

**FINANCIAL AGGRESSION: HOW THE
CHINESE COMMUNIST PARTY EXPLOITS
AMERICAN RETIREES AND UNDERMINES
NATIONAL SECURITY**

JOINT HEARING
BEFORE THE
SPECIAL COMMITTEE ON AGING
AND THE
**U.S. HOUSE SELECT COMMITTEE ON
THE CHINESE COMMUNIST PARTY**
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Wednesday, April 9, 2025

U.S. SENATE
SPECIAL COMMITTEE ON AGING
Washington, DC.

The Committee met, pursuant to notice, at 2:30 p.m., Room 106, Dirksen Senate Office Building, Hon. Rick Scott, Chairman of the Committee, presiding.

Senators Present: Senator Scott, McCormick, Justice, Johnson, Moody, Husted, Gillibrand, and Kim.

Representatives Present: Representative Moolenaar, Barr, LaHood, Hinson, Bilirakis, Krishnamoorthi, Castor, Stevens, Brown, Stanton, Tokuda

**OPENING STATEMENT OF SENATOR
RICK SCOTT, CHAIRMAN, SPECIAL COMMITTEE ON AGING**

The CHAIRMAN. The hearing will now come to order. First, let me welcome our colleagues from the U.S. House Select Committee on the Chinese Communist Party. I want to thank Chairman Moolenaar and Ranking Member Krishnamoorthi for joining myself and Ranking Member Gillibrand for this incredibly important hearing. The U.S. Senate's Special Committee on Aging is charged with examining any and all matters pertaining to the problems and opportunities of older people.

Our jurisdiction is purposely broad because we want what most impacts aging Americans today could be radically different from what impacts the seniors of future generations. In fact, if we do our jobs here, the problems we worry about today will be solved long before any of our grandchildren have reached their senior years.

It is in that spirit that we come together with our colleagues from the U.S. House China Select Committee for a joint hearing focused on the threats that Americans face when their retirement savings are invested in Communist China. Let's make something very clear about why we are here today.

The government of China, Communist China, has chosen to be America's enemy. It is simple. I wish it wasn't true. Unfortunately, it is. Unfortunately, that is not a problem that only our military intelligence community has to worry about. The government of Communist China has shown again and again that it will do anything to hurt America and weaken our place in the world, including

going after our citizens, and targeting the retirements, and hard earned savings of America's seniors.

I want to be clear about the threat here. If you have your retirement invested in anything that is controlled by or under the jurisdiction of the Chinese Communist Party, you are at risk of losing every dollar, and this could happen overnight. I know this may sound extreme to some, but here is what we know.

There is a clear risk to American investments in Communist China because the Chinese Communist Party, which does nothing but lie, cheat, and steal, controls every business in its country. There is no real private industry in Communist China. The CCP controls everything. Choosing to invest in Communist China threatens our national security and jeopardizes the retirement savings of hardworking Americans.

During today's hearing, we will talk about the threats posed to the individual retirements of American seniors, the scams run by the CCP, and the national security risk of investing in Communist China, but as the Chairman of the Senate Aging Committee, my focus is on our seniors and using today's hearing, in our partnership with our colleagues in the Senate and the House, to protect seniors from known bad actors like the Chinese Communist Party, and make sure they know where their dollars are being invested and why they need to get the heck out of Chinese investments today.

I bet many in this room have retirement accounts and investments, but they may not even know what companies these investment dollars are being invested in. This is a huge problem. Too often Washington fails to fix problems, not because it lacks authority to do so, but because of intentional or incompetent failure to enforce existing laws and rules.

This is true in every part of government, and it is dangerously true when it comes to holding foreign companies and governments accountable. In 2020, the Holding Foreign Companies Accountability—Accountable Act was signed into law by President Trump, which mandated that if companies in Communist China did not comply with U.S. auditing standards for three consecutive years, they must—not maybe—they must be delisted and banned from trading on American exchanges.

This law was amended in 2022, reducing the consecutive years of non-compliance from three years to two years, but unfortunately, under the last Administration, the SEC failed to enforce this law, and today many Chinese companies, including Yum China, Alibaba, and Baidu are still listed on American exchanges in clear violation of U.S. law.

This is a perfect example of why your money is not safe when investing companies tied to Communist China. I plan on holding the SEC accountable to enforce the law, and I hope to work with Chairman Moolenaar, Ranking Member Gillibrand, and Ranking Member Krishnamoorthi to make sure laws intended to protect Americans from threats posed by Communist China are fully enforced.

We are also fighting to fill gaps in current law and strengthen U.S. enforcement authority with multiple pieces of legislation that will hold Communist China accountable. These bills will take the

necessary steps to secure markets, protect consumers, demand transparency and accountability, and ensure investors, especially seniors who are the most vulnerable, are protected. We need to stop putting Americans' retirement at risk with investments in the corrupt businesses and practices of Communist China.

I believe the new Chairman of the SEC will—and I know he is committed to me that he is going to enforce this act. Stop putting Americans' retirements at risk due to their involvement. We are propping up the agenda of the CCP.

Americans work way too hard to have their financial security destroyed by Communist China. Today, we are going to learn more about this problem and come up with a policy plan to stop it before it is too late, and Americans' retirement stability is wiped out by Communist China. I would now like to recognize Chairman Moolenaar for his opening statement.

**OPENING STATEMENT OF JOHN R. MOOLENAAR, CHAIRMAN,
COMMITTEE ON THE CHINESE COMMUNIST PARTY**

Chairman MOOLENAAR. Thank you, Chairman Scott, and thank you for hosting us today. I just appreciate all the colleagues from the House and the Senate for being part of this. This is a unique hearing, not only because it is bi-cameral, but because it reflects growing momentum in Congress to confront the growing risks to American investors and our national security.

Let me start with a simple point, the future of American capital markets and our national security are deeply connected. They are inseparable. For decades, the United States has led the world in innovation and investment, but today that leadership is being challenged, not just by market forces, but by a foreign adversary, the Chinese Communist Party.

The CCP is actively using its financial system and state controlled companies to infiltrate American capital markets, and while some might see that as just another investment risk, it is much more than that.

We have already seen the damage. In 2021, the CCP abruptly imposed sweeping regulations on China's private education sector, banning profit making, foreign capital, and public listings. That decision wiped out billions of dollars in U.S. investments almost overnight, devastating major companies like TAL Education and New Oriental. It was a wakeup call, not just for what can happen in a single sector, but for the broader reality that when the CCP maintains ultimate control, no company is truly independent.

I look forward to the hearing from today from the witnesses on how the CCP control creates systemic risk for U.S. investors regardless of industry. Mr. O'Leary has pointed out something in his written testimony equally concerning, the golden share the CCP holds in many Chinese companies. On paper, these firms may look like private enterprises, but the reality is that party influence runs deep.

When political control overrides fiduciary responsibility, even the smartest investor can be left in a losing position. That issue has also shaped policy decisions here in Washington. The TikTok Bill, for example, was crafted to require full divestiture of CCP control because anything less would leave the door open to the same risks.

We have seen this at play time and time again. Congress has acted before to safeguard American investors through the Public Company Accounting Oversight Board and the Holding Foreign Companies Accountability Act, but the reality is this, the CCPs opaque regulatory regime, its disregard for the rule of law, and its willingness to use financial tools for political gain present ongoing and significant dangers to American savings.

The question becomes this, what more can Congress do to protect U.S. investors from companies effectively controlled by a hostile regime? That is what today is about. We will hear from experts who understand how the CCP uses its influence to mask risk, suppress transparency, and undermine shareholder rights, and we will look at what happens when American money flows into companies tied to surveillance, censorship, military buildup, even human trafficking.

Americans deserve to know whether their capital is being used to fuel the very threats we are trying to guard against, and they trust us to take action to keep their investments safe. This hearing isn't just the end of the conversation, it is just the beginning. Thank you, Mr. Chairman, and I look forward to today's discussion.

The CHAIRMAN. Thank you, Chairman Moolenaar. Now I would like to recognize Ranking Member Gillibrand for her opening statement.

**OPENING STATEMENT OF SENATOR KIRSTEN E. GILLIBRAND,
RANKING MEMBER, SPECIAL COMMITTEE ON AGING**

Senator GILLIBRAND. Thank you, Chairman. It is a delight to be here. Thank you to our witnesses. This is a very hot topic in New York. I want to thank my Republican House members and my Democratic House members for joining us. This is so much fun. We should do this more often. I am grateful you are here, and I am sure all of us have been hearing from our seniors quite a bit.

This has been a very tough time for seniors. The stock market's ups and downs, losing over \$1 trillion of wealth over the last few weeks. It is very, anxiety provoking for so many seniors. They worry about the fact that when they go to the Social Security Administration, they can't make a phone call to them.

Their phone calls aren't returned. They are on hold for five hours. Multiple stories. Problems with getting online access. Just the list of worries goes on, but the one issue that has provoked and upset and concerned my seniors the most over the many, many years that I have been on this Committee is these online scams. The scams that are coming out of criminal networks worldwide are unbelievable, are heartbreaking, are horrific.

Highly complex, international criminal networks are going after our seniors because they know they are soft targets. They know that they are worth trillions of dollars, and if they can get underneath their skin, if they can get them to click on the right button, if they can get them to open a certain piece of mail, if they can get them on the phone and pretend they are their grandchild, they will be able to steal thousands and thousands of dollars.

The PRC, there is criminal networks in China that are so sophisticated. That know this is where they can make millions and millions of dollars, and so, I think this hearing is essential. I am so

grateful that we have bipartisan, bicameral support for figuring out how can we help law enforcement crack down more effectively on these international criminal networks that are targeting our seniors.

The FBI indicates that seniors are disproportionately affected by frauds and scams with over \$3.4 billion, b with a b, billion with a b in scam related losses for individuals 60 and over in 2023 alone, so we must understand the scope of this problem, and when I have talked to my local law enforcement and asked them, what can you do, they basically have a tough time crossing borders and crossing countries to be able to actually get to the bottom of these scams and these criminal networks.

They need resources, they need support. They need far more help. We know that these PRC organized crime networks are operating in Southeast Asia, they are operating in countries around the globe, and they are able to create massive scams. One of the ones that, Mr. Krishnamoorthi and I were talking about was—I didn't ever hear this term, the pig butchering scam.

They are looking at our seniors like animals that they are fattening for slaughter. They will scoop them into a scam, get them to trust them, get them to get more and more access to their accounts, to the point where they feel like they can get all of the money and then they steal it. That is a disgrace. That is disgusting. That is something that we have to do something about.

The GAO just issued a report. We asked for this report on—that we requested, and it outlines the actions of the Federal Government and what they can do to improve complaint reporting, consumer education, and federal coordination to counter scams. That is just the beginning of what we should be doing, but I just want to thank you, Mr. Chairman, for caring to have this hearing.

I want to thank the Republicans and Democrats from the House and Senate for being here and shining a light on this outrage that is happening in our country that we have done insufficient amounts about. We need more tools. We need more resources. We need a laser-like focus on how we can make our seniors whole.

The CHAIRMAN. Thank you Ranking Member Gillibrand. Now, we would like to hear from Ranking Member Krishnamoorthi.

**OPENING STATEMENT OF RAJA KRISHNAMOORTHI,
RANKING MEMBER, COMMITTEE ON THE
CHINESE COMMUNIST PARTY**

Representative KRISHNAMOORTHI. Thank you, Chair Scott, thank you, Chair Moolenaar, thank you, Ranking Member Gillibrand, for convening us today. I would like to address three things. First, a scamming practice called pig butchering, which Senator Gillibrand just referenced. Second, the impact of China backed organized crime syndicates' scams on older Americans, and third, China's culpability in these scams.

First, pig butchering. Pig butchering is a scam named for the way it lures victims in, fattens them up, gains their trust, and then drains their finances. In many cases, a scammer poses as a family member or friend, urgently in need of money. In others, a scammer uses fake identities to get romantically involved with unsuspecting victims such as older adults.

Once the victim's trust is earned, the scammer asks for money or suggests investing through a fake app that drains the victim's finances. Take this story. If you look at the video from just outside my district of a woman who lost almost one million to a scammer using pig butchering.

Now my second point, this is not just a financial issue. It is a human rights issue and a national security concern. According to the U.S. Institute of Peace, cyber scamming in Southeast Asia, mainly Burma and Cambodia, is driven by Chinese gangs and generates almost \$44 billion annually.

Weak law enforcement and corruption in this region have also allowed gangs to traffic people from 70 countries, including Americans, into this illegal scamming industry. As USIP has pointed out, the scamming industry is so vast and so lucrative that it now parallels fentanyl as one of the top threats posed by Chinese criminal networks to the United States.

My staff actually received a scam text this week, I am not joking, which we can see here, and it starts with a simple hello. Many of us just delete or not respond when we get texts like this one. In this case though, we decided to respond to better understand how these scams work. Within minutes, we received a WhatsApp link and pictures of a woman who said her name is Daisy.

Here she is, and she says, these are all my travel photos from different countries. Every time I travel, I can meet all kinds of people and things. Daisy then goes on to compliment us saying, you are welcome. You give me—you give me the impression of a kind, friendly, polite, and well-mannered man. I can feel the warmth when chatting with you. Over the course of just seven hours, our dear friend Daisy asked for an investment and my staffer asked how much she needs.

She responded, approximate investment of \$10 million to \$30 million, money that Daisy would happily walk away with. It is dangerous scams like these that are preying on older Americans. Third, and my final point, there is more to the story than just Chinese gangs operating in the shadows. These groups, these gangs directly tied to the Chinese Communist Party.

This is Wan Kuok-koi, AKA broken tooth, a Chinese businessman, or more accurately a mafia boss, who is behind a scam compound tied to the CCP. Broken tooth's public motto is, "I used to fight for the triads and now I fight for the Communist Party." Another gentleman behind another scam city seen here with a Burmese warlord is She Zhijiang. He is wanted in China for financial crimes, but his ties to the CCP allowed him to operate freely for years before being detained by Thai authorities.

China now seems to be taking some steps to reckon with this issue, but it is too little, too late. Like the fentanyl issue, the CCP turned a blind eye and has allowed this to happen. The CCP must recognize its role in allowing gang bosses and scam centers to absolutely run rampant.

The financial and human cost of these scams is enormous, and we must act now to protect older Americans. Thank you, and I yield back.

The CHAIRMAN. Thank you, Ranking Member. Now, I would like to welcome our witnesses here today. Before I introduce our first

witness, I would like to ask each of you to be mindful of our limited time together today and keep opening statements to five minutes. First, I would like to welcome Kevin O'Leary.

Mr. O'Leary is also known as Mr. Wonderful. He is a business leader, investor, and known to millions of Americans for his role in the hit TV show, Shark Tank. Most important to today's hearing, Mr. O'Leary understands the risks and threats posed by Communist China and why investing your retirement there is a bad deal for any Americans.

Even though he was born in Canada, I am proud that he now calls the Sunshine State his home. Mr. O'Leary, thank you for being here today. You may begin your testimony.

**STATEMENT OF KEVIN O'LEARY, CHAIRMAN AND CEO,
O'LEARY VENTURES, MIAMI, FLORIDA**

Mr. O'LEARY. Chairman Scott, Moolenaar, Ranking Members Gillibrand and Krishna—I am going to get this right—Krishnamoorthi, members of the Senate Special Committee on Aging, and the House Select Committee on the Chinese Communist Party, thank you for inviting me to participate in today's important hearing.

I want to use my opening statement to shine a light on an issue that impacts millions of American investors, many of whom have invested their retirement funds in the equity markets. The threats posed by the Chinese Communist Party I will discuss today impact anyone and everyone like me who has tried to do business in China, everyone that invests in the stock market, anyone that invests in passive investment vehicles like international index funds or mutual funds, any retail investor that invests in Chinese companies, anyone who invests internationally in emerging markets like China, and everyone with a 401k plan or pension invested in international index funds. I have nothing against the Chinese people.

Their contributions to science and art over the millennia are well documented. It is their government I take issue with. In my opinion, since joining the WTO in 2000, the Chinese government has never played by its rules. This has led to the CCP to passing various laws in the realm of cybersecurity, espionage, intelligence, and beyond, and other mechanisms to control its corporations, industries, and business partnerships, all to the detriment of U.S. investors.

This is not a new phenomenon. It has been part of the long game China has been playing for decades. Let me just elaborate briefly on a few reasons why the time for us to address this matter is today. In its desire to reduce state run companies and their holdings in them, the Chinese government divested itself from them.

However, in return for taking a one percent share in the company, the government is granted a seat on the board, voting power and influence over all business decisions. It is effectively a super voting right. This is the golden share that Xi is using today to control the potential sale of TikTok. If China maintaining control of companies wasn't bad enough for investors, China prevents foreigners from owning Chinese companies.

Instead, they are cleverly exploiting the U.S. financial system creation of variable interest entities, VIEs, to approximate the own-

ership of corporate shares. If you own stock in a company like Tencent, Alibaba, or ICBC, you don't actually own stock in a company. You own a share of a contract of something in the Cayman Islands that is trying to approximate stock ownership.

The U.S. has given China preferential treatment for over a decade through its own special memorandum of understanding that governs accounting standards and oversight. This sweetheart deal with the Public Accounting Oversight Board, the PCAOB, has allowed China to continue to game the U.S. financial system via their special treatment that is not afforded to other countries—even our allies.

This is a completely unbalanced and non-reciprocal situation, and why do we allow this? How can this be viewed in any way as fair to American investors? There should be complete parity between the U.S. and China. I believe Congress should act to delist CCP affiliated companies until there is a parody of treatment for Western businesses in China. If we can't own stocks in their country, they should not be allowed to own stocks in the U.S.

Unless businesses can operate in China with the same freedoms that Chinese businesses have here, we should not let their businesses operate in the U.S. We should exit China's marketplace until the CCP makes significant reforms. We should demand that all Chinese companies engage in U.S. markets, comply with U.S. accounting standards. For decades across multiple Administrations, we have dismissed—we have discussed leveling the playing field with China.

Instead, the situation has only gotten worse. Make no mistake, I want to do business in China and so do millions of other investors and companies, but we want a reciprocal ecosystem in place that is transparent where all parties play by the rules mutually agreed upon. I want access to the Chinese legal system, so trade and IP grievances can be litigated and resolved. The Chinese enjoy these rights in the U.S. Why do we not have them in China?

Lately, there has been a lot of rhetoric about—during negotiations globally, on who "holds the cards." The U.S. is still the world's largest markets, supported by the world's largest economy, under the rule of democratic law. That is why so much of the world's capital is invested here.

That is a lot of leverage. Let's fix this Chinese problem while we still hold the cards. I look forward to a robust conversation today and answering any questions you may have. Thank you.

The CHAIRMAN. Thank you, Mr. O'Leary. Now I would like to welcome Christopher Iacovella. He is the President and CEO of the American Securities Association.

He serves as the leading voice for financial services policy. He has worked as Special Counsel and Policy Advisor to Commissioner Scott Malia at the U.S. Commodity Futures Trade Commission. Thank you for being here, and I look forward to hearing your testimony.

**STATEMENT OF CHRISTOPHER IACOVELLA, PRESIDENT
AND CEO, AMERICAN SECURITIES
ASSOCIATION, TAMPA, FLORIDA**

Mr. IACOVELLA. Thank you. I am grateful to the Chairs, Ranking Members, and members of each committee for the opportunity to

testify today. My name is Christopher Iacovella and I am the President and CEO of the American Securities Association. Today, I will discuss the risk the CCP poses to American investors and to our national security.

While it was widely believed that the free flow of global capital to communist China would liberalize its political and economic systems, that is not what happened. In fact, the opposite occurred. Beijing used the openness of the international economic system to exert geopolitical leverage over the U.S. and our allies.

Rather than liberalize, the CCP has been engaged in a multi-decade, multifaceted political, economic, and military strategy to achieve "the great rejuvenation of the Chinese nation." The goal is to create a new world order through economic coercion and manipulation while avoiding a hot war. This has left the world less open and more authoritarian. To implement this strategy, the CCP needed capital, and that is where Wall Street comes in.

For over two decades, Beijing has used Wall Street to penetrate our capital markets and fund its rise. In exchange, Wall Street received huge fees and access to the Chinese market. It is this quid pro quo that directly threatens America's economic and national security. The partnership works like this.

First, Wall Street spins a narrative about emerging market returns and the China opportunity. Then it sells Chinese companies to American investors on our exchanges. After the IPO, the money goes to China and Wall Street continues propping up these companies by putting them in stock index funds, touting them in financial media, and lobbying Washington to maintain the status quo.

To raise money on exchanges, companies used a novel legal scheme called the variable interest entity structure. This scheme allows a Cayman Island shell company that contracts with the mainland Chinese company to list its shares on our exchanges. American investors have no equity or voting rights in the shares of the Chinese company and very little legal protection. We join the Select Committee in asking Congress to end this legal fiction and delist every VIE from the exchanges.

After the VIE scheme was scrutinized, the CCP needed a way for Americans to buy mainland Chinese companies listed on mainland Chinese stock exchanges, so Wall Street used what I call the passive index loophole, which allows these companies to be included in international emerging market and China specific index funds like A-shares.

This loophole has funneled billions of dollars in American savings to Chinese companies, while allowing them to avoid all of the disclosure financial reporting and audit requirements American companies must comply with to sell stock to American investors. As the Select Committee found, this loophole also exposes American investors to Enron like frauds, Chinese military companies, and companies that support egregious human rights abuses.

It must be closed. The Select Committee also found that numerous Chinese companies on our exchanges and index funds are on government prohibition lists. A company goes on one of these lists if it is a threat to our national security, foreign policy, or economic interests.

There is no policy basis for any company on these lists to access our markets, and we recommend that an entity placed on one government list should be placed on all lists and automatically allow the Treasury Secretary to de-list and de-index these companies from our public capital markets.

Because China operates as a party state, this raises another important policy question. How does the CCP use American money? Unfortunately, American investor money is used to fund the emission of more greenhouse gases than every developed country combined. PLA weapons systems.

A cyber army that relentlessly attacks us. Subsidies for Chinese companies who dump their goods into our market, and sickening human rights abuses. The people of America want this to stop, but unless Congress makes the funding of the CCP illegal, it won't. The final issue I want to talk about today is fraud, which has gone from an individual criminal act to a lucrative business opportunity funded by state-sponsored actors across the globe and in China.

Americans lost \$158 billion in 2023 and are estimated to lose billions more as generative AI fraud evolves. Every day, ASA members face scams from China that target their employees, their firms, and their customers, and while millions are spent trying to stop this, Americans who have been scammed know that if they can't get their money back before it goes to China, then it is gone.

The government and the private sector have an obligation to work together to stop this avalanche of fraud from continuing to harm Americans. To conclude, communist China doesn't play by the rules, and it is time for us to revoke the privilege we gave them to play in our game. This isn't a left, right issue or a red state, blue state issue.

It is an American issue and now we need a United Congress to take action to protect this country and our people from the CCP. Thank you, and I am happy to take your questions.

The CHAIRMAN. Thank you. Now I would like to introduce our next witness, Brady Finta. Mr. Finta is a retired FBI agent, the Founder of the National Elder Fraud Justice Coordination Center. Through his work as an FBI agent, Mr. Finta oversaw cases regarding international scam rings targeting older Americans. You may begin. Thanks for being here.

STATEMENT OF BRADY FINTA, FOUNDER, NATIONAL ELDER FRAUD COORDINATION CENTER, SAN DIEGO, CALIFORNIA

Mr. FINTA. Good afternoon. As you said, my name is Brady Finta, the Founder of the National Elder Fraud Coordination Center, and I am honored to be here. I believe the scale of fraud against America's elders has grown to epidemic proportions and it is time that we as a country treat it as such with a proportionate response.

I spent 23 years as an FBI agent, predominantly investigating and supervising transnational organized crime cases, and when my assignment exposed me to elder fraud, I was comfortable as the cases are essentially transnational elder—I am sorry, transnational organized crime under a different name.

What I was not prepared for was the volume. Just in my limited territory of San Diego County, I was inundated with elder fraud

complaints without adequate resources to fight the threat. No one has those level of resources. Even after standing up the FBI's Elder Justice Task Force alongside the U.S. Attorney's Office and the San Diego District Attorney's Office, and bringing forward our very first successful RICO prosecution, our ability to make a dent in the crime problem was minimal, particularly as we were only able to address less than one percent of the leads.

Based on my experience, I believe only about 10 to 15 percent of the elder fraud victims ever report the crimes against them. Even with this low percentage, the volume of complaints is still too large to investigate. Elder fraud and scam cases are not easy. They are incredibly time consuming. They literally span the globe, combining organized crime groups in foreign countries with regional organizers, co-conspirators, and mules in the United States. Laundering the proceeds of the crime runs the gamut, from cash to gift cards, to wire transfers, to digital currencies.

For the most part, the complexity of these cases combined with their innate jurisdictional challenges and resource requirements limit their investigation and prosecution to federal entities, further straining those resources.

In one just very typical case I oversaw, we had scammers in India working with regional organizers in the Bahamas, mules in the Dominican Republic and the United States, and Canadian and Chinese organized criminals laundering the proceeds. The international natures of these scams make them extremely difficult for law enforcement and prosecutors alike to hold those criminals accountable.

It gets more difficult when the country where the crime ring is based is uncooperative. While I realize this hearing is intended to focus mainly on China, I would like to emphasize this is a larger and global issue, and we currently do not have the resources to properly address it. This threat touches all of us. I would venture to say everyone in this chamber has a story of an acquaintance, a coworker, or a family member who has been victimized. Both of my parents were victims. My mother didn't want to tell me based on embarrassment and believing that there was nothing anybody could do.

There is always something we can do. The FTC estimates that the annual losses to this scourge are approximately \$61 billion, and the FBI statistics that show huge increase in these complaints over the last few years further underscore that the time is now for a more dramatic response—a whole of society response. As a country, we have created national task forces of state, local, and federal agencies to combat illegal narcotics, gangs, child exploitation, and terrorism.

Our parents and grandparents deserve nothing less. In addition, we could make these elder justice task forces more effective by supporting them with the power, speed, and agility of the private sector. Beyond continuing education programs, information sharing, and new preventative efforts, a true public-private partnership, which combines law enforcement, and the many robust anti-fraud efforts already in place in so many companies across the United States could create real impact.

This is the mission of the National Fraud Coordination Center, to bring these efforts together, amplifying these investigations with cross-sector data to elevate the most impactful cases and speed up the process to allow for more of them. Our founding members at AARP, and Amazon, Google, and Walmart are dedicated to the idea of pooling these resources together for this worthy cause.

Our partnership with the National Cyber Forensics Training Alliance offers the opportunity for hundreds of other companies to do the same. I thank you for your time and attention on this important issue, and I look forward to answering your questions.

The CHAIRMAN. All right. Thank you to the witnesses for being here, and now we will go through—start asking some questions. Let me start with Mr. O’Leary. Can you explain this idea that Chinese companies—Americans can buy into or make an investment in a Chinese company, and we have no idea whether their financial statements are accurate because they don’t have an obligation like American companies do to comply with general accepted and accounting principles, and our SEC has not enforced rules—which would require any American company to comply, but not—for whatever reason, Chinese companies don’t have to. What is the risk to an investor?

Mr. O’LEARY. No transparency. Regulations in the U.S., and the regulatory environment, and the bodies that enforce it have created the most successful capital markets on Earth. More than half or almost 60 percent of the world’s capital is invested because of the rules put in place for transparency and appellate courts and everything that makes these capital markets work in the United States, and yet somehow—and I am calling foul as an issuer of securities that is enforced by these regulations that I abide by for obvious reasons and want to—I want to be compliant. I also have to bear the escalating costs each year, which are millions of dollars to be compliant. Yet, I look right beside me on a listing, and I see a Chinese company that is completely ignoring these regulations and suffers no outcome at all. I mean, there is no consequences.

I understood the law would allow—gave them 36 months for compliance and then it was adjusted down to 24 months, and still they are listed, and still, I have to compete with them to raise capital and they don’t even have to pay the compliance costs. I mean, what is wrong with this picture? How can this possibly be going on? I am above—I am so excited that finally this is getting national focus.

This is absolutely outrageous and unfair, and we are letting them take this capital they raise in these markets, and we can’t do the same thing there. We can’t litigate there. We can’t protect our IP there. They use the courts, the American court system, to litigate my companies after they steal the IP and knock the product off, and I can’t do anything about it except come here and say, wake up.

Like, this has got to stop. It has got to stop, and they have to pay the consequences. There has to be consequences. I would be in a federal jail doing what they do in terms of not being transparent on their quarterly statements. There is no way this can go on.

The CHAIRMAN. The Security Exchange Commission requires a company that wants to be stocked to the public to provide dislo-

sure of anything that is material. On top of that, they require them to give audited financial statements, right?

Mr. O'LEARY. Right.

The CHAIRMAN. That is what you have to do, right?

Mr. O'LEARY. I also have to disclose if I have a super preference share. It has to be disclosed that one individual controls the entire outcome of the board and the company. Who would want to invest in a company like that? Do you think I could raise any money if I disclose that—I have a golden share in my structure that only I can decide all outcomes on every single issue. The board is irrelevant.

That is basically what that share is. Could I even compete? I bet you there are hundreds of companies that have not disclosed that, listed in America today on the NASDAQ and the NYSC. Why are they trading? I can't do that. How come they can? They got to be—listen, if you think that is okay and you want to invest in a company where one individual has a super golden share, go ahead.

The chances you go to zero are very high because that person may not have any governance or any momentum or any consideration of the rest of the shareholders. That is why we don't allow this here, and that is why we are the most successful capital market on Earth because if investors feel confident there are no golden shares on the balance sheet, because the board would enjoy time in a federal prison if they tried that, and we don't do that to the Chinese and it has just got to stop.

The CHAIRMAN. Number one, they are not complying with SEC rules. Number two, they are not complying with exchange rules, and number three, anybody that has taken them public, all right, they can't comply because they can't disclose anything material because there is not enough information, right?

Mr. O'LEARY. Why wouldn't you put consequences on those that facilitate this? I would love to pour boiling oil over my competitors that are not being compliant. That is why we have competitive markets.

I know what the rules are. If I want to do a listing, I want to raise capital, I want to do an RTO, whatever it is, I know what the rules are, and I cannot be non-compliant. Yet, I am competing with companies that go after that same dollar from the investor that are totally opaque. That is just wrong.

I am happy to come here and scream about it. Happy to do that. I am happy that we are having this narrative.

The CHAIRMAN. Thank you, Mr. O'Leary. Now, I will turn it over to the Chairman, Moolenaar.

Chairman MOOLENAAR. Thank you, Mr. Chairman. Mr. O'Leary, if I could followup with you on some things. You know, we are here to explore today the risky business of investing in Chinese companies, and it is an area where you have some experience as a potential purchaser of TikTok.

TikTok, as you know, is one of the most prominent Chinese companies on the planet, and when you were putting together your TikTok bid, what sorts of national security and legal risk were you most concerned about, and how did those risks affect the bid that you constructed?

Mr. O'LEARY. The truth about TikTok is, and I am aware of this and many others in the social media industry, and the software and AI industries know this, TikTok is weapons grade spyware, period. It is one of the best propaganda machines I have ever seen.

If you want evidence of it, go on in the last 24 hours and look at the videos generated there through AI of overweight Americans at sewing machines, even the President himself depicted here, or over iPhone screwing in screws with the message, let's Make America Great Again.

I have never seen such blatant propaganda, and that is why in this situation, this law was written, and it is very specific. This is before the Supreme Court nine to zero ruling about redefining what these laws said regarding the algorithm. What it says is we cannot—if any interested syndicate that wants to buy this, it cannot use the algorithm. That is the plain language, and then further defined with higher resolution on the top paragraphs of page five of the nine page ruling from the Supreme Court, nine to zero, very definitive, no algorithm.

Now, many syndicates have been formed with the idea of leasing the code, leasing the algorithm, buying the algorithm, fixing it, putting it on an American server. What everybody was looking for in the capital markets was the definition of whether this was even possible.

Would you write an indemnification? Would you put that indemnification in the Reconciliation Act and attempt to get 51 votes? Would you go back to Congress to change the law and get 60 votes to allow an indemnification for the buyer to survive into the next Administration? Because the penalty is \$5,000, per 24 hours, per account.

That is \$80 plus billion dollars a quarter. Nobody is going to do that unless they are indemnified, and I have understood today from Senator Cotton, that is off the table. Now, we have clarity. Whoever is going to buy TikTok is not going to buy the algorithm, period. That is clear, and I think that is great that you have done that because it makes the competition much—much more in focus, and do I want TikTok to survive? Yes.

I am an advocate, as you know, for small business in America. Companies between five and 500 employees. A very successful platform. Over seven million families make their living on TikTok. It is the lowest customer acquisition cost vehicle in America. It is a great competitive product when it is used properly. I would love to be part of the syndicate that buys it. There is no question about it.

I am also an advocate for these small businesses because they create 60 percent of jobs in America. They are the American economy. I would like to see this product survive. Happy to play by the rules, 100 percent.

Chairman MOOLENAAR. Can I just followup with you, you talked about the golden share, and I would like to hear a little bit more about that. Relative to TikTok, does Xi Jinping have a golden share in ByteDance?

Mr. O'LEARY. Ask yourself why, when we are talking about buying TikTok, we are not talking about the shareholders of the company that own it, called ByteDance. They seem to be irrelevant in

this negotiation. There is only one narrative that matters. Every buyer knows this. What is Trump, President Trump going to do with Xi on TikTok? 100 percent, he has a golden share.

There is no other way this deal is getting done. I think that is the case for hundreds of companies that have raised capital in the American markets. He will personally decide. You may not like that. I certainly don't, but I respect it to be a fact. I know I can't do this deal, or anybody can without his decision on what the structure is going to be.

The laws currently here allow for the Chinese to own up to 19.9 percent. This is a media company. These laws are already in place. I am happy to work with this deal, as every syndicate would be, as long as it is compliant, but does Xi have a golden share? 100 percent. He alone will decide.

Chairman MOOLENAAR. Thank you very much, and, with that, I would like to call on Senator Gillibrand.

Senator GILLIBRAND. Thank you very much, Mr. Chairman. Appreciate you very much. For Mr. Finta, during your career as an FBI agent, you worked on a case that uncovered a multinational organized fraud ring that targeted elderly victims in the United States. Your testimony notes that it is extremely difficult for law enforcement and prosecutors to hold these transnational actors accountable due to the lack of coordination and resources.

What do you think should be and could be done to combat and investigate these frauds and scams that target our older Americans that are perpetrated by these international criminal networks?

Mr. FINTA. I appreciate the question, Senator. When I said before there is something we can do, I genuinely and truly believe that. We have amazing power here in the United States and opportunity not just within law enforcement in our government, but in our private sector.

Truly, even during those transnational organized crime cases, and pretty much every single one of them involved criminal enterprises overseas with co-conspirators in the United States, our private sector holds the data that we need for that evidence, for the investigation, for the intelligence.

Now, of course, it is available by subpoena. It is available by a lot of hard work and a lot of agents coming together over sometimes years to work these cases, which essentially defeats us from getting a lot of progress against a threat like that.

Senator GILLIBRAND. Yes.

Mr. FINTA. Not enough cases. Not enough agents. Now, if we got to the point—where we have in other instances. For example, our JTTF, our Joint Terrorism Task Forces, where state, local, federal agencies are working together with representatives from the private sector to share information into advance these cases to the point where they become effective, and we can do more of them.

The culmination of this across the country, if we had more of these task forces, would inform those decisions that we are trying to make overseas, right. We would have the intelligence we need with more of those cases, with more of those arrests, with more of that intelligence. It is definitely within our grasp.

Senator GILLIBRAND. You are saying you need more personnel and more investigative resources? Is that what you are saying?

Mr. FINTA. Yes, ma'am. Similar to, again, ICAC, the Internet Crimes Against Children Task Forces, which are predominantly staffed with local police departments, where those local and state resources can be used to support larger federal and international investigations. The effect of that is much greater than the individual investigations in local—

Senator GILLIBRAND. You are saying you want to deputize local law enforcement to help?

Mr. FINTA. Absolutely. If there was an EJTF, an Elder Justice Task Force—

Senator GILLIBRAND. A what? Say it again.

Mr. FINTA. I am sorry, EJTF, Elder Justice Task Force—

Senator GILLIBRAND. Yes.

Mr. FINTA. In every major city in the United States similar—

Senator GILLIBRAND. That allows you to deputize local law enforcement?

Mr. FINTA. Absolutely.

Senator GILLIBRAND. I will work on that with you. What about tech? Do you have the appropriate technology? A lot of these scammers rely on voice recognition systems. They do deep fakes for voice deep fakes, for photographs deep fakes, for bank accounts. A letter from your bank saying, oh, you need to update your password. I mean, they are very sophisticated. Do you have the tech you need? Do you need a technology support?

Mr. FINTA. Again, I will remind the chamber that I am retired from the FBI, and the FBI does grow and change every single day, but it is the government, and that is why I think it is so important for that relationship and partnership with the private sector to bring cutting edge current tech from those companies in—on this fight.

I think it is a good option that would replace huge results. If we brought tech companies, banks, retailers, and telecoms together, stacking that sort of evidence and intelligence would create an avalanche of positive cases and intelligence.

Senator GILLIBRAND. Mr. Iacovella, what steps should Congress take to address continued investments by PRC companies by state and local pension funds? Are there any scenarios where the fiduciary duty owed to the pension funds may conflict with the national security concerns at a federal level?

Mr. IACOVELLA. I think Congress should take steps to ban PRC investments. I think that the fiduciary duty that is owed to the beneficiaries is very difficult to comply with because diligence in that country is non-existent and you don't know whether or not the financial reporting, as Kevin said, is actually true and accurate because the Chinese Communist Party will assert state secret or a national security privilege when you try to do an audit, so that is why I think they should be banned.

Senator GILLIBRAND. Thank you. Thank you, Mr. Chairman.

Chairman MOOLENAAR. Thank you, Ranking Member Gillibrand. Ranking Member Krishnamoorthi.

Representative KRISHNAMOORTHY. Thank you, Mr. Chair. Let's first take a look at some of these scam factories in Southeast Asia. Many of them are in Burma, along the border with China. Mr. Finta, the FBI understands from Thai intelligence that these cen-

ters are a haven for Chinese mafia engaged in fraud and criminal acts, right?

Mr. FINTA. Yes, I believe that is true.

Representative KRISHNAMOORTHY. The CCP could work with local authorities in Burma to shut them down, but for years, CCP in action allowed the syndicates to flourish, right?

Mr. FINTA. Absolutely.

Representative KRISHNAMOORTHY. As long as these centers, these scam factories continue to operate, these scammers will continue to target older Americans, right? No doubt. Let me turn to my next topic. It may not come as a big surprise, but the pictures that elderly Americans are getting scam texted every day are not actually of the people texting.

On the Chinese internet, criminals steal hundreds of photos of real people from their social media accounts and then impersonate them with their stolen photos. Mr. Finta, as you can see behind me, you can buy packages of hundreds of these photos for just 80 yuan, which is about \$11, right, on the Chinese internet?

Mr. FINTA. Yes, sir.

Representative KRISHNAMOORTHY. Using these fake personas, Chinese cyber gangs then target older adults and convince them to drain their savings. The CCP says they can't go after the scammers themselves since supposedly the scammers are seeking refuge in Southeast Asia, but Mr. Finta, websites like these where scammers sell photos of unsuspecting young women are Chinese websites.

Mr. FINTA. I believe that is true, sir, and it is common among the transnational organized crime groups to sell all kinds of information back and forth between different groups for different levels of exploitation.

Representative KRISHNAMOORTHY. The CCP could, with a flip of a switch, take these down, right?

Mr. FINTA. I don't know the—I don't know the technical side behind that, sir, but I, think they have great capacity to impact that.

Representative KRISHNAMOORTHY. The CCP could stop this, but they are not, and through their inaction, they are complicit in the bankruptcy of countless older Americans, right?

Mr. FINTA. I don't disagree with that, sir.

Representative KRISHNAMOORTHY. Now, I would like to turn to my last topic. I want to turn your attention to a surprise guest witness, Daisy, who I mentioned in the opening. I had the chance to actually video chat with her yesterday, and she even gave me a compliment. Can you play the video?

[Video clip playing.]

As you can see, Daisy is pretty convincing and engaging, likely enabled by AI, live face filters, or deep fakes. The conversation quickly switched to investment. I had a question for her. I said, how much do you want me to invest in gold?

[Video clip playing.]

This is how people in scam compounds prey on older adults. The scammers start small and gain the victim's trust, then butcher them for their life savings. I then asked plainly, is anyone making you do this? Her response was not pretty.

[Video clip playing.]

We then gave up the jig and I asked her if this was a scam, but it did not end well.

[Video clip playing.]

What is really unfortunate is that this person pretending to be Daisy could very well have been trafficked or kidnapped and forced to work at a scam compound with CCP connections. Mr. Finta, just like we need to protect older Americans from these scams, it seems like we also need to stop the human trafficking that enables these scams, right?

Mr. FINTA. I couldn't agree more, and honestly, if we worked together as a country and we put all those resources in one basket, we would have a lot more effect at making that happen.

Representative KRISHNAMOORTHY. Right. It is like we, we got to protect our folks, our seniors, but at the same time, if we could stop the flow of this human trafficking, the people who are working at these scam factories would also be effectively shutting down the scams. I call on our committees to jointly work on these two issues together, and for all Americans to be vigilant of these scams as well. Thank you, and I yield back.

Chairman MOOLENAAR. Thank you. Chairman recognizes Representative LaHood.

Representative LAHOOD. Well, thank you, Mr. Chairman. I want to thank my Senate colleagues for welcoming us. I actually just came over here because I wanted to try the U.S. Senate water. We appreciate you having us here as House members. Thanks to our witnesses for, your testimony here today on this very important topic.

I will just state at the outset here, America's global innovation leadership matters, and Chinese leaders recognize that foreign know-how and capital are fundamental to their malign activities to unfairly bolster China's own domestic technological innovation, including AI, robotics, quantum, and semiconductors.

We have talked a lot in this Committee, the Select Committee on China. China has a plan to replace the United States, and they are working at it every single day. They want to beat us technologically, militarily, economically, and diplomatically, and the sooner we wake up to that, the better, and, as we think—unlike our democracy, the CCP can dictate an arbitrarily direct industrial policy as it relates to funding toward technologies they believe are most important.

We have seen that with CCP subsidies and investment in research rising six times faster than the United States. The CCP plays by a different set of rules and standards than the rest of the world and has a track record of exploiting U.S. investments and intellectual property. We have heard a lot about that in our Committee hearings.

To develop Chinese domestic military and intelligence capabilities that undermine U.S. national security. New restrictions on access to U.S. capital and expertise could hinder the CCP's ability to innovate new technology, and we have a number of bills in the House right now that we are looking at. The U.S. must continue to create new tools to curb U.S. investment in CCP high tech sectors and prevent U.S. capital from being used to embolden the CCP's military.

I will start with you, Mr. O'Leary. We have heard from a couple of the witness—a couple of our members today on the, CCP's use of golden shares as a vehicle, but it also seems to be a vehicle for party control inside private companies.

From your vantage point, are there any private companies in China that have the ability to refuse a request from the CCP over business decisions under this structure?

Mr. O'LEARY. I am sure they have the right to do that, and then you don't hear from them anymore. That is what I think happens. It is sort of a Jack Moss situation. I mean, you got to tow the party line. I think those are the rules. That is how it works.

He was an extraordinarily successful entrepreneur and then he disappeared for a while. I think that is how it works. I think if you refuse to cooperate with the golden share participation—remember, they are selling down to one percent with effective super rights with that one percent.

I am not sure you can go to your counsel in China and say, look, I would like to object to this and litigate this in court. In fact, I am sure you can't do that. That is what you would do here. If the government said to me, you are going to sell—you know, we are going to sell our complete holdings and we are going to keep one percent and we are going to tell you what to do every day in one of my public companies, I would say, sure, let's go to court.

That is why people invest here because there is an appellate system on a check and balance for crazy ideas like that, so my answer would be, there is no difference in China between a public company or a private one. There is just a golden share. That is it.

Representative LAHOOD. Thank you for that. Mr. Iacovella, as I mentioned, while the United States still funds most basic research—more basic research than China does, China investment is rising six times faster and is expected to overtake the U.S. in spending within the decade. How can we as policymakers support the development and fostering of innovation and bolster America's leadership position in this international competition?

Mr. IACOVELLA. Well, I think the—one of the first things we can do is prohibit American money from continuing to fund Chinese companies, and their innovation, and their military rise. I think that is what my big concern is and what I tried to articulate in the testimony is that we have companies on the commerce list, on the DOD list, on the human rights list.

These companies should not have access to our capital markets. They should not have access to anybody to be able to do business in this country, but for some reason, they continue to be able to take American investor money and fund their rise.

It is like a whack-a-mole scene where we put one on an index list, they create a subsidiary, and then that subsidiary starts to get money in our capital markets, and that is why whatever Congress does, it has to be very crystal clear on the prohibition.

Representative LAHOOD. Thank you for that. I yield back, Senator.

Senator HUSTED. Thank you. Thanks for being here today. I am John Husted. I am Senator from Ohio, and I wanted to talk a little bit about AI. I know that Senator Rosen and I have a bill that would prohibit DeepSeek from being on any federal devices.

I have, you know, grown concerned about how, you know, we talk about the scams with seniors and certainly foreign adversaries like China are exploiting our freedoms. We allow these technologies to freely flow inside of America while they prohibit those same kinds of technologies from being available to their population. Mr. O'Leary, I will just—I know you have a lot of experience in looking at these investments in China and abroad.

Do you have any thoughts on AI, particularly DeepSeek or anything in that space? How our freedoms—how they are—how Chinese government and Chinese businesses are perhaps exploiting our freedoms and what threats AI pose in that space, particularly for our seniors and scams that could be perpetrated in America?

Mr. O'LEARY. Yes, that is a good point. You know, this issue around AI competition—it is my belief that the country that advances AI the fastest and with the most capacity, is the safest from a defense point of view.

I don't care where warfare goes in terms of technology, it is going to be driven by AI. Predictive outcomes in a war scenario. If I were China, I would want to be the most advanced and as fast as I could in AI just to prepare for warfare in the future. That is what we should be really concerning ourselves with. Do we have the most advanced AI? You can see the effects of AI—we talked about fraud.

You can see the propaganda as of 48 hours on TikTok right now. Incredibly, remarkably generated images of overweight Americans at sewing machines. That is all AI driven. The challenge we have, and it is almost worth its own investigation, is the country with the most power wins AI because you have to build giga sized data centers. Right now, in America, we have a demand for 45 gigs—5 gigs are under construction.

What holds us back in North America, Mexico and Canada, included, is permits and power. If you go to any authority here, any state, and ask for a gig of power, you can't get it. It is just not available.

Our grid is maxed out, and China has solved this problem with coal powered electrical plants that are generating a tremendous amount of electricity. They don't have a problem with permitting. The government finds the land, they build the facilities, and they power it with over 1.4 gig of power.

One of the reasons they were able to advance DeepSeek so quickly was they got the power to do it, and you have heard lots of warnings about this, but AI should be earmarked as number one issue for defense. That is what I think it is—in every way, including propaganda and everything else, but if we don't have the best AI, we won't be winning militarily in the future.

Senator HUSTED. Well, that is—I think that is a really good point, and if you study the history of the world, the nations that are the most military and economically dominant are nations that are the most innovative.

New technologies from the beginning of time have advanced as military weapons that allowed for nations to conquer or be conquered. It certainly creates that same opportunity from an economic point of view, because look, militaries are built through the revenue and the growth of a country—of a nation's economy.

Mr. O'LEARY. The tech.

Senator HUSTED. The tech is financed from that economic dominance, so economic dominance begets military dominance. Military dominance traditionally has been helpful at economic dominance and conquest and setting the rules of the game for global competition. The other two gentlemen who are with us today, you have any thoughts on that—those particular issues?

Mr. IACOVELLA. I think that we could go back to exactly what Kevin was talking about in the beginning, and what I have tried to talk about, which is the playing field is not equal. Our companies are playing on an un-leveled playing field to access the capital.

Over there, it is going into China, and it is—it may never come back. Xi makes one decision and then that is all gone, and we don't know how deep and how far the investment ecosystem is in private equity, in pensions.

It is in mutual funds. Any of these that hold Chinese companies can go to zero tomorrow if Xi decides to do, and I think that is what the scariest thing is from my perspective.

Senator HUSTED. Okay. I am out of time, but I will say to this point, these technologies in a free society that are yielded by our adversaries and people within those nations who will not police the rule of law can be weaponized against our citizens, and in this particular case our elderly citizens in this Nation, and we got to wake up to it, and I appreciate your thoughts. Chair recognizes Representative Caster.

Representative CASTOR. Thank you, Mr. Chairman. Thank you to the witnesses for being here. I want to apologize if I have been squirming in my seat. I am—just like our neighbors and small businesses across America are suffering whiplash right now because of the economic chaos that has been inflicted upon us by the White House and the President over the past few weeks regarding imports, the import taxes, and just the sheer chaos of not knowing what is coming next.

To the subject of this hearing, that kind of chaos empowers the Chinese Communist Party. That emboldens them to continue their malign economic abuse of our seniors in this country, but our businesses, our allies, our friends.

The Chinese Communist Party, they know that these fraudsters and sophisticated scammers target older Americans to steal their hard earned cash. Especially poignant in a state like Florida where 20 percent of the population, over 65. In the latest report to Congress regarding the protection of older adults, the Federal Trade Commission stated that older adults reported losing more than \$1.9 billion to fraud in 2023.

That is just the cost of the reported cases. The vast majority of frauds are not even reported. I heard you, Mr. Finta, talk about your mother, your parents. I hear these same stories from my mother and her friends. They just feel like they are over the barrel. That they are being preyed upon.

They are not exactly sure what is coming at them next. They want help. The problem is that the White House now, not just causing this economic turmoil and uncertainty, they are also going after the cops on the beat, particularly the Department of Justice and the Federal Trade Commission.

The Federal Trade Commission is our—one of our premier consumer protection agencies. It has a critical role in fighting fraud, and it gets more complex all the time, so to divert resources from a Federal Trade Commission that has grown expertise over time to tackle these kinds of abuses, it just doesn't make any sense.

Here is a glaring, flashing warning light right now. Not just the economic turmoil caused by the President, but what he is doing and the fact that Republicans and Congress are not standing up to keep the cops on the beat at the Federal Trade Commission. We are talking about they are investigators, they are enforcers, and the President even went so far as to attempt to fire Commissioners from the—just the Democratic Commissioners of the FTC.

Now, here is the problem. Congress in a bipartisan way a few years ago established the FTC as an independent, bipartisan enforcement agency. They have a long history of defending consumers, so when you take the cops off the beat and then you say, well the FTC, we don't even want you to operate, then you are just hamstringing our own selves—our ability to counter the CCP in all of their malign efforts.

Mr. Finta, you, in your testimony, you said, in your exchange with Senator Gillibrand, you said we need to double down. We need to recommit through the Department of Justice, and wouldn't that include the Federal Trade Commission too where we have experts on—that are ready to go on task and work to counter the Chinese Communist Party and the fraudsters?

Mr. FINTA. I appreciate the question, and I think the Federal Trade Commission would be an essential partner in this whole of society approach, this task force. I will say that historically with each agency, regardless of cutbacks and changes in different Administrations, working independently, we continue to lose.

The problem keeps getting worse year, after year. I think probably the bigger issue is establishing a working relationship that includes the FTC, the other law enforcement agencies in the United States, and the private sector to share the appropriate amount of data to have effect, which hasn't really been the case at an effective or impactful level in the past.

Representative CASTOR. I agree with you, and I salute you. Thank you to our witnesses for being here and helping us to call out these scammers, these fraudsters. We all have to recommit and definitely not take the cops off the beat and create economic turmoil that pushes people into the arms of the Chinese Communist Party. I yield back.

Senator MOODY. Thank you. I know it is probably a little bit confusing with folks running to vote and get back—getting back here to hearing, and also, who is chairing the Committee.

I am proudly taking over chairing the Committee. I am Senator Ashley Moody from the Tampa Bay area in Florida. Like my House colleague, who also represents the Tampa Bay area, it is really great to have you here. I was an Attorney General for a long time in Florida, and one of the things that I worked hard against were the scams that were affecting our senior citizens. It was one of my top priorities. There is no doubt that these—some of these are emanating from China.

What I think has leaders from both parties' struggle with, just like the American public struggles with, is understanding exactly how China and the Chinese government is operating to undermine American interests, and I believe American strength and security.

In fact, I just launched a bill and sponsored a bill, one of my first, which was sadly to not issue visas to Chinese nationals that want to come here on student visas because over the past few years we have had to arrest so many Chinese nationals here on visas that were sneaking onto our military bases, taking pictures.

It has just—it has happened in the State of Florida, and it should be no surprise, if anybody was following it, that China passed laws just before the Biden Administration. The first one was all Chinese nationals had to cooperate with matters of national security, and if you were a Chinese national, you had to participate with intelligence gathering or face consequences.

Why we are issuing visas to Chinese nationals that are coming over here makes no sense. We are inviting agents of the CCP into our country when they are obligated by law to gather intelligence. That seems a simple step to me—something we can do as leaders, and what I have been fascinated with and appreciate is your testimony and your experience in identifying ways that China is acting that is undermining America's interest.

That is why I am so grateful for President Trump and putting America first, and part of that lies in, Mr. O'Leary, I should say, you are always saying people think that they are investing in Chinese companies and in fact they are investing in ways that may be undermining our own interests or undermining their own interests. I know you have had experience with that. You have been gracious enough to give time and talk to other Senators about that.

Again, we have discovered things over time, and I will go back to, we caught them setting up police stations in our own country, right. We have caught them stealing intellectual property from our universities and setting up institutes within our universities. I mean, there are ways that we have tried to reveal these very directed, specific targeting of undermining American interest.

I will turn my first question to Mr. O'Leary. you have discussed how American investors essentially own nothing in China and how the CCP government maintains an ultimate veto over its companies. In your view, what efforts can we do to convince our colleagues and the American people that the government of China cannot be trusted as long as we are willing to tolerate the totalitarian regime in Beijing?

Mr. O'LEARY. Well, step one, which I think is going to be the easiest path of least resistance is to simply enforce existing laws, particularly in capital markets where those of us that are compliant have to compete with entities that are not.

If you have a golden share or if you haven't produced GAAP statements that are transparent over the last 24 months, you are going to get delisted, and that is going to be billions of dollars getting evaporated off our exchanges, and that I think is a wakeup call to China, which really, if you think about it, wants to become the eighth member of the G-7.

The G-8. If they want to play with the big boys, they are going to have to play by the rules. Everything stems from capital. You

can't build an economy all on your own. You have to get access to capital, and we have provided an amazing platform for China to tap into the world's greatest economy, from a consumer basis where they can sell their products, and also the rule of law to raise capital.

That has not been fair. It has not been a leveled playing field. Just to be sure, I actually want to invest in China, and I want to compete in China, and I want to be able to sell products to Chinese consumers. I have got nothing against Chinese consumers. I feel that American technology and innovation can compete anywhere, and I just want to compete on a level playing field. We need to impose a level playing field.

The only way to do that after watching for 20 years and multiple Administrations, not only here domestically but internationally, nobody has called them to the rug. Nobody has said, okay, you are not complying, and all they have been taught from us is there is no consequence.

You can do whatever the hell you want, and you don't pay the price. That is what our message has been for 25 years, and I am only asking as one voice, when is this going to change? I mean, when? Because if it doesn't change now, they are going to continue to take advantage of us in every way possible, including IP theft. Which I bet you, and this is a personal opinion, you give me any Chinese technology that is advanced, and you reverse engineer it, I will show you American code from some decades, as many as 40 years ago. I swear to you, I believe that.

We never did anything about it then and we are not doing anything about it now. We are here to say it has got to stop. We are the guys in the front line. We are dealing with this. You have heard my colleagues talk about this. It is just not fair, and I am just asking for you to impose the existing laws.

If you do that, believe me, those boys are coming over here on an airplane. That is what is going to happen. You can't cutoff people from the United States market, the largest on Earth capital market, without a consequence.

Senator MOODY. Well, we appreciate you certainly being here and being a part of this process where we are calling it out, and conducting a Senate hearing, a joint House and Senate hearing is certainly part of that, and I want to commend our Chairman of this Committee, Senator Rick Scott, who has really used this Committee to tackle some of our most challenging issues, not only confronting the threats from China, from the opioid crisis, to how do we confront the most pressing issues facing our seniors.

I want to thank you, Chairman. I also want to thank you for coming back so that I can pass the gavel right back to you. Appreciate it, Mr. O'Leary.

The CHAIRMAN. Thank you, Senator. Yes, we have got a lot of votes this afternoon, so I have to go back and forth for votes. Senator Kim.

Senator KIM. Yes. Thank you, Chairman. Mr. Finta, I wanted to start with you. As I was preparing for this hearing, I was trying to get a sense of just the magnitude of the problem that we face, and I think every single one of us realizes that, yes, we don't know the full extent and scope of what we are dealing with.

I thought, in fact, your testimony, I thought approached this with a sense of humility. You said, I believe only 10 to 15 percent of elder fraud victims ever report the crimes against them.

I guess I just wanted to start, based off of your experience, are there any best practices that you have seen or are there certain types of steps that we should be taking to make it easier for the reporting or try to have a better handle, try to do better, encourage people to come forward, but also, you know, making sure that we know what we are actually dealing with?

Mr. FINTA. Absolutely. Thank you for that question to—it is a great opportunity to talk about what should be as opposed to what is right now. Unfortunately, right now in the United States, the reporting is remarkably low.

One of the other kind of consequences of the crime itself is that a lot of our seniors would prefer to report to their local police departments. When you walk into a police department in the United States right now and you say, hey, my mom, or my dad, or myself was the victim of a pop-up ad on the internet where I went to a digital currency ATM and sent money overseas.

Unfortunately, the vast majority of the time, what you are going to immediately get is, hey, I am sorry, there is nothing we can do.

Senator KIM. Yes.

Mr. FINTA. You should call the FBI, or you should, you know, file a claim with IC3. When you call the FBI as an individual, or HSI, or you file a claim with the Internet Crime Complaint Center, you are viewed essentially as an individual who lost \$30,000. It could be your life savings.

Unfortunately, there is hundreds and thousands of those complaints, and without a real combined effort to aggregate, really analyze, and work the most pressing complaints. Again, with our private industry partners, we are pushing a giant rock uphill as law enforcement, and it does not encourage people to do those reports when they don't see the effects of them, right.

When you file a complaint and that complaint does not get worked, you are not called to testify at a sentencing hearing. You don't get that.

Senator KIM. Yes. Well, you know, even and you said here in the followup sentence, even with this low percentage of volume, complaints are still far too large to investigate under current circumstances, as you were saying. I guess I wanted to just ask, are we thinking about it in the right model here?

You know, I wanted to—I was about to ask you like, how much more do we have to surge resources toward this. You know, this is Sisyphean effort though, in terms of just, you know, constantly feeling like we are never actually going to scratch what is actually there.

I guess I wanted to ask you, in terms of what you experienced, are we successful in addressing some of the complaints that we had, or is that just not the right direction in terms of being able to put our resources toward?

Mr. FINTA. No. I believe with any large problem, there has to be multiple approaches to combat it. This is just one of them in terms of actual investigation enforcement. I do believe that if we constructed—because I did have great success, at least locally, on the

Elder Justice Task Force in San Diego County with 13 police departments all participating—with private industry participating almost in real time.

It is effective as a model if you proliferate that across the country. The combined results of 50—100 EJTFs around the country would start to have a disincentive effect on those groups overseas and the people here facilitating those crimes.

Senator KIM. I see, so you are saying if you can replicate that type of structure and have it scaled across our country—but still would need to be some type of coordinating body. Is that something that you see be able to be rest within the FBI or is that something at the Federal Government level to try to coordinate across?

Mr. FINTA. Well, that is a good question and that is outside of my lane in terms of speaking for other agencies. I do think, again, with, for example, National Elder Fraud Coordination Center, to aggregate the data from U.S. companies who do have amazing resources to support those types of investigations would be a game changer.

Senator KIM. Yes. Okay. Thank you. I am out of time, so I will yield back to the Chair.

The CHAIRMAN. Thank you, Senator Kim. Senator Justice.

Senator JUSTICE. Well, first of all, thank you for all three of you coming and your testimony. I didn't get to chance to hear it, and so—you know, we have been running back and forth doing all these votes and everything, but I have got to just tell you just this. You know, for one of you, Kevin, we have become real friends and what an incredible man this man is.

You know, I have had him in my office in Charleston, West Virginia in the Governor's office, and I had the opportunity to be the Governor of the State of West Virginia for eight years. I can tell you that I can speak very frankly and say, I don't know that anybody has been in that office that has been more credible than this man. I appreciate our friendship.

He has done every single thing that he said he would do, even to the point in time when he called West Virginia a winner state. I would say just this, if West Virginia is a winner state, and I love, I love the contest of ball games and everything, but absolutely, we can't possibly say we are winning, we are absolutely winning when it comes to China. I don't see how anybody can say that and say that in a fair, fair way.

Now, I can honestly say just this too. One of his companies, Prime six, and I hope I am not stepping out of my bounds and everything, but he came in November of last year. We were sitting, you know, in a location in Fairmont, West Virginia. He said, we are going to make this a go. We are going to make it a go now. I think they are scheduled for June, from November to June, and absolutely they are pulling it off. Like I said, as far as credibility, he has not only my vote, but many, many, many in this great—in the great State of West Virginia.

With all that being said, you know, Kevin, as your friend, I would just ask just this because we have got a lot of elderly people in West Virginia, and those retirees are absolutely being bombarded in a lot of ways. You know, I have—I thank you for bringing awareness, all three of you, awareness to a real problem

in this great country that we know about, but we don't seem to do anything about it.

You know, Kevin, just a minute ago said just that. We know about it. For God's sakes of living, this can't be that hard. You know, we know about it, and we don't do anything about it. Well, I really don't get it. Like I said, I am a new kid on the block here, but I am a kid that abounds in common sense and logic, and goodness, and truth.

I have got just one question, and it is just an echo of the same question, but it just basically says this. It says, the lack of transparency, financial representation, ties to human rights violations, and scams are just many of the reasons why investing in Chinese companies has become a real and unique threat.

What can individuals in West Virginia, the residents of our great State, do to help protect themselves, and their retirements, and their pensions, and their—from these financial threats, and so, please Kevin, if you would, and you have probably already given us a whole bunch of advice already, but I didn't have the liberty to be able to be here to hear it, but please tell us more wisdom.

Mr. O'LEARY. Well, I just feel that if the initiative and the incentive from these hearings and with other members is to enforce existing laws as they stand, we will end up in a much better place in terms of our relationship with China, because they are a large economy. We are larger.

There is a chance to work all this out. I might add that while we have been sitting here, my phone has been lighting up, the market is up 3,000 points because what is occurring here is the tariff situation with the rest of the world, although chaotic, is getting organized. It seems that way. 69 countries coming to the table, and maybe we end up with zero tariffs. I don't know.

China is not the same. It is not the same. We have to resolve the issues we have been talking about here today as part of the negotiation. I don't care if we get to 400 percent tariffs on China. The only thing I care about is getting them to the table to resolve these issues to make it safe for every American to invest there or do business with them, including in West Virginia, and you know, this is changing by the hour, but now I am starting to see what's happening and so is the market too. The world is one thing. China is completely different. Tariffs are being used to get them to the table, to level the playing field finally. All of us that are involved in dealing with this and competing with it, applaud it, I can assure you. I am the voice of millions on this that have been doing business there.

Something else West Virginia can do that I think is going to be coming into the highlight pretty soon as we get into this AI competition with China. There are very few states or locations in America, or Mexico, or Canada that have as much stranded natural gas as West Virginia has, and that is pure gold for AI. Now, I can speak to you as, you know, in working with your government.

You moved permits quickly for that Prime six plant you spoke of and that is why it is happening so fast. Do the same thing in AI development. Allow companies to come there. Tap the stranded gas. Bring in the turbines. Build the facilities, and light up AI. You can't do that right now in Virginia because of the rules and regula-

tions were not allowing gas turbines to work in conjunction with diesel backup generation, and so, the sites in West Virginia have become prime real estate now for AI.

You are going to—you will transform your state's economy by embracing energy because we don't have enough in America, and there is—you have Senators there and you have—there is lots of other people in your government in West Virginia that understand this opportunity is huge. It is absolutely huge.

Demand is insatiable. You got to tap that and move at the same speed you did—and I am just one investor in West Virginia. It was a winner state because you got stuff done and everybody has to hear that message.

Senator JUSTICE. All right, thank you so much, and thank all of you. Thank all of you for being here today.

The CHAIRMAN. Mr. O'Leary, what if there was a company called WeatherTech, you know, and they produce really nice mats for the car.

Mr. O'LEARY.. I have them in my F-150. The CHAIRMAN.They woke up one day and they looked on Alibaba and they saw that their products were being sold on Alibaba. They looked at their shipping and they, you know, they have never had done any business with Alibaba. They looked just like the mats that they produced in Illinois but—and they even had their name on it, right. What could they do to stop this theft of their product, and they got nothing for it. What would be their recourse right now?

Mr. O'LEARY.. There is nothing they can do. You have just told the story of a million small businesses in America over the last 20 years. They innovate. They create. They are entrepreneurs. They prove their product to the Americans' consumer market. At around \$5 million in sales, they are knocked off.

By whom? China. Very often the same plants that ran the molds under a relationship they had with the company—a lot of companies went to China 20 years ago, 10 years ago, and put their molds there, and during the day, the company would run the WeatherTech mat in this example here, theoretically, and then at night they would run the knockoff mat, and they would bring it into the market, and let me guess, 30 percent off retail of the WeatherTech.

I have seen this happen countless times, and in some cases where the company is very small, they go out of business, and nobody hears that tree falling in the forest. It happens thousands of times. There is such an immense opportunity here to just to enforce existing laws, but really at the end of the day, the reason that behemoth company couldn't do anything about it, they have no access to the Chinese courts. They can't resolve the complaint through litigation as we do here.

My recommendation is, look, if you are a Chinese company and you want to use our courts to litigate your complaint? Sorry, not until you open yours. We would love to work with you, but unless it is a reciprocal—the whole idea of today's conversation was just to get to a reciprocal playing field—an even playing field.

American companies have always been very competitive anywhere on Earth when given a chance on a transparent and competitive playing field. That is not the case in China. I mean, we are

all saying the same thing here. It has got to get fixed, and finally, finally, here we are with tariffs being the excuse, but now I think Xi has to come to the table and I hope it happens, and I would like to see tomorrow morning 400 percent tariffs.

The CHAIRMAN. Let's say there is the same company called WeatherTech, and they know Alibaba is selling in the United States of America to American consumers. They wouldn't be able to get money out of Alibaba right here?

Mr. O'LEARY. No. They can try. Sometimes if it is a big enough case, they will take it down. Amazon is much better if you can prove that you own the IP and you know—

The CHAIRMAN. They couldn't get any damages out of Alibaba—

Mr. O'LEARY. I have never heard of a case resolved to the satisfaction of the company that is making the complaint, ever.

Now, there may be a case I don't know of, but the WTO is supposed to provide this platform. You find me one year since 2020 where there haven't been a plethora of complaints exactly like the one you have just detailed and there has been no consequences. None. Zero.

The Chinese economy has done very, very well on the back of stolen IP, and ripping tech off, and using products at much lower price points that they have made themselves based on American IP.

Look, it has got to stop. I mean—and I am sure most Chinese people would love to compete. There is great Chinese entrepreneurs. They don't need to cheat and steal. They can—we just need a level playing field.

I would love to see this resolved and I hope it happens, but I say, and what I have learned and what I have seen in my long career, is China understands only one thing, the stick. Give them the stick. They respond to the stick.

The CHAIRMAN. Hopefully today we will confirm a new chairman to the Securities Exchange Commission, so what would you ask him to do? What do you think his responsibility is? Because so if I—you know, I used to take companies public, and when I took them public, I had to have current financial statements.

I had to disclose all the material information, right, and so, and the SEC enforced it, right. I had to do it with when I took things public and I sold securities and I had to do it with my 10 Qs and 10 Ks, every quarter and every year, so what should he do right now? He will probably be sworn into office tomorrow. What should he do?

Mr. O'LEARY. I assume you are referring to Paul Atkins.

The CHAIRMAN. Right.

Mr. O'LEARY. He should go right back to the files and execute the mandate the law has given him. There must be dozens of companies that are offside right now in compliance on GAAP—dozens. They should have been delisted two years ago. They are still trading. They are still raising capital.

They are still competing with people like me for that money, and they are not compliant with GAAP. There is no way on earth I could do that. I would never have that opportunity, and yet they

do. All I want from him, and I think you will hear a lot of people saying the same thing is, you have this mandate, now enforce it.

The CHAIRMAN. Yes. What about, you know, these, you know, Wall Street firms that say, you know, look, American investors, they want to invest in these companies, and if we don't allow them to invest in the American stock exchange—through the American stock exchange, they will just go some other place. What would you—what would your response be to that?

Mr. O'LEARY. What is going to happen when this law starts to be enforced is—and this is the case in almost every regulator. There is the seven big regulators on Earth. They speak with the SEC practically weekly.

Everybody complies with the law that is actually implemented and enforced in America in one way or another. They don't want to be offside with the world's largest capital market. It is not that they like us. They want access to the largest capital market. The reason the ADGM in Abu Dhabi doesn't want to get involved with companies that are not compliant with the SEC or whatever body it is in the U.S. is because they want access to the world's largest and most liquid capital market, and they don't want to ever be offside.

It is the strength of America and the access to the market and the largest consumers' market that gives it its strength and it hasn't used it, and this Administration finally—and a lot of people don't like the style of the President. I get it, and listen, with Trump, the way I look at it is I don't focus on the noise.

I focus on the signal. What I am hearing is, enough and we are going to enforce the laws, and that is probably a good outcome for everybody. Although, you know, watching the market go up and down 3,000 points a day, people gnash their teeth, but if that is the price, it is worth it.

The CHAIRMAN. Chris, is this just a theoretical issue that—you know, that these Chinese companies, we don't really know what their financial statements are, but it is never really a problem. No one ever loses money. Is that ever—has that ever happened or is it just a theoretical problem?

Mr. IACOVELLA. No, it has happened. There have been multiple companies. There was a pharmaceutical company named Kang Mae where one day it was a growing concern and the next day it had a \$15 billion hole in its balance sheet and that was because the CCP decided it was no longer a useful concern for it.

That was part of some of the index funds. That is one of the reasons why we started to get involved in this, and to answer your—to add to what Kevin said on your previous question, they can go overseas if they would like to, but there is no rule of law in Hong Kong. There is no rule of law in mainland China that stands up to our rule of law, and there is also something called a fiduciary duty, which requires you to do due diligence, to investigate. You have an obligation to your shareholders to take into account reputational risks, to your political risks.

The fact that they might just take over the whole board from a Monday to a Tuesday, or that they might impose capital controls which basically absorb all of the retained earnings at that company, that is too big of a risk to take as a fiduciary. I think that

is a false argument. I have heard it multiple times and that is how I would push back on it.

The CHAIRMAN. If an American investor—let's say 65-year-old woman invested in a mutual fund and they invested in a Chinese stock, and you know, they lied and unfortunately it went to zero, the mutual fund would not take the money out of the—it wouldn't take the money out of that poor lady's—they would eat that loss themselves, wouldn't they?

Mr. IACOVELLA. Well, no, that fund would bring down the overall return.

The CHAIRMAN. You mean the lady would lose money even though the mutual fund allowed—they are the ones who bought the stock that didn't comply with GAAP?

Mr. IACOVELLA. That is right. That is—and that is why the passive index loophole is such a problem because none of those companies comply with any of our laws, and yet American money goes straight into them, particularly—

The CHAIRMAN. Would the exchange that that stock is traded on, would they take the responsibility so the lady wouldn't lose money?

Mr. IACOVELLA. If it was in the United States, here, I think there could be some recourse against not only the underwriters who brought that stock into our exchange—

The CHAIRMAN. Has that happened?

Mr. IACOVELLA. Nope, it hasn't—

The CHAIRMAN. The underwriter who sold the stock of a company that didn't comply with GAAP has no liability in the United States?

Mr. IACOVELLA. That has not been tested yet.

The CHAIRMAN. What do you think the law is?

Mr. IACOVELLA. With an American company that—has been tested multiple times and the underwriter also is liable generally. Now, the exchanges are self-regulatory organizations, which means they have legal authority to adjust their standards, and they are supposed to protect the integrity of their marketplace, and if they have companies trading on their market that aren't complying with U.S. laws, then they do have some sort of a regulatory obligation to remove them, to protect the integrity of the market and the investors who trade on it. To date, they haven't done that.

The CHAIRMAN. The underwriter has had no personal—no liability. The exchange has no liability, and the mutual fund has no liability, so all the money—so somebody—if they all did this, then the only person that is holding the bag is the 65-year-old lady that thought she was buying into a safe mutual fund.

Mr. IACOVELLA. That is correct, Senator.

Mr. O'LEARY. Can I add something to that because I think you made a great point. Let's say Atkins delists the Chinese company and they immediately go to the London Exchange and say, oh, I just got delisted off the New York Stock Exchange and I want to get listed now here. I would think the regulator there would say, can you tell me why you got delisted?

Oh, we broke the law in the U.S. Oh, please come and list here. I mean, obviously if you are a mutual fund manager with a mandate, you are not going to want to touch that company. Once they

get tainted by breaking U.S. securities laws, that is a tattoo forever on that board.

They are not going to escape into any market on Earth. It is going to make their shares worth 60 percent of retail, so I am not worried about anybody moving, and I suggest my colleague is 100 percent right. Once they get delisted for breaking the law, they are radioactive waste in financial services.

The CHAIRMAN. Mr. Finta, so if you were—if you were the new FBI Director, all right—I will give you just something one—a Florida Sheriff said to me. They said, you know, we probably don't really need a lot—a whole bunch of help on any more bank robberies like we probably needed in the 30's. What we really need is help on these international scams because we don't have any ability to deal with these international scams. What would your recommendation to the FBI be?

Mr. FINTA. Sir, I would recommend a reshuffling of resources to include treating these types of scams and frauds as transnational organized crime. At the moment, to some degree depending on where you are, but they are generally looked at as a white-collar crime. The type of investigation that one conducts on white collar crime as opposed to transnational organized crime tend to differ.

Also, transnational organized crime has the ability to rope in agencies all across the United States to assist, which is what you need when you have money mules in 14 different states, victims in 50 states, actual organizers in a dozen different states. You need a team to work those types of cases.

I would also step up the amount of interaction on a real time basis with America's companies, with our private sector, so that the access to that data, where the evidence lies, happens faster to increase the amount of accomplishment in a shorter period of time. We could do more cases with less.

The CHAIRMAN. Things like bank robberies or other issues that the FBI historically had been involved in, that probably local law enforcement has the ability to do on their own—there is probably other areas. If they actually said, we are not going to focus on that, but we are going to focus on these international scams, would the FBI have the resources to put a lot of smart talent against these international resources—international scams?

Mr. FINTA. The FBI hires pretty well, sir. I think they have a lot of good smart people that can do this. I will say, I am not going to speak for the FBI and what the resources are right now.

Just like we did with the healthcare fraud task forces in the past, I think it would be appropriate for the Congress, for the Senate to actually staff those with budgets, with requirements to say, hey, listen, if we are going to ask you to do this, we are going to give you the resources to do it.

If we did, as a country, we could accomplish a lot of good, so Kevin and Chris, if you—so let's say I have a new company and I feel really good about it and I want to take it public, all right, so is the—why wouldn't I just pick—you know, there is no real reason—if I could pick any exchange of the world, right, wouldn't it be—what if I could—would I have any discount if I said, I am not going to do it here.

I am going to go and do it on the Indian Stock Exchange or the Hong Kong Stock Exchange, or the Shanghai, you know, Stock Exchange. Is there any reason why I would get more money, and my trading will be clearly more liquid if I pick an American exchange? Is there any reason to have it—is there any reason not to do it?

Mr. O'LEARY. Every company on Earth—pretty well every company on Earth given the option would either list on the New York Stock Exchange or Nasdaq, period. The reason they would do that is the amount of capital that is interested in investing in a company that has gone through the rigorous compliance and transparency, the regulatory laws here on issuing a prospectus, and the fact that they could get indexed into the billions and trillions of dollars that are actually invested in indexes where their company might be included.

The largest index on Earth is the S&P 500. It is the gold standard. United States remains the gold standard for public listings. There are very few exchanges that can compete. A company, most of the time, if they believe they are compliant, will always see the availability of an NYSC or Nasdaq listing first.

Very often they will try London next, but it is, every institutional investor on Earth in one way or another puts almost half their capital into one of those two exchanges. They are the largest on Earth, and they are going to remain that way while the rule of law is transparent and we have an appellate system, and we actually enforce these laws because it is—the American economy is actually based on confidence. That is what it is, and the belief that it is the most transparent legal system on Earth.

Now, we have gone through a lot of issues around it, but we have had these issues before. Why is it even adversaries want to invest their capital here? You have to ask yourself that. It is trust. That is it, so the answer is, more people, even adversaries, trust the United States than any other country on Earth, and the way you can tell is how they vote their dollars. It all comes here.

Anything that—by not enforcing laws, we actually breach that trust. We should be—you know, when Atkins comes in here, he is the steward of these laws. His mandate is to enforce them to show the world that he and his mandate, and the country, and the system, and the exchanges can be trusted. Anybody that did not enforce those laws was hurting the American brand.

That is what they were doing, and that has got to get fixed. You don't want to hurt the mothership, the American dream, the American brand that transcends bipartisan politics or any generation? It has to be maintained. The way you do that is you enforce these laws. I am very hopeful that you are right, that we are going to see a lot of these delists, and I am looking forward to it. They can do the right thing and do like I have to comply.

Pay for that compliance. Hire a firm. Pay the millions it costs to stay listed. I am happy they will do that because I am happy to compete with them.

The CHAIRMAN. All right. Ranking Member Gillibrand.

Senator GILLIBRAND. I just want to thank the three of you for your excellent testimony. This was a superb hearing and each one of you contributed a great deal of substance and ideas to the House and Senate, Democrats and Republicans, to work hopefully on a bi-

partisan basis, to write some legislation to correct some of these challenges and problems. Senator Scott and I are chairman of and ranking on the Senate Aging Committee.

The House members were the Special Committee on China, so that was the area of differences in our questions, but I really appreciated the depth of knowledge that each of you have, and you have given us great ways that we can work together to protect not only the American dream but protect our parents and our grandparents to make sure they are not continually targeted and absolutely scammed out of their hard-earned dollars and their retirement savings.

Thank you. I think that your recommendations, Mr. Finta, with regard to resources, with regard to collaboration with local law enforcement, with regard to creating specialized commissions to do this work is very wise and thoughtful. Mr. Iacovella, I really appreciated your recommendations with regard to how we keep security firms safe. How we keep investments by our states to be protected and good investments. I think your insights in that is extraordinarily helpful.

I think, Mr. O’Leary, your insights with regard to how we incorporate how we have laws that protect U.S.-based companies, how we allow for U.S. based companies to compete worldwide is very important, and I couldn’t agree with you more that the stability of U.S. markets and the fact that people respect our law enforcement and the oversight and accountability that we can provide in this jurisdiction is worth everything. It is why people want to do business in the United States.

Thank you all for being such important leaders, and I appreciate all the contributions you made to us and to this Committee.

The CHAIRMAN. Thank you, Ranking Member, and we have got a couple—we have got a few House members coming back, but I have got another question.

I just want to—so Mr. O’Leary, what if there is a company called ByteDance and owned a subsidiary called TikTok, and the U.S. Government made the decision, Congress made the decision that they shouldn’t do business in our country because it was all Chinese propaganda, right, and they were required to sell.

Now, if that happened, it would be whatever their free market would be. They would sell at some price,—whatever that price is, right, but what if the government of China had the right to say, no, you can’t sell it, and so what happens?

What is the spread—now, what would be the spread probably in the value of something like that if you say you can’t do business, you got to shut down in America for the parent company, for TikTok, or you can go sell to the highest bidder?

What would—so what would be arranged and how—and would that be a material disclosure that was not made by the underwriters, required by the SEC, enforced by an exchange?

Mr. O’LEARY. Yes. TikTok is the most unique situation in American corporate history because I don’t recall ever a company having a law written specifically because of the way it operates. I mean, I have never seen anything like it and I don’t think in history we have had anything like this.

Not only did Congress pass a law specific to it, but the Supreme Court ruled nine to zero in further definition and resolution about exactly what was intended by that law. However, it has seven million American businesses operating on it, generating somewhere between \$15 and \$17 billion of revenue.

And in a commercial environment, that is of interest to many investors, including me and others, and this is the first time I have ever seen a private equity deal basically where the actual deal terms are written into a law from Congress and the Supreme Court. I don't—I think that is absolutely unique.

Now everybody is trying to interpret what these laws are to actually do this deal. We have now given a new 75-day period. I doubt there will be another one, but I think there will be a deal done according to the law because there is value there and markets clear at whatever price it has to be.

I have heard estimates of as low as \$20 billion without the algorithm. As high as \$40 with it, so who knows? Apparently, it is pretty clear to me today after what I have listened to that there will be no algorithm in the deal.

The CHAIRMAN. It is clearly a change in value, right?

Mr. O'LEARY.. Yes, but you know, it will be open price—the great thing about American capital markets, it is an open price discovery.

Once the rules are placed in place and the investors are there, it is going to be negotiated based on whatever the clearing price is, and I think that would be an orderly way to get this thing done.

I mean, I would prefer to see it, and I think it would be better for our markets to have the competition of this social media platform as long it was operating in compliance with the law, but you know, it is—I just have never seen anything like it, and I think it is—for me it is a legacy deal of a lifetime. It is just—if I am in any way part of the solution, I will be very proud because here is how I feel about it.

Those seven million small businesses, they are all Shark Tankers. They are all second-generation American entrepreneurs, and we should protect them. We should make sure they survive this whole thing. It is not their fault. It is a shame to shut their businesses down. Whether it is lipstick, or clothing, or whatever their product or service is, they are generating—

The CHAIRMAN. It is a business—

Mr. O'LEARY. Yes.

The CHAIRMAN [continuing]. and it is shops. There is income.

Mr. O'LEARY. Yes. That is it.

The CHAIRMAN. Congressman Hinson.

Representative HINSON. Thank you. Thank you, Mr. Chairman, and to our Ranking Member as well, for hosting this hearing over on your side. It is great to be over here. Over and over again, we continue to see Chinese companies systematically working around and continuing to take advantage of our laws to boost their growth while cutting us out of that process.

They have been playing long games in this case, and too often we have been used and outmaneuvered, and as we have heard discussed today many times, American retirements and investments have flowed directly into these companies that strengthen the

CCPs surveillance state and in many cases are tied directly to force labor violations.

That is why I recently reintroduced my bill, the Protecting American Industry and Labor from International Trade Crimes Act, which, again, empowers the Department of Justice, gives them the tools that they need to better be able to go after the bad guys—to detect, investigate, and prosecute these trade crimes, especially those that are frequently committed by the CCP, duty evasion, transshipment, forced labor violations, all the things that we have talked about today that disadvantage American workers and American businesses.

Mr. O’Leary, my first question is for you today. How do CCP state subsidies and the dumping practices that they regularly utilize distort our markets, and how do they hurt our domestic manufacturers and producers, particularly in rural communities like mine in Iowa?

Mr. O’LEARY. Well, the number one way there is damage done is not abiding by IP laws. That is probably the most long-term damage that has occurred because it is small increments. Undoubtedly, if you go into your constituency and ask entrepreneurs over the last 40 years, you are going to find many companies that were knocked off in China and nothing was done about it.

In some cases, they are bankrupt now as a result of—you have got to think about something. An American company that spends, let’s just do small numbers, \$10 million in developing their product, and all the R&D, and they are going to have to amortize that over the life period of maybe five years on that product, and they put it on the market, and it immediately is a hit.

Let’s say, that would be defined by five million in annual sales. Five million in annual sales, generally, you are going to make 15 to 20 percent. You can support a family. You can grow the business. The minute that is seen by China, particularly if it is a WeatherTech or something so simple that could be knocked off—China did not participate in spending on the R&D.

They didn’t participate in developing the mold in some cases at all. They simply let the American company prove the market and then they knocked it off. If that happened stateside, within hours I would shut that down. It would be easy. You could hire a local loyal lawyer to do that. Can’t do it in China.

Incrementally over the years, if there is one thing that we could change in this current narrative with China would be to establish reciprocal IP laws and ways to litigate them and resolve complaints, which was intended in 2020 with the WTO agreement that they agreed to, and then there would be very punitive penalties if that was not abided by, and the best penalty is disallowing access to American capital markets.

Representative HINSON. In my district, it was actually seed that they stole out of our cornfield, so you talk about spending billions of dollars on that IP and the R&D that goes into it. They were actually caught in an Iowa cornfield trying to steal the seed by the FBI, and FBI pursued the investigation and tried to hold them accountable. Actually arrested someone here in the United States.

We need more resources to be able to go after these people and actually enforce the trade laws that we do have on the books, and

of course, protect these key industries from that unfair competition, and as you said, they just come in and they let us prove the market. They let us do all the work, and then they—

Mr. O'LEARY. I have learned something in the last two years you should know, and I speak to everybody in the room on this. They don't think there is anything wrong with that.

Representative HINSON. It is just how they do business.

Mr. O'LEARY. That is not taught to them when they are young entrepreneurs that there is anything wrong with stealing IP because there is no consequence, and the only way—when a puppy is being—I don't even want to use that analogy, but you got to get the stick out.

Representative HINSON. This is about protecting Main Street small businesses and those innovators, and so, let's talk about the flow of capital going to these companies that are then turning around and being used against us. We have talked about the fact that they are able to trade on our exchanges.

One example, Chinese LiDAR Hesai with links of course to the PLA. Also on the DOD blacklist, but they are still trading publicly on the New York Exchange. I actually sent a letter to Nasdaq last year asking why are they allowed to continue to do this and remain listed.

I want to thank the chairman for his leadership in the Senate on this issue as well, and we have tried to hold them accountable here and try and limit this, but given these very clear national security concerns, Mr. Iacovella, why are they still allowed to trade on our markets when we know so very clearly that these dollars are being used against us?

Mr. O'LEARY. Hopefully with a new sheriff in town, 48 hours from now, they won't be and I really hope that happens. I will certainly do a shout out for him when he gets confirmed. I mean, this is somebody that should be enforcing the law because this is what maintains trust in the system, and I hope it happens, and there will be very little consequence to public markets if—it will be a big wake up call. Other exchanges will look at this, and I think there will be a reaction—and China domestically to get on board.

Representative HINSON. Mr. Iacovella, did you have anything you would like to add there too—since we were talking about it.

Mr. IACOVELLA. No, I think Mr. Atkins will enforce the holding Foreign Companies Accountable Act and the Accelerating and Holding Foreign Companies Accountable Act, and we will have some—a real understanding of what the audits were supposed to be during the period when China was on lockdown and supposedly the PCOB went over there and conducted audits into their auditing firms.

There was a number of state secret privileges that prevented them from doing what they needed to do, and I think that Mr. Atkins isn't going to tolerate that, and hopefully these companies that have been on for almost two years now that are non-compliant will start to be removed.

It is possible that the exchanges are seeing the wind shift and that they can take their own regulatory action and get these people off the exchanges because there is no reason for them to have access to our capital markets.

Representative HINSON. Thank you. Mr. Chairman, thanks for the indulgence. I yield back.

The CHAIRMAN. Congresswoman Tokuda.

Representative TOKUDA. Thank you, Mr. Chairman. Thank you for your patience while we were voting on the House floor. You know, over 73 million Americans across the country, predominantly seniors, depend on the Social Security Administration services, and yet the Social Security's website has been crashing repeatedly over the past few weeks. Outages have lasted as long as a day in some cases.

Other issues include confusing messages claiming that SSI recipients were currently not receiving payments, and all of this comes at a time when this Administration is rolling out a new policy for identity proofing that will require millions of beneficiaries to set up an account online or show up in person, adding to the confusion.

Now, we know why this is happening. In the past few weeks, Elon Musk and DOGE have cut over 7,000 jobs from the Social Security Administration and are planning more, including a 50 percent cut to the agency's technology division responsible for its website and other online platforms. Last year, during the massive CrowdStrike outage, we saw an uptick in online scams to take advantage of the situation at hand.

Our own Department of Homeland Security put out a bulletin warning of increased phishing and malicious activities. My concern is that DOGE's reckless efforts to cut Social Security's technology division and roll out sweeping new policies that require seniors to go online are creating that same opening for scammers to take advantage of seniors and threaten their hard-earned benefits.

Mr. FINTA, would you agree that the instability in Social Security's website presence and online platforms is creating unnecessary uncertainty among our Nation's seniors and others who depend on Social Security, and creating opportunity for China to both spread propaganda and for scammers to use this as an opportunity to exploit our elders?

Mr. FINTA. Ma'am, that is not my area of expertise in terms of the markets and the confusion—

Representative TOKUDA. Okay, but you deal with preventing fraud and abuse among seniors.

Mr. FINTA. Yes.

Representative TOKUDA. Right now our seniors who are finding concern about their Social Security benefits as a result of mixed messages. They are getting online and proof of authentic—their identity.

Mr. FINTA. Confusion does tend to support criminal activity, if that is what you are getting at, ma'am.

Representative TOKUDA. I think what I am getting at is that seniors are worried right now that they may not be getting their payments because they have actually gotten email messages that were incorrect, that they have to make changes, they have to go in person or create online platforms—and in rural America like where we live, you can't always get physically to a site.

If you have this opportunity present itself to scammers—scammers are often looking to exploit situations like when people

are scared, or when there are changes in systems or even changes in updates to malware and whatnot. Do you think that this potentially could create an opportunity for them to exploit seniors given the confusion and actually the lack of staff?

As was mentioned at the very beginning of the hearing, people won't even necessarily get someone answering the phone for hours if they call for help to Social Security. Is this a potential opportunity for scammers that we are seeing right now?

Mr. FINTA. There is no doubt in my mind that given the opportunity, transnational organized crime groups would take advantage of that situation.

Representative TOKUDA. If we had a situation where we are actually cutting tech staff that helped to maintain these platforms, are we not creating a more vulnerable and environment for scams on our seniors and our Social Security beneficiaries?

Mr. FINTA. I don't disagree with that statement, ma'am.

Representative TOKUDA. Okay. I see that I have used quite a bit of my time. I did want to move on to reports that we saw in February from Wired that reported at least eight scam compounds in the Myanmar, Thailand border region were using SpaceX Starlink terminals to connect to the internet and to carry out their operations.

Between November 2024 and February 2025, there were over 40,000 logins to Starlink from known scam centers in the regions. I think Ranking Member Krishnamoorthi was actually pointing some of those out.

Mr. Finta, from your work protecting American seniors from fraud and other forms of financial exploitation, as well as your law enforcement background, how important is it that companies like SpaceX and Starlink, and other companies providing similar technology, develop robust processes to crack down and be an ally on trying to prevent these kind of abuses of their systems that target American elders and retirees?

Mr. FINTA. Ma'am, it is my experience that these companies do have anti-fraud and vulnerable persons programs, and they do work toward those efforts. Individually, it is difficult for those companies, in my opinion, to have that kind of success as much as what we could if we had an all of government or an all of society approach toward supplementing those efforts. I am not specifically familiar with the Starlink—

Representative TOKUDA. Okay. Well, it seems that we—there are actually a growing number of vendors that are openly advertising Starlink access as a solution for online scam operators, so we clearly need to work closer with them to make sure that we prevent and stop this fraud and abuse on our senior population. Thank you very much, Mr. Chair. I yield back.

The CHAIRMAN. Thank you. Congressman Barr.

Representative BARR. Thank you, Mr. Chairman, and Mr. Chairman. Thank you for this unusual, unique, but very important bicameral hearing I think which underscores the threat that we face here.

In February, President Trump issued the America First investment policy memorandum that directs federal agencies to address outbound investment into China. Congress has been focused on this

issue in multiple Congresses, and in this Congress, I have introduced the Fight China Act, formerly known as the COINS Act, to prevent outbound investments into Chinese military and surveillance companies.

The Fight China Act also aligns with the President's memorandum by taking both an entity-based approach, and a technology-based approach. This is important because sanctions do provide a multilateral effect, but not all civil military fusion happens with just listed entities. We have seen quite a bit of venture capital and private equity flows into private non-listed entities and therefore a technology focus is important.

Mr. Iacovella, can you discuss why a law that prohibits U.S. outbound investment into both specific entities is needed, but also clearly defined technologies of national security concern. Why is that second piece so important?

Mr. IACOVELLA. Thank you for the question, and we supported your legislation, and we liked the approach that you have taken because we always thought that you can do—you can turn up the dial on specific companies, but you needed to attack the entire sectors that are posing a national security threat.

There is more than just public capital, as you said, that is going over there. It is private capital, venture capital, private equity, and public capital that is going over there, but what is even more of an issue is that you have companies that are subsidiaries, of subsidiaries, of subsidiaries.

Maybe the parent is on one of the DOD lists or the entity list, and you can't get to them unless you prohibit the sectoral investment in those Chinese companies, and so, I appreciate your approach. I think you have threaded the needle there and we strongly support it.

Representative BARR. We want to give the private sector the red light, green light approach, but we think we can get at this problem and accomplish that by clearly defining the technologies of concern.

Mr. O'Leary, the Fight China Act, this bill that I have introduced, requires the Treasury Department to regularly review whether companies on U.S. Government blacklists, such as commerce export controls, sanctions, DOD lists, whether they should be added to this treasury CMIC list, the investment blacklist for Chinese military industrial firms.

List coordination is necessary to ensure we treat entities consistently. Can you touch on how alignment within these various government prohibitions of Chinese entities eases the compliance burden for U.S. firms to determine whether or not they can invest in China?

Mr. O'LEARY. Yes. That is one of the great challenges. You don't want to go through the cost of starting a deal or an investment and doing the diligence on it only to find out that it is going to breach this law.

It is almost like a CFIUS issue. You don't know the outcome till you test it, and so, if there was a better way to do that where—particularly in a larger transaction, where they could just come to staff and say, look, we are we want to invest one billion in this

thing, is it going to pass or not, or do we actually have to test it? Yes.

Representative BARR. We have a provision in the bill that would allow for that guidance—

Mr. O'LEARY. That would be the very best thing to do, because then on a no names basis, you can just go in and say, look, there is a very material transaction. If you are not okay with it, just tell me now. Because nobody wants to burden it with litigation, which has been a problem lately, is not the answer. Just yes or no, right. That is much easier.

Representative BARR. I think we have threaded that needle by not having a reverse CFIUS, but it is a clear red light, green light system there. Mr. Iacovella, in your testimony you refer to passive index loophole, and state that there are more than 2,000 U.S. mutual and exchange traded funds that have \$294 billion invested across Chinese stocks and bonds. The concern obviously is that American investors may be unwittingly financing the Chinese military industrial complex. Can you explain how the Fight China Act would curtail that loophole?

Mr. IACOVELLA. I think the Fight China Act would go a long way to curtailing the loophole, but I also think that there needs to be a straight prohibition because what you will find is that New York lawyers are going to come down here and they are going to try to create loopholes to the loophole, and they are going to interfere with what it is that you are trying to do, which is very novel in stopping our money from going and funding the Chinese Communist Party's technological and military rise, as well as their funding of the surveillance state, which aids and abets the interment of Uyghurs. I think that your bill does a lot, and I think that it goes a long way, but it needs to be much broader because the CCP owns a stake in everything.

Representative BARR. All right, thank you. Yield back.

The CHAIRMAN. Thank you. Congresswoman Brown.

Representative BROWN. Thank you, Chairman Moolenaar, Chairman Scott, Ranking Member Krishnamoorthi, and Ranking Member Gillibrand for holding today's hearing, and thank you to our witnesses for being here.

The topic of today's hearing could not be more urgent. I represent Ohio's 11th District, home to tens of thousands of seniors and retirees who have worked hard, saved, and invested for decades. They deserve to know their hard earned savings are safe, not evaporating overnight because of a trade war, or at risk from foreign adversaries and fraud.

Today's threats include everything from shadowy financial schemes backed by the Chinese Communist Party, to sophisticated online scams preying on older Americans. These threats require a whole of government and whole of society response.

I want to take a moment to acknowledge the essential work of federal agencies like the Consumer Financial Protection Bureau, the Federal Trade Commission, and the Department of Justice and the FBI. These agencies are on the frontline fighting fraud and financial abuse targeting older Americans. The CFBP has proposed bringing big tech and non-bank payment platforms under federal supervision, something that is long overdue.

Scammers use these peer-to-peer apps to target seniors, and these platforms operate in a regulatory gray zone. The Bureau's rulemaking would make—would help close the dangerous loopholes.

The FTC has also shone a light on scams like romance fraud, tech support, cons and crypto related schemes, while DOJ's Elder Justice Initiative has gone after the criminal networks behind them. This rise in fraud through payment apps and other digital tools is staggering, and these platforms still fall outside traditional oversight.

That is why the CFB's proposals matter. Mr. Finta, given how much elder fraud is occurring on these platforms, how urgent is it for Congress to support CFB's efforts and close the regulatory gap? And what additional safeguards should we look at to protect seniors as these tools continue to evolve?

Mr. FINTA. I appreciate the question, and you are correct. Each of those agencies has a role to play in the overall process of not only preventing frauds but going after the folks that do propagate them. I think that is one of the big things that gets lost in the shuffle here to some degree, is the lack of enforcement overseas where a lot of these folks feel like there is no consequence.

They are never going to get caught, and that disincentive is incredibly important in the overall plan, the structure. I actually had a conversation with an Indian journalist one time who said, you have to arrest enough people that they think they might be the next one, and that has to happen for this thought process to work. Now, in terms of the regulatory side of thinking, again, that is outside of my area of expertise.

However, the regulators in this country, along with the enforcers, and private industry, all have to be on the same page for this to actually work. They need to support each other because \$61 billion a year leaving the country out of our elders' accounts and going to foreign countries, some of which you are adversaries, is no trivial amount.

Representative BROWN. Thank you. Instead of closing the door on scammers and fraudsters, Republicans want to reopen it and let them in by overturning the CFBP's rule to regulate payment platforms.

I am glad that all Senate Democrats voted against overturning this Biden Administration rule and I will do the same next week. Still, the scale of the threat demands more. The FBI reports that Americans over the age of 60 lost more than \$3.4 billion to fraud in 2023, up 11 percent from the year before.

We know that this is likely an under count because many cases go unreported out of fear, embarrassment, or shame. These tactics from pig butchering, crypto scams, to grandparent schemes are designed to be deeply personal and emotionally manipulative.

At the same time, many seniors' retirement savings are being funneled into CCP linked firms, often without their knowledge through passive investment structures. That includes companies using corporate shells designed to evade both China's and U.S. investment protections, and firms tied to military and surveillance industries through CCP's made in China 2025 strategy.

We need to shed light on these investments and make sure our system isn't helping the Chinese Communist Party exploit retirees. That means increased transparency for investors and it means greater support for federal enforcement. Mr. O'Leary, with my few minutes, you spoke about how millions of Americans are unknowingly exposed to Chinese—through Chinese firms through passive index funds.

What specific steps can Congress take to help investors, especially seniors, clearly understand where their retirement dollars are going?

Mr. O'LEARY. To ban the use of VIEs, which are a structure used for what I would call a faux share. These get indexed. In other words, you think you own a stock certificate with a voting right to it when you don't. It goes to a Cayman structure. I don't know why we would allow that to go into anybody's pension plan. I mean, this is a shadow share is what it is, and yet we allow it.

The other is to actually just enforce existing laws around the golden share. Because, you know, if you hold a company, just to make an easy example, if you have \$100 in an index fund and you have got 10 companies, \$10 in each one, and one of them just goes to zero—and there is many examples of these Chinese golden share companies just going to zero and you don't know why.

You have basically lost. The value of that index is now \$95, and why put it in there in the first place? Even if the law allows to have—I don't know how that is going to happen, but you know, we have been talking today about de-listing all these companies, and I think that might be happening soon.

Sprinkled out throughout all of our indexing, and all of our pension, and all of the diversification through the system that we have built that has protected seniors' investments for decades, we have let this cancer creep into it, and to stop this is to simply enforce existing laws and add new ones. I don't want to own a VIE if I am an indexed pensioner. Why would I want to own that?

A Cayman shadow share from a company with a super preference. I mean, it is so just not what they should own that we just should say sorry, you know. The answer is no, you can't put that in this index. It is just a simple applying these existing laws and fine tuning to remove the tumor that is in there.

This is a cancerous tumor in our financial services system, and we have good doctors here, so chop, chop. Let's just cut it out.

Representative BROWN. My time has expired. Thank you for your courtesy, Mr. Chairman, and thank you, Mr. Wonderful.

The CHAIRMAN. Thank you. Chairman Moolenaar.

Chairman MOOLENAAR. All right, thank you. Mr. O'Leary, just to followup on that discussion. The Trump Administration is having an ongoing review of ERISA standards to ensure that foreign adversary companies are ineligible for pension plan contributions. You have been talking a lot about these issues, the lack of investor safeguards, you know, geopolitical risk, the lack of the ability to due diligence on some of these things.

You just mentioned the, you know, shadow shares, and I guess, you know, when you talk about VIEs—what percent of investors are even aware of this? What percent of financial advisors or peo-

ple in this business who are advising seniors would even be aware of this? I think I would like to ask all of you this question.

Mr. O'LEARY. You know, the majority of index funds or ETFs are administered by fiduciaries inside large distribution companies like Fidelity or Schwab, and they just—their job is to be compliant, and so, it is very rare that they ever go rogue and put anything into an index that is not permitted by law, and so, it is just a matter of making sure that we give them good definition of what is not permitted, and they will comply—99 percent of them will comply.

We built in great safeguards for this stuff. We just haven't really implemented or made them obvious enough. Because when you ask how many investors, if I took 10 people in the hall outside here and asked them, do you know what a VIE is? They would say no. Do you own one? I have no idea what that is. It is not a real share, and it is—we have let Chinese companies rig or take advantage of the system we have provided and the lack of enforcing it to get to this extreme point.

I don't know the exact amount. I am going guess, guesstimate how many Chinese companies are listed on Nasdaq and NYC. I am going to guess between \$700 and \$800 billion worth of market cap. A majority of them should be delisted if we enforce the laws as they should be enforced, and many of them, in my guess, would say, wait a minute. I am sorry I didn't get it done in the last 24 months, but I am going to hire American counsel. I am going to—I am going to get compliant, and it would be a great first step because you would force the transparency.

Then the—you know, the—you know, I used to be in the ETF business. Every single firm that distributed, we had to go through the whole compliance process. It cost millions of dollars, but the system works. If you want to index, you got to make sure that you know what you are putting in there because other people are relying on that and trusting you to do it.

We have been talking all day about how we are actually eroding the system by not enforcing these laws because people, when they start to learn about shadow shares and VIEs, are saying, what the hell is this stuff? Like, why is it in here?

Chairman MOOLENAAR. I am—I guess what I am wondering is, let's say, you know, I am someone who has an account at Fidelity or some other, and I go to my financial advisor, and I am trying to get advice on this. Would they even know VIEs, or would they just simply say—

Mr. O'LEARY. No, they rely on their compliance departments. Some do. Some, you know, RAs and some advisors do but not many. They just rely on the system, and so, you got to make sure the system works.

Chairman MOOLENAAR. Yes. You got to change the system.

Mr. O'LEARY. Yes.

Chairman MOOLENAAR. Okay. Mr. Iacovella.

Mr. IACOVELLA. Yes. If VIEs are in an index fund, then it is the obligation of the fiduciary to track the index fund, and that is what they do, and the CCP, it has been reported, they pressured MSCI and others to actually expand the percentage of Chinese companies that go in these index funds, and they will continue to do it, and the VIE structure, there is no economic rights. There are no voting

rights. There is no control over the board, and then these companies get to list in our marketplace.

One of the largest risks that we haven't talked about. If Kevin sells his shares of his public company, what do you have to do? You have to disclose it immediately, right. They don't have to do that.

A foreign insider can sell all of their shares in the company from day one to day two and you are not going to know about it until the stock price just keeps going down and information leaks out. Who gets harmed by that?

Chairman MOOLENAAR. Thank you. I yield back.

The CHAIRMAN. Congressman Stanton.

Representative STANTON. All right. Thank you very much, Chairman Scott and Ranking Member Gillibrand, and of course, Chairman Moolenaar from the House side, and Ranking Member Krishnamoorthi. This is a very important hearing. I am glad that you made the time to host us here today.

I represent the State of Arizona, which is the state that has the unfortunate distinction of having the highest rate of elder fraud in the United States of America. In 2022, more than 3,500 Arizonans were scammed out of \$82 million. That is just the scams we know of. Many seniors never report that they have been victimized.

The U.S. Government has identified that organized crime in the people's Republic of China are some of the most sophisticated perpetrators of financial fraud. In fact, according to the United Nations, the majority of pig butchering scams where fraudsters take their time to earn the trust of the victims and dupe them into sending increasingly larger amounts of money are perpetrated by these Chinese criminal networks.

They prey on fear and isolation. They pose as investors promising lucrative returns, tech support, law enforcement, romantic partners, friends and family members, and thanks to the increased use of AI, which can mimic human voices, these scams are becoming more elaborate, more convincing, and harder to detect. The Federal Government needs to do more in coordination with our international allies to crack down on these criminal enterprises and protect seniors.

Mr. Finta, you have spent two decades at the FBI working on transnational organized crime. You testified here this morning that U.S. law enforcement does not have the resources to effectively pursue complex transnational elder fraud cases. You may have already covered this, but cover it again. It is worth covering again.

Give us a better description of the resources that the Elder Justice Task Force needs now more than ever, especially in light of—especially as law enforcement tries to keep pace with criminals' use of AI and other evolving technologies.

Mr. FINTA. I appreciate that. I would like to clarify that the FBI, HSI, Secret Service, IRS—all have very capable agents who can and do these investigations on a regular basis. The issue there is the volume. It is the number, and while you are working a 18-month, 24-month investigation, during that time, there are thousands, and thousands, and thousands of people all being scammed and defrauded during that timeframe and losing their life savings.

It is not that it is beyond our capability. It is beyond the resources in terms of the fire hose in the face of these investigations,

and yes, if the individual agents, and officers, and investigators are working these cases, as you work it, you gain more intelligence, which means you need more subpoenas, which you need more time, and you need more analysts, and it grows like that giant spiderweb we always see on the wall in TV.

The issue here is the aggregation of those cases essentially with the private sector to grow those cases quickly and effectively so you can do more of them to provide that disincentive. I don't think we are going to be able to rest our way out of this problem, but I think it is a giant factor that could contribute to reducing it over time.

Representative STANTON. Okay. I appreciate the point. Well made. These last few days have been incredibly volatile with the stock market down more than 10 percent, with the change in tariff policy.

It is coming back up today, thank goodness, but especially for our seniors who may be living off of their retirement accounts, that volatility is scary, and fear is something the scammers prey off of. As fear grows, scammers will find easier targets. As retirement accounts shrink scammers will find—will land harder blows.

Mr. Iacovella, can you speak to how fraudsters, how they target American retirement accounts, and how falling victim to one scam will too often make you a target for the next one?

Mr. IACOVELLA. Yes, that is exactly right, Congressman. The— one of the things I would like to follow on with what Mr. Finta said is that the public-private partnership in this area is crucial.

We need to be able to tell the government exactly how we are being attacked, who is attacking us, and what different sophisticated technologies they are using and methods that they are using in order to get at our customers. Because it is our customers who they are attacking. They get in their emails. They reset rules in the emails. They redirect things so people don't even understand what is happening, and it even looks like to our membership that it is coming from their customers.

Then once the customer is scammed, people know about it, and somebody else comes in who probably was part of the scamming and says to them, hey, if you just pay me a thousand dollars, I will help you to try to recover some of the funds that just left the country. That is the first piece, and then it just drags on for a little while longer. Then you get another thousand, and another thousand.

Before you know it, they are out another \$10,000 or \$15,000 by the same people, and they don't get their money back, and they have been scammed again, and that is exactly what you are talking about, about follow on.

Representative STANTON. Thank you very much. Looks like Mr. O'Leary may have—were you going to jump in and answer on that as well? Okay. I yield back.

The CHAIRMAN. Thank you. I would like to thank everyone for being here today and participating in this incredibly important discussion on the threats posed by the Chinese Communist Party on U.S. investments. Here is the takeaway for everyone, especially American seniors.

Make sure your dollars are not invested in Communist China. I look forward to continuing to work with members across the aisle

and down the dais on this very important topic, and hope that today's hearing will resonate with the millions of Americans approaching retirement to take action today to make sure their hard earned money is safe.

If any members have additional questions for the witnesses or statements to be added, the hearing record will be open until next Wednesday at 5:00 p.m. I thank each of you.

[Whereupon, at 5:01 p.m., the hearing was adjourned.]

APPENDIX

Prepared Witness Statements

U.S. SENATE SPECIAL COMMITTEE ON AGING

"FINANCIAL AGGRESSION: HOW THE CHINESE COMMUNIST PARTY EXPLOITS AMERICAN RETIREES AND UNDERMINES NATIONAL SECURITY"

APRIL 9, 2025

PREPARED WITNESS STATEMENTS

Kevin O'Leary

Chairmen Scott and Moolenaar, Ranking Members Gillibrand and Krishnamoorthi, members of the Senate Special Committee on Aging and the House Select Committee on the Chinese Communist Party, thank you for inviting me to participate in today's important hearing. I want to use my opening statement to shine a light on an issue that impacts millions of American investors, many of whom have invested their retirement funds in the equity markets. The threats posed by the Chinese Communist Party I will discuss today, impact anyone like me who has tried to do business in China, everyone that invests in the stock market, anyone that invests in passive investment vehicles like international index funds or mutual funds, any retail investor that invests in Chinese companies, anyone who invests intentionally in emerging markets like China, and everyone with a 401k plan or pensions invested in international index funds. Of course, millions of American seniors fall into one or more of these categories.

I've been a businessman, a private equity and venture capitalist, my entire adult life. I started a software company in 1986 and at one point owned such popular IPs as the Oregon Trail, Carmen Sandiego and Reader Rabbit before I sold the company for \$4.2 billion in 1999. I now maintain a portfolio of investments in a number of businesses in multiple sectors of the economy held through Private Equity and Venture Funds. I like to think I know what a good deal is. I certainly know what a bad deal is, and investing in China under the current reciprocal imbalances is a very bad deal.

I have nothing against the Chinese people. Their contributions to science and art over the millennia are well documented. They are wonderful people and incredibly talented. Many of my team members in my operating company are of Chinese or Asian descent. It's their Government I take issue with. In my opinion, since joining the WTO in 2000 the Chinese Government has never played by its rules. The Chinese Communist Party has the ability and the desire to exercise total control over its people and their companies - and anyone else who wants to do business with or operate inside its territory. This has led the CCP to passing various laws in the realm of cybersecurity, espionage, intelligence, and beyond, and other mechanisms to control its corporations, industries, and business partnerships, all to the detriment of US investors.

This is not a new phenomenon - it has been part of the long-game China has been playing for decades. We just are slow to wake up to these harsh realities and even slower to change our behavior. But the time for change is now - before it is too late and billions of dollars of wealth our current seniors and future retirees are counting on are wiped out.

Let me just elaborate briefly on a few reasons why the time for us to address this matter is TODAY.

A new buzzword started going around at the start of the year - "Golden Share." Well, not only is it a buzzword, but it is also a problem and exemplary of all the risks to investing in Chinese securities. In its desire to reduce state-run companies, the Chinese government divested itself from them, sort of - but retained these golden shares, or "special management shares" as it is officially called, as a means of continuing to control these entities while it officially divests themselves from the company. In return for taking a 1% share in the company, or all their subsidies, the government is granted a seat on the board, voting power and influence over all business decisions. Whether divested for financial reasons or optics, there is nothing good that comes from investing in a company with special management shares reserved for the Chinese Communist Party. As America's former Secretary of State rightly noted, "in China, there's really no distinction between private companies and the state."¹

We see the use of Golden Shares as China uses that to control new media companies and tech companies. As of 2023, 37% of companies listed in Shanghai and

¹ <https://www.cbsnews.com/news/antony-blinken-face-the-nation-transcript-02-19-2023/>

Shenzhen had amended their charters to formalize the role of party committees inside the companies. This is in addition to China's 2017 National Intelligence Law which requires all firms in China to accede to government demands to provide information and data as authorities deem necessary to protect China's national security.

If China maintaining control of companies wasn't bad enough for investors, China prevents foreigners from owning Chinese companies. Instead, they've cleverly exploited the U.S. financial system's creation of Variable Interest Entities (VIEs) to approximate the owning of corporate shares. If you own stock in a company like Tencent, Alibaba, or the ICBC you don't actually own stock in a company. You own a share of a contract of something in the Cayman Islands that is trying to approximate stock ownership. Investors are buying in the VIE investment structure that relies on a contractual arrangement with the parent company to allow a foreign investor to control, but not directly own, the operating company. I estimate that 90% of Americans who hold these companies in their portfolios have no idea that this situation exists.

Congress has passed a law to try to solve this problem, yet, the problem persists. The U.S. has given China preferential treatment for over a decade through its own special MOU that governs accounting standards and oversight. This sweetheart deal with the Public Accounting oversight Board (PCAOB) has allowed China to continue to game the U.S. financial system via their special treatment that is not afforded other countries - even our allies. Despite efforts to update these accounting agreements, it is no fairer to do business with China; there is no reliable rule of law, no reciprocity for Western businesses to be treated in China how the West treats Chinese businesses, no consequences for IP theft, or market access. This is a completely unbalanced and non-reciprocal situation. Why do we allow this? How can this be in any way viewed as fair to American investors?

What's worse, is these investment schemes all benefit China's core industries - their "Made in China 2025" benchmarks that channel investment into priority sectors that underpin their national military-civil fusion strategy. So, by investing in China, Americans are propping up their military, surveillance state, industrial capacity that operates off of unchecked environmental spoilage, slave labor, forced organ harvesting, and gross human rights violations. Not to mention that these companies are the very ones that then destroy U.S. jobs and industries through their corporate espionage, IP theft, dumping, trade crimes, and more. None of these are good things to be invested in, and even more so, if the investment itself isn't sold, there is every reason to change course and protect your assets.

At the end of the day, the American investor owns nothing and there is nothing stopping China from voiding out this agreement.

Every American has exposure to China in their 401k's and retirement accounts. If you invest in an Emerging Market Index Fund, about 25% of your fund is invested in China. If you invest in a Total International Index Fund, about 10% of your fund is invested in China. If China goes to war with Taiwan, those investments could go to zero. A retail investor that buys shares of Ali Babb because they think it'll be the next Amazon, does not actually own the stock. Should we allow a retail investor to buy fake shares of a real company? Should a retiree potentially lose 10% of their international equity portfolio, when it is 100% preventable?

I'm glad this hearing is happening today and there is bicameral and bipartisan interest in solving the problem. We can fix the problem. There should be complete parity with the US and China, but we need to act NOW to protect US investors and the federal government. I believe Congress should act to:

- Delist CCP-affiliated companies until there is parity of treatment for Western businesses in China. If we can't own stocks in their country, they should not be allowed to own stocks in the US. Unless businesses can operate in China with the same freedoms that Chinese businesses have, we should not let their businesses operate in the U.S.

- We should exit China's marketplace until the CCP makes significant reforms.

- We should demand that all Chinese companies engaged in US markets comply with US accounting standards.

For decades across multiple administrations, we have discussed leveling the playing field with China, instead the situation has only gotten worse. Make no mistake, I want to do business in China as so do millions of other investors and companies, but we want a reciprocal ecosystem that is transparent and where all parties play by the rules mutually agreed upon. I want access to the Chinese legal system so trade and IP grievances can be litigated and resolved. The Chinese enjoy these rights in the US. Why do we not have them in China? Lately there has been a lot of rhetoric during negotiations on who holds the "cards". The US is still the world's

largest market supported by the world's largest economy under the rule of democratic law. That's why so much of the world's capital is invested here. That's a lot of leverage, lets fix this Chinese problem while we still hold the cards.

I look forward to a robust conversation today and answering any questions you may have.

U.S. SENATE SPECIAL COMMITTEE ON AGING

"FINANCIAL AGGRESSION: HOW THE CHINESE COMMUNIST PARTY EXPLOITS AMERICAN RETIREES AND UNDERMINES NATIONAL SECURITY"

APRIL 9, 2025

PREPARED WITNESS STATEMENTS

Christopher Iacovella

Testimony of Christopher A. Iacovella
President & CEO, American Securities Association
Hearing Entitled "*Financial Aggression: How the Chinese Communist Party Exploits American Retirees and Undermines National Security.*"
United States Senate Special Committee on Aging and the United States House Select Committee on the Strategic Competition between the United States and the Chinese Communist Party

April 9, 2025

Chairman Scott, Ranking Member Gillibrand, Chairman Moolenaar, and Ranking Member Krishnamoorthi:

Thank you for the opportunity to testify today.

My name is Christopher Iacovella, and I am the President & CEO of the American Securities Association (ASA). Our mission is to promote trust and confidence among America's investors, facilitate capital formation for small businesses, and support competitively balanced capital markets.

For the last eight (8) years, the ASA has been the only financial services trade association calling on Congress and the federal government to take action to protect America's investors and our country from the economic and national security threats posed by the Chinese Communist Party (CCP).

Today, I will describe the risks the CCP poses to American investors and senior savings, what can be done about it, and why a bipartisan Congress must act.

I. The Chinese Threat & Western Capital.

History suggests the free flow of global capital and investment is the best way to lift people out of poverty, promote economic growth, and strengthen the rule of law. It also strengthens relations among nations, which furthers international peace and stability.

Unfortunately, this is not how our economic relationship with China has played out.¹ While American capital flows into China have helped lift millions of its citizens out of poverty, the widely expected liberalization of China's political and economic systems never materialized.

In fact, the opposite has happened: Beijing has used the openness of the international financial and economic system to increase its global influence and exert geopolitical leverage over the United States and its allies. This has left the world less open and more authoritarian.

¹ Josh Rogin, *Chaos Under Heaven: Trump, Xi, and the Battle for the Twenty-First Century* (Boston: Houghton Mifflin Harcourt, 2021).

The CCP has been engaged in a multi-decade and multifaceted political, economic, and military strategy to achieve “the great rejuvenation of the Chinese nation.”² The ultimate goal of this strategy is to reshape the international world order through economic coercion, subversion, and manipulation to benefit China, while avoiding a ‘hot’ war.

The strategy is broad-based, and it includes, among other things, intellectual property theft, undermining American cultural values, creating social unrest and division in American society, co-opting American elites and heads of multinational corporations, infiltrating U.S. governmental institutions, and accessing Western markets.³

To carry out this strategy the CCP needed access to Western capital, and that’s where Wall Street comes in.⁴

For over two decades, Beijing has used Wall Street to penetrate U.S. capital markets and obtain the capital necessary to fund its economic, technological, and military rise. In exchange for selling Chinese companies to U.S. investors, Wall Street receives huge fees and access to the Chinese market. It’s this quid pro quo that directly threatens America’s economic and national security.

The CCP operates modern-day China as a ‘Party-State’, which intentionally blurs the lines between Chinese industry and the CCP.⁵ That raises an important question: How is the money American investors send to the CCP used?

Among other things, American investor money funds the CCP’s use of forced labor, genocide, and other human rights abuses,⁶ the ongoing internment of Uyghurs in concentration camps,⁷ the emission of more greenhouse gases than all developed countries combined,⁸ weapon systems for the People’s Liberation Army,⁹ a broad-based disinformation campaign to undermine American values,¹⁰ subsidies for Chinese companies so they can dump goods into our market at artificially

² U.S. Department of Defense, Office of the Secretary of Defense, *Military and Security Developments Involving the People’s Republic of China* (2022) <https://media.defense.gov/2022/Nov/29/2003122279-1-1/1/2022-MILITARY-AND-SECURITY-DEVELOPMENTS-INVOLVING-THE-PEOPLES-REPUBLIC-OF-CHINA.PDF>

³ Political Warfare: Strategies for Combating China’s Plan to “Win without Fighting” Kerry Gershaneck, at <https://lscn.bbc.com/2020032647>.

⁴ America First Investment Policy (Feb. 21, 2025), [America First Investment Policy – The White House](https://www.whitehouse.gov/presidential-action/america-first-investment-policy/) “The PRC is also increasingly exploiting United States capital to develop and modernize its military, intelligence, and other security apparatuses, which poses significant risk to the United States homeland and Armed Forces of the United States around the world”

⁵ Iacovella, C. A. (2024). “How Wall Street Funds China’s Rise”. In *2024 China Transparency Report*, the Heritage Foundation.

⁶ <https://www.asiatimesfinancial.com/ccp-announces-plan-to-take-control-of-chinas-private-sector> “President issues ‘important instructions’ to all regions to boost party control over private enterprise and rejuvenate the nation; all firms will need employees from the party to boost law abidance and moral standard”. <https://archive.nytimes.com/www.nytimes.com/ref/college/coll-china-politics-002.html>

⁷ <https://thehill.com/blogs/congress-blog/homeland-security/522443-countering-chinas-forced-labor-practices/>

⁸ <https://www.cnn.com/2021/01/19/us/us-sinjiang-china-genocide-intl/index.html>; <https://www.hongkongwatch.org/all-posts/2022/12/5/updated-new-hkw-report-finds-that-msci-investors-are-at-risk-of-passively-funding-crimes-against-humanity-in-sinjiang/>

⁹ <https://www.bbc.com/news/world-asia-china-51697800>

¹⁰ <https://www.reuters.com/article/us-hkxvision-usa-uyghur-us-might-blacklist-chinas-hkxvision-over-uyghur-crackdown-source-id/USKCN18S28U>; <https://www.bbc.com/news/world-asia-china-51697800>; <https://foreignaffairs.house.gov/press-release/mccaul-welcomes-genocide-designation-for-cpps-treatment-of-uyghurs/>

¹¹ <https://rhg.com/research/chinas-smissions-surpass-developed-countries/>

¹² <https://www.cnn.com/2020/10/29/asia/us-election-us-military-indo-pacific-intl-hnk-ml/index.html>

¹³ https://omaha.com/opinion/josh-rogin-us-schools-are-waking-up-to-the-china-threat/article_e31c9e07-a491-596f-9349-575285940893.html

low prices to put U.S. companies out of business,¹¹ and a cyber-army that relentlessly attacks the United States,¹² and other nations of the free world.¹³

While the American people overwhelmingly reject this behavior, the money flow continues.¹⁴

Unless Congress makes funding the CCP illegal or cost prohibitive, the partnership won't end.

As Upton Sinclair said, "It is difficult to get a man to understand something, when his salary depends upon his not understanding it."

II. How the CCP Exploits the U.S. Capital Markets.

A. Chinese company listings on U.S. exchanges

As of March 2025, there are 286 Chinese companies listed on U.S. exchanges with a collective market capitalization of \$1.1 trillion.¹⁵ Each of those companies pays a listing and sustaining fee to an exchange to keep its securities trading. Congress enacted the Holding Foreign Companies Accountable Act and Accelerating Holding Foreign Companies Accountable Act to prohibit these companies from having their shares listed on a U.S. stock exchange if they do not comply with U.S. financial reporting, disclosure, and auditing laws.

The ASA worked with members on both sides of the aisle to advance each law. The laws directed the Public Company Accounting Oversight Board (PCAOB) to examine audit firms headquartered in mainland China and Hong Kong.¹⁶ Because this happened while COVID lockdowns were still in place, the PCAOB Chair cautioned the American public that the examination was just a beginning.¹⁷ This raises questions about whether the PCAOB examiners were able to fully carry out their duties.

Accordingly, the ASA urges Congress to vigorously exercise its oversight role to ensure that both the SEC and PCAOB carry out the laws and prevent further investor harm.

U.S. exchanges also have regulatory authority to protect the U.S. investing public from any non-compliant Chinese company whose stock is listed on their exchange. They can use that authority to delist any company, its subsidiaries, or a fund that includes such companies and has not complied with U.S. laws or been named to a U.S. prohibition list. To date, they have been reluctant to do so.

¹¹ <https://www.voanews.com/a/report-china-spends-billions-of-dollars-to-subsidize-favored-companies-/6587314.html>

¹² <https://www.justice.gov/opa/pr/chinese-military-personnel-charged-computer-fraud-economic-espionage-and-wire-fraud-hacking-%20https://www.cnbc.com/2020/07/07/fbi-chief-slams-chinese-cyberattacks-against-us-hudson-institute.html>

¹³ <https://www.cnbc.com/2020/07/07/fbi-chief-slams-chinese-cyberattacks-against-us-hudson-institute.html>

¹⁴ <https://fortune.com/2018/12/19/china-su-hacking/>

¹⁵ <https://www.wsj.com/articles/china-has-one-powerful-friend-left-in-the-us-wall-street-11606924454>; <https://www.cnbc.com/2021/04/28/a-tidal-wave-of-chinese-companies-rush-into-the-red-hot-ipo-market-in-the-us.html?gsearchterm=china%20ipo>

¹⁶ <https://www.usce.gov/research/chinese-companies-listed-major-us-stock-exchanges?text=Summary%3A.market%20capitalization%20o%20%20624848%20billion>

¹⁶ PCAOB Secures Access to Inspect, Investigate Chinese Firms for First Time in History, available at <https://pcaobus.org/news-events/news-releases/news-release-detail/pcaob-secures-complete-access-to-inspect-investigate-chinese-firms-for-first-time-in-history>

¹⁷ PCAOB Secures Complete Access to Inspect, Investigate Chinese Firms for First Time in History, Erica Y. Williams (Dec. 15, 2022)

<https://pcaobus.org/news-events/speeches/speech-detail/pcaob-secures-complete-access-to-inspect-investigate-chinese-firms-for-first-time-in-history>

B. The passive index loophole

According to Bloomberg, “more than 2,000 U.S. mutual and exchange-traded funds—particularly those tracking indexes—have \$294 billion invested across Chinese stocks and bonds.”¹⁸

An index fund is a fund that owns a portfolio of stocks that tracks a financial market index (i.e., S&P 500 or Dow Jones). Index funds significantly impact the flow of global capital, especially in international and emerging markets. Inclusion in an index can lead to billions of dollars being steered into a company or a country through the sale of mutual funds and exchange-traded funds that track the index.¹⁹

A regulatory loophole, I call the “passive index loophole”, allows non-U.S. companies listed on non- U.S. stock exchanges to be included in an index fund and sold to American investors. This allows the non-U.S. company to avoid the company-specific disclosure, financial reporting, and audit requirements that American companies must comply with to sell stock to American investors.

With knowledge of the loophole, the CCP pressured the index providers²⁰ to create a special index for mainland Chinese companies listed on Chinese exchanges called A-shares,²¹ and to include those companies as well as the ones listed on U.S. exchanges in international and emerging market indices. A recent study found the dollar amount of foreign investment in Chinese companies was 51 percent higher for those companies in an index.²² As a result, the ‘passive index loophole’ has funneled billions of American investor dollars to China.²³

By blindly including Chinese companies listed on Chinese stock exchanges in an index, neither the index provider, nor the fund issuer, know whether these companies sold to American investors through index funds are Enron-like frauds,²⁴ affiliated with the Chinese military,²⁵ or supporting human egregious rights abuses.²⁶

Most American investors who buy index funds with international exposure have no idea that

¹⁸ Silla Brush, “BlackRock, MSCI to See Tighter Oversight Over U.S. Investments in China,” Bloomberg, August 15, 2023, <https://www.bloomberg.com/news/articles/2023-08-15/blackrock-fund-managers-brace-for-even-more-scrutiny-over-china> (accessed September 6, 2023).

¹⁹ The three largest index providers are MSCI (Morgan Stanley Capital International), FTSE (Financial Times Stock Exchange), and S&P (Standard and Poor) Dow Jones.

More info can be found at Index Industry Association, “What We Do,” <https://www.indexindustry.org/> (accessed September 6, 2023).

²⁰ <https://www.wsj.com/articles/how-china-pressured-msci-to-add-its-market-to-major-benchmark-11549195201>

²¹ <https://www.investopedia.com/terms/a/a-shares.asp>

²² Juan Jose Cortina Lorente et al., “The Internationalization of China’s Equity Markets,” Policy Research Working Paper No.10513, 2023, https://documents.worldbank.org/en/publication/documents-reports/documentdetail/099356306282340403/iddi0f0f0d04f82046a8082990c1666e4a8c78?cid=DEC_AL_PolicyResearch_EN_INT

²³ <https://selectcommitteeonthececp.house.gov/sites/evo-sites/selectcommitteeonthececp.house.gov/files/evo-media-document/4.18.24%20How%20American%20Financial%20Institutions%20Provide%20Billions%20of%20Dollars%20to%20PRC%20Companies%20Committing%20Human%20Rights%20Abuses%20and%20Fueling%20the%20PRC%20Military.pdf>; Peter Pham, “What’s China’s Secret Source Of Funding?” Forbes, February 12, 2018, <https://www.forbes.com/sites/peterpham/2018/02/12/whats-chinas-secret-source-of-funding/?h=779c7286254b> (accessed September 6, 2023).

²⁴ See above.

²⁵ <https://foreignpolicy.com/2019/02/07/we-cant-tell-if-chinese-firms-work-for-the-party/>

²⁶ <https://www.reuters.com/article/us-hikvision-usa-uighur/s-might-blacklist-chinas-hikvision-over-uighur-crackdown-source-idU5KCN1SS28U>

their investment goes to Chinese companies that don't comply with U.S. transparency laws, are involved in egregious human rights abuses, or pose a national security risk to the U.S.²⁷ And, as the Select Committee pointed out, not only have many of these companies turned out to be frauds,²⁸ but some of the Chinese companies in passive index funds are actually on U.S. government prohibition lists.²⁹

The last two Administrations have tried to address this issue using Executive Order 13959, which forced the de-listing and de-indexing of firms owned or controlled by the Chinese military trading in the U.S. But, as the Select Committee also noted, the companies de-indexed by this order only scratches the surface of Chinese companies found in index funds.³⁰

To end this practice Congress can pass the 'No China in Index Funds Act',³¹ which would close the 'passive index loophole' and prevent U.S. investor dollars from being funneled into CCP-backed or controlled companies through index funds.

C. Variable interest entities

Another scheme the CCP exploits to raise money for its companies is called the variable interest entity (VIE) structure. This scheme essentially removes the equity ownership and voting rights that American investors normally enjoy when they buy a company on a U.S. exchange. Specifically, the VIE structure allows the operating company located in China to control the economic activities of a shell company, usually located in the Cayman Islands, through a contract. The shares of the operating company located in China are not owned by U.S. investors. This makes enforcement of U.S. laws against the mainland Chinese company very difficult and intentionally shields it from legal action by American investors.

The ASA has joined the Select Committee and various investor groups to demand the risks posed by this scheme end.³² While the previous U.S. Securities and Exchange Commission (SEC) Chairman paused its use in new initial public offerings (IPOs), the agency did not stop the use of VIEs by Chinese companies currently listed on U.S. exchanges.³³ Congress needs to end this legal fiction and prohibit the listing of any Chinese company on a U.S. exchange that uses the VIE scheme.

D. Business Prohibition Lists & Outbound Investment

²⁷<https://selectcommitteeontheccp.house.gov/media/press-releases/committee-report-american-financial-institutions-funneled-billions-prc>;

<https://www.institutmontaigne.org/en/expressions/influence-without-ownership-chinese-communist-party-targets-private-sector>

²⁸<https://www.reuters.com/article/us-china-stocks-regulation-analysis/chinese-firms-missing-6-billion-tests-regulators-resolve-id:USKCN18N00T>; <https://www.scmp.com/business/companies/article/3024084/why-langmei-pharmaceutical-found-have-committed-one-chinas>; <https://finance.yahoo.com/news/one-theme-popping-among-chinese-154155487.html>; See also Select Committee Report

²⁹American Financial Institutions Funneled Billions into PRC Companies Fueling the CCP's Military, Surveillance State, and Uyghur Genocide. Report of the Select Committee on the CCP (April 2024) <https://selectcommitteeontheccp.house.gov/media/press-releases/committee-report-american-financial-institutions-funneled-billions-prc>

³⁰<https://selectcommitteeontheccp.house.gov/media/press-releases/committee-report-american-financial-institutions-funneled-billions-prc>

³¹<https://spartz.house.gov/media/press-releases/spartz-sherman-introduce-four-bills-address-china-risk-us-stock-market>

³²Gallagher Calls on President Biden to Adopt Restrictions on US Investments to China (August 3, 2023).

<https://selectcommitteeontheccp.house.gov/media/press-releases/gallagher-calls-president-biden-adopt-restrictions-us-investments-china>;

https://www.cii.org/files/publications/misc/12_07_17%20Chinese%20Companies%20and%20the%20VIE%20Structure.pdf;

³³<https://www.sec.gov/newsroom/speeches-statements/gensler-2021-07-30>

As this Committee and Congress considers policies to counter the CCP's exploitation of our financial markets, I recommend Congress require (1) that an entity placed on one government prohibition list (i.e. OFAC, DOD, Commerce Entity List, and the State Department's Human Rights List) be placed on all lists and automatically allow the Treasury Secretary to remove that company from our public capital markets,³⁴ and (2) the consolidation of all government business prohibition lists in a general list maintained by the Treasury Department so the public knows what foreign adversary companies are on the consolidated list and the Treasury Secretary can take more immediate action to protect American investors and businesses.

We strongly support efforts by Congress to scrutinize and prevent outbound investments to China made by U.S. individuals and institutions. One bill, the Foreign Investment Guardrails to Help Thwart (FIGHT) China Act,³⁵ allows the Treasury Secretary to prevent American citizens and Wall Street institutions from financing the CCP's cyber army or its military build-up. This bill – in addition to No China in Index Funds Act – will close the scandalous 'passive index loophole'.

E. Mainland Chinese Broker-Dealers with U.S. Customers

Another risk to retail investors is posed by Chinese-owned broker-dealers operating as a regulated entities in our markets with known ties to the CCP. The Select Committee, State Attorneys' General, and members of Congress on both sides of the aisle have repeated raised concerns about this problem.³⁶

It is shocking that a broker-dealer with operations in mainland China and affiliated with the CCP can be registered to do business in this country.³⁷ If the CCP demands access to the personal and

³⁴ This policy is very similar to The *Sanction Transactions Originating from Pernicious Chinese Companies and Policies (STOP CCP) Act*, cosponsored by Senators Mike Braun and Bill Hagerty and included in Senator Scott's package in March of 2023.

³⁵ <https://barr.house.gov/press-releases/ID-7FCD27D4-498D-4F1C-B1BD-DF3EADFC1F05>; <https://www.comvn.senate.gov/newsroom/correspondence/correspondence-introduces-outbound-investment-legislation-to-counter-china>.

³⁶ Letter from the House Select Committee on the Chinese Communist Party to Weibull CEO, Anthony Denier, (Nov. 25, 2024), available here: <https://selectcommitteeontheccp.house.gov/sites/evo-subsites/selectcommitteeontheccp.house.gov/files/evo-media-document/Weibull%2011.25%20-%20Final.pdf>; Letter from Sen. Tommy Tuberville (R-AL) and Rep. Jim Banks (R-IN) to SEC and FINRA (May 3, 2023) ("May 2023 Tuberville-Banks Letter"), available here:

<https://static.foxnews.com/foxnews.com/content/uploads/2023/05/Tuberville-Banks-Oversight-Letter-to-SEC-FINRA-5.3.20231.pdf>; Letters from Sen. Tommy Tuberville (R-AL) to SEC and FINRA (Jun. 5, 2023), available here: https://www.tuberville.senate.gov/wp-content/uploads/FILE_3666.pdf and to SEC and DOJ (July 10, 2023), available here: https://www.tuberville.senate.gov/wp-content/uploads/FILE_3666.pdf; Letter from Sens. Tommy Tuberville (R-AL), Ted Cruz (R-TX), Mike Braun (R-IN), Rick Scott (R-FL), and Roger Marshall (R-KS) to SEC Chair Gary Gensler (Jul. 29, 2022), available here: <https://www.tuberville.senate.gov/newsroom/press-releases/tuberville-colleagues-call-for-investigation-into-stock-trading-platforms-with-ties-to-china/>; Letter from Rep. Ritchie Torres (D-NY) to SEC IG and GAO (July 13, 2023), available here: <https://twitter.com/RepRitchie/status/1679534903661301761/photo/1>; Letter from Rep. Sherman (CA-32) to SEC as reported in Capitol Account (Feb. 23, 2023); Letter from Rep. Luetkemeyer to SEC and FINRA (Sept. 26, 2023), available here: <https://luc.law.house.gov/uploads/files/2023/09/26/181427940.pdf>; Letter from Senator Cotton (R-AR) to Director of National Intelligence Avril Haines (Sept. 23, 2021), available here: <https://www.cotton.senate.gov/newsroom/press-releases/cotton-calls-for-investigation-of-chinese-stock-trading-app/>; Letter from Rep. Lawler (R-NY) to Treasury Secretary Yellen (Apr. 27, 2023), available here: <https://lawler.house.gov/news/documentsingle.aspx?DocumentID=257> and Letter from Rep. Lawler (R-NY) to Treasury Secretary Yellen (Jul. 21, 2023), available here: <https://lawler.house.gov/news/documentsingle.aspx?DocumentID=556>; <https://www.banking.senate.gov/hearings/09/06/2023/oversight-of-the-us-securities-and-exchange-commission>.

³⁷ May 2023 Tuberville-Banks Letter. The Senators wrote: "As you are aware, Weibull and Moomoo collect highly sensitive personal information from millions of their U.S. customers, including personally identifiable information (PII) such as Social Security numbers, mailing addresses, and financial account data. . . . In light of Beijing's increasingly strict privacy laws barring many Chinese companies from sharing data with Western regulators, the presence of Weibull registered representatives in the PRC raises serious concerns regarding (1) Weibull's ability to meet its supervisory obligations under SEC and FINRA rules; (2) the SEC's and FINRA's ability to oversee and examine Weibull and its registered representatives and associated persons located in the PRC; (3) the adequacy of Weibull's compliance with all SEC and FINRA recordkeeping requirements; (4) the ability of the SEC and FINRA to adequately enforce federal securities laws, including the ability to obtain documents and information from Weibull employees located in the PRC; and (5) the potential for U.S. customer PII to be shared or exfiltrated to Weibull employees or affiliated entities located in the PRC."

financial information of Americans at these mainland Chinese broker-dealers, then what is to stop the party from using that information to blackmail those Americans or block access to their money unless they agree to spy on this country. This is feature of the CCP's strategy of coercion described above, and it represents the very definition of a national security concern.

III. Taxing Outbound Investment.

As the reconciliation debate heats up and Congress looks for new ways to raise revenue, it can do so while protecting American investors and our national security. Congress should examine how much revenue can be raised by imposing a foreign adversary capital gains tax on the realized proceeds of any type of public or private investment made in China, in a Chinese company, or in a registered investment fund that owns Chinese securities.

Increasing the tax burden on any American money that funds Communist China's global ambitions would significantly change the cost for American companies to do business with this nefarious foreign adversary.

IV. A Word About Fiduciary Duty.

Institutional investors and asset managers owe a fiduciary duty of loyalty to those who entrust them with their money.³⁸

This duty requires fiduciaries to conduct thorough due diligence on any company or fund in which they invest, and that is very difficult to do in China.³⁹

The duty also requires those managing money to evaluate the legal protections and enforceability of the law in the country where they choose to send investor money. Americans who lose money because a Chinese company commits fraud, or the government appropriates their funds have little chance of recovering their money. Additionally, many American investors don't realize the scope of liability associated with owning a U.S.-listed company that does business in China under U.S. law, international law, or otherwise.⁴⁰

The fiduciary duty also requires American investors to evaluate the political and reputational risks associated with U.S. companies doing business with the CCP specifically, or in China generally. This would include a scenario where China decides to invade, quarantine, or act aggressively with respect to Taiwan,⁴¹ and the U.S. government responds by imposing economic sanctions that prohibit American companies from doing business in China (as it did after Russia invaded the Ukraine).⁴² In this scenario, bond funds would be forced to remove dollar-denominated Yuan bonds from bond indexes sold to American investors.⁴³

³⁸ <https://www.americanscurities.org/post/asa-letter-to-wsj-real-audits-for-chinese-firms-listed-in-the-u-s>.

³⁹ <https://foreignpolicy.com/2019/02/07/we-cant-tell-if-chinese-firms-work-for-the-party/>

⁴⁰ <https://www.justsecurity.org/74388/genocide-against-the-uyghurs-legal-grounds-for-the-united-states-bipartisan-genocide-determination/>; <https://www.washingtonexaminer.com/news/state-department-china-committing-uyghur-genocide-wont-say-if-ongoing>; <https://cja.org/what-we-do-litigation/legal-strategy/the-alien-tort-statute/>

⁴¹ <https://www.uscc.gov/ hearings/ deterring-prc-aggression-toward-taiwan>

⁴² <https://www.state.gov/ukraine-and-russia-sanctions/>

⁴³ "In order to be considered for inclusion in the Global Aggregate Index, a local currency debt market must be classified as investment grade and its currency must be freely tradable, convertible, hedgeable, and free of capital controls." <https://www.bloomberg.com/company/press/bloomberg-add-china-bloomberg-barclays-global-aggregate-indices/>

American investors could also lose billions if the CCP responds to sanctions by imposing capital controls on foreign money or on the retained earnings of U.S. company subsidiaries located in China.⁴⁴ Senator Scott's 'Protecting American Capital Act' could help investors understand the true nature of the financial exposure U.S. listed companies have to Communist China if these scenarios were to materialize.⁴⁵

V. Combating State-Sponsored Fraud.

The amount of fraud perpetrated against Americans, and especially seniors, is staggering. The Federal Trade Commission (FTC) estimates that Americans lost over \$158 billion to fraud in 2023 alone.⁴⁶

Fraud has gone from an individual criminal act to a business opportunity funded by state-sponsored actors across the globe.⁴⁷ It has become so lucrative that Deloitte estimates Americans will lose \$40 billion to AI-enhanced fraud by 2027.⁴⁸ Because these criminals are now funded by nation-states like China and Russia they have become increasingly sophisticated in their techniques using generative AI and other means.⁴⁹

Many types of scams exist and unfortunately, those who are routinely targeted and most likely to be victimized are the most vulnerable among us, namely our senior citizens.

Despite efforts by regulators to warn investors about the latest scams,⁵⁰ the level of cunning and the nonstop evolution of the scams these fraudsters employ continues to leave private companies, law enforcement, and investors playing catch-up.

ASA member firms are increasingly grappling with scams that target their employees, their customers, and their firms. For example, it is not uncommon for scammers to pose as personnel from a licensed U.S. Broker-Dealer (BD) after they know a person has been a victim of another scam (perhaps also perpetrated by them or their associates). The criminals then present a deceptive offer of forensic and recovery services, ostensibly to assist the victim in recouping their losses. In reality, they exploit the victim's desperation, extracting multiple payments without providing any genuine assistance or recovery of funds.

Scammers have also begun to hack into customer email accounts and give trade instructions from an email account on file with the BD. Because scammers have access to email history, scammers can pose very credibly as customers and seem to know things specific to the customer. The scammers set up a 'rule' in the customer's email forwarding all incoming email to the customer from the BD to the scammers' fake email account, so the customer will not discover the

⁴⁴ <https://www.cnn.com/2023/03/06/business/mark-mobius-china-capital-controls/index.html>

⁴⁵ <https://www.rickscott.senate.gov/services/files/78A1B315-81B9-4940-A288-66707BAEAAD2>

⁴⁶ <https://www.sec.gov/files/20250306-isc-fraud-briefing-iac-meeting.pdf>

⁴⁷ <https://www.csis.org/analysis/cyber-scramming-goes-global-unveiling-south-east-asia-high-tech-fraud-factories>

⁴⁸ *Id.*

⁴⁹ <https://www.sec.gov/files/20250306-isc-fraud-briefing-iac-meeting.pdf>; <https://www.sec.gov/newsroom/press-releases/2024-196> "SEC Office of the Investor Advocate Issues Report on Nationally Representative Survey of Investors and Continues Focus on Investment Fraud";

⁵⁰ <https://www.finra.org/investors/insights/gen-ai-fraud-new-accounts-and-takeovers>;
<https://www.finra.org/investors/insights/artificial-intelligence-and-investment-fraud>

activity. The scammers then submit wire requests to the BD to be sent to a bank account in the customer's name that the scammer has opened and controls. By the time the customer and/or BD discover the depth of this scam, the funds have been moved and are extremely difficult to recover.

The only way to try to combat the sophistication of this ever-changing criminal activity going forward is to promote an open, honest and trustworthy partnership between the private sector and government.

VI. Conclusion.

Congress must end Communist China's use of American investor savings to fund its geopolitical ambitions. Every day that we don't act, the economic and national security threat to our country and the American way of life increases.

I would like to thank each committee for holding this joint hearing and I look forward to answering your questions.

U.S. SENATE SPECIAL COMMITTEE ON AGING

"FINANCIAL AGGRESSION: HOW THE CHINESE COMMUNIST PARTY EXPLOITS AMERICAN RETIREES AND UNDERMINES NATIONAL SECURITY"

APRIL 9, 2025

PREPARED WITNESS STATEMENTS

Brady Finta

My name is Brady Finta and I am the Founder of the National Elder Fraud Coordination Center. I'm honored to be here to contribute to this very important discussion. I believe the scale of fraud against America's elders has grown to epidemic proportions and it is time we, as a country, treat it as such with a proportionate response.

I spent 23 years as an FBI agent, predominantly investigating and supervising Transnational Organized Crime cases. When my assignment exposed me to elder fraud, I was comfortable, as the cases were simply Transnational Organized Crime cases under a different name. What I was not prepared for was the volume. Just in my limited territory of San Diego County, I was inundated with elder fraud complaints without adequate resources to impact the threat. No one has that level of resource. Even after standing up the FBI San Diego Elder Justice Task Force alongside the San Diego District Attorney's Office, and bringing forward our very first successful RICO prosecution, our ability to make a dent in this crime problem was minimal, particularly as we were only able to address less than 1% of the available leads. Based on my experience, and conversations with partners across the country, I believe only 10 to 15% of the elder fraud victims ever report the crimes against them. Even with this low percentage, the volume of complaints is still far too large to investigate under the current circumstances. Elder fraud and scam cases are not easy to investigate and are incredibly time-consuming. They literally span the globe, combining organized crime groups in foreign countries, with regional organizers, co-conspirators and mules in the United States. Laundering the proceeds of this crime runs the gambit from cash to gift cards, to wire transfers, to digital currency. The scams encompass everything from feigned love to fear and are highly effective. For the most part, the complexity of the cases, combined with their innate jurisdictional challenges and resource requirements, limit their investigation and prosecution to federal entities, further straining those resources. In just one very typical case I oversaw, we had scammers in India working regional organizers in the Bahamas, mules in the Dominican Republic and the United States, and Canadian and Chinese organized criminals laundering the proceeds. The international nature of these scams makes it extremely difficult for law enforcement and prosecutors alike to hold these criminals accountable and attempt to provide restitution for victims. It gets even more difficult when the country where the crime ring is based is uncooperative with U.S. based law enforcement. While this hearing is intended to focus mainly on China, I want to emphasize that this is a larger issue that we currently do not have the resources to effectively pursue.

This threat touches all of us. I would venture to say everyone in this chamber has a story of a loved one, an acquaintance or co-worker who was victimized; both my parents were victims. My mother did not even want to tell me based on embarrassment and believing, "There's nothing anyone can do anyway." There is always something we can do. The FTC's estimate that the annual losses to this scourge are approximately \$61 billion and the FBI's statistics that show a huge increase in these complaints over the last few years further underscore that the time is now for a more dramatic response, a whole of society response.

As a country, we have created national task forces of local, state, and federal agencies to combat illegal narcotics, child exploitation, and terrorism. Our parents and grandparents deserve the same. In addition, we could make these Elder Justice Task Forces more effective by supporting them with the power, speed, and agility of the private sector. Beyond continued education campaigns, information sharing and new preventative efforts, a true public/private partnership which combines law enforcement with the many robust anti-fraud efforts already part of so many companies across the United States could create real impact. This is the mission of the National Elder Fraud Coordination Center, to bring these efforts together, amplifying these investigations with cross-sector data to elevate the most impactful cases and speed up the process to allow for more of them. Our founding members, AARP, Amazon, Google, and Walmart, are dedicated to the idea of pooling their resources

towards this worthy cause, and our partnership with the National Cyber-Forensics and Training Alliance offers the opportunity for hundreds of other companies to do the same.

Thank you for your time and attention to this important issue. I look forward to answering your questions.

Questions for the Record

U.S. SENATE SPECIAL COMMITTEE ON AGING

"FINANCIAL AGGRESSION: HOW THE CHINESE COMMUNIST PARTY EXPLOITS AMERICAN RETIREES AND UNDERMINES NATIONAL SECURITY"

APRIL 9, 2025

QUESTIONS FOR THE RECORD

Christopher Iacovella**Senator Raphael Warnock****Question:**

In recent years, scammers and fraudsters have used more sophisticated techniques, such as artificial intelligence, to defraud seniors. What can Congress do to help the private sector combat the use of artificial intelligence in fraud? In addition to artificial intelligence, what other new technologies and techniques do you see being used to target seniors?

Response:

We think Congress can play a role by clearly defining a single agency that the private sector can send information to about the latest scams and tactics being used to target American citizens. This agency would not take retaliatory action against private business, but act as a clearinghouse to filter information and summarize it for policymakers and the public so we can stay alert and be vigilant. This information flow could take the form of an anonymous submission. However, it would be best if the agency knew who sent the information so adequate follow-up could be conducted. Having a conversation to discuss the details of these issues is extremely important. This function could be run out of the FBI with close coordination from a dedicated group within the U.S. Securities Exchange Commission (SEC), each banking regulator, U.S. Treasury, the DNI, and a dedicated person from the Financial Stability Oversight Council (FSOC). These scams are not limited to bank and brokerage accounts, they also include the purchase of timeshares and other types of real estate deals in Mexico and other regions. I would also recommend an important presentation by Adam Anicich at the SEC, which describes some of the other types of scams that are being used beyond those related to Generative-AI. A link to his presentation is here <https://www.sec.gov/files/20250306-isc-fraud-briefing-iac-meeting.pdf>. Please feel free to reach out and use me and our organization as a resource as you think about ways to combat these scammers and protect American citizens and our seniors.

U.S. SENATE SPECIAL COMMITTEE ON AGING

"FINANCIAL AGGRESSION: HOW THE CHINESE COMMUNIST PARTY EXPLOITS AMERICAN RETIREES AND UNDERMINES NATIONAL SECURITY"

APRIL 9, 2025

QUESTIONS FOR THE RECORD

Brady Finta**Senator Raphael Warnock**

As the Founder of the National Elder Fraud Coordination Center, you have witnessed firsthand how fraud against seniors remains a persistent and growing problem. In your written testimony, you cite only 10 to 15% of elder fraud victims report the crimes against them.¹

Question:

Why are reporting rates so low?

Response:

In my experience, the lack of reporting is a combination of factors, the most prevalent being embarrassment and a feeling of hopelessness that "no one can do anything about it."

Question:

What are some consistent barriers seniors face when reporting these crimes?

Response:

Most consistently, the biggest barrier is the response given by the vast majority of law enforcement agencies: "Sorry, there's nothing we can do."

It has been my experience that victims are more likely to report to their financial institution or whatever company was used as a vehicle for the fraud. This is why partnering with these companies is a part of the solution.

Question:

How can Congress make sure that more of these crimes are reported?

Response:

Congress should fund and require the formation of Elder Justice Task Forces across the United States. When a city is equipped with an EJTF and personnel are permanently assigned to working those cases, word gets out that there is somewhere to go and there is a higher level of trust that something can and will be done. I've seen this happen in San Diego County.

Representative Haley Stevens**Question:**

When fraudsters gain access to retirement accounts—often through various forms of scams—they sometimes withdraw funds directly by the fraudster or indirectly by the victim, triggering not only massive financial losses but also unintended tax consequences. For victims under 59½, these unauthorized withdrawals carry a 10% IRS early withdrawal penalty, and the IRS still treats the stolen amount as taxable income. This means victims may be penalized twice—first by the fraud and then by the tax code. I recently introduced the No Penalties for Victims of Fraud Act to waive the early withdrawal penalty and give victims a pathway to recover financially.

Based on your experience with financial fraud cases, how significant are tax penalties for victims of fraud trying to recover stolen funds, and what additional steps should Congress consider to ensure that retirement systems and financial institu-

¹ Financial Aggression: How the Chinese Communist Party Exploits American Retirees and Undermines National Security Before the Senate Special Committee on Aging and House Select Committee on the Chinese Communist Party, 119th Cong (April 9, 2025) (testimony from Brady Finta, Founder of the National Elder Fraud Justice Coordination Center), <https://www.aging.senate.gov/imo/media/doc/713d6dee-b247-ab39-387e-35005767f950/Testimony—Finta%2004.09.25.pdf>.

tions are not only responsive after fraud occurs, but proactive in preventing account compromise in the first place?

Response:

In my experience, taxing fraud losses is devastating to the victims. For many victims, it takes a very long time, if ever, for them to come to terms with the sometimes life-changing financial loss. This combined with the anger, shame and guilt often lead to health issues, isolation and mistrust. All of these residual effects of the crime are compounded when they later learn they must pay tax on money that was stolen from them. I'm sure to many this feels as though the US government is a part of the fraud.

Question:

We're seeing a disturbing rise in AI-generated fraud schemes-voice cloning, deepfakes, synthetic identities-that make it easier for criminals to impersonate family members, financial institutions, or even law enforcement. These tactics are being rapidly adopted by transnational crime groups, including those with ties to the PRC, to target vulnerable Americans, especially seniors.

From your perspective, how is artificial intelligence changing the way financial scams are conducted, and what types of safeguards or public-private collaboration should Congress be pursuing to stay ahead of these rapidly evolving threats?

Response:

Criminals will always use whatever technology and tactics are available to them to further their criminal schemes. I believe we must use the advantages cutting-edge technology offers to combat these frauds. Traditionally, the government has been too slow to employ new technologies in law enforcement. This is why a real-time and robust public/private partnership is key to allow industry to assist government in the responsible use of new fraud-fighting tools.

Question:

Law enforcement agencies across the country are increasingly overwhelmed by the scale and complexity of international scams involving digital currency, malware, and global money laundering networks. These schemes-many of which are linked to PRC-based criminal groups-are so widespread that even the Department of Justice's Elder Justice Task Forces, which are located in every U.S. Attorney's Office and coordinate federal, state, and local efforts to combat elder abuse, can only pursue a small fraction of reported cases.

What cybersecurity or investigative capabilities should Congress strengthen to ensure that law enforcement can meaningfully respond to PRC-linked financial crimes targeting U.S. seniors? Should Congress consider additional dedicated funding streams or task force expansion models?

Response:

Absolutely! While the DOJ has prosecutors assigned to the Elder Justice Task Forces, they do not have investigators. Without full-time investigators assigned to generate and work elder fraud investigations, the prosecution cart has no horses to pull it. Just as we as a country have done with Health Care Fraud Task Forces, Internet Crimes Against Children Task Forces, Safe Streets Task Forces, Organized Crime Drug Enforcement Task Forces, and Joint Terrorism Task Forces we must stand up Elder Justice Task Forces in every major city of the United States. We must then link these EJTFs in a meaningful way linking the biggest, most impactful cases and supporting them with the data of the private sector. The combined efforts of these EJTFs can play a huge role in bending the elder fraud curve.

Question:

According to recent reports, U.S. pension funds-including those for state teachers and public employees-have invested billions in PRC-based firms, including some tied to surveillance, defense, or forced labor. While many have since reduced exposure, concerns remain about ongoing fiduciary risks and national security implications.

From your perspective, what are the risks associated with continued public pension investments in PRC-linked entities, and how should Congress work with state and federal fiduciaries to better insulate retirement savings from exposure to adversarial economic systems?

Response:

This is clearly a risk. I believe regulation and education on this front is essential. However, there are hundreds of thousands of older Americans losing their life savings every year to pure fraud, aided often times from Chinese entities. In my opinion, pouring resources into stopping those who specifically target vulnerable Americans to steal from them to the tune of \$61B a year should be of the highest priority.

Question:

Data shows that only 10 to 15 percent of elder fraud victims report the crime, and even fewer are able to recover their losses. The complexity, international scope, and emotional shame tied to these scams all contribute to underreporting, while the current support infrastructure-particularly for seniors-is limited in reach and scope.

What changes should Congress consider to improve the reporting process and ensure more comprehensive support for victims-particularly seniors-who fall prey to these often-sophisticated and internationally coordinated scams?

Response:

Under reporting is a huge problem. Not only do the victims feel hopeless, leading to a more difficult recovery process, law enforcement does not have all the pieces of the puzzle to put effective cases together. Unfortunately, this will likely not change until there are EJTFs in more jurisdictions. When a city is equipped with an EJTF and personnel are permanently assigned to working those cases, word gets out that there is somewhere to go and there is a higher level of trust that something can and will be done. I've seen this happen in San Diego County.

Statements for the Record

U.S. SENATE SPECIAL COMMITTEE ON AGING

"FINANCIAL AGGRESSION: HOW THE CHINESE COMMUNIST PARTY EXPLOITS AMERICAN RETIREES AND UNDERMINES NATIONAL SECURITY"

APRIL 9, 2025

STATEMENTS FOR THE RECORD

Senator Rick Scott Letter to SEC Nominee

I would first like to congratulate you on your nomination to lead the Securities and Exchange Commission (SEC). The SEC plays an important role in protecting our markets, American investors and their livelihoods, and I look forward to working with you and President Trump's administration to ensure the integrity of our markets.

For years, I have been sounding the alarm to prior SEC Chair Gary Gensler regarding the ongoing issues with Chinese companies listed on U.S. Exchanges. These companies consistently fail to meet the requirements of our markets - misleading American investors and putting their investments and U.S. national security and economic security at risk - and the Biden administration and SEC Chair Gensler consistently failed to enforce the Security and Exchange Commission's (SEC) accounting standards and disclosure requirements that are required by law.

In 2020, the Holding Foreign Companies Accountable Act (HFCAA) was signed into law, requiring the SEC and Public Company Accounting Oversight Board (PCAOB) to identify publicly listed foreign companies that regulators have been unable to inspect or investigate. This law specifies that if a foreign company is not in compliance with reporting requirements for two consecutive years, the SEC must prohibit the securities of the issuer from being traded on any U.S. exchange.¹

According to recent reports², Chinese companies listed on U.S. Exchanges continue to disregard SEC accounting standards and compliance deadlines required under the HFCAA. These standards are set to provide financial transparency and ensure every company listed on our exchanges is accurately disclosing the necessary business information needed to invest with prudence.

The U.S.-China Economic and Security Review Commission (USCC) recently reported that there are currently 286 Chinese companies listed on U.S. Exchanges with a total market cap exceeding \$1 trillion. Since January 2024, 48 of these Chinese companies were newly listed on three of our U.S. Exchanges.³ With such a large amount of capital invested in those foreign-domiciled companies, failing to enforce the accounting and disclosure standards required by the HFCAA poses potentially dire risks to U.S. investors.

The U.S. capital markets are the envy of the world, providing unparalleled access to funding for companies worldwide. However, this privilege comes with responsibilities, chief among them being transparency and adherence to our financial disclosure rules. It is alarming that Chinese companies continue to enjoy access to American capital while refusing to play by our rules.

The Biden-Harris administration's lack of enforcement of the HFCAA was deeply troubling and cannot continue. This inaction has effectively allowed Chinese companies to continue trading on U.S. Exchanges without making the necessary financial disclosures, potentially putting American investors at risk.

As you await Senate confirmation of your nomination to serve as the SEC Chairman, I seek your commitment to combat Chinese companies' defiance of these financial disclosure and reporting requirements, to fully enforce U.S. financial accounting standards for all companies listed on our exchanges, and to prioritize America's financial security.

Promoting the integrity of our financial markets must be one of your top priorities. American investors deserve protection, and all companies trading on our exchanges must be held to the same standards of transparency and accountability.

I appreciate your prompt attention to this issue. I welcome the opportunity to discuss your plans to fully enforce our laws to protect U.S. investors and our domestic financial markets following your confirmation.

Sincerely,

¹ In December 2022, Congress amended the act to reduce the three-year period to two years.

² <https://www.wsj.com/opinion/sec-needs-to-hold-chinese-companies-accountable-investors-stock-exchanges-768157e0>

³ <https://www.uscc.gov/research/chinese-companies-listed-major-us-stock-exchanges>

/s/
Rick Scott
United States Senator
cc: Acting U.S. Securities and Exchange Commission Chairman Mark Uyeda
Public Company Accounting Oversight Board Chair Erica Williams

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