

**FINANCIAL SERVICES AND GENERAL GOV-
ERNMENT APPROPRIATIONS FOR FISCAL
YEAR 2023**

TUESDAY, JUNE 14, 2022

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

The subcommittee met at 2:37 p.m., in room SD-138, Dirksen Senate Office Building, Hon. Chris Van Hollen (Chairman) presiding.

Present: Senators Van Hollen, Coons, Manchin, Hyde-Smith, and Boozman.

U.S. DEPARTMENT OF TREASURY

OPENING STATEMENT OF SENATOR CHRIS VAN HOLLEN

Senator VAN HOLLEN. All right. Good afternoon. The hearing will come to order. And I want to start by saying I am pleased to be joined by my Ranking Member, Senator Hyde-Smith, also just joined by Senator Manchin, and Senator Coons, I think will be returning soon. I want to welcome our witness, Deputy Secretary of the Treasury, Wally Adeyemo.

And Mr. Deputy Secretary, thank you so much for being here today and for your work at the Department of Treasury. This subcommittee oversees the annual budget for the Department of Treasury, including funding for the IRS.

Just a few months ago, our subcommittee provided the IRS with its largest funding increase in 20 years in order to cut down on the tax return processing backlog, which continues to need to be addressed and to improve service for working families. It was a big step forward.

We know that we need to continue that effort this year. For today's hearing, we are going to zero in on the budgets of two specific agencies within the Department of Treasury to help keep money out of the hands of terrorists, criminals, and other bad actors, and help to keep Americans safe.

The first is the Office of Terrorism and Financial Intelligence, also known as TFI. The second is the Financial Crimes Enforcement Network, also known as FinCEN. At the outset, I would like to cover the special importance of these two agencies to America's safety and security, and to the safety and security around the world.

The Office of Terrorism and Financial Intelligence has been cracking down on terrorist funding and financing for over a decade. The mission of TFI is simple, identify, disrupt, and disable criminals, terrorists, and other National Security threats to the United States and protect the U.S. financial systems from abuse by illicit actors. That work has taken center stage in the wake of Vladimir Putin's brutal invasion of Ukraine.

The men and women of TFI have been leading America's effort to implement our sweeping sanctions against Russia in concert with our allies. Because of the work of TFI and your colleagues at the Department of Commerce and State, we have made significant strides in cutting Russia off from the world financial system.

Hundreds of international companies have left Russia and the IMF projects that Russia's economy will shrink by more than 8 percent in the year 2022. But Mr. Deputy Secretary, we know you know that Vladimir Putin and his cronies will do everything in their power to evade the sanctions and to hold on to their ill-gotten gains, no matter the risk. Which is why the work of the second agency we are here to focus on, FinCEN, is more important than ever.

Since its creation in 1990, FinCEN has been dedicated to combating money laundering and safeguarding our financial system from abuse. That mission has gained fresh urgency as Russian entities and oligarchs attempt to evade America sanctions by laundering money and hiding their assets across the world. FinCEN is one of the main tools we have to stop that from happening.

So we can see how both TFI and FinCEN are working hand-in-hand to hold Russia to account. I am pleased and proud of the actions that Congress has taken to supply these agencies with additional resources that they need to do that job. The omnibus bill from fiscal year 2022 included \$44 million in emergency supplemental funding to help TFI and FinCEN respond to the situation in Ukraine.

And the Ukraine supplemental bill passed this April provided an additional \$23 million for FinCEN. That is on top of the \$20 million increase the subcommittee secured for the annual TFI budget and the \$48 million increase the subcommittee secured for the annual FinCEN budget. With those funds, Congress increased the budgets of TFI and FinCEN over fiscal year 2021 by 26 percent and 76 percent, respectively.

Today, I hope to hear more about how those monies are being put to use. I am proud of the work that the Department is doing and that you are doing, Mr. Deputy Secretary, to push back against Putin's brutal war, and I want to thank you for your leadership. You know as well as anybody that the fight is far from over.

And today, I look forward to discussing how we can strengthen sanctions against Russia, avoid leakage in our current sanctions, and ensure other countries and foreign companies are not taking advantage of the strong sanctions for their own financial gain and windfall. Unfortunately, we continue to see new reports every day of countries and companies that are not just maintaining but actually increasing their trade or economic relations with Russia, including increased imports of Russian oil.

We cannot stand by while these countries and foreign corporations engage in war profiteering that further lines Putin's pockets at the expense of everybody else. I think we need to be doing more in this area.

And as you know, Mr. Deputy Secretary, we are in the process of drafting legislation focused on secondary sanctions to provide additional muscle and ammunition to this effort. And we look forward to any input that you and your team have, not just today, but in the coming days.

These are important topics, and I know Russian sanctions have been front page news recently, but it is also a fact that TFI and FinCEN's work goes beyond Russia, it is worldwide, and I want to thank the men and women at these agencies for the work they are doing.

Just 2 years ago, Congress passed the Anti-Money Laundering Act of 2020, which requires FinCEN to establish uniform beneficial owner reporting requirements for corporations, limited liability companies, and other similar entities, and to develop a database so that information can be easily reported and shared with law enforcement.

The basic goal of that effort is to ensure who the real owners are often behind anonymous shell companies and prevent criminals and others from abusing U.S. corporations to launder their money and hide their ill-gotten gains. It is a major new undertaking, and the subcommittee provided FinCEN with an increase of \$34 million to your annual budget in the omnibus bill for fiscal year 2022 to address these responsibilities.

It was the right thing to do, but we all know our work is not over. We must continue to support funding for these agencies. And I and the Ranking Member have indicated to both TFI and FinCEN that they should let us know when they need additional resources.

And that is true as well for you, Mr. Deputy Secretary, and the Department. We have got a lot of work to do. Look forward to the discussion in this hearing. And let me now turn it over to the Ranking Member, Senator Hyde-Smith, for her opening statement.

OPENING STATEMENT OF SENATOR CINDY HYDE-SMITH

Senator HYDE-SMITH. Thank you, Mr. Chairman. And we are glad to have you back. Also welcome the Treasury Deputy Secretary to our hearing today, and I certainly enjoyed our conversation we had on the telephone. We look forward to your testimony this afternoon. And today, we will review the fiscal year 2023 budget request for the Treasury Department's Office of Terrorism and Financial Intelligence and the Financial Crimes Enforcement Network, two very critical areas that are very important.

Both offices play a crucial role in collecting and analyzing financial intelligence, as well as implementing U.S. sanctions. Treasury is requesting significant increases for these offices in fiscal year 2023 compared to the fiscal year 2022 enacted levels.

This additional funding would be on top of funding received from both of the Ukraine supplemental packages and I hope we hear more today about how these funds are being spent, particularly those that are used to counter Russian aggression. And you have

publicly stated that the overarching goal of the Administration's foreign policy strategy is to end the invasion in Ukraine, but right now it appears to be no end in sight, even after imposing hundreds of sanctions.

Several months after invading Ukraine, Vladimir Putin has not reversed course and even appears to have doubled down. It has become clear that the previously enacted sanctions have failed to make Putin feel the pain and that more must be done. I would like to reiterate my and the Committee's commitment to helping Ukraine and our NATO allies, and I look forward to hearing from you today about the proposed budgets and how we may actually stop Russian aggression that we all thought would only last a few days.

I cannot end without acknowledging record high inflation hard-working Americans are facing and the Treasury Department's repeated denial of the state of the economy. I hope today we can discuss the current economic outlook and the inflationary impacts of this Administration's spending and energy policies. Thank you, Mr. Chairman.

Senator VAN HOLLEN. Thank you, Senator. And as you can see, we don't have a court reporter in the room, but it is been a live stream. And I understand the court reporter is doing their job from offsite. With that, Mr. Deputy Secretary, welcome again and the floor is yours.

STATEMENT OF HON. WALLY ADEYEMO, DEPUTY SECRETARY, DEPARTMENT OF THE TREASURY

Mr. ADEYEMO. Well, let me start out by saying thank you, Mr. Chairman, and also to Senator Hyde-Smith for the time you took to speak with me yesterday, but also for your leadership of the subcommittee.

I recognize that the issues that you deal with in the subcommittee are important. They are both about the domestic economy, but also about our National Security. And I want to thank you and the Members of this Subcommittee for not only your leadership, but your support of the Treasury Department and for the funding that you provided both in the omnibus bill, but also in the supplemental legislation that has been passed over the course of this year.

And as you well know, we meet today at a moment of historic significance, facing the largest land war in Europe since World War II, as well as making progress in our fight against the public health and economic consequences of the most significant pandemic in more than 100 years.

The hardworking men and women of the Treasury Department play a central role in addressing these challenges. I want to thank these dedicated public servants for what they do every day to advance our mission of creating strong economic growth and strengthening our National Security across Administrations.

Over the past 6 months, Treasury has taken swift and bold action to hold Russia accountable for its brutal war of choice. We view sanctions in service of two objectives. First, denying the Kremlin access to the resources needed to prop up Russia's economy or invest in its military.

And second, degrading Russia's ability to project power. Sanctions fundamentally are a tool. They are a part of a larger foreign policy strategy. And as a tool, these sanctions have had an effect on Russia's economy. You need only listen to President Putin, or their central bank governor talk about how degraded their economy is and the fact that they are going to need to transform it in response to the sanctions that we have levied today.

But there isn't—but what we have made very clear is that as long as Russia's aggression continues in Ukraine, we are going to continue to take sanctions actions to further degrade their ability to fight the war in Ukraine, but also to project power into the future, and also trying to take steps that will deny them access to revenues that they can use to prop up their economy going forward or to continue to build out their military industrial complex.

This work is done primarily by individuals at the Treasury Department, both in our TFI unit, which is led by Brian Nelson, but also by the dedicated men of our Office of Foreign Assets Control, as well as FinCEN. In addition to the work that we do at Treasury, we have worked internationally to build up coalitions that have done things to not only implement our sanctions, but also go after sanctions evasion.

Efforts like the multilateral Russian elite's proxies and oligarchs task force have enabled us to identify and seize the assets of those supporting Putin and his war, even where those assets are hidden using novel and complex structures. These new actions and initiatives require substantial resources, from the personnel to conduct the analysis needed to target the right entities, to the technology and systems needed to mount a global response.

It is critical that the Treasury as a whole be properly resourced to carry out these responsibilities, and we are grateful for the funding that you have provided us over the course of the last year. But in order to continue this work into the future, the President's fiscal year 2023 budget request includes a \$49 million increase in funding for FinCEN to add personnel required to implement the Anti-Money Laundering Act and to continue to build the systems we need to track beneficial ownership and leverage that information to pursue critical National Security objectives.

Second, the fiscal year 2023 budget request includes an increase of \$50 million for the Treasury Department offices, and \$135 million for a system wide investment in cybersecurity. The budget also includes an increase of \$17 million for the Office of Terrorism and Financial Intelligence, which oversees our National Security priorities, as well as sanctions.

These funds will be used to add critical staff and make key investments in our classified information systems and other tools we use to execute U.S. sanctions policy. But of course, we know that fiscal resources are finite, and we do not ask for these funds lightly. As the Federal agency tasked with managing our national—Nation's finances, we at Treasury are acutely aware of the need to raise the revenues needed to fund our Government.

That is why we are asking Congress to properly fund the IRS and provide it with the resources needed to enforce our Nation's tax laws, especially against those who use tax shelters, loopholes,

and accounting tricks to starve our country of the fiscal resources needed to pay for our domestic and National Security priorities.

Today, economists estimate that more than \$160 billion is lost every year from taxes the wealthiest 1 percent of Americans choose not to pay. In total, we will lose approximately \$7 trillion in tax revenues over the next decade due to unpaid taxes. Unfortunately, it is easy to see how the situation developed.

The IRS budget has decreased by more than 15 percent in real terms over the last decade, and its workforce is roughly the same size as it was in 1974, even though the U.S. population has grown by 60 percent and the complexity of our economy has increased exponentially. Moreover, the IRS's technology is decades out of date, written in a programming language no longer taught, and incredibly expensive to maintain.

The master file that under-grounds the tax system dates back to the 1960s, when there was no Internet, no cell phones, and no spreadsheets or automatic payments. To begin to remedy this mismatch between the IRS responsibilities and its resources, the President's fiscal year 2023 budget request an increase in the IRS budget of 12 percent from total fiscal year 2022 enacted levels.

We want to thank this Committee for the increase that occurred last year, which was the largest increase in more than 20 years. But we recognize that more needs to be done to bring the IRS into the 21st century going forward.

And we know that working with you, Members of this Committee, we can do that in order to make sure that the money that we collect at the IRS can be used to fund the priorities we have, including our military, our infrastructure, and providing for our children.

I look forward to the conversation and the opportunity to answer your questions and work together to make sure that we address the Treasury Department's needs and our country's needs at large. Thank you.

Senator VAN HOLLEN. Well, thank you, Mr. Deputy Secretary. We are now going to start questions. We will start with 5 minute rounds. We may go to longer rounds later. And we are going to start with Senator Manchin. Senator Manchin.

Senator MANCHIN. Thank you for the consideration, Chairman. I thank you very much. I have to run to another committee meeting, but I would like to ask a question, a couple. The Financial Crimes Enforcement Network or FinCEN was first established by the Bank Secrecy Act in 1970.

Since that time, it has found a careful balance in successfully monitoring, prosecuting, money laundering and other major financial crimes while also maintaining the privacy that we need to feel safe entrusting our money to the American financial system.

Last year, I reintroduced my See Something, Say Something Act with Senator John Cornyn, which requires social media companies to report suspicious activity to law enforcement, similar to the way that the banks are required to report suspicious transactions over \$10,000 or others that might signal criminal activity.

It also creates an Office in the Department—DOJ, to act as a clearinghouse for these reports of major crimes, which is similar to FinCEN. So, given that my bill adopts the same approach as

FinCEN for Internet crime, what are some of the lessons that you have learned in information sharing that we could apply for sharing information about drug trafficking and other major crimes online?

Mr. ADEYEMO. Well Senator, let me start out by saying that we support the goal that you have outlined there. And I think some of the most important lessons that we have learned in terms of FinCEN is one around the idea of, as you put it, maintaining privacy, but also making sure that the information is available to law enforcement widely.

So the FinCEN database is available to more than 400 law enforcement entities throughout the country in order to help them connect the dots. Because ultimately the goal for FinCEN—

Senator MANCHIN. With that, what—sorry to interrupt you. With that, what are you all seeing in regards to terrorist financing through the social media and the dark web? Since you are sharing that information, what are you receiving back?

Mr. ADEYEMO. So, Senator, the place where we have the best insight is probably when it comes to the dark web. And I think that what we are seeing is that both criminals and those who—and terrorists and those who want to use illicit finance are trying to use every means to get around the formal financial system.

So the more that we can shine a light on these activities, the better we are able to protect our citizens against the activities that they are taking there.

Senator MANCHIN. That leads me right into the next one on cryptocurrency. So there is regulations for virtual currency. Many financial regulations can still be evaded if money is converted to crypto, as you know.

So my question would be, in addition to the aforementioned reporting, what is the Treasury doing to help account for the practice and be able to apply current financial regulations on cryptocurrency? And what would be your recommendations on putting guardrails on crypto?

Mr. ADEYEMO. Senator I think this is one of the places where I am increasingly focusing my attention, and I think there are some places where we are going to need to work with you in terms of legislation when it comes to crypto.

When it comes to illicit financing, I do think we have some rule-making authority around things like, how do we make sure that some un-hosted wallets are regulated, and we make sure that we extend a know your customer regime that currently exists for traditional banking sector to cryptocurrency.

In light of what they do, I think it is going to be important for us to think through this carefully, but we are going to need to do it in order—

Senator MANCHIN. But Treasury has always been pretty good at people, you know, find people illegally laundering money. We have had a pretty good network and be able to check that back. FBI has been pretty successful that.

Crypto has an awful lot of illicit applications, if you will, and there are people that have learned to use it very effectively. I am sure you all have been watching that to give us some recommendations on what you would suggest would be just adequate guardrails

that would protect the citizen but also bring it into mainstream currency. Do you believe there is going to be a mainstream currency?

Mr. ADEYEMO. Senator, I have my doubts that it will ever be a mainstream currency, but I do think that it is going to be used by all kinds of actors, including some people who want to illicitly move money. And I think one of the things that we have done so far is that we have sanctioned some of these crypto exchanges.

But I think going beyond sanctions, we do need to make sure that our regulatory rules expand in order to cover them. And where we find that we can expand our rules, we are going to want to work with you to design legislation that gives us more authority.

Senator MANCHIN. Thank you, Mr. Chairman. Appreciate it.

Senator VAN HOLLEN. Senator—Senator Hyde-Smith.

Senator HYDE-SMITH. Thank you, Mr. Chairman. And Mr. Adeyemo, as we have discussed, I remain really concerned about the number of employees on telework status, and it is the utmost importance that we bring these employees back to the office, as we discussed on the phone.

And it really leads from another incident that happened with another agency this week when I realized there are so many people at home and I have constituents tell me that no one is answering the phone in these other agencies. But what percentage of Treasury employees are currently teleworking? Does that include the IRS?

Mr. ADEYEMO. So, Senator, in terms of Treasury employees, at the moment, we have every employee has a plan—every employee at the Departmental offices is required to have a plan in terms of how often they will be in the Treasury Department.

Senator HYDE-SMITH. So how many are teleworking?

Mr. ADEYEMO. So Senator, I can't tell you today how many employees are in the office versus which ones are teleworking. But what I can tell you is that any employee that needs to be in the Department, anyone who works on National Security or anyone who needs to be in the office, is in the office.

What I can say is that before even the pandemic, a number of employees of the Treasury Department either had telework plans or work from alternative locations. For example, if you worked on IT, you didn't necessarily work in the Treasury Department building. Sometimes you worked in an offsite location.

But for example, anyone who is working on any of the National Security issues that we are discussing today, those individuals have to be in the office because you can't do that work from home. So they are there on a regular basis. Even before I came back to the Treasury Department last year, Treasury employees were coming back into the office.

For example, at the IRS, individuals who opened the mail, they came back to work, back to the office in July of 2020, long before we had a vaccine, and since then, they have been ramping up the number of people who have been in IRS offices throughout the country. In addition to those employees, we have employees who have been back since the summer of the pandemic helping to do things like print currency.

And today, our goal is to make sure that we are having every employee who needs to be in the office, in the office, and that we

are making sure that we are monitoring productivity. My goal is to try and optimize what we are getting out of our employees so that the employees we need in the office are in the office—

Senator HYDE-SMITH. Okay, my time is running a little short here, if you don't mind me interrupting you. And what was the pre-pandemic percentage of Treasury employees that teleworked? Before COVID and anybody had the need to do that, what was the percentage of your employees or the employees at the Department that were working from home before the pandemic? Not the ability to, but the ones that were doing it.

Mr. ADEYEMO. So Senator, I can get you that data, but I think that my understanding is less than 20 percent of employees were working from home before the pandemic. And today, I think that you probably find that we are in the same neighborhood in terms of people who full time work from home is probably still less than 20 percent of time.

We do have a number of employees who have hybrid schedules, who come into the office maybe 3 to 4 days a week and work from home maybe 1 day a week. But the thing that we have now that is better than before the pandemic is we have better technology that allows us to both make sure that they are fully engaged in their work, but also allows us to make sure that we don't need to request additional space.

Because one of the challenges we have at Treasury is that we have limited space. So by being able to have a bit of flexibility, we are also able to manage our space better so that we don't have to rent additional space.

Senator HYDE-SMITH. Do you intend for the Department to go full time, no one working from home unless it is absolutely necessary? Or do you continue to plan to have about 20 percent at home?

Mr. ADEYEMO. So, Senator, I don't have a target in terms of the percentage. My goal is to make sure that anyone we need in the office to do their job is in the office full time, and then for other employees to make sure that they are in the office as needed, partially because I think that from my standpoint, that gives us the flexibility to both optimize space, but also to optimize retention.

What we found was in some of the positions when we required them to be full time, for example, in some of the HR operational functions, we were losing some of those employees to places where they would have flexibility in their employment.

So if we had the ability to give flexibility because we don't need the person to be in the office, they are working in HR, they are working in IT and things where they don't need to interact with other employees, we may give them flexibility going forward. But my goal and the thing that I appreciate is making sure that when we need people in the office, we have them in the office full time.

Senator HYDE-SMITH. Well, I just feel the FT, when they fill out that application means full time and in the office for any Federal Government employee unless it is absolutely necessary that they are not there.

Because we just had a lot of issues with constituents in my office dealing with people who are not at work. And I just hope you have

got the controls in place to ensure that they are working when they are teleworking. And how do you monitor that?

Mr. ADEYEMO. So one of the things that we have had to do is do training with managers to make sure that they are monitoring employees who are working from home to ensure that they are working.

But in addition, one of the things that we did when we came into this Administration was we made investments in technologies like Zoom so that instead of just doing conference calls, we would be able to see people to make sure that when we are in meetings, we can see them in order to make sure that they are engaging.

If, Senator, there are issues that your constituents have with regard to Treasury employees, please feel free to bring them to me. But I think one of the things that we have been very focused on is making sure that we are training our managers to supervise employees who may be in the office 1 day, may not be in the office the next day in order to make sure that we are able to do things in a hybrid fashion.

I think that you are right that this is one of the challenges we face, but it is frankly a challenge that private—when I talk to CEOs, all of them are dealing with this as well in terms of how do I have a hybrid workforce, because that is the only way we are going to be able to recruit the talent that we need.

But I want to reassure you that for positions where people need to be in the office, we are requiring them to be in the office full time.

Senator HYDE-SMITH. But does that give the managers extra duty that they are having to spend extra time on it to go to this training and to spend the time to ensure they are working from home? Doesn't that make the manager have more responsibilities throughout the day?

Mr. ADEYEMO. My sense as a manager myself in the institution is that, no, I don't think it increases your duties. What it does is, for example, how do you run a hybrid meeting? And it is something that we have had to do regardless.

You are going to have to learn how to do regardless, because frankly, we never—at Treasury, all of the same people don't work in the same building. So if you are a manager, you may be managing people who work in main Treasury, but they may also have employees who work in West Virginia or work out of State or work in a foreign country if you are working international sections.

So you have had to do this work already in terms of having to deal with some employees who are sitting in front of you, and some employees were sitting in different offices. Now, instead of sitting in a different office, they may be sitting in their home. But ultimately, the type of responsibilities are the same. We have increased the training because now we have new technology that is helping to make that easier to do.

For example, you are not just talking to them on the phone anymore. Now you are able to talk to them on Zoom or use other products. But ultimately, these are the type of responsibilities that if you are a manager in a global business or in a global—in a global Federal agency like the Treasury Department, you are going to need in order to advance.

Senator HYDE-SMITH. Okay. One last thing. So you are telling me that about 20 percent were working from home before the pandemic and you have got about 20 percent that are currently working from home now, is that correct?

Mr. ADEYEMO. So, Senator, I want to get you the precise number. Please give me time to come back to you. That is what I believe—that is where I would estimate it to be. But I want to make sure that I give you precision on that. And I am committed to coming back to you with that after this hearing.

Senator HYDE-SMITH. Thank you.

Senator VAN HOLLEN. Thank you, Senator. And the Ranking Member anticipated the fact I was going to go to 8 minute rounds next. And so we will do that back and forth just so that we can get into some in-depth questioning, which I think is helpful. Mr. Deputy Secretary, as you know, in order to ensure that Putin's invasion of Ukraine is seen as a strategic failure by history, we are going to require a sustained effort.

And that means making sure that Ukrainians have the military support they need, and it also means making sure we have an effective sanctions regime. So I want to cover a couple areas where I am very worried about leakage in sanctions. Some of the—we don't have secondary sanctions in place right now for the most part, but it seems to me we want to explore that option going forward.

So I want to start with military, supporting countries or entities around the world that may be supporting the Russian military. You, at the Department of Treasury, have already applied a list of sanctions. As we gather here today, do you know of any countries or companies, foreign companies that are violating our sanctions regime with respect to support of the Russian military?

Mr. ADEYEMO. Senator, as I sit here in front of you today, I can't speak to any companies that I know of that are wittingly assisting Russia in violating our sanctions regime. But what I do know is that Russia is attempting to find ways around our sanctions regime by setting up trusts and proxy companies that would allow them to purchase the things that they are not allowed to purchase legitimately.

Senator VAN HOLLEN. So as of today, you don't know, for example, whether any Chinese entities are supplying Russia with weapons systems or components that are sanctioned by the United States?

Mr. ADEYEMO. No, I don't.

Senator VAN HOLLEN. And I understand that we need to, you know, track the efforts by the Russian military to set up, you know, front groups and other entities to disguise their efforts. The Department of Commerce, of course, also has a list of components that we are preventing the export to Russia of, and that has a sort of long arm impact.

And I saw in June that they would put together an expanded entities list of companies, countries that would be barred from export of certain U.S. origin items. Does the Department of Commerce have any authorities, or do you have any role in implementing the Department of Commerce's sanctions, or is that done strictly through the Department of Commerce and DOJ?

Mr. ADEYEMO. So, Senator, that is done by the Department of Commerce, and I believe with assistance from DOJ. But in lots of circumstances, what we have done is work together with Commerce to figure out where export controls can play a role and where sanctions can play a complementary role. So if they put something on the export list, we may also go out and sanction companies that produce that thing in order to make sure that we help best address evasion.

Senator VAN HOLLEN. All right. Let me turn now to the energy sector, because, as you know, energy exports represent a large part of the Russian economy. Do you have a ballpark figure of what portion of the Russian economy is reflected in those exports, coal, gas, oil?

Mr. ADEYEMO. So in terms of Russian exports, the vast majority of them come from commodities, Senator.

Senator VAN HOLLEN. So we, of course, in the United States have now, you know, borrowed our—we are not importing Russian oil. We know that the EU is working diligently, I believe, toward trying to phase out their dependence on Russian oil. We need to move on the gas front as well.

But there are countries that are not only continuing to maintain imports of Russian oil at the levels they were before the war but are increasing their overall imports of Russian oil. Can you talk about some of the countries that are at the top of that list?

Mr. ADEYEMO. So, Senator, it is—one of the challenges we have is that we don't have direct data in terms of what this looks like because a great deal of the oil is sent in means that don't allow us to produce it. But we know that the data we have seen is that countries that have traditionally imported a great deal of Russian oil include Europe, but also China, India, Japan, and South Korea, and Turkey.

Senator VAN HOLLEN. Right. But I am looking specifically at countries that have increased their volume of oil imports from Russia. And as I look at the list, China is on the list, India is on the list. Maybe a few other countries are on the list. Do you know of any other countries that have increased their volume of imports of Russian oil since the war began?

Mr. ADEYEMO. No, I don't. Senator.

Senator VAN HOLLEN. Okay. And would you agree that those countries that have increased their volume of imports of Russian oil are, in a sense, engaging in war profiteering? That they are benefiting from the fact that countries like our EU partners have reduced their imports of Russian oil.

Mr. ADEYEMO. So, Senator, I think part of what we—so, I think that what I would say is that right now we are in a place where what our goal has got to be is to find ways to limit the amount of revenue that Russia is making off the sale of its oil, partially because one of the challenges with oil is that you don't always know where it is coming from.

So there may be—some of these countries may be aware that the oil that they are getting is directly from Russia. But what we have seen in the context of other sanctions programs is that countries do, once sanctions extend to energy, they try and disguise where the energy is coming from.

So the thing that I am increasingly focused on is what can we do not only to stop Russian oil from flowing to our country and to other countries that are in our alliance, but as it continues to flow, how do we reduce the revenue that Russia is making?

What we know today is that Russia is selling less oil in terms of per barrel than they were before the invasion. But because of the increase in price, they may be making more profit. So the goal for us is really to reduce that revenue level even as countries may purchase Russian oil going forward.

Senator VAN HOLLEN. So how do you do that, right. I mean, can you talk about your plan? Because, you know, right now we have a situation, whereas I indicated, and there is plenty of public reporting on countries that have increased their imports of Russian oil since the war began, and they are buying it at a discount, right.

So, you know, consumers in that country are benefiting from the discounted oil prices, while consumers in other countries that are not importing as much Russian oil compared to their pre-war levels are seeing higher prices.

How can we make sure that some consumers around the world aren't benefiting getting a windfall from reduced prices of Russian oil while others are paying more? How do we do that?

Mr. ADEYEMO. Yes, I think, Senator, the challenge, of course, is that while they are paying a discount, the truth is that they are paying more today from Russian oil than Russia is making off of their oil before the invasion because the price of oil in general has went up. So one of the things that we need to do is increase production, which is something we have been focused on.

But I think that there are a number of options in terms of reducing Russia's revenue. There are things like introducing a price cap, which has been talked about in the academic literature in terms of a price cap, in terms of how much can be paid for Russian oil. There is also the idea of over time limiting the amount of Russian oil that can be sold.

But all of this from our standpoint, the chief objectives that we have are, one, celebrating the fact that Europe has taken this important step in their six package to limit their dependence on Russian oil. Number two is, what can we do to limit the amount of revenue that Russia is making?

And our final goal is making sure that we don't spike the price of oil overall in order to make sure that our consumers don't bear the cost of what we are doing here. And I think there are ways for us to do that in terms of looking at things like potential capping the price of Russian oil going forward, or over a period of time, reducing the amount of Russian oil that is able to be sold.

But we want to make sure we do that in a manner that is consistent with our allies and partners. I think the fact that Europe is taking this important step over the next several months is going to put us in a position to make sure that Russia can't use oil as a strategic weapon against Europe going forward.

Senator VAN HOLLEN. Thank you. Senator Boozman.

Senator BOOZMAN. Thank you, Mr. Chairman. Thank you, Ranking Member—I got to get situated—Hyde-Smith, for having this hearing. Thank you, Mr. Secretary, for being here. I would like to start by asking you a few questions about beneficial ownership and

FinCEN rulemaking. As I am sure you would agree, complex definitions of beneficial ownership will be hard for small businesses to implement. Is this something FinCEN is considering in its rulemaking?

Mr. ADEYEMO. Senator, yes, it is top of mind for us in the rulemaking is making sure that we in term—we think about the regulatory burden on small businesses all over the country.

Senator BOOZMAN. Very good. Will FinCEN work to more closely align the beneficial ownership definitions with those that currently exist and that businesses already have experience providing information on?

Mr. ADEYEMO. Yes. Yes, Senator. And I know that we, as you know, we put out a proposed rule. And as part of that, we received comments from small businesses and their associations. And we are currently considering those because we want to make sure that the final rule addresses some of these comments that we have received.

Senator BOOZMAN. Very good. Also, will you work to minimize the reporting burdens on small businesses by allowing financial institutions to rely on the registry for their beneficial owner collection and verification requirement?

Mr. ADEYEMO. So, Senator, we share that—we share your goal in terms of reducing the burden. I think that there is one rulemaking that we have already done. The second one is around CCD—CDD.

And I think we want to make sure that we align those as closely as possible, but we are still going through the rulemaking process. But I can tell you that we share the goal in terms of making sure that people don't have to report numerous times the same information or slightly different information going forward.

Senator BOOZMAN. Good. Thank you. Let's talk a little bit about the Treasury market. As you know, the Treasury market has been described as the biggest, deepest, and most essential bond market on the planet.

Historically, investors view treasuries as risk free or near cash assets and safe havens during market crisis. However, the resiliency of the Treasury markets has been called into question by recent disruption events in which market price volatility increased and the amount of available liquidity decreased.

As a result, some market observers have called for structural and regulatory changes to enhance the capacity and resiliency in the market. While the Treasury Department continues to study possible reforms, it is important to ensure that reforms do not harm the market and do not cause unintended ancillary effects.

I believe that any proposals or recommendations on any structural regulatory changes should be vetted and supported by investors. In that light, where is the Department in its review of Treasury market structure? Do you expect to put out reforms or recommendations? And if so, how far are you in the process?

Mr. ADEYEMO. Senator, to your point, I agree that we want to make sure that we consult with stakeholders as we think through these reforms. That is why we announced recently that we are going to put out a request for information which will give the private sector and other stakeholders an opportunity to provide us with advice as we think through our reform agenda going forward.

Late last year, we put out a framework in terms of the areas that we are looking to focus on with regard to reform, with the idea being that you are right, that the Treasury markets are the deepest, most liquid in the world.

The United States takes a great deal of benefit from this. And what we want to do is make sure that the reforms we make will only strengthen those markets. And in order to do that, we want to make sure that we rely on information from market participants as we go forward.

Senator BOOZMAN. Do you have any ideas how you will actually get the views of the investors?

Mr. ADEYEMO. Yes, Senator. I think one of the things we are going to do is that we are going to put out a request for information where they can formally provide us with detailed feedback in terms of how they think we should think about reform through an open process that they can formally use.

But in addition to doing that, we are, of course, speaking to market participants on a regular basis to hear from them in terms of the reform agenda as well, and working closely with the regulators as well.

Senator BOOZMAN. Very good. I also wanted to touch on anti-money laundering, AML. As you know, FinCEN recently issued an RFI reviewing AML regulations and guidance under Section 6216 of the Anti-Money Laundering Act.

What are your intended steps, and can you preview some of the proposals you will be making in your Congressional report to eliminate outdated, redundant, or non-risk based AML expectations?

Mr. ADEYEMO. So, Senator, I think part of our goal here is to implement what U.S. Congress passed as part of the in terms of the anti-money laundering and beneficial ownership laws. But as we do that, to also step back and to think through now that we are building out this regime, which is going to allow us to be comprehensive, what does it allow us to do in terms of eliminating some of the things that we have done previously as stopgaps?

And what we are hoping to do is that as we build—we have at the moment two more—we are going to put out a final rule with regard to the beneficial ownership rule we were talking about earlier. And we are also going to put out information in terms of how we are going to build out the database. And I hope that at that point it will put us in a position where we can look back and say, based on this, how do we think through our regulatory approach going forward?

We look forward to working with you and the Committee on this and providing greater information to industry and to stakeholders in terms of what this will look like going forward once we have completed the rule makings regarding beneficial ownership.

Senator BOOZMAN. Very good. I am also concerned about potential rule makings around artificial intelligence in the insurance industry. As I am sure you know, is used in insurance to price risk, manage operations more efficiently, and detect and predict fraud.

All of these are aimed at inclusivity in the market and work in tandem with the use of actuarial risk based pricing, and ensures all policyholders are paying the lowest possible premium. Further, since AI affects a consumer's insurance coverage, insurers are al-

ready highly regulated and are obligated to explain and justify decisions to customers.

Significantly, the EU is currently in the process of finding finalizing a regulation designed to harmonize rules on AI. According to the EU, the purpose of the regulation is to improve the functioning of the internal market by laying down a uniform legal framework for the development, marketing, and use of AI in conformity with EU values.

My concern is that creating new regulations for AI used by insurers who are already subject to regulatory frameworks which address the concerns would lead to regulatory duplication that ultimately hurts policyholders. I guess the question is, does Treasury have any plans to engage with the EU on this topic?

Mr. ADEYEMO. So Senator, this is a topic that I am not familiar with, but now that you have raised it, I am committed to going back to my staff and talking about it and finding out where we are with regard to the EU, and then we will follow up with you.

Senator BOOZMAN. Well, based on your answers to the other questions and the good job you have been doing, I am surprised that we caught you in one that you didn't have any knowledge of.

Mr. ADEYEMO. Well, I appreciate you bringing it up to me, because it does sound like an important issue and one that I will pay attention to and come back to you shortly on.

Senator BOOZMAN. No, we appreciate that. Thank you, Mr. Chairman.

Senator VAN HOLLEN. Thank you, Senator. And thank you, Mr. Deputy Secretary. I want to push you a little bit more where we left off in our question with respect to Russian oil revenues. I am looking at a piece that was in The New York Times yesterday titled, Russia's Oil Revenue Soars Despite Sanctions Study Finds.

And they cite a study from the Center for Research on Energy and Clean Air out of Helsinki, Finland, that points out that while the EU reduced its imports of Russian crude by 18 percent in May, that dip was made up by India and the United Arab Emirates, leading to no net change in Russia's oil export volumes.

And they point out that China continues to be the largest importer of Russian fossil fuels overall over the 100 day period they looked at. And as you know, Secretary Yellen has been talking about this idea that you referenced today about essentially, you know, countries forming a bloc that would negotiate, demand a price reduction in Russian oil, because right now we have the totally unfair situation where some countries are getting bargain prices by increasing their volumes and helping offset the pressure on Russia that the EU and others have put in place.

So could you just talk a little bit more about how this design would work? Because we need to figure this out pretty quickly. And if not, we are going to have to be applying secondary sanctions and maybe having to apply secondary sanctions as part of getting more countries on board. Can you just spell out in a little more detail what you are thinking of at the Department?

Mr. ADEYEMO. Yes, I am happy to do that, Senator. I think part of this I will reserve for maybe a classified setting, but I am happy to talk to you about this in detail. But I think part of the goal here

is that fundamentally at the moment, as you know, energy prices are far higher post-invasion than before invasion.

And even if you are buying Russian crude at a discount, the price you are paying for Russian crude today is higher than you paid pre-invasion. So even there, if there is a discount, the truth is that Russia is making more today off of crude than they were pre-invasion.

And our analysis at least tells us this is slightly different than what you have seen in The New York Times, that Russia is probably not producing as much crude as they were pre-invasion, but they are potentially making more resources—more revenues because they are selling at a higher price.

So the goal is to make sure that you reduce the price that they are able to gain from selling their crude going forward by working with other countries to agree to a certain level that you will pay for Russian crude going forward.

It really is trying to make sure that you are in a place where Russia is not benefiting from the fact that because of their invasion of Ukraine, prices of not only Russian crude, but crude in general have gone up.

This is something that we are talking about with our allies and partners. And I think I am happy to brief you in more detail about in terms of where those conversations stand in a classified setting.

Senator VAN HOLLEN. Okay. Let me turn to the sanctions that we have imposed on Russian oligarchs who have been complicit with Putin and other corrupt actors. And as you know, this is also an area where sanctions are only as effective as our ability to stop those oligarchs from being able to hide their assets in other places. Sometimes they do it surreptitiously.

Sometimes they do it in countries that are willing to look the other way. Can you talk a little bit more about that effort? To my knowledge, we have not imposed any secondary sanctions on any other countries or entities. I know we have given some warnings, but I continue to read about circumvention.

In fact, you were yourself quoted in the May 13 New York Times piece saying that you have seen a number of Russian yachts move from ports in countries that have extended sanctions to countries that haven't.

And that same article mentioned the UAE, especially Dubai, as one of these destination points. What are we doing to make sure that we are having an effective sanctions regime on oligarchs who can, you know, take their yacht from port to port?

Mr. ADEYEMO. And Senator, what I will do is I will make sure we send this to you. But a few weeks ago, we actually put sanctions on a yacht servicing company. So this was us using the material support provision of our sanctions to go after a company that we found that was providing material support to the yachts of those who had already been sanctioned.

So we have actually went after companies in third countries where we have seen them providing material support to those who have been sanctioned, using our—using the sanctions authority that has been given to us by Congress and by the President.

I think what we have been trying to do, in addition to using our material support provision, is building a coalition with other coun-

tries that will not only be in a position to freeze some of these assets, but actually to seize them going forward. And we have seen the seizure of a number of property tied to many of these Russian elites, not only here in the United States, but around the world, which is different in kind than what we have seen in other sanctions programs.

And our goal here is to make sure that we strengthen this coalition so that it is not just our traditional allies, but we also have partners that are joining us in this effort so that these Russian elites know that there is not a place where they can hide their assets outside of the realm of the sanctions that we and 29 other countries have implemented.

So we have already started to take action in third countries. We are planning to take more. Part of our goal is to have conversations with not only financial institutions, because I think what we have found is that financial institutions understand the scope of our sanctions. We haven't largely seen financial institutions that have been willing to do business with individuals or entities that have been sanctioned.

But when it comes to other companies in an economy, be it companies that help service yachts or planes or deal in real estate that aren't as familiar with our sanctions regime, that is the place where we have had to act, and we have had to spend time with authorities and also with those companies to explain to them that ultimately the providing material support to an individual or an entity that has been sanctioned could make you subject to sanction.

And we have used that authority already in third countries, and we think that doing that has sent a clear message to these companies that ultimately, if you provide material support, no matter where you are, we are going to be willing to use our sanctions authority to go after you.

Senator VAN HOLLEN. All right. I look forward to following up with you and your team. I am about to turn to another category of questions, so why don't I—Senator Hyde-Smith, I don't—let me turn it over to you. I don't know if you have another round of—

Senator HYDE-SMITH. I do.

Senator VAN HOLLEN. Absolutely.

Senator HYDE-SMITH. Thank you very much. Let's talk about the Bank Enterprise Program. It is pretty popular in Mississippi, and it is well received by local banks and credit unions because it allows them to leverage their own assets to invest in the small businesses and the startups, which gives them the ability to support job creation and retention in areas that really need it in a lot of States.

But I was really disappointed to see that the budget cuts from the Bank Enterprise Program by \$11 million from the fiscal year 2022 enacted level. What were the reasons for these cuts?

Mr. ADEYEMO. Senator, let me start out by sharing your commitment to these communities where the Bank Enterprise Program has been effective in helping. And I think what we are trying to do is figure out where we can most effectively put the limited dollars that we have available to have the impact that we both care about.

As you know well, in many of these communities, you have CDFIs and MDIs that are also doing business there. And what we have done, based on the funding that Congress provided us, is provide a great deal of capital to these institutions. So more than 9—about \$9 billion of capital through the Emergency Capital Investment Program went to CDFIs over the course of this year that we have placed in them.

In order to make sure that that money is invested well, we have asked for additional money for the CDFI program to help monitor but also provide resources to those institutions. I think I am happy to talk to you about how we are thinking about this, but I think our goal largely is to make sure that we are building up an ecosystem there that is based on providing resources to those lenders, then also ensuring that we have provided support to them.

So it wasn't—our goal is not to step away from these communities, but rather to try to most effectively to provide funding to them going forward.

Senator HYDE-SMITH. So I think he just answered the program is oversubscribed compared to other programs because it is so popular. But how do you intend to support investments in economically distressed areas with reduced funding? I mean, you are saying you are going in another direction and how do you expect that to compensate?

Mr. ADEYEMO. Well, Senator, I think our goal is to make sure that on top of the public money that Congress has provided to these communities, that we attract private money as well. So the—our goal, similar to what we are doing with the Small Business Credit Initiative, is to make sure that we attract private investment into these communities, because we know that that is the sustain—is a sustainable way to make sure that they have the access, the resources they need.

We think that we have a real opportunity to do that, working closely through our CDFI office with the money that you have already provided. And that is what we would want to do here, is to ensure that in areas where there is a need for additional capital because all these programs are oversubscribed, that we would work to attract private capital.

Senator HYDE-SMITH. And what is the status of the 2022 grants right now?

Mr. ADEYEMO. Senator, I would have to get the team to provide you with an update on where we are in the grant making process at the moment, but we haven't completed it. But I am happy to get you—to provide you with an update after this hearing.

Senator HYDE-SMITH. Has it been implemented well, or I mean, do you have any idea if it has been beneficial or—?

Mr. ADEYEMO. So my view is that, as you know well, this is a program that has been very popular and has been implemented well by staff across Administrations, and that continues to be the case. I think my overarching goal is to make sure that across the suite of programs that Congress has authorized, we take your resources, and we try and find creative and interesting ways to try and pull the private sector in as well to crowd in private capital.

Because ultimately, what we know about these communities where we have these programs right now is that they have unfortu-

nately been starved of the type of private capital that is needed to building housing, to starting small businesses, to making sure that those small businesses can thrive.

So a big push from my standpoint, from Secretary Yellen's standpoint, is what can we do to take the resources you have provided and use them in a way that attracts private capital to join them in a way that is sustainable over time?

Senator HYDE-SMITH. And the—one other thing I wanted to talk about was the, in February, Treasury received the \$61 million in the supplemental funding to address the war in Ukraine and the Russian invasion. About a month ago, an additional \$52 million was provided to the Treasury in the second Ukraine supplemental appropriations package. So how much of these funds right now have been obligated?

Mr. ADEYEMO. So, Senator, I don't have the precise number in terms of the obligated amount today, but I am happy to get that to you. But I can tell you that money has been used. We have done really two things with that funding. One, is invest in additional personnel, and two, is invest in technology.

On the personnel front, one of the things that we have needed is additional people to help, not just in the traditional areas where we have dealt with sanctions in the past but given the complexity of Russia's economy and how interconnected it is with the global economy, we need additional staff in places like economic policy to help us do economic analysis on how we can better target Russia's economy while mitigating the impact on our economy.

Given how interconnected Russia is to the financial system, we have needed additional resources in domestic finance so we can understand the interconnections between Russia's financial system and our own financial system.

When it comes to technology, a big deal—a great deal of what we have had to do is invest in technology in places like FinCEN, because one of the things we want to make sure is that the information that we are collecting on Russia and on the illicit behavior that they are conducting is analyzed and provided to law enforcement in our country, but also to our partners around the world.

So we have made huge investments both in personnel and in technology, in order to put us in a position to better address what is happening in Russia, Ukraine, and also in prosecuting some of the criminal enterprises that we are seeing develop around this.

As I mentioned earlier, one of the things that Russians have perfected in terms of evading our sanctions is setting up proxies and trust companies that allow them to get around our sanctions, and that is around the world. So we are doing everything we can to go after those as well.

Senator HYDE-SMITH. So you have done a lot. So would you think that over 50 percent have been allocated—obligated so far?

Mr. ADEYEMO. So, Senator, I think—I want to make sure that I come back to you with a precise number in terms of how much has been obligated. But I do know that one of the things that we have been focused on is both getting the technology in place as fast as possible and hiring people as quickly as possible. In terms of when that has gone from being in the budget to actually being obligated, I want to get you precise numbers.

Senator HYDE-SMITH. Thank you.

Senator VAN HOLLEN. Thank you, Senator. Mr. Deputy Secretary, we have talked a little bit in this hearing about the updated Corporate Transparency Act, as well as the broader Anti-Money Laundering Act, which I think are important authorities and tighten the regime that we have to prevent people from anonymous ownership of different companies in the United States.

But I am concerned about what I see as a loophole in that overall architecture with respect to private investment companies like hedge funds who are exempt from reporting information on the identity of their clients, as we require for banks, mutual funds, and other parts, other segments of the financial sector.

As I understand it in any way, under current law, a hedge fund manager can manage large sums of money without knowing the real identity of their investors, which would allow corrupt actors to evade sanctions.

My understanding is the Department of Treasury has authority to require these private entities to report on the identity of their clients. Let me first ask if that is your understanding. Do you have that authority?

Mr. ADEYEMO. So Senator, my understanding is that in the legislation, Congress did provide an exception for certain businesses. I think the scope of that exemption is something that we are still working through in terms of the rule writing process.

My goal, of course, is to try and cover as much of the world as possible with regard to the beneficial ownership rule, because the last thing we want is to create avenues for illicit money to flow. But I don't want to get ahead of the rulemaking process. What I can commit to you is that we are going to be as expansive as we are legally permitted to do.

And if we find that ultimately we can't get at some of the companies that exist in our ecosystem, and we think that there is—that that is a place where illicit money might flow, we will come back to Congress and request that you take additional action.

Senator VAN HOLLEN. Well, let me ask you, how do we know? Do we have any idea what the magnitude of this loophole might be?

Mr. ADEYEMO. So, I think the real question, Senator, is how broadly can we define—how broadly are we legally permitted to define this? And then the question becomes, how big is the ecosystem that exists outside? It is going to be hard to know how much illegal money is flowing into that part of the economy. And the thing that we also know is that, if there are things that aren't covered by the beneficial ownership rule making, it is more likely that illicit finance will flow in that direction.

So we are going to be in a place where, no matter what, I think we are going to need to come back to you as we see this develop to talk to you about whether we are going to have to further change the rule. And if we don't have the ability to change the law because we lack the legal authority, what additional legal authority that we need.

But what I can say is that because of the legislation that you have passed, we are in a better position to make sure that we root out illicit finance within our country. But we also know based on other countries that have put in place beneficial ownership sys-

tems, is that at the edges where the rulemaking doesn't allow you to go is where illicit finance will start to flow. So we are going to need to think about this in multiple approaches.

One is finalizing the rule based on the authority that Congress has already given us, and then seeing if we have the ability to use other rulemaking authorities to get at places where we see potentially illicit finance flowing. And if we don't, coming back to you and the members in terms of getting additional authorities.

Senator VAN HOLLEN. No, I appreciate that, right. Because you can shut one door and just opens the other door. And as you point out, if you are an illicit actor, you are going to look for the other open door and push on that.

Can you give us an idea, your timeline here in terms of the rule and your determination of the extent of your authorities under existing law and what other authorities, if any, you may need? Your timeline there.

Mr. ADEYEMO. As you would expect, our notice of proposed rulemaking, we got a lot of comments from industry and our goal is to make sure that we carefully consider each one of those as we finish up the rulemaking.

I have asked the staff to complete the rulemaking as soon as possible, with my hope being that before the end of this year that we will finalize the rule. But we also, as you know, have a number of other rule makings tied to setting up the beneficial ownership system. They are also looking to complete as quickly as possible as well.

Senator VAN HOLLEN. Thank you. In December, Secretary Yellen also, as she was discussing the updated CDA—CTA said, and I quote, "we are also ensuring a similar principle applies to real estate because many corrupt actors can hide their money in Miami or Central Park's skyscrapers the same way they do in shell companies."

What actions are you taking? Is that part of the rulemaking or is that a separate effort with respect to making sure that real estate companies are not used as conduits for any illicit financing?

Mr. ADEYEMO. So it is both related but also separate in terms of the way we are thinking about this. And I think that our view is that we need to make sure that, and this speaks to the conversation we are just having, that people can't find other avenues for illicitly storing resources.

And we know that real estate is a place where a number of people have bought in the past. And we want to make sure that both in terms of as we are thinking about beneficial ownership at large, we are doing everything we can in terms of rulemaking to prevent that from being a place where illicit finance can live in this country.

Senator VAN HOLLEN. So in this category of questions, there is just one final question, which is that, is there a feedback mechanism between FinCEN and law enforcement that lets you and the folks at FinCEN know the extent to which the information they are providing is being useful and actionable.

Because obviously we are, you know, providing additional resources, as Senator Hyde-Smith mentioned, to—for the reporting mechanism. It would be, I think, important to have some back and

forth so that we can be assured that the information that is being gathered is actually being put to effective use.

Mr. ADEYEMO. And I think, Senator, my—the best example of this, I think, is the repo task force, which I mentioned earlier. The repo task force, as you know, was established both by Secretary Yellen and the Attorney General.

And we work very closely with the Department of Justice with regard to the repo task force and share the data and information that is coming in from FinCEN and from Treasury closely with DOJ. And it has helped in terms of helping take some of the actions that we have already taken, but also in terms of building cases.

So I think the best example of the impact of the funding that you have already provided is some of the law enforcement cases that have already taken place, but also some of the law enforcement cases that are being developed today. Ultimately, the goal for us is to make sure that we have this information in order to both help our National Security agencies, but also our law enforcement agencies going forward.

And I think if you speak to them, they have found the information that FinCEN has provided, as well as OFAC, has provided quite useful in terms of thinking about how we can use our criminal authorities going forward. And the final thing that I mention is that one of the things that we have been able to do through the repo task force is improve information sharing among some of our closest allies.

It had existed long before Russia's invasion of Ukraine, but I think that the attention that Congress has put on this, as well as the importance of this issue, has allowed us to strengthen those information exchanges so that we are in a place where the information we have here in the United States is being shared with our allies and partners.

But in addition to that, we are getting and requesting more information from them in order to get a holistic picture as to how Russian elites and oligarchs are attempting to hide their wealth, not just here in the United States, but around the world.

Senator VAN HOLLEN. Thank you. Senator Hyde-Smith.

Senator HYDE-SMITH. Continuing somewhat on that, can cryptocurrencies like Bitcoin, can that be used to evade Russian sanctions?

Mr. ADEYEMO. So, Senator, I think that what we found is that those who are looking to use any means can find a way to use cash, can use cryptocurrencies to try and evade Russian sanctions. What I can say is to date we haven't seen this to be a main route of evasion.

But what we do know is that Russia itself is a—has been a host to a number of cyber criminals who have been using cryptocurrencies as a means to further their criminal enterprises.

That is why we have used sanctions authorities to go after exchanges that exist in Russia. And we are committed to continuing to do so where we see illicit finance, where people are attempting to use crypto to evade our sanctions.

Senator HYDE-SMITH. Have you seized any crypto assets?

Mr. ADEYEMO. Oh, we have not—we have frozen exchanges and we have went—we have used our sanction authority against exchanges. But in terms of seizure at the Treasury Department, we, of course, have the right to freeze things, Senator, but we don't have the right at Treasury to seize things.

Senator HYDE-SMITH. And are you worried about the overuse of sanctions?

Mr. ADEYEMO. I am, Senator. And I think one of the things that I did before the Russia, Ukraine—Russia invaded Ukraine was Secretary Yellen asked me to do a review of the use of sanctions, and I conducted a review of the sanctions use from after 911 to this year. And I am happy to provide that information to you.

But one of the things—many of the findings of that review have influenced the way that we have used sanctions with regard to Russia, Ukraine. And in the United States alone, we have placed a thousand sanctions on Russian entities and individuals over the course of Russia's invasion.

I think one of the most important things we learned from the review was that sanctions were best placed when we did them in a multilateral fashion for a number of reasons, one being they had much more of an economic effect, and that is what we are seeing in Russia today. But it also meant that by doing it that way, you also had a bigger political effect, and you protected the U.S. economy from taking on—taking this on its own.

So one of the things we have done at the President's direction is make sure that we do everything as much as possible in a multilateral way. The second point was that we wanted to make sure that we did serious analysis before we put sanctions in place, so we understand the economic consequences on the target, but also the economic downsides on the United States.

And I want to thank you and the Members of this Committee for the money you provided in the supplemental, because that has helped us greatly to get the type of people into Treasury that have helped us through from economic policy to international affairs to domestic finance, to do a more robust economic analysis as we have put sanctions in place against Russia.

In addition to doing that, there is a number of other steps that we are taking based on that sanctions review to ensure that we don't, to your point—or we use sanctions in a way that is the most effective without overusing them.

Senator HYDE-SMITH. And can you specifically tell us how Russia's economy, how it has affected it or how it has changed since Treasury's sanctions were imposed? What is the condition of their economy right now because of this?

Mr. ADEYEMO. To put it simply, Senator, the economy is smaller today than when they started the invasion of Ukraine because of our sanctions. And it is getting smaller every day. And it is also becoming harder for Russia to produce the things that it needs for its military, but also for its economy.

Today, Russia—two of Russia's top tank producers, are not operating because of our sanctions and export controls. We know that it is harder for them to produce the missiles that they need to continue the war in Ukraine, but also to project power into the future.

The Kremlin has been forced to introduce economic stimulus to help both their pensioners, but also others in the economy who are suffering.

But the thing that we want to make clear to the Kremlin is that as long as the invasion of Ukraine continues, we are going to continue to use sanctions and export controls to constrain their ability to prop up their economy and to invest in their military going forward. And we continue to have a number of ways to do that in partnership with our allies and partners.

Senator HYDE-SMITH. And as horrible as this invasion has been and as many people that have lost lives there, why has the Treasury and the Administration not imposed a full trade embargo yet to force Putin's hand?

Mr. ADEYEMO. So, Senator, there is actually very little trade between the United States and Russia. We are not a major trading partner of the Russian Federation. The biggest trading partner for Russia is Europe. China is also a major trading partner. So what we have done is that we have taken significant actions here in the United States.

For example, the President announced a ban on Russian energy coming into the United States. Europe is taking the steps to do that as well as they work towards energy independence.

And our goal ultimately is to try and find additional ways to constrain Russia's economy going forward by going after the key inputs to their economy and the things that they need to prop up the economy and also to continue to build out their military industrial complex. And the best way to do that is to do that in collaboration, in coalition with our partners and allies, especially in Europe.

Senator HYDE-SMITH. So you don't think a trade embargo would increase that? That it is not needed?

Mr. ADEYEMO. So I think my—the thing that we are trying to do, Senator, is make sure that any action we take, we take it in concert with our allies and partners in Europe. The biggest economic impacts on Russia are felt by actions that are taken in this way, because Russia's biggest trading partner is Europe.

The United States has very little trade with Russia. And we have taken a number of steps to limit that even further. For example, blocking the import of Russian energy into the United States and preventing many goods and services from coming from Russia to the United States, which leaves us in a place where we can continue to use our sanctions authorities and our export controls, but I do think that a full trade embargo from the United States would have a marginal impact on Russia's economy at best.

Senator HYDE-SMITH. And how do you analyze or how do you measure the effectiveness of that? Is it just truly a dollar amount or another reduction that you see in something? How do you analyze?

Mr. ADEYEMO. The way I think about it, Senator, is what will it do to economic growth, inflation, and Russia's economic future. Those are the things that I look to in terms of the impact.

So the things we have tried to do is take actions that have reduced the amount of revenue that Russia is taking in in order to make sure that we are forcing them to have harder and harder choices to make, choices between whether you invest in propping

up your economy or whether you invest in your military industrial complex.

Every day, because of the sanctions we have already put in place, those choices are harder for the Kremlin, and they know they are going to get harder over time because they don't have key inputs to their economy. When you think about our export controls regime, for example, what we did was we built a regime where we prevented Russia from being able to get access to key technologies that they need to continue to build out their economy.

And these are technologies that China doesn't have, so China can't give it to them. The only people who have these technologies are ourselves and our allies in Europe and our allies in Asia. So ultimately, the thing we are looking to is, how do we further constrain their economy and make their choices harder in terms of where they make investments.

Senator HYDE-SMITH. And my time is up. Thank you.

Senator VAN HOLLEN. Thank you, Senator. So, Mr. Deputy Secretary, just to follow up on that point a little bit. As you said at the outset, sanctions are just one tool among many. And I agree with you entirely. They are more effective when they are put in place multilaterally. Of course, the Iran sanctions was an example where secondary sanctions ended up having a multilateral effect because other countries did comply.

Obviously, Iran is not Russia. But I do think that is an example of where secondary sanctions proved effective in achieving the goal of bringing Iran to the table to negotiate back in the day. And as you have pointed out, we have been working with our European partners. We have gotten—well, they also undertook the effort to reduce their reliance on Russian energy, especially oil, and looking for other sources of gas going forward.

But when other countries increase their overall imports of Russian oil above what they were pre-Ukraine war, that is a pressure reliever on Russia. So I—true, that Russia is still selling that oil at a higher price than before, but it is still a discount to those countries and Russia is able to sell more.

So I look forward to continuing that conversation. I just have about 5 minutes for questions. I want to turn to North Korea. And thank you. You and I got together months and months ago to discuss the sanctions on North Korea. You know, another example, whether they are an imperfect tool, but one of the things that we have available to increase pressure on North Korea.

Thank you for taking a look at the leakage in that sanctions regime and the measures you took with respect to the two Russian banks under the authority of the Otto Warmbier on North Korea Nuclear Sanctions Act of 2019 that was coauthored by myself and Senator Toomey.

So I appreciate your attention to that. As we discussed, the UN panel of experts issues an annual report, I believe, they issued one in March of this year, that documented a number of other entities and categories of entities that contribute to leakage in the North Korea sanctions regime. They pointed specifically to China based entities in shipbuilding and shipping. And so I would encourage you to use that as a guide.

I recognize that in order for us to impose sanctions, that we have to do a lot of due diligence and make sure we dot our I's and cross our T's. But can you assure me that you are continuing to look at that UN report with an eye toward seeing whether they qualify for U.S. sanctions?

Mr. ADEYEMO. Let me say a word of thanks to you, Senator, for providing that authority. That is a mandatory authority. And I can commit to you that our staff is looking very closely at that report, as well as any information we have to see what we can do in terms of imposing additional sanctions on North Korea in light of their destabilizing activity. As you mentioned recently, we did place sanctions on a number of entities that we had discussed previously and the team that continues to do research and work to identify additional targets.

Senator VAN HOLLEN. I appreciate that. I would just ask you to look at the China based entities only because they are front and center and they—in terms of being identified by the UN panel of experts. So my last question relates to something that we have covered a little bit, but in a different form, which is ransomware.

I know you have been very focused on this issue. Can you talk a little bit about what the Department of Treasury is doing specifically? Obviously, we have lots of Federal agencies that are interested in cybersecurity.

But what the Treasury Department is doing, what you are doing to recover funds that have been paid to some of the ransomware attackers, what we are doing to prevent future attacks, and the role of cyber currency in this effort.

Mr. ADEYEMO. So, Senator, I think this is an issue of grave importance to our entire economy, and it is a global issue. And one of the things and something that I have been focused on, I think what we are trying to do is increase the cost to cyber criminals in terms of their criminal activity by taking apart the ecosystem that allows them to operate.

In some of those cases, that ecosystem does flow through cryptocurrency exchanges. We have taken action against some of those exchanges in particular, some of them that exist in Russia by sanctioning them, but also by thinking through what we can do to better make sure that companies that are subject to these cyber criminals are reporting the information to us, so we better understand the typologies of the attacks that are taking place and that we are in a position to best inform others in industry of what is happening.

So a big piece of this for us is both working with the DOJ and with the other agencies in the Federal Government to make sure that we are taking actions with our relevant authorities, which includes sanctions at Treasury, but also in terms of providing guidance both from OFAC and FinCEN and collecting information.

So at FinCEN, as we have talked about previously, they are doing a great deal in order to collect information from industries that have been targeted by cyber criminals, especially those using ransomware, in order to put us in a position to go after those criminals, but also to go after the networks and ecosystems that allow them to conduct these crimes going forward.

I think this is a challenge that we feel as if the goal will be—the goal has to be working in partnership with the private sector. And the thing that we need to get the private sector to do is to work with us in order to improve the cybersecurity of their systems.

As you know, Treasury is tasked with being the agency that works closely with the financial services sector. And this is not just our biggest institutions, but it is small institutions all over the country as well.

And I am spending a great deal of time with these institutions, making sure that they are taking the steps to protect themselves from ransomware attacks, but also to make sure that we are sharing information, because ultimately the goal has got to be to better understand where these criminals are coming from so that we can go after them.

So it is a holistic strategy at Treasury that we have developed that includes enforcement, information sharing, working closely with not only our partners here in the United States Government, but also with our allies abroad in order to make sure that we are protecting the system.

Senator VAN HOLLEN. I appreciate, and I agree that we have to have partnerships with the private sector as well as others overseas. Thank you. Senator Hyde-Smith.

Senator HYDE-SMITH. I want to talk about the FinCEN's beneficial ownership database. We have gotten a few calls about this because the new regulation means that the banks, credit unions, and all the financial institutions, they have to gather this information and verify this information about the individuals who run a business before a new account can be opened, any new account.

You know, even if it is a new account for a current customer. So there is a lot of concern out there about this. But Treasury estimates the proposed rules to implement this Act, the Corporate Transparency Act, will require more than 25 million existing small businesses to spend an aggregate amount of more than \$4 billion to submit their reports on the beneficial owners to the Financial Crimes Enforcement Network.

Is this an accurate estimate of the cost of the compliance for small businesses? And being that small businesses are the backbone of the economy, is it really wise to place more mandates on them at a time when we are just on the verge of a major recession? So do you think that is accurate?

Mr. ADEYEMO. So Senator, my understanding is that the costs to the average small business will be quite modest. You are right that those numbers in terms of total small businesses in our country is quite large, which I think is something that we want to grow at the Treasury Department.

We want to create room for more small businesses in the country rather than less. And what we are going to do is make sure that we set up this regulatory regime in a way that is as scaled to the challenge as possible, so that small businesses reporting requirements are as modest as possible in light of the requirements that Congress has provided us with.

Our goal is not to create a regime that will ask for more information than is needed, but rather to be in a position where we are

able to protect the National Security for those small business—all the small businesses in this country as well.

So we are happy to—we are going to continue to work with small businesses who submitted a great deal of comments to make sure that we set up a regime that is best suited to the challenges that they face going forward. And we are not looking to set up something that is overly robust.

Senator HYDE-SMITH. When do you think that they will have to start complying with this rule?

Mr. ADEYEMO. So Senator, I think we are going to continue to work through that. I don't want to—I don't have a sense at the moment as to when compliance will be required. But our goal is to try and put out the final rule as soon as possible and to build a database that is useful, frankly, to law enforcement going forward.

Ultimately, I know that the thing that small businesses that I have talked to about this rulemaking but about regulation in general that they view is, they want to make sure that they can do what they can to help protect our country as well. But they want to make sure that the information they provide is actually going to be useful to helping to protect people in their community and around the country.

So in addition to putting out the rule, we want to make sure that we create a database that is going to be useful to law enforcement in their communities, but around the country, and also to our National Security community. So we want to make sure that whatever we are collecting is going to be used and it is going to be used effectively going forward.

Senator HYDE-SMITH. Can you talk about any exceptions?

Mr. ADEYEMO. Exceptions to the rule—

Senator HYDE-SMITH. That they would not have to comply? Is there any exceptions that a business would not have to comply?

Mr. ADEYEMO. So, Senator, I think the goal for us is to make sure that we build a database that is inclusive of as many companies as possible in order to protect the National Security. To the conversation I was having with Senator Van Hollen, the challenge we have is that when we create exceptions, what then happens is that those who want to illicitly move money than simply create companies that fit within that exception.

So our goal really is to try and find a way to make something that is comprehensive, but in which the reporting requirements are as modest as possible in order to make it as easy as possible for companies to comply and for us to have a holistic database in this country.

Senator HYDE-SMITH. A lot of people really see this just as an extra mandate and as extra work. So I hope that it does prove to be a very beneficial tool in addressing this issue because it will be extremely burdensome for a lot of people. Thank you.

Mr. ADEYEMO. So Senator, our goal is to take your feedback and the feedback of countless people to mind in terms of how we design this to make sure that we reduce the burden as much as possible.

Because we know that ultimately the reason a bipartisan majority of Congress passed this legislation was because they cared deeply about our National Security. But they also want to make sure that we don't overly burden our small businesses. And we have

kept those two things in mind as we think about the design of this regulation.

ADDITIONAL COMMITTEE QUESTIONS

Senator VAN HOLLEN. Well, thank you, Senator. Thank you, Deputy Secretary Adeyemo. Thank you for your service. Thank you for being here today, for this hearing. Our Members, the Members of this Subcommittee will have one week to submit questions for the record. They are due June 21.

Mr. Deputy Secretary, appreciate it if your office could respond to those questions once they are submitted as soon as possible. Again, thank you for being here.

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

No questions were submitted.

Senator VAN HOLLEN. Thanks for your service and the subcommittee meeting is adjourned.

SUBCOMMITTEE RECESS

[Whereupon, at 4:06 p.m., Tuesday, June 14, the subcommittee was recessed, to reconvene subject to the call of the Chair.]