury would lift or waive sanctions on Ebrahim Raisi?

Will you commit to consulting with me and the entire Committee before any potential waiving or lifting of sanctions on Ebrahim Raisi?

A.18. If confirmed, I would study the relevant legal authorities and available intelligence and can commit to briefing the Committee on this topic.

Q.19. *Recent Iran Sanctions Relief*—Treasury has reportedly recently provided a specific license allowing the release of \$16 million in frozen Iranian funds from a South Korean bank.⁵ Specific licenses provide an exception to a sanction by which an otherwise prohibited transaction can occur. How many specific licenses re-

⁴Financial Action Task Force, Outcomes FATF Plenary, 19-21 February 2020 (February 2020), <https://www.fatfgafi.org/publications/fatfgeneral/documents/outcomes-fatf-plenary-february-2020.html>.

⁵Michelle Nichols, “Iran Regains U.N. Vote After U.S. Enables U.N. Payment”, Reuters (June 11, 2021), <https://www.reuters.com/world/asia-pacific/iran-regains-un-vote-after-us-enables-un-payment-2021-06-11/>.

lated to Iran has the Biden administration issued since January 2021?

A.19. I understand from Treasury staff that according to a preliminary review of records for licenses issued under OFAC's Iran Transactions and Sanctions Regulations (ITSR), OFAC has identified approximately 145 specific licenses issued during the Biden administration. This number matches the pace of licenses issued under the Iran program in the previous Administration.

These licenses include the authorization for a \$16 million payment of U.N. dues. OFAC's policy across most sanctions programs is to authorize the official business of the U.N., including the payment of dues. This is true in other comprehensive sanctions programs, including DPRK and Syria—both which have similar general licenses. This is longstanding and not new. On two separate occasions earlier this year, including under the previous Administration, the U.S. Government took additional action to ensure that payment mechanisms were available for Iran's U.N. dues.

Q.20. *Iranian Funding for Terrorism*—What is your assessment of the impact sanctions relief under a U.S. return to the JCPOA will have on Iran's funding of terror groups, such as Hezbollah, Hamas, Palestinian Islamic Jihad, and Kata'ib Hizballah (KH)?

A.20. As Secretary of State Blinken has said, an Iran with a nuclear weapon or the ability to produce one in very short order is an Iran that is going to act with even greater impunity when it comes to support for terrorist groups and for destabilizing activities in the region. If confirmed, I will not hesitate to use counterterrorism authorities to target Iran's support to Hizballah and HAMAS, or any other designated terrorist group.

Q.21. Would you agree that if the Iranian regime spent less money supporting terrorists and lining their own pockets, they could afford to purchase vaccines or pay the country's U.N. dues?

A.21. Treasury's Iran sanctions program is intended to deprive the Iranian regime from funding for terrorism, its nuclear program, and its other threatening activities in the region. If confirmed I will look into the Iranian regime's fundraising and budgetary expenditure and will help lead Treasury's important work to counter Iran's corruption, human rights abuses, and the funding of terrorism.

Q.22. Do you agree that every dollar of U.S. sanctions relief provided to Iran, frees up another dollar that Tehran can spend on illicit activities?

A.22. Iran presents an array of threats to U.S. interests and U.S. sanctions seek to deprive the Iranian regime of money it can use to engage in its threatening behavior. Furthermore, as Secretary of State Blinken has said, an Iran with a nuclear weapon or the ability to produce one in very short order is an Iran that's going to act with even greater impunity when it comes to support for terrorist groups and for destabilizing activities in the region. If confirmed, I will look into the Iranian regime's fundraising and budget expenditure, consulting with Treasury and interagency colleagues, and can commit to discussing this with the Committee.

Q.23. *China*—According to leading ship tracking websites and the International Energy Agency (IEA), China has managed to import

over 100 million barrels of oil from Iran since January 2021,⁶ in violation of U.S. sanctions on Iranian oil.⁷ By a conservative estimate, that is approximately \$5 billion in illicit revenues accruing to the regime in the space of 6 months. China purchased five times more oil in March 2021 than in the first 9 months of 2020, according to the IEA. The Biden administration has not sanctioned a single Chinese transgressor.

Do you believe that China's ongoing violation of our sanctions regime is a problem? Please answer "yes" or "no." If your answer is "no," please explain.

Why have Chinese violators not been sanctioned?

What specific steps would you take, if confirmed, to staunch the flow of Iranian oil to China and properly enforce U.S. sanctions?

Do you agree that if U.S. adversaries perceive the United States to be unwilling or unable to enforce U.S. sanctions, then they will be more likely to violate sanctions?

A.23. Yes, I am concerned by all reports of alleged sanctions evasion. U.S. sanctions depend on their effective implementation and enforcement. Since the passage and implementation of the Comprehensive Iran Sanctions, Accountability, and Divestment Act in 2010, successive Administrations have demonstrated a willingness to sanction Chinese targets for conducting sanctionable transactions related to Iran. If confirmed, I will also work to ensure that the Treasury Department is focused on any efforts to evade sanctions and abuse the international banking system, working closely with colleagues in the Treasury Department and throughout the interagency.

Q.24. Open source ship tracking websites have identified suspected vessels and entities involved in transporting Iranian oil to China since January 2021 (see UANI attached report). If confirmed, will you investigate these entities and apply sanctions to them if they have indeed violated U.S. law?

⁶Benoit Faucon, "Iran Boosts Oil Exports Amid Nuclear Deal Talks", *Wall Street Journal* (April 15, 2021), <https://www.wsj.com/articles/iran-boosts-oil-exports-amid-nuclear-deal-talks-11618497634>.

⁷See the Iran Freedom and Counter-Proliferation Act of 2012 (P.L. 112-239) and Section 1245 of the Fiscal Year 2012 National Defense Authorization Act (P.L. 112-81).

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UANI VESSELS REPORT – Vessels Suspected of Being Involved in the Transfer of Iranian Oil to China

June 23, 2021

This memo provides a list of vessels suspected of transporting Iranian oil to China since January 2020 and the entities suspected of being involved in the operation.

<u>Vessel Name</u>	<u>IMO</u>	<u>Flag</u>	<u>Vessel Operator</u>	<u>Port of Delivery in China</u>	<u>Delivery Date</u>	<u>Notes</u>
MARTINA	9254915	Panama	Nadezhda Tankers Inc (Marshall Islands)	Qingdao – Huangdao Terminal Qingdao – Huangdao Terminal	2/26/2020 3/18/2021	
SEVIN	9357353	Iran	National Iranian Tanker Company (Iran)	Huizhou	2/14/2020	
STREAM	9569633	Iran	National Iranian Tanker Company (Iran)	Yantai Huizhou Ningbo	3/26/2020 7/8/2020 9/20/2020	
ELVA (formerly EKATERINA)	9196644	Samoa (False)	Ravel Ship Management Pvt Ltd (India)	Qingdao	April 2020	
DORE	9357717	Iran	National Iranian Tanker Company (Iran)	Huizhou	4/21/2020	
SNOW	9569619	Iran	National Iranian Tanker Company (Iran)	Zhoushan Huizhou – MaBianZhou CNOOC Crude terminal Ningbo - Daxie Shihua Crude Oil Terminal Ningbo – Daxie Shihua	5/12/2020 7/23/2020 10/18/2020 12/11/2020	

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				Crude Oil Terminal Zhanjiang – Zhanjiang Petrochemical Berth	5/21/2021	
SEA VIXEN (formerly VIOLETA)	9265744	Unknown	Brizo Tanker Ship Management (UAE)	Longkou – Longkou – Bingang Petrochemical Terminal	April 2020 10/24/2020	
HERO II	9362073	Iran	National Iranian Tanker Company (Iran)	Huizhou	5/3/2020	
HILDA I	9357389	Iran	National Iranian Tanker Company (Iran)	Zhoushan	May 2020	
DREAM II	9356593	Iran	National Iranian Tanker Company (Iran)	Huizhou	5/26/2020	
LAVAL	9246279	Unknown	Ahana Ship Management Pvt Ltd (Pakistan)	Qingdao Zhanjiang – Zhanjiang Petrochemical Terminal	June 2020 11/17/2020	
NEW GLOBAL	9235244	Marshall Islands	Link Harvest Enterprise Ltd (Hong Kong)	Vessel oil is transferred VIA STS which then is delivered to China		NEW GLOBAL took Iranian oil from the vessels UMM HABAYEB, ION, LADY D, PERUN, SAAVI, ATHENS VOYAGER, BLUE STAR
SONIA I	9357365	Iran	National Iranian Tanker Company (Iran)	Zhoushan	June 2020	

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PHOENIX	9181194	Unknown	Alfa Ship Management Pvt Ltd (Pakistan)	Qingdao		
CS BRILLIANCE	9153513	Marshall Islands	CSSC Energy SNG Pte Ltd (Singapore)	Vessel oil is transferred VIA STS which then is delivered to China		CS BRILLIANCE took Iranian oil from the vessels TELLUS, VERGIOS, SEA BREEZE, HERA on 5/18/2021
DIONA	9569695	Iran	National Iranian Tanker Company (Iran)	Ningbo - Daxie Shihua Crude Oil Terminal Ningbo - Daxie Shihua Crude Oil Terminal Ningbo - Daxie Shihua Crude Oil Terminal	9/5/2020 11/10/2020 1/3/2021	
SALINA	9357377	Iran	National Iranian Tanker Company (Iran)	Ningbo - Daxie Shihua Crude Oil Terminal	9/26/2020	
AMAK	9244635	Panama	Austinship Management Pvt Ltd (India)	Qingdao	11/9/2020	
HEENNA	9212929	Iran	National Iranian Tanker Company (Iran)	Maoming Yangjiang - Guang Tai Long Port	11/5/2020 3/29/2021	
INGRID	9201592	Sierra Leone	Siwan Trading International (UAE)	Longkou - Bingang Petrochemical Terminal Longkou - Bingang Petrochemical Terminal	11/9/2020 12/23/2020	

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TELLUS	9246138	Unknown	Costal Shipping Links (India)	Dongjiakou – Dongjiakou Crude Oil Terminal	12/25/2020	
LADY M	9256858	Russia	Marine Trans Shipping LLC (Russia)	Zhoushan	12/6/2020	
ALBA SUN	9111644	Panama	Brizo Tanker Ship Management (UAE)	Yantai – Yantai West Harbour	12/28/2020	
ROSSONERI	9242120	Togo	Vika Line Marine Services Pvt (India)	Qingdao – Yantai – Yantai West Harbour	1/18/2021 4/25/2021	
RANI	9250907	Panama	Grand Marine Services Pvt (Singapore)	Qingdao – Haiye Oil terminal	2/22/2021	
LAFIZA	9273052	Gabon	Clara Shipping LLC (UAE)	Zhanjiang – Zhanjiang Petrochemical terminal	5/3/2021	
AVENTINE	9123192	Panama	Brizo Tanker Management (UAE)	Qingdao – Huangdao Terminal Qingdao – Huangdao Terminal	3/4/2021 4/25/2021	
ERMIS	9203265	Cook Islands	Eastern Ships Management Pvt (Sri Lanka)	Zhanjiang – Zhanjiang Petrochemical Terminal	3/5/2021	
RAIN DROP	9233208	Panama	Indo Gulf Ship Management LLC (UAE)	Zhanjiang	5/27/2021	
MARIA GRACE	9224271	Marshall Islands	Jubilant Ship Management Pvt Ltd (India)	Dongjiakou Dongjiakou	5/9/2021 6/19/2021	
ENERGY STAR	9118393	Thailand	Nathalin Shipping Pte	Vessel oil is transferred VIA STS		ENERGY STAR took Iranian oil

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			Ltd (Singapore)	which then is delivered to China)		from PERUN on 3/30/2021, LADY D on 4/23/2021, PERUN on 5/14/2021, LADY D on 6/1/2021
ARZOYI	9248473	Panama	Vitava Shipping Inc (Panama)	Qingdao Qingdao	5/6/2021 6/21/2021	
CS PROSPERITY	9169691	Marshall Islands	CSSC Energy SNG Pte Ltd (Singapore)	Vessel oil is transferred VIA STS which then is delivered to China)		CS PROSPERITY took Iranian oil from FREESIA I on 4/30/2021
LEONID	9198771	Palau	Tianjin Shipping Ventures Pte (Singapore)	Dalian	4/26/2021	
HEBE	9259185	Panama	OnBoard Ship Management Ltd (Hong Kong)	Dalian	5/10/2021	
PHOENIX I	9236248	Panama	Tianjin Shipping Ventures Pte (Singapore)	Longkou	6/23/2021	

A.24. If confirmed, I pledge to review the facts and circumstances identified in this report and to promptly address any violations of U.S. law.

Q.25. China has long been one of the worst violators of U.S. sanctions. If confirmed, how would you go about seeking better cooperation from China on sanction matters?

A.25. If confirmed, I will be clear-eyed regarding where we can seek cooperation with China and where our interests diverge. Our sanctions play a crucial role in upholding international standards and norms, countering terrorism and the proliferation of weapons of mass destruction, and other national security interests. I am committed to using the full breadth of Treasury's tools and authorities to implement U.S. sanctions and where necessary to hold China accountable for violations.

Q.26. China is aggressively moving to develop and deploy a central bank digital currency (CBDC), which could potentially undercut the power of U.S. sanctions. What specific steps would you take at Treasury to prevent a Chinese CBDC from undermining U.S. sanctions?

A.26. If confirmed, I look forward to studying China's development of a central bank digital currency (CBDC) and to carefully consider the possible impacts of a Chinese CBDC on U.S. sanctions.

Q.27. China has established a joint venture with the SWIFT network, which could facilitate the integration of a Chinese CBDC with existing international payments standards.⁸ What steps do you believe should be taken to ensure the United States retains its international economic leverage and leadership as the dominant international trade currency?

A.27. If confirmed, I will commit to working closely with colleagues in Treasury's Offices of International Affairs, Domestic Finance, and Economic Policy to ensure that the agency's policies are aligned to promoting growth and robust U.S. markets, financial institutions, and trade, all of which are central to U.S. economic and financial preeminence and the attendant power of U.S. sanctions. If confirmed, I will commit to using Treasury's existing tools and authorities, and if necessary seek new tools and authorities, to ensure the United States retains its economic leverage and leadership. I am committed to strengthening the anti-money laundering/countering the financing of terrorism (AML/CFT) regimes of countries around the world, including working with relevant multilateral organizations, to ensure proper standards and mechanisms are instituted and effectively implemented to promote an environment that best supports our national security and economic prosperity.

Q.28. *Sanctioning NordStream II AG*—Nord Stream II AG is the company responsible “for planning, construction and subsequent operation of the Nord Stream 2 Pipeline.”⁹ The State Department—in its most recent Protecting Europe's Energy Security Act

⁸“UPDATE 1-SWIFT Sets up JV With China's Central Bank”, Reuters (February 21, 2021), <https://www.reuters.com/article/china-swift-pboc/update-1-swift-sets-up-jv-with-chinas-central-bankidUSL1N2KAOMS>.

⁹“Shareholder and Financial Investors”, Nord Stream 2, <https://www.nord-stream2.com/company/shareholder-and-financial-investors/>.

(PEESA) report to Congress¹⁰—reported that Nord Stream II AG is using the Russian pipe-laying contractor LLC Koksokhimtrans for this project.¹¹ Notably, in 2016, LLC Koksokhimtrans was sanctioned under Executive Order 13685 for its involvement in Russia's invasion of Crimea and its connections to another sanctioned entity, the Russian shipping company, Sovfracht-Sovmortrans Group.¹² Under Section 228 of Countering America's Adversaries Through Sanctions Act (CAATSA), which passed the Senate 98 to 2, Nord Stream II AG must be sanctioned if it is facilitating a significant transaction with a sanctioned entity, such as LLC Koksokhimtrans.

Furthermore, the State Department's most recent PEESA report also identified LLC Mortransservice, a company that reportedly acquired another one of the vessels identified in the PEESA report.¹³ LLC Mortransservice appears to be the successor to ZAO "Mortransservis" a similarly named company established by the Sovfracht-Sovmortrans Group.¹⁴ The Sovfracht-Sovmortrans Group was sanctioned under Executive Order 13685 for its operations in Crimea.¹⁵

With the identification of LLC Koksokhimtrans and LLC Mortransservice in the most recent PEESA report, it appears Nord Stream II AG has conducted significant transactions with previously sanctioned entities, making the legal connection that warrants sanctioning Nord Stream II AG pursuant to Section 228 of CAATSA. Given your current position at Treasury, can you please explain why Nord Stream II AG has not been sanctioned under CAATSA?

If confirmed, will you commit to notifying me, within seven days of your confirmation, on whether any foreign persons or entities affiliated with LLC Mortransservice, LLC Koksokhimtrans and ZAO "MORTRANSSERVIS" have been involved in sanctions evasion efforts in connection with the Sovfracht-Sovmortrans Group or the Nord Stream 2 Pipeline project?

¹⁰See "Report to Congress and Waiver With Respect to Certain Persons Identified on the PEESA Report", May 19, 2021.

¹¹Title LXXV of Public Law 116-92, as amended by section 1242 of the William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021 (P.L. 116-283).

¹²"LLC Koksokhimtrans". Specially Designated Nationals and Blocked Persons List, U.S. Department of the Treasury, Office of Foreign Assets Control (May 20 2021) <https://sanctionssearch.ofac.treas.gov/Details.aspx?id=20290>; "Treasury Sanctions Individuals and Entities for Sanctions Evasion and Activities Related to the Conflict in Ukraine". U.S. Department of the Treasury (September 1, 2016), <https://www.treasury.gov/press-center/press-releases/pages/jl5048.aspx>.

¹³"Nord Stream 2: Russia Is Trying To Circumvent Sanctions Against the Project". Foreign Intelligence Service of Ukraine, March 28, 2021. <https://szru.gov.ua/en/news-media/news/nord-stream-2-russia-is-trying-to-circumventsanctions-against-the-project>; see also "Ein Rennen gegen die Zeit und die USA", *Süddeutsche Zeitung*, February 23 2021, <https://www.sueddeutsche.de/politik/nord-stream-2-usa-russland-gaspipeline-1.5215746>.

¹⁴"ZAO 'Mortransservis'", Comfex, 2021. <https://comfex.ru/1027700360522>; "JSC 'Sovmortrans'", Comfex, 2021. <https://comfex.ru/1027739349076>; "Kompanii grupiy," Sovfrakht. Accessed May 2021. <http://www.sovfracht.ru/group-companies/>; "Gruppa Kompaniy 'Sovfrakht-Sovmortrans' prinyala uchastiye v TransRossi 2012", Argumenti I Fakti, May 2, 2012. <https://pskov.aif.ru/money/realty/767137>.

¹⁵"Sovfracht-Sovmortrans Group", Specially Designated Nationals and Blocked Persons List, U.S. Department of the Treasury, Office of Foreign Assets Control, May 20, 2021. <https://sanctionssearch.ofac.treas.gov/Details.aspx?id=20288>; "Treasury Sanctions Individuals and Entities for Sanctions Evasion and Activities Related to the Conflict in Ukraine", U.S. Department of the Treasury, September 1, 2016. <https://www.treasury.gov/press-center/press-releases/pages/jl5048.aspx>.

A.28. If confirmed, I commit to looking into these important questions and working with interagency partners to respond to the Committee's questions on these subjects expeditiously.

Q.29. *General Sanctions Enforcement*—The Biden administration has emphasized the importance and strength of multilateral sanctions. What steps will you take to engage our partners in the European Union and elsewhere to harmonize sanctions regimes?

A.29. If confirmed, I commit to prioritizing the Administration's efforts to work with allies and partners, including through the issuance of coordinated sanctions actions with allies, to amplify the financial and diplomatic impact of our economic authorities. In addition, this type of close coordination can help ensure our sanctions are calibrated to avoid unintended consequences on our allies and partners. As we have seen in recent months, the EU, United States, and other partners have taken multiple coordinated sanctions actions in relation to Belarus, most recently on June 21, 2021. If confirmed, I would also seek to increase our coordination across other programs. I would plan to prioritize the sharing of information as early as possible with allies and partners to help coordinate actions. In addition to working with the EU, I also look forward to working closely with close allies like the United Kingdom, Canada, and Australia.

Q.30. Based on your work on Treasury's sanctions review, which sanctions programs and targets should Treasury be allocating more resources to in order to build more sanction designation packages?

A.30. The Treasury sanctions review is not focused on a particular sanctions program or set of designations, but rather on identifying broad successes, opportunities for change or improvements, and steps for adapting implementation across all sanctions programs. This will help to ensure that sanctions are relevant, rigorous, and fit to purpose, advancing the national security and foreign policy aims of the United States. The sanctions review is considering questions of most advantageous disposition of resources to maximize effectiveness and provide a solid foundation for the use of sanctions over decades to come. The review is not yet completed, and the review team has not yet drawn final conclusions to these questions. If confirmed, after the conclusion of the review, I look forward to discussing your questions.

Q.31. *Sanctions on Hamas and Palestinian Terror Groups*—If confirmed, what steps will you take to identify and sanction material supporters of Hamas, Hezbollah, and Palestinian Islamic Jihad, which are all U.S. designated terrorist groups?

A.31. If confirmed, I commit to using Treasury's counterterrorism sanctions and enforcement authorities to identify and dismantle the financial networks of terrorists and their supporters as well as others who seek to perpetuate harm against the United States and its allies. Treasury has key means to identify and disrupt the financial networks of terrorists and, if confirmed, I would seek to meaningfully advance this work.

Q.32. In 2018, Congress unanimously passed the Sanctioning the Use of Civilians as Defenseless Shields Act in 2018 (Shields Act) (P.L. 115-348). The law mandates sanctions on members of Hamas

and Hezbollah that order, control, or otherwise direct the use of civilians to shield military objectives from attack. No sanctions have been applied pursuant to this law despite compelling evidence of the use of human-shields by both Hezbollah and Hamas.¹⁶ Will you commit to prioritize implementation of the Shields Act?

A.32. I categorically denounce the use of civilians to shield military objectives. If confirmed, I commit to reviewing Treasury's use of sanctions authorities, including the Shields Act, to address this human rights violation.

Q.33. *Cryptocurrency*—There has been a surge in cryptocurrency donations to Hamas since the start of its armed conflict with Israel in May 2021.¹⁷ Other terrorist groups and sanctioned actors are using digital currencies to circumvent sanctions and the international banking system. If confirmed, what will you do to ensure Treasury utilizes emerging technologies to combat the use of digital currencies to evade sanctions?

A.33. Users of cryptocurrency or other digital assets cannot be permitted to evade sanctions and violate U.S. law. If confirmed, I will examine Treasury's tools and authorities to combat this illicit activity and to ensure that Treasury staff, including sanctions investigators, are fully equipped to deal with challenges posed by the use of cryptocurrency and digital assets to evade sanctions and finance terrorism.

Q.34. Recent FATF guidance could require entities that never take custody of or control another person's digital assets (that is, non-custodial entities) to register as Virtual Asset Service Providers (VASPs). In the United States, this would mean a noncustodial entity would have to register as a money service business (MSB). Contrary to FATF's guidance, FinCEN has standing guidance that noncustodial entities, such as cryptocurrency miners and software wallet providers, do not have to register as an MSB. Do you agree with standing FinCEN guidance, which states that certain non-custodial entities never having control over another person's digital assets are not required to register as an MSB?

A.34. In June 2019 under the U.S. Presidency of the FATF, the FATF revised its standards to explicitly require virtual asset service providers (VASPs) to implement the full range of preventive measures for AML/CFT and issued guidance to aid jurisdictions with swiftly implementing laws and regulations for this sector using a risk-based approach. I understand the FATF currently is updating the 2019 guidance and engaged in a public consultation in March to seek private sector input and feedback for purposes of issuing updated guidance later this year. If confirmed, I pledge to review the updated FATF guidance as well as FinCEN's guidance on this important topic.

¹⁶ Orde Kittrie, "Time To Act on Human Shields, Foundation for Defense of Democracies", (October 15, 2020), <https://www.fdd.org/2020/10/15/time-to-act-on-human-shields/>.

¹⁷ Benoit Faucon, Ian Talley, and Summer Said, "Israel-Gaza Conflict Spurs Bitcoin Donations to Hamas", *Wall Street Journal* (June 2, 2021), <https://www.wsj.com/articles/israel-gaza-conflict-spurs-bitcoin-donations-to-hamas-11622633400>.

Q.35. You coauthored an opinion piece that stated, “Bitcoin is a terrorist’s dream come true.”¹⁸ We recently saw how the traceable nature of Bitcoin benefited law enforcement that were able to recover Bitcoin ransom paid as part of the Colonial Pipeline cyberattack.

Does Bitcoin have any characteristics that do not make it “a terrorist’s dream come true”?

A.35. As with most new technologies, Bitcoin presents positives and negatives for AML/CFT purposes. The Bitcoin blockchain can enable peer-to-peer transactions that do not involve financial institutions currently subject to AML/CFT obligations. The information the Government obtains through compliance with those obligations by financial institutions is extremely important in mitigating illicit finance risk. Creating potential risks, virtual currencies in general, including Bitcoin, can be used in ways that allow greater anonymity than the traditional financial system, and they simultaneously offer the potential to almost instantly and irrevocably transfer large amounts of value, including in cross-border transactions. On the other hand, Bitcoin can often be traced as the public blockchain provides a permanent and immutable record of transactions that investigators can access to trace the movement of Bitcoin. Analytical activities that can attribute Bitcoin to users by examining the blockchain, including with relevant additional digital information, can help to understand illicit uses.

There are many efforts made by criminals to obscure transactions on the public blockchain, such as the use of Bitcoin mixing services. Further, the underlying protocols supporting Bitcoin are subject to change and over time may offer increased anonymity. So, as with any technology, the challenge for policymakers and regulators is to consider how to encourage responsible innovation and technological benefits to efficiency, inclusion, and cost management, while mitigating the risks. Moreover, regulators are challenged to develop technology neutral rules in a very dynamic technology ecosystem.

Q.36. What benefits, if any, do you think Bitcoin provides to consumers and individuals?

A.36. I defer to colleagues for a definitive view on the economic benefits and consumer considerations associated with Bitcoin. As a general matter, however, I see that virtual currencies can provide benefits to consumers, including the potential to reduce transaction costs, give consumers more choice and control of their finances, reduce inefficiencies in financial exchange, and increase financial inclusion. I believe that Treasury should continue to support responsible financial innovation and ensure it does not come at the expense of increased illicit finance risks.

Q.37. You coauthored a report that states “[t]he U.S. Government, in concert with private sector actors where appropriate, should take all necessary steps to position the country as a leader in the financial technology space. This will serve to make and keep the

¹⁸ Edoardo Saravalle, Elizabeth Rosenberg, “Bitcoin Can Help Terrorists Secretly Fund Their Deadly Attacks” (January 9, 2018), Fox News <https://www.foxnews.com/opinion/bitcoin-can-help-terrorists-secretly-fund-their-deadly-attacks>.

United States competitive in what will be a strategically important area of economic activity.”¹⁹

How will developing blockchain and other financial technologies in the United States help us remain economically competitive?

A.37. Blockchain platforms, being just one type of distributed ledger technology, have the potential to reduce costs and provide other benefits by creating efficiencies and reducing back-end operational costs that are associated with clearing and settling transactions. Financial technology companies and traditional banks worldwide have already implemented blockchain solutions of various kinds. Competition will continue across many dimensions, including developments that improve the experience for intermediaries and end users, including the utility of services offered, speed, cost, ease of use, and privacy features.

Through public-private sector partnerships and encouraging responsible innovation, the United States can remain competitive in the use of emerging technology. If confirmed, I will, along with colleagues and the dedicated Treasury career staff, continue to support responsible innovation and engage in discussions with the private sector to understand the strategies being deployed by the private sector to compete on a global scale. I am aware that the experts at Treasury aim to approach policy in this area with a degree of flexibility to allow for organic innovation, regulatory certainty, and strong risk mitigation.

Q.38. How will developing blockchain and other financial technologies in the United States help us improve our capabilities to track and deter illicit activities?

A.38. Depending on how it is implemented, blockchain technology can increase the overall transparency of transactions in some cases, including by creating a permanent virtual “paper trail,” and can improve regulatory reporting and monitoring. In the context of illicit finance, blockchain technology can be viewed as an obstacle for criminals who want to remain anonymous and disguise the original source of funds. We have already seen numerous instances where law enforcement and regulators successfully conducted blockchain analytics to “follow the money” and either stop or impose costs on illicit actors. However, blockchain technology alone will not prevent fraud, money laundering, or the financing of terrorism, especially given the pseudonymity and sometimes anonymity enhanced features already programmed into many existing blockchains. In addition, use of the blockchain can reduce or eliminate the involvement of financial institutions that have traditionally been the implementers of AML/CFT obligations in transactions. The technology has costs and benefits and the key factor for Treasury is to maintain an appropriate policy posture to maximize its benefits and mitigate its risks.

Q.39. *Anti-Money Laundering (AML)*—William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021 (P.L.116-283) Section 6403(d)(1)(C) of the Anti-Money Laundering

¹⁹Peter Harrell, Elizabeth Rosenberg, “Economic Dominance, Financial Technology, and the Future of U.S. Economic Coercion, Center for a New American Security” (April 29, 2019) p. 36, <https://www.cnas.org/publications/reports/economic-dominance-financial-technology-and-the-future-of-u-s-economic-coercion>.

Act of 2020 (AMLA), dictates that FinCEN should “reduce any burdens on financial institutions . . . that are, in light of the enactment of [the AMLA] and the amendments made by [the AMLA], unnecessary or duplicative.”²⁰

Do you commit to eliminate any Customer Due Diligence (CDD) requirements imposed on financial institutions that are now unnecessary or duplicative in light of the enactment of the AMLA?

A.39. The AMLA creates a new reporting regime that requires reporting companies to provide beneficial ownership information to FinCEN and that provides for disclosure of this information to financial institutions to assist them in performing their required due diligence. The AMLA further directs Treasury to revise the existing CDD rule to bring the rule into conformance with the AMLA, account for the access of financial institutions to beneficial ownership information under the new reporting regime, and reduce unnecessary or duplicative burdens. I know that Treasury personnel are hard at work implementing these and other provisions of the AMLA. If confirmed, I will support my colleagues in implementation of AMLA requirements, including revising the CDD rule, mindful of the direction to reduce unnecessary or duplicative burdens.

Q.40. What existing requirements on financial institutions can be reduced because they are unnecessary or duplicative in light of the enactment of the AMLA?

A.40. Treasury is at the beginning of the process of developing the regulatory framework to implement the AMLA’s reporting regime. As noted above, implementation of the AMLA will ultimately include a consideration of existing requirements in the CDD rule, with a focus on reducing unnecessary or duplicative burdens on financial institutions.

Q.41. Under the AMLA, businesses are now required to report beneficial ownership information directly to FinCEN.

As a result, should financial institutions still be required to continue to collect and report to FinCEN beneficial information on businesses?

A.41. Presently, financial institutions collect beneficial ownership information as part of satisfying their customer due diligence obligations. They do not currently report beneficial ownership information to FinCEN. As noted above, implementation of the AMLA will ultimately include a consideration of existing requirements in the CDD rule, with a focus on reducing unnecessary or duplicative burdens on financial institutions.

Q.42. If FinCEN continues to require financial institutions to collect and report to FinCEN beneficial ownership information on businesses, should the CDD rule be replaced with a risk-based collection standard?

A.42. As noted above, implementation of the AMLA will ultimately include a consideration of existing requirements in the CDD rule. This review will examine any needed revisions to the current rule.

²⁰H.R.6395—William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021 (P.L. 116-283).

Q.43. Will you commit to review whether the CDD rule is still necessary given that businesses are now required to report beneficial ownership information directly to FinCEN?

A.43. Yes. As noted above, the AMLA directs Treasury to revise the existing CDD rule, accounting for the access of financial institutions to beneficial ownership information under the new reporting regime, and reducing unnecessary or duplicative burdens. If confirmed, I can commit to reviewing the CDD rule.

Q.44. AMLA exempts from beneficial ownership information reporting by nonprofit organizations (nonprofits) along with dozens of other exemptions from reporting requirement. Previous iterations of proposed—but not enacted—beneficial ownership legislation required exempt entities to provide some identifying information as a condition of receiving an exemption from reporting requirements. However, AMLA, as enacted, contains no such requirement. In fact, AMLA's exemptions are self-executing and do not require exempt entities to provide any information to receive an exemption.

FinCEN's Advance Notice of Proposed Rulemaking (ANPRM)²¹ implementing AMLA asks for public comment on what information nonprofits should be required to file to receive an exemption from AMLA's beneficial ownership reporting requirements. This question suggests that FinCEN is considering issuing a rule that requires nonprofits to provide information to receive an exemption, which is inconsistent with the legislative text and history of AMLA. The concerns that animated many members of Congress to oppose any requirement for exempt entities to provide identifying information related to the potential for confidential information to be leaked or otherwise made public. Unfortunately, such concerns have been validated by the recent unlawful leaks of confidential taxpayer information from the IRS. Notably, the IRS is required to use privacy safeguards more stringent than those AMLA requires of FinCEN for data related to beneficial ownership.

In light of AMLA's text and legislative history and Treasury's repeated inability to safeguard Americans' confidential information, will you ensure that FinCEN's AMLA rule does not require nonprofits to provide information to FinCEN in order to receive an exemption from beneficial ownership information reporting requirements?

A.44. The ANPRM sought comments from the public on numerous questions regarding implementation of the beneficial ownership reporting requirements. If confirmed, I can commit to carefully considering the public comments, and to working with Treasury staff to ensure that any collection of information is consistent with applicable law. I also appreciate the importance of safeguarding confidential information and will ensure that privacy and information security are considered throughout Treasury's implementation of the AMLA.

Q.45. Enacted in July 2020 with unanimous bipartisan support, the Hong Kong Autonomy Act (HKAA) (P.L. 116-49) is an essential tool in holding individuals and foreign banks accountable when they assist Beijing in violating China's obligations to Hong Kong

²¹ Beneficial Ownership Information Reporting Requirements, 86 FR 17557.

under the Joint Declaration and Basic Law. HKAA requires sanctions on entities that materially contribute to the erosion of Hong Kong's autonomy, and foreign banks conducting significant transactions with those entities. On March 16, 2021, the Biden administration identified 24 previously sanctioned officials undermining Hong Kong's freedoms pursuant to Section 5(a) of the HKAA, yet it failed to identify any foreign financial institutions (FFIs) doing business with persons identified under Section 5(a).

If confirmed, will you commit to prioritizing the investigation of foreign financial institutions (FFIs) doing business with the individuals sanctioned under HKAA?

A.45. Yes, if confirmed I will commit to supporting Treasury's efforts to identify FFIs that may be doing business with individuals sanctioned under the HKAA.

Q.46. If confirmed, will you commit to notifying me in writing, within 30 days of your confirmation, why no foreign financial institutions that have been doing business with persons identified under Section 5(a) have been identified thus far?

A.46. If confirmed, I will commit to support Treasury's efforts to look into why no foreign financial institutions that have been doing business with persons identified under Section 5(a) have been identified thus far, and will support Treasury's effort keep Congress informed of Treasury's actions in a timely manner.

Q.47. On June 24, Senator Chris Van Hollen (D-MD) and I sent a letter to President Biden urging his Administration to use the HKAA to identify and sanction entities materially contributing to the Chinese Communist Party's assault on *Apple Daily*, the last pro-democracy newspaper in Hong Kong, and its founder Jimmy Lai.²² Last month, Reuters reported that Hong Kong Security Secretary John Lee ordered HSBC and Citibank's respective Hong Kong branches to freeze Jimmy Lai's accounts—they appear to have complied.²³ After 500 policemen raided *Apple Daily*'s offices in June,²⁴ Hong Kong's Security Bureau ordered banks to freeze the newspaper's assets, leading to its closure.²⁵ Section 5 of the HKAA requires the Administration to identify foreign entities that are "materially contributing" to the "inability of the people of Hong Kong to enjoy the freedom of assembly, speech, press, or independent rule of law." It seems very likely that the breathtaking crackdown on Jimmy Lai and *Apple Daily* involves numerous foreign persons to whom Section 5 of the HKAA applies.

If confirmed, will you commit to investigating and identifying any entities to whom Section 5 of the HKAA applies, specifically those involved in the suppression of *Apple Daily* and Jimmy Lai?

²² Senator Pat Toomey, Letter to President Joseph R. Biden Concerning *Apple Daily* Closure, 24 June 2021, <https://www.banking.senate.gov/imo/media/doc/toomey-van-hollen-letter-to-pres.biden.pdf>.

²³ "Exclusive: Hong Kong Security Secretary Threatened Bank Not To Conduct Account Transactions With Li Zhiying by Going to Jail (Translated via Google)". Reuters (China), 27 May 2021, <https://cn.reuters.com/article/exclusive-hk-0527-thur-idCNKCS2D80P8>.

²⁴ Munroe, Tony. "HK's *Apple Daily* Raided by 500 Officers Over National Security Law". Reuters, 17 June 2021, www.reuters.com/world/asia-pacific/hong-kongs-apple-daily-newspaper-says-police-arrest-five-directors-2021-06-16/.

²⁵ Ho, Kelly. "Hong Kong's *Apple Daily* May Halt Publication This Sat, Pending Fri Board Meeting". *Hong Kong Free Press*, 21 June 2021, <https://hongkongfp.com/2021/06/21/breaking-hong-kongs-apple-daily-mayhaltpublication-this-sat-pending-fri-board-meeting/>.

A.47. Yes, if confirmed I will commit my support to Treasury's efforts to look into the crackdown on Jimmy Lai and *Apple Daily* and fulfill Treasury's responsibilities under Section 5 of the HKAA.

Q.48. It is our understanding that the orders to the aforementioned banks were issued in an extrajudicial manner, by a single official outside of the court system, and without any criminal charges or subpoenas. In light of the clampdown on *Apple Daily*, and the events that have unfolded in the year since China imposed a national security law on Hong Kong, do you believe the rule of law still exists in Hong Kong?

A.48. I am deeply concerned by reports of recent events, including the clampdown on *Apple Daily*, as well as the events over the past year to erode the autonomy of Hong Kong and repress its people. I believe China should abide by the rule of law and support freedoms enshrined in the Basic Law of Hong Kong.

**RESPONSES TO WRITTEN QUESTIONS OF
SENATOR MENENDEZ FROM ELIZABETH ROSENBERG**

Q.1. If the United States reaches an agreement with Iran on its nuclear program, what sanctions do you assess would have to be lifted?

A.1. The Administration, through a negotiating team led by the State Department, is currently negotiating the steps the United States would need to take if it were to resume its commitments and if Iran were to meet its commitments, under the Joint Comprehensive Plan of Action (JCPOA). I believe Iran should only receive sanctions relief under the JCPOA if it takes the appropriate steps to resume compliance with its nuclear commitments under the JCPOA. Even under the terms of the JCPOA, Treasury would retain the right to impose sanctions related to Iranian support for terrorism, human rights abuses, WMD proliferation and ballistic missile development, as well as the regime's destabilizing activities in the region. If confirmed, I will work with the Office of Foreign Assets Control (OFAC) to ensure that Treasury continues to administer and enforce our sanctions to apply pressure on Iran and others as appropriate.

Q.2. China is flouting international sanctions on Iran by continuing to purchase increasing amounts of Iranian oil. What more can we be doing to ensure compliance with international and U.S. sanctions on Iran?

A.2. I am concerned with sanctions evasions generally and believe that sanctions must be clearly implemented and enforced to be effective. I note that Treasury has a track record of examining and seeking to counter evasion of Iran sanctions, including when it comes to China. This was true in the run up to the JCPOA and in the last several years since the United States reimposed sanctions lifted under the JCPOA and built upon them with others.

If confirmed, I will look into this issue, examining available intelligence and open-source information, discussing this with Treasury and interagency partners. I will furthermore, if confirmed, carefully consider the options available to address sanctions evasion, including looking at the various authorities that may be available to ad-

dress this important issue. I can commit to working diligently to ensure that the Treasury Department is focused on any Iranian efforts to evade sanctions and abuse the international banking system and pursuing strategies to work with international partners to ensure that efforts to countersanctions evasion are as effective as possible.

Q.3. I understand you are leading Treasury Department review of U.S. sanctions.

What is the role of the State Department in that review?

I believe that sanctions are a tool of foreign policy. Do you agree?

If you are confirmed, do you commit to work closely and cooperatively with the State Department to ensure that sanctions are aligned with and advancing U.S. foreign policy?

A.3. Deputy Secretary Adeyemo is leading a review of the use of economic and financial sanctions. I am working to support this effort, along with a team of Treasury staff. This Treasury-led review is focused on identifying successes, opportunities for change or improvements, and steps for adapting implementation, so that sanctions are relevant, rigorous, and fit to purpose, effectively advancing the national security, foreign policy, and economic aims of the United States.

Treasury's sanctions review involves engagements with a range of stakeholders, including from multiple bureaus and offices of the State Department and its leadership. The State Department has always been, and will continue to be, a key partner for the Treasury Department in the development and implementation of sanctions.

Economic and financial sanctions are one of several tools that the U.S. Government may use to address a range of foreign policy, national security, and economic challenges. The use of sanctions, as well as other economic tools, are most effectively employed in the context of a broader U.S. Government strategy and as complements to other forms of statecraft. Their impact is also magnified when complementary actions are undertaken by allies and partners.

If confirmed, I can commit to working with my State Department colleagues to ensure that sanctions are impactful, effective, and work in support of our foreign policy, national security, and economic interests.

Q.4. CAATSA section 228 requires secondary sanctions on any entity that does business with a Specially Designated National.

Do I have your commitment that you will work to fully implement this provision?

A.4. Yes, if confirmed, I commit to working to implement Section 228 of the Countering America's Adversaries Through Sanctions Act (CAATSA) (P.L. 115-44).

Q.5. A sanctions regime is intended as a tool, not end-point, for broader policy objectives.

Given that the Biden administration's North Korea policy review suggests a different approach to dealing with the DPRK than the Trump administration's feckless and failed effort, are there changes to the sanctions regime—tighter or looser or simply dif-

ferent—that you’d recommend so that sanctions and diplomacy are fully complimentary?

A.5. I am deeply concerned by reports of North Korea’s nuclear and ballistic missile activity, along with widespread systemic human rights abuses. If confirmed, I will work with my Treasury colleagues and others in the Administration to examine the intelligence, consider and pursue a range of options to address these threats, including diplomacy and targeted pressure measures, and will not hesitate to use Treasury authorities to target sanctions evasion wherever appropriate. Furthermore, if confirmed, I will, along with other interagency partners, seek to coordinate closely with regional partners to address these threats.

Q.6. Venezuela’s Maduro regime is involved in a wide range of criminal activities: from alleged crimes against humanity to drug trafficking to a massive campaign of corruption and kleptocracy. The U.S. has responded with a range of reciprocal actions to deter Maduro’s actions.

If confirmed, how will you advocate that the U.S. use its sanctions as leverage in order to curb the Maduro regime’s criminal activities and forge a diplomatic breakthrough that leads to new elections in Venezuela?

A.6. The power and integrity of the U.S. Government’s sanctions derive not only from the ability to sanction actors when appropriate, calling out their threats, criminality, and the detriment they may pose to U.S. interests, but also to lift sanctions in a manner consistent with the law when a program’s goals are met. If confirmed, I will ensure that Treasury will be prepared to implement sanctions consistent with the Administration’s foreign policy goals to restore core democratic processes and institutions in Venezuela. In addition, if confirmed, I will not hesitate to explore additional targeted actions should the regime demonstrate that it is not acting in good faith and continues to engage in criminal, suppressive, and threatening actions.

Q.7. The Maduro regime has facilitated a massive expansion of illicit gold mining in Venezuela, which includes trafficking routes to Turkey and the Middle East, and has led to widespread environmental devastation in Venezuela.

What steps will you take to address Maduro’s illicit gold trade?

A.7. I am very concerned regarding reports of human rights abuses, widespread environmental devastation, and other security threats stemming from illicit gold mining in Venezuela. If confirmed, I will look into this matter to understand the intelligence, and will work with interagency partners to investigate reports of illicit gold mining activities and explore using the full suite of economic authorities and diplomatic leverage should the evidence indicate that such actions will be both feasible and impactful.

Under Executive Order 13850, Treasury has the ability to sanction any person determined by the Secretary of the Treasury, in consultation with the Secretary of State, to operate in the gold sector of the Venezuelan economy.

Q.8. New Jersey and 47 other States have passed legislation authorizing some form of cannabis for regulated medical or adult-use

purposes. But we all know that businesses that serve this market have found themselves shut out of the banking system and forced to operate exclusively in cash, often depriving them of banking products and creating serious public safety risks in our communities.

The SAFE Banking Act, which I cosponsored, would fix this problem by allowing banks to provide financial services to cannabis businesses. I also introduced the CLAIM Act, which would ensure that legal marijuana and related businesses have access to comprehensive and affordable insurance coverage.

Would allowing State-regulated marijuana businesses to access financial services reduce the public safety risk and allow these legal businesses to operate like other businesses?

A.8. This is an important and complex issue, given the current treatment of marijuana under Federal law. If confirmed, I commit to working with my colleagues to evaluate information regarding the operation of State-regulated marijuana-related businesses (MRBs), and working with Congress to address this issue in a way that helps to ensure public safety and equitable access to financial services.

Q.9. Is Congressional action needed so that businesses that serve State-regulated marijuana markets can have access to financial services?

A.9. Given the current treatment of marijuana under Federal law, the decision to provide services to an MSB is a risk-based decision that each financial institution must independently assess under its risk-based approach to Bank Secrecy Act compliance.

Q.10. In 2013, the Obama administration authorized U.S. companies to apply for Treasury Department licenses to engage in the agriculture, telecommunications, and energy sectors in areas of Syria outside of President Bashar al-Assad's control. Just last month, Treasury's Office of Foreign Assets Control revoked the license of U.S. company Delta Crescent Energy, who had been working with the Autonomous Administration of North and East Syria (AANES) to refine and secure oil export contracts. State Department officials stated this decision was undertaken because the United States is in Syria, "for the people, not for the oil." However, in the absence of this partnership, it seems likely that oil generated in Northeast Syria will ultimately benefit the Syrian regime and its external backers (Russia), undermining the broader intent of the U.S. Syria sanctions regime.

Please clarify the rationale behind this decision within the context of broader U.S. Syria policy.

How will the Administration ensure that the product of Syria's oil fields benefit neither ISIS, Russia, nor the Assad regime (including through sales to middlemen who sell back to the regime), and that the AANES has a means of self-sustainment that does not benefit the regime?

A.10. I support the Administration's foreign policy priorities in Syria. If confirmed, I will work to ensure vigorous enforcement of Treasury's Syria-related sanctions authorities, including those that prevent the flow of funds to the Assad regime. If confirmed, I will focus on the Syria sanctions program and look into the array of

current sanctions and legal guidance for this program, and will be available to discuss this issue further.

**RESPONSES TO WRITTEN QUESTIONS OF
SENATOR VAN HOLLEN FROM ELIZABETH ROSENBERG**

Q.1. From the Microsoft hack, to Solar Winds, Colonial Pipeline, JBS (the world's largest meat supplier), and many others, it's clear that malicious cyberattacks are on the rise and have no signs of abating. Some of these may be profit-motivated economic espionage or theft, while others have a national security or intelligence gathering purpose.

Given this landscape, what role should sanctions play in imposing consequences on cybercriminals, and should the U.S. Government increase the use of sanctions on these criminals?

A.1. Malicious cyberattacks are a threat to our national security. Sanctions are a very powerful tool to respond to unusual and extraordinary threats to the national security, foreign policy, or economy of the United States that originate in whole or in substantial part outside the U.S. Depending on facts and circumstances, sanctions can be one of several tools that the U.S. Government can use with the goal of imposing costs on those engaged in malicious cyberactivity and deterring this malign behavior. Treasury has designated numerous malicious cyberactors under its cyber-related sanctions program and other sanctions programs, including perpetrators of ransomware attacks and those who facilitate ransomware transactions. If confirmed, I commit to continuing to find effective ways to use all appropriate tools, including sanctions, to take impactful action against cybercriminals.

Q.2. Do you believe sanctions for malicious cyberattacks might have real deterrence value? If not, what benefit might they provide?

A.2. Sanctions can be powerful tools to place restrictions on designated persons and entities and deter malign behavior. Sanctions are particularly effective when deployed in coordination with other U.S. Government efforts and in coordination with sanctions and nonsanctions actions by allied and partner Governments. For instance, in September 2020, Treasury targeted cybercriminals that used sophisticated schemes to steal account holders' passwords and steal the balances of the victims' virtual currency accounts. Simultaneously with the imposition of sanctions by Treasury, DOJ unsealed an indictment against the targeted cybercriminals, sought the civil and criminal forfeiture of assets traceable to the alleged crimes, and the United States Secret Service seized millions of dollars in stolen virtual currency and U.S. dollars. Multipronged actions like this send a clear message to all cybercriminals that the U.S. Government will take aggressive action to disrupt their malicious cyberactivities, to hold them accountable, and to protect the international financial system.

Q.3. Do difficulties in attributing the activities of individuals to Nation-States make cybersanctions less effective? Are there ways to overcome this evidentiary hurdle?

A.3. Treasury's sanctions programs targeting significant malicious cyberenabled activities, whether by individuals or State actors, is an important and valuable tool. If confirmed, I commit to continuing Treasury's close collaboration with law enforcement, the intelligence community, and others to ensure that OFAC continues to have access to relevant, available information to assess opportunities for action. Treasury has an important role to play in the whole-of-Government effort against malicious cyberactivities and protecting our financial system from such threats.

Q.4. How might cybersanctions be coupled with other actions, including other forms of economic pressure, in order to develop a comprehensive and cohesive strategy toward the Nation-States and/or organizations being targeted?

A.4. The growing threats posed by malicious cyberactivity call for a whole-of-Government effort to respond to such threats, including raising awareness about cybersecurity and resilience measures for the private sector. Where appropriate, sanctions should be considered, in addition to other authorities granted to Treasury. In certain cases, bilateral engagement may be an effective step in persuading allied and partner Governments to take action against cybercriminals or their associated networks of supporters and facilitators. The whole-of-Government response to the SolarWinds incident was a compelling example of the U.S. Government using a wide range of tools, including imposing new sanctions against Russian entities to impose costs on the Russian Government for its actions against U.S. interests.

Q.5. Relatedly, many cyberattacks today come in the form of ransomware and other cyberattacks involving the use of cryptocurrency. North Korea, for example, has engaged in cybercrime to launder and steal billions in cryptocurrency in an effort to generate income (and evade sanctions) in ways that are harder to trace and subject to less Government oversight than the traditional banking sector.

One important aspect of combatting illicit financing threats is transparency, and ensuring we have the information that we need to go over bad actors. The ability for criminals to engage in regulatory arbitrage by using foreign cryptocurrency exchanges that are not subject to the same anti-money laundering obligations as those in the U.S. is troubling. Are there ways that we might be able to reduce this type of regulatory arbitrage?

A.5. I appreciate this concern. I recognize that the potential to send virtual assets nearly instantaneously and irrevocably across borders can increase illicit finance risks. For this reason, under the U.S. Presidency of the FATF, the FATF in June 2019 amended its standards to explicitly require virtual asset service providers (VASPs) to implement the full range of preventive measures for AML/CFT and issued guidance to aid jurisdictions with swiftly implementing laws and regulations for this sector using a risk-based approach.

Many jurisdictions continue to make progress in implementing these requirements, but gaps in global implementation exist, which enable the continued misuse of virtual assets through jurisdictional

arbitrage. More remains to be done to address this concern, and if confirmed, I look forward to continuing this important work.

If confirmed, the office I will lead—the office of Terrorist Financing and Financial Crimes (TFFC)—serves as the head of the U.S. delegation to the FATF, and I will ensure that Treasury redoubles its efforts at the FATF to push countries to implement these standards effectively to reduce opportunities for regulatory arbitrage. Outside the FATF, Treasury’s Office of Terrorism and Financial Intelligence, including TFFC and FinCEN, will continue work with jurisdictions and the private sector to promote compliance with the international requirements. Treasury will also work with like-minded jurisdictions to ensure this is a multilateral push for global implementation.

Q.6. Do you think our current sanctions and AML regimes broad enough to effectively target bad actors when they engage in illicit activities through cryptocurrency? Are there ways that we might want to modernize our regimes to fully encompass these types of transactions?

A.6. The U.S. sanctions regime prohibits certain transactions involving property in which any foreign country or a national thereof has any interest. Such transactions subject to regulation may include convertible virtual currency, such as a cryptocurrency, in addition to those in traditional fiat currency. Similarly, Treasury administers a technology-neutral AML regulatory framework. If confirmed, I look forward to continuing this important work to deter illicit activities involving cryptocurrency.

As you know, cryptocurrencies can allow greater anonymity and pseudonymity than the traditional financial system in holding and transacting funds, and they simultaneously can enable the transfer of large amounts of value cross-border irrevocably and almost instantly. Cryptocurrencies can also permit the transmission of value by users without reliance on a financial intermediary on which AML/CFT obligations are placed. These features can present novel challenges. For example, bad actors can use different methods to obscure the traceability on such public blockchains, and the underlying protocols supporting such blockchains may change over time. Furthermore, there are certain cryptocurrencies that by their design are not transparent.

Thoughtful regulation requires a balancing between benefits and risks. If confirmed, I will continue Treasury’s important work to continue to refine the sanctions and AML regimes to keep pace with new threats, including illicit typologies associated with cryptocurrencies and other emerging financial technology. If confirmed, I would work closely with this Committee and TFI personnel to ensure that evolution carefully balances risk mitigation against the costs and other burdens imposed on industry and innovation.

**RESPONSES TO WRITTEN QUESTIONS OF
SENATOR CORTEZ MASTO FROM ELIZABETH ROSENBERG**

Q.1. When you were at the Treasury Department working to formulate anti-money laundering and counterterrorist and counterproliferation financing policy, we were just beginning to develop

machine learning technologies. What have you learned about machine learning and artificial intelligence's abilities and limitations to contribute to financial regulatory enforcement?

A.1. Innovative technology like machine learning and AI is important, and I believe that Treasury actively seeks to foster innovation in the private sector and makes use of it within the Department to improve the effectiveness and efficiency of the U.S. financial regulatory and supervisory system. At the same time, this innovation must not come at the expense of financial transparency that we need to safeguard the integrity of our financial system and our national security. I am aware that Treasury has, over a number of years, advocated for responsible innovation and the need to monitor emerging risks to ensure that new technology does not create loopholes or vulnerabilities that criminals can exploit for money laundering, terrorist financing, or other illicit finance risks. I believe that it is essential for TFI to evaluate and where appropriate, incorporate new technologies, including machine learning technologies, into its financial regulatory enforcement mission. For example, machine learning could help address the challenge of digesting and analyzing large amounts of financial information. Secretary Yellen recently discussed machine learning and artificial intelligence during a Treasury organized and hosted Financial Innovation Roundtable in February 2021 and I share her view of the importance of responsible innovation, both in the private and public sector.

ADDITIONAL MATERIAL SUPPLIED FOR THE RECORD

LETTERS SUBMITTED IN SUPPORT OF NOMINEE BRIAN EDDIE NELSON



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Empowering Communities.

July 16, 2021

The Honorable Sherrod Brown
Chairman U.S. Senate Committee on Banking, Housing, and Urban Affairs
503 Hart Senate Office Building
Washington, DC 20510

The Honorable Pat Toomey
Ranking Member U.S. Senate Committee on Banking, Housing, and Urban Affairs
248 Russell Senate Office Building
Washington, DC 20510

Dear Chairman Brown and Ranking Member Toomey:

On behalf of the National Urban League (NUL), I write in unqualified support of the nomination of Brian E. Nelson, for Under Secretary of the Treasury for Terrorism and Financial Intelligence (TFI).

The NUL is an historic civil rights organization that was founded in 1910 to uplift and empower Americans confronting inequality and injustice in all forms. Today, NUL has 90 affiliates serving 300 communities in 37 states and the District of Columbia, and has, within its mission, also sought to address attacks on our Democracy, including the recent Russian influence campaigns that target Black Americans and that are designed to distract and divide American voters, demobilize the electorate, and depress the vote.

The Department of the Treasury's Office of Terrorism and Financial Intelligence (TFI) mandate is to safeguard our financial system against illicit use and combat terrorist facilitators, proliferators, and others who seek to harm the United States. TFI, through its economic sanctions authorities, will be critical to confronting Russian attempts to sow discord between political parties and drive internal divisions to influence American voters – and Black American voters in particular. TFI's financial transparency tools will also help safeguard our financial system from use to finance these malicious attacks on our democracy.



**National
Urban League**

The Honorable Sherrod Brown
The Honorable Pat Toomey
July 16, 2021
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With his distinguished career as a national-security professional and as a public servant, Mr. Nelson is incredibly well-prepared to lead these efforts. Beginning in 2011, Mr. Nelson was a senior national-security official in the U.S. Department of Justice working to confront serious national-security threats using both intelligence and criminal authorities. Mr. Nelson subsequently served in the California Attorney General's Office and was instrumental in developing programs designed to stop the type of transnational criminal activity, money laundering and high-tech crime that Russia and other malicious actors often employ to finance their illicit activities. Most recently, Mr. Nelson has served as the chief legal officer for LA28, which is responsible for organizing the 2028 Olympic and Paralympic Games in Los Angeles. There, Mr. Nelson directs all aspects of LA28's security planning, including coordination with the Federal government, the State of California, the City of Los Angeles, and other local agencies.

I urge the Committee on Banking, Housing, and Urban Affairs to quickly process Mr. Nelson's nomination, and for the Senate to confirm him into this critical national-security role without any unnecessary delay.

Thank you for your consideration.

Very truly yours,

Marc H. Morial
President and Chief Executive Officer
National Urban League

The Honorable Sherrod Brown
Chairman U.S. Senate Committee on Banking,
Housing, and Urban Affairs
503 Hart Senate Office Building
Washington, DC 20510

The Honorable Pat Toomey
Ranking Member U.S. Senate Committee on Banking,
Housing, and Urban Affairs
248 Russell Senate Office Building
Washington, DC 20510

June 19, 2021

Dear Chairman Brown and Ranking Member Toomey:

We write collectively in support of the nomination of our former U.S. Department of Justice, National Security Division (NSD) colleague, Brian E. Nelson, for Under Secretary of the Treasury for Terrorism and Financial Intelligence (TFI).

Much as with the decision to bring together many of Treasury's national-security activities within TFI, NSD was created by statute after 9/11 to combine the Justice Department's intelligence, law enforcement, and national-security policy officials into a single division to ensure that the Department's national-security activities are effectively coordinated and efficiently executed.

As a member of our senior leadership team, we worked closely with Brian and were always impressed by his intelligence, dedication to public service, and diplomatic approach to complex management and operational challenges. While much of our work at NSD was classified or highly sensitive and thus precludes discussion in this letter, the following aspects of Brian's work are emblematic of his deep involvement with our management of significant national-security matters.

First, Brian was critical to coordinating our activities. He worked to ensure the efficient flow of national-security information to the Assistant Attorney General and our other operational leaders. This allowed us to coordinate the fusion of intelligence and criminal authorities quickly to disrupt terrorist threats.

Second, Brian understands the critical role of our economic and financial tools in support of our national security. He was directly responsible for overseeing the economic national-security work of the Division's Foreign Investment Review Staff (FIRS), which at the time was part of the NSD front office. FIRS participates in the Treasury-led interagency Committee on Foreign Investment in the United States, which reviews business transactions that implicate national security.

Third, Brian is an exceptional manager and leader. He quickly gained the trust and admiration of our career colleagues, and he worked hard to support and empower their excellent work. In addition to affording respect to everyone he encountered, he made it an easier place to work by maturing our processes so that we were a more interconnected, fully-functioning Division within the Department.

Fourth, Brian appreciates the important oversight role of Congress. He managed NSD's comments on pieces of legislation, prepared remarks, responses to questions for the record, and other legislative and executive documents. He did so with care and attention.

Fifth, Brian partnered effectively with other Justice Department components and agencies within the Executive Branch, regularly supporting Department leadership, including the Attorney General, on a range of national-security issues.

Brian very capably met each operational and management challenge he encountered, and he did so in a dynamic threat environment. He understands there are several tools we utilize to promote national security and that optimal decisions are reached when officials from each relevant agency comes together to evaluate the threat and decide which tools will best disrupt it.

We believe Brian's leadership and national-security experience at NSD – and later in California – prepare him to be an exceptional leader of TFI in support of its critical mission to safeguard our financial system against illicit use and combat terrorist facilitators, proliferators, and others who seek to harm the United States.

Sincerely,

Joanna Baltes
Former Chief of Staff to FBI Deputy Director, former Attorney Advisor to the AAG for National Security, NSD

Carrie Cordero
Former Counsel to the Assistant Attorney General for National Security, NSD

Todd M. Hinnen
Former Deputy Assistant Attorney General and Acting Assistant Attorney General for National Security, NSD

David S. Kris
Former Assistant Attorney General for National Security, NSD

Steven W. Pelak
Former Acting Chief, Counterespionage Section, NSD

Richard C. Sofield
Former Director, Foreign Investment Review Staff, NSD

Donald L. Vieira
Former Chief of Staff, NSD



July 14, 2021

The Honorable Sherrod Brown
Chairman U.S. Senate Committee on Banking,
Housing, and Urban Affairs
503 Hart Senate Office Building
Washington, DC 20510

The Honorable Pat Toomey
Ranking Member U.S. Senate Committee on
Banking, Housing, and Urban Affairs
248 Russell Senate Office Building
Washington, DC 20510

Re: Support for the Confirmation of Brian E. Nelson to Serve as Treasury Under Secretary for Terrorism and Financial Intelligence

Dear Chairman Brown and Ranking Member Toomey:

The Black Economic Alliance and the Joint Center for Political and Economic Studies collectively support the nomination of Brian E. Nelson for Under Secretary of the Treasury for Terrorism and Financial Intelligence (TFI), and we look forward to his swift approval by the Committee on Banking, Housing, and Urban Affairs; and confirmation by the full Senate.

The Black Economic Alliance (BEA) is a Black-led political coalition that drives economic mobility for the Black community with a specific focus on work, wages, and wealth. The Joint Center for Political and Economic Studies (Joint Center), America's Black think tank, is a trusted forum for leading experts and scholars to promote ideas that advance Black communities and it provides policy solutions to eradicate persistent and evolving barriers to the full freedom of Black people in America.

BEA and the Joint Center work to ensure leaders we support, including Brian Nelson, represent the interests of our community so that we can collectively create a future for Black Americans that ensures prosperity and economic security for generations to come. If confirmed, Brian will be the first Black appointee to any of the three main under secretary roles at Treasury—TFI, Domestic Finance, and International Affairs—in the Department's 232-year history.

Brian's prior experience includes overseeing key national-security initiatives—including efforts to combat transnational criminal organizations, dismantle human trafficking networks, and build state and international partnerships to stop money laundering and high-tech crimes—in his role as general counsel in the California Department of Justice during the tenure of Kamala Harris as California Attorney General. He also worked to ensure the efficient flow of national security information to the Assistant Attorney General and other operational leaders as deputy chief of staff of the National Security Division of the U.S. Department of Justice. These actions allowed the National Security Division of DOJ to quickly coordinate among various intelligence and criminal agencies to effectively disrupt terrorist threats. Additionally, Brian overseeing the economic national-security work of the Division's Foreign Investment Review Staff (FIRS)



highlights his understanding of the critical role economic and financial tools play to support our national security. FIRS participates in the Treasury-led interagency Committee on Foreign Investment in the United States, which reviews certain business transactions involving foreign persons and entities to determine any impact on the national security of the United States.

Brian's experience collaborating with federal, state, and local partners will be invaluable as he leads and engages in various international coalitions to protect the U.S. and global financial systems from illicit finance. Brian is committed to give an unprecedented level of focus to avoiding unintended consequences from Treasury's security efforts—particularly in emerging and underserved markets in Africa and in other disadvantaged regions of the world and the United States alike. Brian is also committed to opening access for more Black professionals to build careers in the work under his purview, including national security, anti-money laundering, and combating the financing of terrorism.

Brian Nelson has protected the national security of the United States throughout his career across roles in federal and state government as well as in the private and nonprofit sectors with a strong understanding of efficient best practices to promote national security. His lived and professional experience will bring a new perspective to this work at Treasury and abroad that is sensitive to the impact of his work on all the people it touches.

BEA and the Joint Center believe Brian's leadership, management skills, national-security experience, and unique perspective make him an exceptional leader who will excel as Treasury Under Secretary for TFI and support its critical mission to safeguard our financial system against illicit use and protect against those who seek to harm the United States.

Sincerely,

A handwritten signature in black ink, appearing to read "David G. Clunie".

David G. Clunie
Executive Director
Black Economic Alliance

A handwritten signature in black ink, appearing to read "Spencer A. Overton".

Spencer Overton
President
Joint Center for Political and Economic Studies

The Honorable Sherrod Brown
Chairman U.S. Senate Committee on Banking,
Housing, and Urban Affairs
503 Hart Senate Office Building
Washington, DC 20510

The Honorable Pat Toomey
Ranking Member U.S. Senate Committee on Banking,
Housing, and Urban Affairs
248 Russell Senate Office Building
Washington, DC 20510

June 15, 2021

Dear Chairman Brown and Ranking Member Toomey:

We write collectively in support of the nomination of our former California Department of Justice (CADOJ) colleague, Brian E. Nelson, for Under Secretary of the Treasury for Terrorism and Financial Intelligence.

During his years at the Department, Brian played a critical role leading our efforts to address many of the complex national security questions we face as the fifth-largest economy in the world. For example, in late 2012, Brian negotiated with Mexican law enforcement officials to implement a Mexico Attorney General-California Attorney General accord to expand prosecutions and secure convictions of criminals who engage in the trafficking of human beings. Those early government-to-government discussions established the framework for the CADOJ's focused efforts to target transnational criminal organizations (TCOs), which Brian oversaw from 2013-2014 as the Department's interim chief of policy.

Specifically, under Brian's leadership as policy chief, the Attorney General's senior advisors produced a comprehensive report on TCOs; partnered with Mexican federal government officials and Mexican state attorneys general to coordinate efforts to stem human trafficking, money laundering and high-tech crime; formed a Mexico-California working group to combat money laundering; created a partnership with the Mexican patent and trademark authorities to examine intellectual property right violations by TCOs; and convened state and federal officials from the United States, Mexico and El Salvador for a multinational summit focused on the use of technology to fight transnational organized crime. During this time, we also sought new asset forfeiture authorities targeting TCOs.

Brian's capacity to execute these efforts successfully was grounded by his previous experience as a senior national-security official in the U.S. Department of Justice. He understood how to leverage multiple tools in concert – public and private sector partnerships, legislative reform, and enforcement authorities – to strengthen our ability to meet emerging national-security threats.

We believe Brian's experience at the California Department of Justice – the largest state justice department in the nation – well prepares him to lead Treasury's Office of Terrorism and Financial Intelligence, including executing the office's significant anti-money laundering and asset-forfeiture authorities.

Sincerely,



Nathan Barankin, Chief Deputy Attorney General, California Department of Justice 2012-2017
Jeff Tsai, Special Assistant Attorney General, California Department of Justice 2013-2015
Travis LeBlanc, Special Assistant Attorney General, California Department of Justice 2011-2013

**“MONERO EMERGES AS CRYPTO OF CHOICE FOR CYBERCRIMINALS”,
FINANCIAL TIMES, 6/22/21**

Monero emerges as crypto of choice for cybercriminals | Financial Times <https://www.ft.com/content/13fb66ed-b4e2-4f5f-926a-7d34dc40d8b6?de...>

Cryptocurrencies

Monero emerges as crypto of choice for cybercriminals

Untraceable 'privacy coin' is rising in popularity among ransomware gangs, posing problems for law enforcement



In September last year, the US Internal Revenue Service offered a bounty of \$625,000 for any contractors able to develop tools to help trace monero © FT montage; Dreamstime

Hannah Murphy in San Francisco 11 HOURS AGO

For cybercriminals looking to launder illicit gains, bitcoin has long been the payment method of choice. But another cryptocurrency is coming to the fore, promising to help make dirty money disappear without a trace.

While bitcoin leaves a visible trail of transactions on its underlying blockchain, the niche “privacy coin” monero was designed to obscure the sender and receiver, as well as the amount exchanged.

As a result, it has become an increasingly sought-after tool for criminals such as ransomware gangs, posing new problems for law enforcement.

The rise of monero comes as authorities race to crack down on cyber crime in the wake of a series of audacious attacks, notably [the hack on the Colonial Pipeline](#), a major petroleum artery supplying the US east coast.

Monero emerges as crypto of choice for cybercriminals | Financial Times <https://www.ft.com/content/13fb66ed-b4e2-4f5f-926a-7d34dc40d8b6?de...>

"We've seen ransomware groups specifically shifting to monero," said Bryce Webster-Jacobsen, director of intelligence at GroupSense, a cyber security group that has helped a growing number of victims pay out ransoms in monero. "[Cyber criminals] have recognised the ability for mistakes to be made using bitcoin that allow blockchain transactions to reveal their identity."

Russia-linked REvil, the notorious ransomware group believed to be behind the attack this month on [meatpacker JBS](#), has removed the option of paying in bitcoin this year, demanding monero only, according to Brett Callow, threat analyst at Emsisoft.

Meanwhile, both DarkSide, the group blamed for the Colonial Pipeline hack, and Babuk, which was behind the attack on Washington DC police this year, allow payments in either cryptocurrency, but charge a 10 to 20 per cent premium to victims paying in riskier bitcoin, experts say.

Justin Ehrenhofer, a cryptocurrency compliance expert and member of the monero developer community, said that at the beginning of 2020, its use by ransomware gangs was "a rounding error". Today he estimates that about 10 to 20 per cent of ransoms are paid in monero, and that the figure will probably rise to 50 per cent by the end of the year.

Monero has risen stronger than Bitcoin this year

Prices rebased to Jan 2021



Source: CoinMarketCap

Fungible money

Monero was launched as an open-source project in 2014 by a user of a bitcoin forum with the pseudonym “thankful_for_today”. Its [original white paper](#) argued that bitcoin’s traceability was a “critical flaw”, adding that “privacy and anonymity are the most important aspects of electronic cash”.

Ehrenhofer is among those who argue that bitcoin’s visibility should be rejected in favour of a fully private financial system. “The main goal is transaction indistinguishability — to make private and fungible money,” he said. “We want to make monero as similar to cash as possible, where one \$10 bill is the same as another and the merchant doesn’t know where they came from.”

While the currency has enjoyed a more than fivefold rise in price since the beginning of 2020, tracking the wider cryptocurrency rally, its overall market capitalisation remains a sliver of that of bitcoin: nearly \$5bn compared with \$727bn, according to data from CoinMarketCap.

Still, it has inspired a loyal following among privacy idealists and anti-establishment cryptography hobbyists such as Ehrenhofer, who are dedicated to maintaining its code and using advanced mathematics to try to ensure its transactions remain untraceable. It now has the [third-largest community](#) of developers of any cryptocurrency, behind bitcoin and ethereum, data show.

But monero has also attracted controversy since its inception, thanks to its association with illicit payments and money laundering. Dr Tom Robinson, chief scientist and co-founder of blockchain intelligence group Elliptic, said an increasing number of marketplaces on the dark web exclusively accepted monero for sales of everything from guns to drugs. “That’s been a big shift over the past year.”

Meanwhile, ransomware negotiators, who are typically hired by victims to help handle extortion payments, have also begun contacting monero developers in order to understand how the cryptocurrency works, according to Ehrenhofer. The negotiators aimed to “build out the liquidity relationships” needed to facilitate payment in the event of a monero ransom demand, he said.

Hidden trails

The absence of a digital trail for monero is proving increasingly problematic for law enforcement, which typically works with private sector cryptocurrency analytics groups to trace suspect transactions on bitcoin’s digital ledger.

Europol, in a 2020 [report](#), placed privacy coins among the factors that had “rendered cryptocurrency investigations more challenging and [that] we can expect these to feature more prominently in future investigations”.

In September last year, the US Internal Revenue Service [offered a bounty](#) of \$625,000 for any contractors able to develop tools to help trace monero. It has since [awarded](#) the contract to cryptocurrency forensics group Chainalysis and data analysis group Integra FEC.

Other cryptocurrency forensics groups have also quietly been attempting to do the same. CipherTrace chief executive Dave Jevans said his company had started working on the currency more than two years ago under a contract with the US homeland security department, and had filed patent applications as part of the work, but would not share further details.

Some experts say it is unlikely that ransomware gangs will switch to demanding monero exclusively, because difficulty in sourcing it could make victims less likely to pay up.

Many point to challenges around its liquidity and availability, meaning only smaller transactions may be possible. “If you pick a currency that’s too obscure, the very act of purchasing the currency can make [it] more expensive to purchase. That creates levels of unpredictability in a negotiation,” said Eric Friedberg, co-president of Aon-owned cyber security group Stroz Friedberg.

Others note that given its opacity, it is impossible to ascertain whether or not your transactions are with sanctioned entities – which could risk severe penalties.

Multiple experts say US legislators are so far steering away from singling out any particular cryptocurrency when drafting relevant legislation. Still, many big cryptocurrency exchanges have shied away from listing privacy coins for fear of attracting regulatory scrutiny, as authorities increasingly insist on higher know-your-customer and money-laundering standards.

As a result, some ransomware negotiators remain nervous of any involvement with monero.

“If a client wants to do anything in a privacy coin, we don’t support it,” said Bill Siegel, chief executive of Coveware, one of the most popular ransom negotiator companies. “We understand what the attitude is from a regulatory standpoint and we want to be helpful to law enforcement.”

Weekly newsletter



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CHINA OPENLY VIOLATING U.S. SANCTIONS ON IRANIAN OIL, CHART

