

THE ANNUAL TESTIMONY OF THE SECRETARY
OF THE TREASURY ON THE STATE OF THE
INTERNATIONAL FINANCIAL SYSTEM

HYBRID HEARING
BEFORE THE
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**THE ANNUAL TESTIMONY OF
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Wednesday, April 6, 2022

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON FINANCIAL SERVICES,
Washington, D.C.

The committee met, pursuant to notice, at 10:04 a.m., in room 2128, Rayburn House Office Building, Hon. Maxine Waters [chairwoman of the committee] presiding.

Members present: Representatives Waters, Maloney, Velazquez, Sherman, Scott, Green, Cleaver, Perlmutter, Himes, Foster, Beatty, Vargas, Gottheimer, Gonzalez of Texas, Lawson, Axne, Casten, Pressley, Lynch, Adams, Tlaib, Dean, Garcia of Illinois, Garcia of Texas, Williams of Georgia, Auchincloss; McHenry, Lucas, Posey, Luetkemeyer, Huizenga, Wagner, Barr, Williams of Texas, Hill, Emmer, Zeldin, Loudermilk, Mooney, Davidson, Budd, Kustoff, Gonzalez of Ohio, Rose, Steil, and Sessions,

Chairwoman WATERS. The Financial Services Committee will come to order.

Without objection, the Chair is authorized to declare a recess of the committee at any time.

I intend to conclude today's hearing at approximately 1:00, so that means everybody is going to be kept to the exact time that they are allotted: 5 minutes.

Today's hearing is entitled, "The Annual Testimony of the Secretary of the Treasury on the State of the International Financial System."

I now recognize myself for 4 minutes to give an opening statement.

I would like to welcome Treasury Secretary Janet Yellen, who today is presenting testimony for the first time on the state of the international financial system. This is a very timely hearing given that it is the international financial system established by the United States and its allies after World War II that enables the West to hit the Russian economy with unprecedented force in response to the travesty and brutality of Putin's war against Ukraine. The most powerful sanctions to date have blocked Russia's largest financial institution and its central bank from the global financial system. I commend President Biden and Secretary

Yellen for their leadership in coordinating these efforts with our allies and their support of these efforts.

I recently sent a letter to the trade associations representing our nation's financial institutions, asking them to report how U.S. businesses are doing their part to exit Russia and block funding for Putin's war crimes, so I look forward to their fulsome responses. The unity of our allies in helping Ukraine did not occur by accident. In fact, this unity is a direct result of the Biden Administration's efforts to renew the U.S. commitment to global economic cooperation. President Biden signaled this commitment last year with his first budget proposal, which boosted U.S. contributions to the Multilateral Development Banks (MDBs), global climate finance efforts, and food insecurity programs by 73 percent. This was followed by Secretary Yellen's support for a new allocation of Special Drawing Rights at the International Monetary Fund, which provided a \$275 billion liquidity boost to emerging economies to help them respond to the global pandemic.

There will also be a new test of the strength of the international financial system and its international financial institutions, which will center on the ability and willingness of western nations to adequately respond to the humanitarian, energy security, and food insecurity crisis caused by the war in Ukraine. But our work is not done. This committee recently marked up legislation to further isolate Russia and support Ukraine, including my bill, the Nowhere to Hide Oligarchs' Asset Act, that assists the Financial Crimes Enforcement Network (FinCEN) in identifying the yachts, the luxury apartments, and other assets of Putin's cronies, and we will continue to keep the pressure on Putin.

Additionally, my committee intends to pay close attention to the challenges faced in the Caribbean, including a lack of access to international banking services. So, I want to see a concerted effort by international financial institutions to focus on the Caribbean and show the world that development is possible even under the most challenging circumstances. Secretary Yellen, I look forward to your testimony.

I now recognize the ranking member of the committee, the gentleman from North Carolina, Mr. McHenry, for 4 minutes.

Mr. MCHENRY. Thank you, Madam Chairwoman, and thank you, Secretary Yellen, for appearing before the committee. It has been a long time coming. I know Democrats control the House, the Senate, and the White House. But our expectation is that the Treasury Secretary will comply with the law and appear before our committee and other committees, as the law dictates. So we are grateful you're here, but this is long overdue, especially considering the Russia-Ukraine conflict. And also, we note on Capitol Hill that the Chinese government is taking notes, especially on the U.S. response in this conflict.

The Biden Administration sanctions have helped isolate the Russian economy. That is good, but it was reactive at best. We watched as Russia amassed troops at the border last fall, all the while claiming no plans for invasion, a claim parroted by Chinese officials as late as February 23rd. And at the same time that all of this is happening with Russia and Ukraine, we see China's continued activities in the Taiwan Strait, and they are telling us that

supporting Taiwan is, “dangerous to our relationship.” We must remain clear-eyed about whom we’re dealing with here. China must feel the pinch of its no-limit partnership with Russia. While the Biden Administration eventually sanctioned Russia, it also unwittingly provided a means by which China could help Russia circumvent those sanctions.

Let me explain. Last year, the Treasury Department bypassed Congress and approved a general allocation of International Monetary Fund Special Drawing Rights (SDRs), sending Russia and Belarus more than \$18 billion, de facto \$18 billion in no-strings-attached liquidity. State sponsors of terrorism, like Iran and Syria, received billions more, by the way. Republicans warned that an SDR allocation ran counter to U.S. sanctions policy. As the Putin regime continues its assault on Ukraine, it is clear that our concerns were justified. And yet, even the Office of Foreign Assets Control (OFAC) seeks to block Russia’s access to foreign reserves, at the same time our country allowed SDRs to become a lifeline that the Russians may exchange for Chinese currency, for the Chinese RMB.

Now, U.S. officials have to ask foreign countries not to redeem the very same Russia SDRs this Administration pushed for just a few months ago. This policy doesn’t make any sense. That was a bad decision. And I think it is important that the public recognize and this Administration recognize that Congress is a partner in this fight, this international fight that we have. It is the Treasury Department that has a duty to keep us informed. To date, we have yet to receive certain reports related to the international financial institutions under [inaudible]. This includes policies regarding China, Taiwan, and efforts against terrorism financing generally.

I appreciate Treasury’s work in terrorism and financial intelligence. It is good work, but here, too, Treasury must respect oversight of Congress, and it is simply unacceptable that Treasury officials have dodged public hearings for as long as they have. We have to work to ensure that we have maximum pressure on Moscow so that the Putin regime changes course in Ukraine. But at the same time, we cannot take our eyes off the challenge that China poses and the risks that a rising China poses to the stability of the world.

So, Secretary Yellen, thank you for being here, and with that, Madam Chairwoman, I yield back.

Chairwoman WATERS. Thank you very much, Ranking Member McHenry.

I now recognize the gentleman from Connecticut, Mr. Himes, for 1 minute.

Mr. HIMES. Thank you, Madam Chairwoman, and Madam Secretary. I have been in dozens of these hearings with at least four Secretaries of the Treasury, but I can’t remember a hearing in which cooperation and unified action were more necessary. As we speak, Russian troops are raping women, they are murdering military-aged men, and they are targeting children in Ukraine. I don’t think anyone in this room will ever forget the images that we saw of Russian barbarism in Bucha.

So, our mission is clear. Democrats and Republicans, Legislative and Executive Branches, we must do all we can to help Ukraine

win this war. We must show the Russian people that the nation of Tolstoy and Tchaikovsky will be completely isolated with a stone-age economy as long as they are governed by a butcher. And whether it takes 1 year or 10, Vladimir Putin must answer to the laws and the standards of decency that he mocks. So, I have just one question today, which is, what more can we do to help the people of Ukraine and the survival of our democracy?

Chairwoman WATERS. I now recognize the gentleman from Kentucky, Mr. Barr, for 1 minute.

Mr. BARR. Secretary Yellen, thanks for being back with us, and I just want to compliment my friend from Connecticut, Mr. Himes. I couldn't say it better myself. I will say one thing we could do more is to sanction the energy-related transactions, which we are not doing.

Russia's war on Ukraine highlights the important role of the Office of Foreign Assets Control (OFAC) within Treasury to put economic pressure on Putin and the Russian military. U.S. sanctions, coordinated with our allies, have had some effect, but we can do more. As I said, the atrocities on display, especially in recent days, necessitate that the U.S. use its full sanctions power, including comprehensively limiting Russia's ability to profit from oil and gas sales. We are not sanctioning energy-related transactions. We need to do so now.

The International Monetary Fund (IMF) is also at a crossroads. The IMF plays an important role in promoting international macroeconomic stability, yet scandals at the top of the organization and its mission creep into issues like climate change create a lack of confidence in its leadership. This hearing will focus on Treasury's representation of U.S. interests at international financial institutions (IFIs), and I look forward to today's testimony.

Chairwoman WATERS. Thank you very much. I want to welcome the Honorable Janet Yellen, Secretary of the United States Department of the Treasury.

You will have 5 minutes to summarize your testimony. You should be able to see a timer that will indicate how much time you have left for your testimony.

And without objection, your written statement will be made a part of the record.

Secretary Yellen, you are now recognized for 5 minutes to present your testimony.

**STATEMENT OF THE HONORABLE JANET L. YELLEN,
SECRETARY, U.S. DEPARTMENT OF THE TREASURY**

Secretary YELLEN. Thank you, Chairwoman Waters, Ranking Member McHenry, and members of the committee. Thank you for giving me the opportunity to speak to you today. I am here to discuss Treasury's oversight of the international financial institutions, or IFIs, and our role in promoting inclusive and sustainable growth, and global monetary and financial stability and development.

Over the last 2 years, the IFIs have led the way in helping low-income and developing countries fight the COVID-19 pandemic. Since the beginning of the crisis, the IMF has approved nearly \$175 billion in emergency lending, concessional financing, debt

service relief, and precautionary support to fund pandemic response and economic recovery efforts. The Multilateral Development Banks, or MDBs, approved nearly \$130 billion over the same period to address the health, economic, and social impacts of the pandemic. Treasury has pressed the World Bank to work with international partners to improve vaccine readiness and support increased vaccine delivery in developing countries. As long as this pandemic is raging anywhere in the world, the American people will be vulnerable to new variants.

The importance of the IFIs is even more paramount given Russia's brutal and unprovoked invasion of Ukraine. Russia's actions, including the atrocities committed against the innocent Ukrainians in Bucha, are reprehensible, represent an unacceptable affront to the rules-based global order, and will have enormous economic repercussions in Ukraine and beyond. Treasury is committed to holding Russia accountable for its actions so it cannot benefit from the international financial system. President Biden has rallied over 30 countries, representing well over half the world's economy, to impose swift, severe sanctions and export controls on Russia.

Treasury is also working with our partners to block Russia from accessing benefits from the international financial institutions. Both the World Bank and the European Bank for Reconstruction and Development (EBRD) have ceased approving new financing for Russia since the unlawful annexation of Crimea in 2014. Since the invasion, these institutions have announced further measures to prevent Russia's and Belarus' access to financial and non-financial assistance. Since the start of the war, rapid IMF and World Bank assistance has allowed Ukraine fiscal space to pay salaries for civilians, soldiers, doctors, and nurses, while also meeting its external debt obligations. The IMF, the World Bank, and the EBRD will be critical partners in rebuilding Ukraine, and they will also provide vital support to neighboring countries welcoming refugees.

Spillovers from the crisis are heightening economic vulnerabilities in many countries that are already facing higher debt burdens and limited policy options as they recover from COVID-19. The IFIs will play a critical role in several areas.

First, food security. Together, Russia and Ukraine account for nearly a third of the world's wheat exports. Russia's invasion disrupted the flow of food for millions of people around the world and caused prices to spike. The IFIs and food security funds are already working to address both the short-term and long-term effects of the invasion on global food prices and supplies.

Second, energy security. The invasion of Ukraine has also underscored the need for sustainable, affordable, clean, and secure energy for economic growth and security for the United States, as well as for governments that partner with the IFIs. The MDBs' promotion of energy efficiency and capital investment to diverse energy sources like solar, wind, and other non-fossil, fuel-based energy sources, and away from suppliers, such as Russia, strengthens energy security and reduces short-term fossil fuel price risks, all while addressing the long-term threat of climate change.

Public finance alone cannot meet this challenge. Treasury is encouraging the MDBs to undertake reforms and adopt more ambitious targets for mobilizing private capital, particularly through

their private-sector windows. Many low-income countries are facing growing debt burdens as the pandemic continues into a 3rd year. The IFI supported the G20's Debt Service Suspension Initiative from 2020 to 2021, which helped eligible countries free up resources to use toward pandemic support. The IMF and the World Bank are now supporting the common framework for debt treatments, which seeks to help low-income countries address their longer-term debt-related vulnerabilities.

The recent record replenishment of the World Bank's concessional window, the International Development Association (IDA), will help deliver critical financing to the world's poorest and most vulnerable to address these impacts at a moment of urgent need.

Finally, the Biden Administration is seeking congressional authorization to provide financing to bolster the Poverty Reduction and Growth Trust (PRGT), the IMF's existing concessional facility, and the new IMF Resilience and Sustainability Trust (RST). The PRGT has been stretched by the exceptional amount of COVID-19 financing provided and needs additional funding. The new RST will provide targeted financing alongside IMF programs to support countries' efforts to strengthen energy security and pandemic preparedness.

I look forward to working with you to continue to advance U.S. economic leadership abroad and to create opportunities for Americans at home. I am happy to answer your questions.

[The prepared statement of Secretary Yellen can be found on page 50 of the appendix.]

Chairwoman WATERS. Thank you very much.

I now recognize myself for 5 minutes for questions.

While you will probably get a lot of questions today about Ukraine, this is an international financial architecture that we're looking at. And for years, I have been concerned about how our Caribbean neighbors are treated in the international community by U.S. financial institutions and by our own government. In particular, I am concerned that, as a result of U.S. Government actions and overly-cautious U.S. banks, countries like Barbados, the Bahamas, Jamaica, and others have been cut off from access to capital and credit de-risking, as this issue is called, as direct and negative effects on the ability of the Caribbean to build businesses, employ citizens, facilitate economic development, and allow families to send and receive funds from abroad. De-risking has consequences for the United States as well.

The Caribbean region is both geographically and historically close to the United States, and it is not only an important trading partner, but also a strong, reliable ally in security cooperation. That is why this committee passed legislation which was signed into law through the Anti-Money Laundering Act of 2020, that directs the Treasury to lead a government-wide strategy on de-risking and provide that strategy to Congress later this year.

Madam Secretary, can you speak to the importance of the Caribbean region to the United States and what the Treasury is doing to address de-risking, including Treasury's progress on the strategy?

Secretary YELLEN. Thank you for that question, Chairwoman Waters. Financial inclusion, of course, is a very important goal of the United States and the Treasury Department, and we've been concerned about de-risking in the Caribbean and other areas of the world. I would say that, in spite of that, the United States has one of the lowest costs of sending remittances of any country in the world, and we have seen remittances increase considerably. The data that we have on the Caribbean shows that there has been a significant increase in remittances there, and into Latin America more generally.

There are diverse drivers of de-risking. One issue is profitability concerns of banks that have led them to cut back, and also, changes in global business strategy following the 2009–2010 financial crisis. Our Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) rules may be a further contributor to de-risking, and to the extent that is true, we think the best way forward is for jurisdictions to make meaningful and publicly-visible improvements to their AML/CFT regimes. That is something which will give foreign financial institutions confidence that they are operating in an environment in which they can mitigate the risks effectively, and Treasury is happy to engage in dialogues and provide support to jurisdictions that are seeking to make those changes.

Chairwoman WATERS. Thank you. In the interest of time, I yield back.

The gentleman from North Carolina, Mr. McHenry, who is the ranking member of the committee, is now recognized for 5 minutes.

Mr. MCHENRY. Secretary Yellen, thank you for being here. As we know, Russia is still earning hundreds of millions of dollars each day in hard currency through its oil and gas exports. Even though the President banned Russian oil imports, which I welcome, Treasury continues to provide sanctions licensing for banks transacting and transactions related to Russian energy. This includes financial services allowing other countries to import Russian oil and gas. Why are these licenses being provided?

Secretary YELLEN. We are working very closely with our partners to have a coordinated set of sanctions, and our goal from the outset has been to impose maximum pain on Russia, while, to the best of our ability, shielding the United States and our partners from undue economic harm.

Mr. MCHENRY. I have publicly commended the Administration's approach on sanctions. What I am particularly asking about are the licenses permitting bank transactions related to Russian energy.

Secretary YELLEN. In following up on what I just indicated, unfortunately, many of our European partners remain heavily dependent on Russian natural gas, as well as oil, and they are committed to making the transition away from that dependence as quickly as possible. We are doing all we can to help. But in the meantime, we issued this license, and they have taken steps to make sure that there can be a continued flow of Russian natural gas and oil.

Mr. MCHENRY. And if the Europeans take stronger action against Russian energy, your Department would take stronger action as well?

Secretary YELLEN. We are working closely with them on sanctions and want to remain aligned with them.

Mr. MCHENRY. I want to pivot to China, because I think the government of China is watching us very closely. It is pretty clear that when Russian troops amassed in the Eastern Ukraine border last fall, the Administration lacked a cohesive strategy to respond. Many of us have warned that a similar situation is occurring between China and Taiwan. Now, for example, Chairman Xi has vowed to, “smash,” any attempts at independence by Taiwan. We have seen an unprecedented incursion by the Chinese into Taiwanese airspace, including sending dozens of planes into Taiwan’s air defense identification zone. Has the Administration issued a warning of sanctions or a threat of sanctions to Beijing to deter military action by China against Taiwan?

Secretary YELLEN. Clearly, the Administration and the Treasury Department are opposed to any unilateral change in the status quo with respect to Taiwan, and we are working very closely with our partners and the Administration to make sure that we have tools at our disposal to respond to provocations in that regard. I am not going to come in on hypotheticals in what we would do in any particular scenario, but I will assure you that we are closely coordinating with all of our interagency partners to make sure that we will be able to respond appropriately.

Mr. MCHENRY. Has the Administration contemplated a sanction strategy in the event of a Chinese move against Taiwan?

Secretary YELLEN. I am not going to comment on specifics. We have put sanctions in place on China with respect to forced labor and Xinjiang and provocations with Hong Kong, but certainly, we are concerned about Taiwan and will act as appropriate.

Mr. MCHENRY. And that would include sanctioning senior leaders of the Chinese government, as has been done with Russia and Russian oligarchs? Are you open to all tools available in the event that China moves aggressively towards Taiwan?

Secretary YELLEN. Absolutely. I believe we have shown that we can. In the case of Russia, we have threatened significant consequences. We have imposed significant consequences, and I think that you should not doubt our ability and resolve to do the same in other situations.

Mr. MCHENRY. Thank you.

Chairwoman WATERS. Thank you very much. The gentlewoman from New York, Ms. Velazquez, who is also the Chair of the House Committee on Small Business, is now recognized for 5 minutes.

Ms. VELAZQUEZ. Thank you, Madam Chairwoman. Secretary Yellen, many of us on this committee are concerned about the potential use of cryptocurrencies and other digital assets to evade international sanctions imposed on Russia for its illegal invasion of Ukraine. The U.S. and other G7 nations recently pledged to work together to ensure that the Russian state, its elites, and oligarchs will not be able to utilize digital assets to sidestep these sanctions. How is the Treasury Department working to carry out this pledge?

Secretary YELLEN. We are concerned about sanctions avoidance, and we recognize that digital assets present opportunities for doing exactly that. So, first, I would say that we are monitoring for any attempts to use cryptocurrency to evade our sanctions and we have

ample enforcement authority which we won't hesitate to use. We are carefully tracking, using all of the tools at our disposal, the assets of oligarchs and other sanctioned individuals. We are working very closely, and exchanging information on this with our partners in the Russian Elites, Proxies, and Oligarchs (REPO) Task Force. The Department of Justice announced a new task force called KleptoCapture, which is designed to use U.S. law enforcement resources to identify and prosecute sanctions evasion, and FinCEN issued an alert to financial institutions to help them recognize suspicious transactions in this regard.

Ms. VELAZQUEZ. Thank you for that answer. Secretary Yellen, I want to commend the Treasury Department on yesterday's announcement sanctioning the virtual currency exchanges, Garantex and Hydra, Russia's most prominent darknet market. On the one hand, I think this announcement demonstrates the concern I have about how the dark web and cryptocurrencies can be utilized for illicit and criminal behavior, and that cyber criminals operating in Russia often operate with the support of Vladimir Putin and his regime, but, more importantly, it sends a message to Putin and cybercriminals around the world that the United States, in coordination with its allies, will continue to disrupt this network and cut off all avenues for potential sanctions evasion by Russia.

Secretary Yellen, one of the many tragedies of Russia's illegal invasion of Ukraine is the refugee crisis it has created. The United Nations estimates that 500,000 Ukrainians have already fled, and early estimates suggest that refugee totals could reach up to 4 million. Support for Ukrainian refugees could cause hosting countries as much as \$30 billion over the next year, according to some estimates. How is the Treasury Department working to assess and possibly alleviate the economic and financial impact the refugee crisis is having in other countries in the region?

Secretary YELLEN. Thank you for that. We are very concerned about the refugee crisis. We are monitoring this situation very carefully and recognize the enormous burden that it is going to place on host governments that are already struggling with other stresses because of the pandemic and their proximity to the conflict.

We are working with other agencies and also with international partners to support the host governments and the refugees themselves, and there will be a variety of channels, bilateral support, multilateral support. We are working with the international financial institutions and, as an example, the European Bank for Reconstruction and Development recently announced a 2 billion euro package to support Ukraine and other afflicted countries, but this will be a high priority for us.

Ms. VELAZQUEZ. Thank you. I yield back.

Chairwoman WATERS. Thank you very much. The gentlewoman from Missouri, Mrs. Wagner is now recognized for 5 minutes.

Mrs. WAGNER. Thank you, Madam Chairwoman, and Secretary Yellen, thank you for joining us today. Last month, I introduced the Isolate Russian Government Officials Act to ensure that Russia becomes a pariah in certain international organizations. I was very pleased to see the committee pass this legislation unanimously in March. Could you please reply with a simple yes or no, unless you

feel the need to elaborate, regarding Russia's involvement with the following groups that are within Treasury's jurisdiction? Secretary Yellen, should Russia be removed from the G20?

Secretary YELLEN. President Biden has made it clear, and I certainly agree with him, that it cannot be business as usual for Russia in any of the financial institutions. He has asked that Russia be removed from the G20, and I have made clear to my colleagues in Indonesia that we will not be participating in a number of meetings if the Russians are there—

Mrs. WAGNER. And I am going to go down a few others, because this is all codified now in my legislation that I hope will make it to the House Floor. So, I am pleased to hear you are echoing the position of the Administration and certainly of this legislation vis-a-vis the G20. Should Russia be removed from the Financial Action Task Force (FATF)?

Secretary YELLEN. That is one that I haven't looked into. I will get back to you on that one, but its role certainly should be minimal.

Mrs. WAGNER. Please do, as it is, again, part of this legislation. The media reported last month that Russia had, "stepped back," from participating in the Financial Stability Board (FSB), but it is still listed as a member. Should Russia be removed from the FSB?

Secretary YELLEN. Certainly, its role should be minimal.

Mrs. WAGNER. I would hope it would be removed from the FSB, and this is what the legislation does. It passed unanimously out of committee. I would hope that the Administration, and I believe that it has indicated such—

Secretary YELLEN. These are not unilateral decisions of the United States, and each one of these organizations has its own set of members—

Mrs. WAGNER. We need to make a strong stance ourselves as leaders in these organizations.

Secretary YELLEN. We have made clear that we do not want Russia to participate actively in these organizations.

Mrs. WAGNER. So, that would be the FSB. Later this month, the IMF and the World Bank will hold their spring meetings. Will Russia be represented at those meetings, even virtually, and will you urge participants to refuse to interact with Russian officials?

Secretary YELLEN. Russia is a member of the IMF. And in spite of the fact that the great majority of IMF members, I think, agree that Russia's actions are horrific, it doesn't look like it would be possible, given the rules, to remove Russia's—

Mrs. WAGNER. I understand that, but what I am saying is the U.S. must lead and be strong in our resolve on the sanctions and in making them the pariah in these organizations. I hope that you would urge participants to refuse interacting with Russian officials vis-a-vis the IMF and the World Bank.

Secretary YELLEN. We will denounce Russia's actions in all four of those.

Mrs. WAGNER. Thank you very, very much. Moving on to China, as you know, China has faced major challenges in its real estate sector, including debt problems at one of its largest developers, Evergrande. China's opaque lending abroad creates contingent liabilities of unknown size, and Chinese regulators have warned

about a rise in non-performing loans. Beijing has also announced restrictions on private investment in news media, which would only tighten the Chinese Communist Party's control over information and make China's economy more opaque.

In your view, Madam Secretary, which parts of the Chinese financial system poses the greatest risk to stability beyond China's borders, and what is Treasury doing on the FSOC, the FSB, and elsewhere, to mitigate this risk?

Secretary YELLEN. I do think that there are significant risks in the Chinese financial system, and the property sector is an example of one where there is severe risks. And importantly, a slowdown in the property sector beyond its global implications would probably weigh on China's growth outlook, which would have impacts on its economic partners. This is something we are carefully monitoring.

Mrs. WAGNER. If you have information on that, I would appreciate it in writing. We can follow up.

I yield back.

Chairwoman WATERS. Thank you. The gentleman from Georgia, Mr. Scott, who is also the Chair of the House Agriculture Committee, is now recognized for 5 minutes.

Mr. SCOTT. Thank you, Madam Chairwoman. Secretary Yellen, you and the Treasury Department have refused to sanction Russian oligarch, Alisher Usmanov, who is worth \$20 billion and who is also Vladimir Putin's favorite oligarch, and I want to know why. Why would the U.S. Treasury Department issue a special license exempting this oligarch and making it legal for his entities to continue doing business as usual with our American companies when Putin is murdering children, bombing hospitals, raping children, raping women? Why?

Secretary YELLEN. We have sanctioned a large number of Russian—

Mr. SCOTT. No, but my question is this. There has to be a reason. We need to get answers to this. The international world is wondering why, and there has to be a reason, with the terrible deeds, the crimes that this Administration is taking, and here you have Putin's favorite oligarch worth \$20 billion being exempted and given the right to continue doing business. Answer me, please. The world wants to know.

Secretary YELLEN. I can't give you the details on a specific individual, but I can tell you that every day we continue to impose additional sanctions. This morning, we announced, just 15 minutes ago, a further set of sanctions, including on Putin's children. And sometimes beyond blocking an individual, when an individual owns companies, has an interest in companies, it is important—

Mr. SCOTT. Let me ask you this. My time is marching on. Tell me about your Office of Foreign Assets Control. What role did they play in this decision?

Secretary YELLEN. They play an important role in preparing sanctions, acting against individuals—

Mr. SCOTT. Secretary Yellen, this is serious here. This is becoming a black mark on our nation. We need an answer as to why. You may have a legitimate one. If it is the Office of Foreign Assets Con-

trol, we need to know if it had some desperate situation such that to do otherwise would impact our own nation or our security. Why?

Secretary YELLEN. We work very closely with the State Department and the National Security Council in deciding on sanctions packages—

Mr. SCOTT. Was there any internal disagreement within the Treasury Department's Office of Foreign Assets Control about how certain oligarchs would be protected from the deep economic impact on these sanctions, why Putin's number-one oligarch gets a sense of false image of what we are doing? And let me tell you, our reputation as the world leader is at stake when these types of things are happening and there is no explanation for it. So, help us with that.

Secretary YELLEN. I am not going to offer comments on a specific individual that we haven't sanctioned.

Mr. SCOTT. Have you refused to sanction other key oligarchs? Is there a pecking order?

Secretary YELLEN. We have imposed a large number of sanctions on Russian oligarchs and continue to impose further ones. We are not finished.

Chairwoman WATERS. The gentleman's time has expired.

Madam Secretary, I would ask that you make arrangements with Mr. Scott. If it is classified, you may meet with him, or whomever you designate, but he needs an answer. Thank you.

Mr. SCOTT. Thank you, Madam Chairwoman.

Chairwoman WATERS. The gentleman from Oklahoma, Mr. Lucas, is now recognized for 5 minutes.

Mr. LUCAS. Thank you, Madam Chairwoman. Secretary Yellen, I would like to discuss with you today a significant concern for me. The U.S. economy is facing significant challenges coming off the heels of a global pandemic of which we are still studying the effects. The U.S. economy is also experiencing supply chain backlogs and inflation at a 40-year high, and the Russian invasion of Ukraine exacerbates economic uncertainty. In Oklahoma, small businesses, farmers, and ranchers are navigating surging gas prices and volatile agricultural markets for inputs like grain and fertilizer. In these uncertain times, investors seek to protect their retirement savings, to hedge risk, and of course, to safeguard their businesses.

As I am sure you can appreciate, providing liquid markets to protect the U.S. economy in the face of substantial headwinds should be a priority. Unfortunately, I am concerned that the volume and significance of rulemaking proposals coming out of the Securities and Exchange Commission in such a short amount of time runs counter to this goal. Since November, the SEC has proposed over 20 new major, far-reaching rule changes. These rules impact every asset class under the SEC's jurisdiction. The sheer amount and complexity of these rulemakings, compounded with the short and simultaneous comment periods, and I note that short and in, many cases, simultaneous comment periods, could negatively impact markets and the public that depends on them. It is important for Congress to be able to fully understand the impact and potential unintended consequences of the SEC's sweeping new proposals.

Here is my question, Madam Secretary. Can you speak to the importance of market liquidity during times of massive economic uncertainty?

Secretary YELLEN. Certainly. Having liquid markets is extremely important to businesses and consumers to be able to engage in financial and hedging transactions that they count on to deal with risk. So, I certainly agree with the idea that it should be and is an important priority.

Mr. LUCAS. And I realize you are not on the SEC, but the current approach, I worry, could rattle markets by rolling out extensive proposals during a time when strong capital markets are just essential to our constituents' economic growth and national security.

Second question, news reports suggest the Administration is preparing to impose a new round of sanctions on Russia following recent atrocities, including two of Russia's largest financial institutions. The European Union is also said to be preparing new sanctions. In your discussions with your international counterparts, could you speak to the urgency with which the EU plans to intensify Russian sanctions, particularly focusing on a ban on Russian coal, oil, and natural gas exports?

Secretary YELLEN. I think our partners are as outraged by the atrocities that are being committed in Russia as we are, and we are working very actively with them to impose new sanctions that will cause Russia significant pain. This morning, we announced our own sanctions package that will now fully block Russia's largest bank, Sberbank, from participating in the U.S. financial system, as well as their largest private bank, Alfa-Bank.

The President will sign a new Executive Order, prohibiting new investment in Russia by all U.S. persons, and additional sanctions have been placed on elites in some state-owned enterprises. And Europe is also working at a rapid pace to announce additional sanctions. I am not going to try to tell you exactly what they are, but they certainly intend to add to the sanctions they have in place.

Mr. LUCAS. Absolutely, Madam Secretary, but you don't see a reluctance on their part to target Russian energy exports, do you, or a change in that reluctance?

Secretary YELLEN. They recognize clearly the importance of depriving Russia of export revenue to the maximum extent that they possibly can, but regrettably have a dependence on oil and natural gas. So, there are tradeoffs there that they are trying to manage as best they can.

Mr. LUCAS. With that, Madam Chairwoman, I yield back the balance of my time.

Chairwoman WATERS. Thank you. The gentleman from Texas, Mr. Green, who is also the Chair of our Subcommittee on Oversight and Investigations, is now recognized for 5 minutes.

Mr. GREEN. Thank you, Madam Chairwoman. And, Madam Secretary, thank you very much for all of the many things that you are trying to accomplish and the good things that you have done. I also want to acknowledge the leadership of the President, Madam Secretary. He has, in my opinion, brought the world together for the most part to take on the invasion of Ukraine, and I think that is a significant accomplishment. I still have faith in the President,

and I compliment him for his ability to not only pull people together, but to try to maintain this coalition, so that if this becomes a long-term endeavor, we will still have allies with us. I think that is important.

Madam Secretary, I have a copy of your statement for the record, which indicates, "As long as the pandemic is raging anywhere in the world, the American people will still be vulnerable to new variants." I believe this to be a truthful statement and correct. As you know, Hong Kong is having some concerns with the virus that are causing great lockdowns, with millions of people involved. And as you also know, the Senate had a deal for \$10 billion. That \$10 billion deal appears to be stalled.

I see where you have encouraged the World Bank to continue working closely with COVAX and the international partners to improve vaccine readiness and to support increased vaccine delivery to developing countries. Have you weighed in with the Senate, Madam Secretary? This is pretty important for us to get this deal done. Would you kindly give a response?

Secretary YELLEN. My colleagues in the White House have definitely weighed in regarding the provision of additional funding to deal with a pandemic to be a critical priority and are very concerned that we lack the funds that we need to address COVID, and they are very focused on this and have weighed in fully on the importance of this legislation.

Mr. GREEN. Just a follow-up. I do appreciate weighing in. This is not only about the United States. It is about the world. As you know, the deal is void of a monument for the rest of the world, just the United States, and now that is being held up.

Secretary YELLEN. Yes.

Mr. GREEN. I think as we weigh in, and I am sure you are doing this, expand it to make sure we include the rest of the world. I appreciate the \$10 billion deal, but your statement rings true. As long as the pandemic is raging anywhere in the world, the American people will still be vulnerable to new variants. That is important. Can you give me the criticality associated with not only having a deal for the United States but also the rest of the world?

Secretary YELLEN. We absolutely need additional funding to help the rest of the world deal with the pandemic as well. We are continuing to do everything that we can through the WHO, the World Bank, the task force that they have put together, and I think that is right.

I would repeat the words that you quoted me as saying, that as long as the pandemic is raging in any part of the world, the United States is not safe. There will be new variants, and I think it is critically important. I would also like to add that we have requested funding or the ability to lend funds to the new Resilience and Sustainability Trust that the IMF is establishing. One of the purposes of that trust is to provide the resources for countries around the world, middle- and lower-income countries, to be prepared for the next pandemic. I wish we could feel that this will be our last, but we should have learned our lessons that the globe needs to be prepared. And I would ask again that Congress provide the authorization that we need to lend resources to the IMF to help them prepare the world for future pandemics.

Mr. GREEN. Thank you, Madam Chairwoman. I yield back.

Chairwoman WATERS. Thank you. The gentleman from Florida, Mr. Posey, is now recognized for 5 minutes.

Mr. POSEY. Thank you, Chairwoman Waters. Secretary Yellen, do you believe cutting the deficit spending and borrowing from the Federal Reserve could make a significant contribution to reducing inflationary pressures?

Secretary YELLEN. I apologize. I didn't catch your question. Could you say it again?

Mr. POSEY. Certainly. Do you believe cutting the deficit spending and borrowing from the Federal Reserve could make a significant contribution of inflationary pressures?

Secretary YELLEN. What about the Federal Reserve? Something about the Federal Reserve, could you repeat that?

Mr. POSEY. Yes. Do you believe cutting deficit spending—got it?

Secretary YELLEN. Cutting deficit spending?

Chairwoman WATERS. Mr. Posey, you need to speak into the microphone and speak up a little bit louder.

Mr. POSEY. Yes, I think I have it at 100 percent here. Let me try it again. Okay.

Do you believe that cutting deficit spending and borrowing from the Federal Reserve could make a significant contribution to the reduction of inflationary pressures?

Secretary YELLEN. The Federal Reserve is charged with controlling inflation and is taking steps to address the inflationary situation here. And the Administration has just proposed a budget that has, over the next decade, a trillion dollars' worth of deficit reduction. So, I agree on the importance of controlling inflation, and the Federal Reserve, of course, is independent in making its judgments on what is appropriate but will take action to help bring inflation down.

Mr. POSEY. So, you do believe that cutting deficit spending and borrowing from the Federal Reserve could make a contribution to reducing inflationary pressures?

Secretary YELLEN. I think the Federal Reserve has a role to play in reducing inflationary pressures, yes.

Mr. POSEY. And you think that cutting deficit spending can help?

Secretary YELLEN. We have proposed to do so in the fiscal 2023 budget that the Administration has just released.

Mr. POSEY. So, I take it as a yes then? The simple answer would be a yes?

Secretary YELLEN. Yes. And we do have a substantial reduction in deficits. The deficit is coming way down this year.

Mr. POSEY. Taxing unrealized capital gains would increase the present value of taxes or long-term gains, obviously. How will taxing unrealized capital gains impact the size of investment and the allocation of capital among alternative investments?

Secretary YELLEN. Generally, tax policy and interest rates all affect the cost of capital, and that is one factor that influences investment. But although, in principle, the cost of capital should be an important determinant of investment spending, most experience in empirical research suggests that the linkages are not terribly strong. Usually, expected output is more important—

Mr. POSEY. The Ukraine war is teaching us again that energy is a strategic as well as an economic good. In light of that, should we recalibrate the rush to transform the energy economy and increase the contribution of fossil fuels in the short- to medium-term, say the next 10 to 15 years?

Secretary YELLEN. I'm sorry. You asked about fossil fuels and what should we do about fossil fuels?

Mr. POSEY. Yes. Do you think we should think about recalibrating the rush to transform the economy by eliminating them?

Secretary YELLEN. Over time, to deal with climate change, we need to reduce our dependence on fossil fuels, and I think our energy security also will be greatly enhanced as we transition to renewables. I think really the only way—

Mr. POSEY. Do you think we should maybe delay the rush a little bit in the current times that we are in, with the energy being such an important force in the Ukraine right now?

Secretary YELLEN. The President has proposed using reserves from the strategic petroleum reserve and incenting producers to raise, American producers to raise oil production to deal with the short-run crisis that we face.

Chairwoman WATERS. Thank you. The gentleman's time has expired.

The gentleman from Missouri, Mr. Cleaver, who is also the Chair of our Subcommittee on Housing, Community Development, and Insurance, is now recognized for 5 minutes.

Mr. CLEAVER. Thank you, Madam Chairwoman. And thank you, Ranking Member McHenry, for this hearing, and, Madam Secretary, thank you very kindly for your always candid comments.

This reckless and ruthless Russian invasion of Ukraine has laid bare a number of things. One of them is, at least for me and I think millions of other Americans, that we need to desperately move toward creating our own sources of energy, at least as many of them as we can—solar, fossil or biofuels, whatever, say elastic—whatever we can do. And even though I represent Kansas City, Missouri—I represent one-half of it—I represent little towns that people haven't heard of like Malta Bend and Orrick. And one of the things that they are talking about is the increase in the cost of fertilizer. Most Americans would not even remotely consider that, but they are talking about the rise in the cost of fertilizer. And the fertilizer, at least 20 percent of it, I think, or maybe somewhere in that number, comes out of Belarus and Russia.

They are having an impact on us right now, and I am wondering—I know that there are things that Treasury is doing with the IMF, and the World Bank, and international financial institutions (IFIs). Are there more things that Treasury can do to push us toward a more sustainable nation in terms of energy at least? I am concerned that our politics here in Washington may prevent us from really looking at the fact that there is a global existential threat brought about by climate change. I guess we will have to deal with it on the political stage, but are there other things that Treasury is doing or would like to do as it relates to this issue?

Secretary YELLEN. I share your concern about climate change as an existential threat. I think it is one that demands really immediate attention. President Biden has proposed a number of policies

that Congress hasn't yet passed which would increase our reliance on renewables, on wind, on solar, on renewables, and help shift us away from fossil fuels. And I think the current situation in global energy markets and the risks that we are experiencing in the global economy is due to what is happening in Russia and Ukraine, which should strengthen our resolve to address energy security to rid ourselves of dependence on a global oil market where dictators in many places really control the price and availability of our energy supplies. And I think moving away from fossil fuels and toward renewables is critical for our energy security, as well as for addressing climate change.

Both things should be pushing us heavily in that direction. And I hope that Congress will soon act to put in place tax incentives for renewables, for electric vehicles, and for other aspects of the climate agenda.

Mr. CLEAVER. Thank you very kindly for your visit. Madam Chairwoman, I yield back.

Chairwoman WATERS. Thank you. The gentleman from Missouri, Mr. Luetkemeyer, is now recognized for 5 minutes.

Mr. LUETKEMEYER. Thank you, Madam Chairwoman. Secretary Yellen, it's nice to see you this morning, and I appreciate your being here. As you know, I am the ranking member on the House Small Business Committee, and it is disappointing that we are now at 345 days since you failed to do your statutory duty by showing up there. Just a quick question: Do you intend to show up at all at the Small Business Committee to do your job of reporting on the PPP program?

Secretary YELLEN. [Inaudible.]

Mr. LUETKEMEYER. Microphone, please. Microphone.

Secretary YELLEN. Sorry. I testified—

Mr. LUETKEMEYER. Madam Secretary, I respect your comment, but let us be honest here. You are required to appear before the House Small Business Committee, and you are not there. You are here this morning, thankfully. That is fine. You go to other committee hearings, but you never show up at that one. I was surprised that the Chair of the Small Business Committee, Ms. Velazquez, didn't ask you this question, because it is very plain in the law. It says you must show up, and you haven't done it. My question is, do you intend to show up?

Secretary YELLEN. I will have my staff work with yours to discuss it.

Mr. LUETKEMEYER. That would be fantastic. Thank you. I think it is a repeat of the last question or time we have talked about this, but at least it is a commitment to do something.

With regards to the subject we have in front of us this morning, I want to ask you the same question that I asked Chairman Powell the other day, which was, I am thankful and agree with a lot of the sanctions that you are putting on the Russian economy, and oligarchs, and all of the other things you are doing. I don't disagree with those things. I think we voted that you added more. My concern was or is that it got done late. Instead of being reactive, we should have been proactive. We knew that the Russians were building three hospitals on the Ukrainian border. We knew they were going in, and yet we did nothing until after the fact.

My question to you this morning is, knowing that this was going to happen, we did nothing. The ranking member made a comment this morning about China, knowing that they are going to go in. In fact, there is a published report in the newspapers last week which said that China was going to go into Taiwan this fall and decided not to do it. I don't know if that report is true or not, but it was in the paper. Therefore, I think we need to take it seriously. And if that is the case, are you working with the Administration? Are you putting plans in place as the Treasury Secretary to come with some deterrence with sanctions right now before they get in there and not wait till after they invade Taiwan?

Secretary YELLEN. We told Russia that we would impose very heavy costs on it if it invaded Ukraine, and the purpose was to deter that action. You wouldn't deter the action by putting in place sanctions before—

Mr. LUETKEMEYER. Yes, you can. Madam Secretary, with all due respect, you can do that. When they built the hospitals on the border, you said that is an insurgence action on your part. Therefore, we are going to do this. If you build another one, we are going to do this. If you build another one, we are going to do that. If you invade, we are going to do this. That can't be done. There is a way to deter that if it is structured correctly. And my question is, are you thinking about doing this with China, yes or no?

Secretary YELLEN. We are certainly working together in the Administration to have in place a wide range of tools and strategies.

Mr. LUETKEMEYER. Okay. With regards to other actions that are going on right now, Madam Secretary, I am very concerned about a speech that was made recently by one of the members of FSOC. Do you think the financial stability of United States would be threatened if roughly a quarter of the deposits of United States were not insured by the FDIC? Do you think it will hurt the financial stability of our country if 25 percent of the bank deposits in this country were not insured by the FDIC?

Secretary YELLEN. I am not sure what you are referring to, but I would certainly say that deposit insurance has played a critical role in making runs everywhere.

Mr. LUETKEMEYER. I am sure you would agree that this is extremely important. The FDIC insurance underpins the stability of our banking economy.

Because what happened was Mr. Chopra—and I have his speech right here—made a speech last week in which he made a comment that he thought it was okay to limit access. One of the punitive actions he took as a suggestion, as a result of continued violations by bankers and big banks especially, was to limit access to deposit insurance and put banks directly into receivership. Don't take my remarks wrong here. I think if these guys are doing bad things, they need to be punished, maybe fined, thrown in jail, I don't care. But what you are doing when you undermine the financial system by saying pulling FDIC insurance, you are hurting the consumers, the customers of those banks. And this is a gentleman who has intended or should be worried about consumers. I would hope that you would be concerned about that.

Chairwoman WATERS. The gentleman's time has expired.

The gentlewoman from Ohio, Mrs. Beatty, who is also the Chair of our Subcommittee on Diversity and Inclusion, is now recognized for 5 minutes.

Mrs. BEATTY. Thank you, Chairwoman Waters. I would like to also thank Secretary Yellen for appearing before the committee today. Actually, I appreciate your leadership as Treasury implements the sanctions against Putin's regime, particularly as more details of war crimes and atrocities committed in Ukraine come to light.

First, let me say I welcome your testimony that the international financial institutions will be providing support to the countries that are welcoming refugees. And this is something that I have been concerned about since the very beginning of the humanitarian crises. As you may know, last month when this committee marked up legislation related to the Ukraine crises in Russian sanctions, I was pleased to have a bipartisan provision added that will address the United States, well, really you in your capacity as Secretary, to use our position on the IFIs to encourage economic support for refugees, including those of African descent who have been faced with particular hardship.

Can you tell me how the financing made available by the IFIs will be used to aid refugees, and how can we ensure that these funds are being distributed equitably?

Secretary YELLEN. I think that the international financial institutions have a critically important role in helping refugees and helping countries that are hosting refugees. And we will have meetings of the international financial institutions, the IMF, and the World Bank the week after next, and we will be involved in active discussions with them about how to fashion programs to make sure that aid is distributed effectively. Bilaterally, we will also be involved in that and the European Union will as well.

Mrs. BEATTY. Thank you. I am going to try to get in two more questions, but while I have you, let me quickly follow up on something that you and I have talked about. And let me just say up front, your staff has worked extremely well with my team in putting Harriet Tubman in her rightful place on the \$20 note.

But I guess I have a concern, and while I am thankful for your engagement, I am not pleased with the timeline that is left out. I realize you inherited a lot. I know we had been working with your predecessor during the Obama Administration, and we thought we had made great headway. And I understand the technical limitations for the security features, the production capacity, and all of that, but I really don't see any reason why the concept and design steps couldn't be moved much faster. Getting the design for each stage would mean a lot to the people who have been working on this and waiting on this for far too long, for too many years.

I know this is a problem that you inherited with the delays made by your predecessor, and I would ask for a commitment from you to move this process along. And I guess what I want to hear today is if we could take maybe the part that shows her imaging. We have a piece of legislation, bipartisan with overwhelming [inaudible] to get to the \$200 sign on this that we can [inaudible] that stage of the image, if you could take a few seconds and respond.

Secretary YELLEN. What I can say is I promise for my own part to do everything I possibly can to expedite this process, and I know that there was no action on it during the previous Administration. We are still adhering to the original timeline that was announced. I am trying to remember when it was first announced. Maybe it was 2014 if I am not mistaken.

Mrs. BEATTY. You are correct.

Secretary YELLEN. It is a frustratingly time-consuming process, and it involves developing technologically-sophisticated security features, new security features, the generation—

Mrs. BEATTY. I hate to cut you off, but my time is going to expire. I do want to show that we have an image, and we are going to do the legislation to lock in this image [inaudible] support us in that. Thank you, and my time is up.

Chairwoman WATERS. Thank you. The gentlelady's time has expired.

The gentleman from Michigan, Mr. Huizenga, is now recognized for 5 minutes.

Mr. HUIZENGA. Thank you, Madam Chairwoman, and Secretary Yellen, it's good to have you back here in person and to see you again.

Very, very briefly—don't filibuster me on this one, please—but the last time you appeared here with Chair Powell, you had claimed that you felt inflation was, at that point, transitory. Do you still believe that today? Very briefly, please.

Secretary YELLEN. When I used the word, "transitory," I was thinking that it is related to the pandemic, and that when the pandemic goes away, that would make a big difference. I still believe that.

Mr. HUIZENGA. Do you still believe it is transitory?

Secretary YELLEN. I believe that the pandemic, unfortunately, has been and will be longer lasting than I anticipated.

Mr. HUIZENGA. So basically, you are saying the pandemic is still happening. That is why we are still seeing inflation?

Secretary YELLEN. I think that is one of the contributors to it.

Mr. HUIZENGA. Okay. Let me get into the meat of what we need to talk about here about what is happening on international situations. Madam Chairwoman, thank you for including my legislation in the 16 bills that were actually noticed for this hearing today. I had a bill, the Russian Sovereign Debt Prohibition Act, which was noticed, and this bill would simply prohibit U.S. financial institutions from financing Russian sovereign debt regardless of the day the bond was issued, extending the Biden Administration's current restrictions on new bonds that are being issued. And I know that it was supposed to be considered in the March markup, but something happened, and somehow it fell off. I think we are trying to do everything we can to tighten those restrictions, and I respectfully ask that the chairwoman include that legislation in the next package of bills that we might consider.

Yesterday, I reintroduced another bill that I had previously called, the No U.S. Financing for Iran Act, a bill that would effectively prevent U.S. financial institutions from engaging with the government of Iran, while prohibiting both the IMF and the Export-Import Bank from providing them financing. Specifically, my

bill would prohibit the exchange of Special Drawing Rights, and it is similar to what my colleague, Mr. Hill, has worked on regarding Russia.

Secretary Yellen, can you certify that the Biden Administration will oppose the exchange of Iran's SDRs, the Special Drawing Rights with any country even if the Administration concludes a new nuclear agreement with Tehran?

Secretary YELLEN. Iran has not been able to use its Special Drawing Rights. The United States would not exchange SDRs for dollars, nor have our partners. And I don't see that change—

Mr. HUIZENGA. Okay. So, you commit to continuing that?

Secretary YELLEN. We will have to see what happens if they sign a bill, but I have no—

Mr. HUIZENGA. That is a different answer than, "We have no intention to."

Secretary YELLEN. There is no change in U.S. policy. We have not been willing to, in any way, aid Iran in using its SDRs, and I don't envision that changing.

Mr. HUIZENGA. Okay. The Washington Post had an article over the weekend saying that Tehran has demanded that we lift the Islamic Revolutionary Guard Corps designation as a foreign terrorist organization. That same article quoted a high-ranking Iranian official who said that effectively, an agreement to revive the nuclear deal with the U.S. is closed. Do you think that is a fair assessment, first of all? And as you know, President Trump had put in that original designation back in 2019. It is still heavily-sanctioned, and there has been some enforcement actions, but designations have been lifted. Does the Biden Administration continue to believe that the Revolutionary Guard is a foreign terrorist organization?

Secretary YELLEN. They are designated as such. There are active negotiations taking place over the Joint Comprehensive Plan of Action (JCPOA), but I can't comment on the details of what is happening in those.

Mr. HUIZENGA. Can't or won't?

Secretary YELLEN. I don't believe I can or should.

Mr. HUIZENGA. Okay. So you may have that knowledge, but you are not able to share it?

Secretary YELLEN. I am not deeply involved in the details of those negotiations.

Mr. HUIZENGA. Okay. Have you or anyone else at Treasury been directed to reduce Iranian sanctions enforcement so as to not interfere with those Vienna talks?

Secretary YELLEN. We haven't changed our sanctions.

Mr. HUIZENGA. That is not my question. Have you been instructed to or requested to? You may have ignored it. I guess that is what I am trying to find out.

Secretary YELLEN. There has been no change in any Administration policy, to the best of my knowledge.

Mr. HUIZENGA. And I will follow up with some written questions as well. I appreciate it. I yield back.

Chairwoman WATERS. The gentleman from California, Mr. Vargas, is now recognized for 5 minutes.

Mr. VARGAS. Thank you very much, Madam Chairwoman, for this hearing, and I especially want to thank the Secretary for being here. I appreciate it.

Madam Secretary, I want to apologize that I wasn't here for the whole hearing. I have another hearing that is running at the same time, which happens around here quite a bit, as you know. But it sounded like someone was trying to put words in your mouth about the issue of inflation being transitory or related to the pandemic. Could you say a little bit more about that, because I think a lot of people are starting to forget that we are in a pandemic and so much of this inflation is tied to that? Could you comment on that, please?

Secretary YELLEN. Yes, certainly. In part, the inflation represents the impact of supply bottlenecks. For example, a third of the inflation we have had reflects higher prices of new and used cars. And, unfortunately, the auto companies were unable to get sufficient semiconductors to produce cars at capacity. Inventories are highly depleted, cars, both new and used, are in tremendous demand, and their prices have risen. But also, we have had enormous demand for goods, for imports particularly coming from East Asia that have resulted in higher shipping costs, higher trucking costs. These disturbances, these inflationary developments are pandemic-related because we saw enormous shifts away from services and towards goods during the pandemic, a huge increase in the demand for durable goods that strained the capacity of the U.S. and global economies to meet those demands in a timely fashion. And that is what I mean in part by being pandemic-related.

We do have a very tight labor market. Core inflation is also quite high. Addressing the pandemic, I believe, will help. The Federal Reserve also has a job to do with respect to inflation.

Mr. VARGAS. Madam Secretary, I am a car guy. I collect cars, and I pay attention to the prices of cars. I normally collect old ones, not new ones. But the truth of the matter is, you normally don't pay MSRP for a new car. You normally pay below that. That is what you negotiate. But a lot of these cars have been selling above MSRP, and, again, it is because of the same issue. It is the pandemic. I think that is what you were saying in layman's terms—you weren't saying in layman's terms, but I say, in layman's terms. That is why cars are so expensive.

Secretary YELLEN. Sure. Inventories of cars are depleted because the American car companies aren't able to produce at their capacity. They just can't get the semiconductors that they need to embody into these cars. And that is because the demand for goods and for technology devices that incorporate semiconductors became so enormous during the pandemic. It takes a long time to increase semiconductor manufacturing capacity. American companies are in the process of doing it. But at the moment, I think if you go to a car lot and try to go to a dealership, you see almost no inventory available to purchase, and that is why you pay more than MSRP.

Mr. VARGAS. That is right, and now I do want to put some words in your mouth. I believe they are your words. And I think you were saying the war in Ukraine threatens to inflict, and I think this is what you said, "enormous economic repercussions." Again, you may

have commented already, but I have 30 seconds left. Could you comment on that?

Secretary YELLEN. Sure. The sanctions that we have placed on Russia are pushing up the price of energy. We think it is a price that is important to pay to punish Russia for what it is doing in Ukraine, but energy prices are going up. The price of wheat and corn that Russia and Ukraine produce are going up. And metals that play an important industrial role—nickel, titanium, palladium that goes into catalytic converters—the costs of those things are going up, fertilizer, potash, and this is going to escalate inflationary pressures as well.

Mr. VARGAS. Thank you. I yield back.

Chairwoman WATERS. Thank you. The gentleman from Kentucky, Mr. Barr, is now recognized for 5 minutes.

Mr. BARR. Thank you, Secretary Yellen, for your testimony.

Let me follow up with Ranking Member McHenry's line of questioning about the energy loophole in the sanctions on Russian banks. I have talked to Deputy Secretary Adeyemo about this, and he is a very impressive guy, and he is open-minded to my line of inquiry. I hope you are as well. I have a bill called the No Energy Revenues for Russian Hostilities Act that would close that loophole or give the Administration the option to create an escrow arrangement which requires all Russian energy revenues to be allocated for humanitarian purposes, which is similar to arrangements currently in place with Iran.

To the extent that you have concerns or the Administration has diplomatic concerns or sensitivities with respect to our European allies over dependence on Russian gas, this legislation or this approach would enable you to retain the ability to waive or license specific transactions to help our European allies get those supplies of gas, but then escrow the proceeds of those transactions and have a carrot approach, not just a stick, but a carrot approach, build up those revenues and say to Putin, withdraw, you get your gas revenues, but only if you withdraw from Ukraine and only if you use these proceeds for humanitarian purposes. Would you be open to that approach?

Secretary YELLEN. I think something along those lines is a constructive suggestion, and I think it is an approach that is worth exploring. We have made it. We have a way for Russia to sell oil and gain the proceeds in the form of a general license, but the license is temporary. It will expire. We probably need a better mechanism. I think it is a constructive suggestion.

Mr. BARR. Thank you, and your Deputy, Mr. Adeyemo, was open to that as well. I appreciate that you are looking at that. Again, it is a bill that I have, the No Energy Revenues for Russian Hostilities Act. I think this is the loophole that we need to close. This is what President Zelensky is asking for when he says we need to be tougher on sanctions. This is what is financing Putin's war is the foreign currency that is being used through these energy transactions. This is what we need to cut off to the extent we can.

Secretary YELLEN. I would just emphasize that we need the flexibility to work with our partners on this.

Mr. BARR. I understand.

Secretary YELLEN. This coalition has been critical to our success.

Mr. BARR. I agree, Madam Secretary.

Secretary YELLEN. We have to be careful not to be unilateral in our approach.

Mr. BARR. I agree with that, but this bill and this approach would give us that flexibility. It would enable you to provide some of those transactions, allow some of the transactions to go through for our European allies, but build those proceeds up in an escrow account and give an incentive for Putin to withdraw.

Let me ask you another question, switching gears here. As someone who served as both Chair of the Federal Reserve, and now in your capacity as Treasury Secretary and the Chair of FSOC, you have a unique view into the regulatory landscape for the financial services industry. One of the things that I have always wanted to learn more about is how our regulators developed frameworks with international standard-setting bodies; decisions made at Basel and the FSB are highly impactful to the U.S. economy. And I don't feel like Congress really has any insight or visibility into what the United States advocates for in these negotiations.

What types of materials and briefings were you given as Fed Chair, and now as FSOC Chair, with respect to what we commit to in these groups? What types of materials can we get for this committee to ensure that the advocacy is in line with the policy goals of the Congress?

Secretary YELLEN. We can try to provide you with materials and briefings. The Financial Stability Board (FSB) and the Bank for International Settlements (BIS) publish their work papers on their websites. There is no regulatory enforcement through those agencies there. These are fora in which we discuss with partners around the world what would be desirable regulations, but it doesn't in any way inhibit what we can do or compel us to do anything in the United States. We do what is in our interest, but it is a way to try to have a global system that is coordinated and coherent.

Mr. BARR. Thank you, Madam Secretary. I yield back.

Chairwoman WATERS. Thank you. The gentleman from Illinois, Mr. Foster, who is also the Chair of our Task Force on Artificial Intelligence, is now recognized for 5 minutes.

Mr. FOSTER. Thank you, Madam Chairwoman, and Secretary Yellen.

Secretary Yellen, I understand that you will be giving a speech tomorrow regarding digital asset regulation. I don't want to force you to reveal any spoilers here. I do want to touch on something that I believe is just at the core of developing any well-regulated digital asset ecosystem. And that is, how can participants securely and reliably assert their digital identity online and offline with the appropriate controlled anonymity that is being developed in the E.U. and elsewhere? I was very encouraged that Assistant Secretary for Terrorist Financing and Financial Crimes Elizabeth Rosenberg recently announced that the Treasury plans to make 2022, "a year of action for digital identity." There are really a host of reasons why Treasury may be the most appropriate authority to help deploy a secure digital identity framework.

I am also very encouraged that the technical components for privacy preserving, call it a crypto financial driver's license, are actu-

ally in place. The mobile ID or digital driver's license that are being rolled out by a number of States are based on interoperable standards originally developed at the National Institute of Standards and Technology (NIST), and are now being adopted by international standards organizations around the world, and they have actually been implemented for both iPhone and Android. These allow a modern cellphone to be used as a very high-quality privacy-preserving biometric second factor that will be absolutely crucial in combating identity fraud and many other online misbehaviors. Your Department's work towards combating illicit finance and preventing government benefits fraud, soon a central bank digital currency, would all greatly benefit from an improved and internationally-operable digital identity framework.

Can you speak a little bit about how Treasury might be well-equipped for such an effort that will really require an extraordinary level of international and interagency cooperation?

Secretary YELLEN. I believe this is a very important initiative. I am not an expert on the details, but I would say to you that the Treasury has very wide-ranging equities in the digital identity space, in part because we administer public benefits and tax refunds, and because we have a broader role in the financial system. So, we absolutely want to explore how we can develop and implement digital identities solutions that will coordinate across the government.

And we are at this point flushing out actions that we can take to advance this agenda. If you have specific ideas, we would welcome the opportunity to discuss them with you when I can have my staff give a briefing on what we are thinking of that as well, if that would be useful. But I would like to—

Mr. FOSTER. Yes, thank you for that.

Secretary YELLEN. —have the benefit of your thinking on this.

Mr. FOSTER. Yes, and I think that the international collaboration will be essential from the start. If you are really going to have a central bank digital currency, you need a means of authenticating yourself as a legitimate participant for a central bank digital currency, and you want foreign nationals to participate in your central bank digital currency, you are going to have to have agreements, at least among the free democracies of the world, as to how this is really going to work. And so I urge you, it seemed very much in line with the Biden Administration's push towards getting the free democracies of the world to act coherently to do things like preventing corruption, financial fraud, and it is going to be really at the heart of this.

And can you say a little bit about the Executive Order related to crypto that has come out and how you see Treasury's participation going in that?

Secretary YELLEN. The Executive Order related to digital assets?

Mr. FOSTER. Right.

Secretary YELLEN. Yes. The President has asked the agencies, but Treasury plays an important role in assessing the future of money and that entails the role of digital assets, how we can create an environment in which responsible innovation can flourish, but there is adequate protection of consumers, investors, financial stability concerns, risks of illicit finance. We need a regulatory frame-

work that I think we don't have at this point, and we want to make recommendations as to how we can safely do this. Also, look at the pros and cons of the central bank digital currency.

Chairwoman WATERS. Thank you. The gentleman's time has expired.

The gentleman from Texas, Mr. Williams, is now recognized for 5 minutes.

Mr. WILLIAMS OF TEXAS. Thank you, Madam Chairwoman. And in full disclosure, Madam Secretary, I am a car dealer. There is a lot of conversation going on about my industry. I would love to talk to you one day about it after COVID, what life is after COVID in the car industry.

I also want to follow-up on Mr. Luetkemeyer's question on the Small Business Committee, of which I am also a member. You seemed to not answer the question again, and you said you needed to talk to your staff first. I don't understand why you need to talk to your staff to attend a meeting you are required to attend. So, can you say you will come and see us?

Secretary YELLEN. Certainly—

Mr. WILLIAMS OF TEXAS. Okay.

Secretary YELLEN. I am certainly prepared to discuss it.

Mr. WILLIAMS OF TEXAS. Thank you. You spent the last few months touting the new international tax regime that you have been negotiating with other large economies. And recently, numerous American businesses have raised concerns about some of the details that have started to come to light, and independent experts that have examined the deal found that the U.S. companies are disproportionately negatively impacted.

Foreign companies, our competitors in other words, have negotiated protections for key industries. Luckily for our business community, whatever international agreements you make, all of them may need congressional approval. And you will either need to get the deal classified as a treaty, which would require the approval of 67 Senators or a revenue-generating proposal, which would need to pass both Chambers of Congress. So regardless of how the agreement is ultimately classified, you will not be able to follow through on any of your promises without significant buy-in from Congress.

And I guarantee you that the support you need to make these drastic changes to international tax law do not exist. They are not here in the House or the Senate, because right now we are hearing from U.S. companies that this deal makes them less competitive. So, Madam Secretary, how will you prove your congressional engagement as these negotiations progress?

Secretary YELLEN. We have been engaged over the last several years in briefings on both sides of the aisle, members of the committees about the tax agreement and have kept people up to date, Members of Congress up to date on the negotiations that have taken place in the OECD bill. So-called pillar two is really ready for enactment, and a package that would have met our commitments was in the House, passed a reconciliation bill that hasn't progressed in the Senate. But we think that the idea that this does harm the competitiveness of American businesses, I really have to push back strongly against this.

I think the United States now is the only country in the world that has a minimum global tax. And what this deal does is commit 137 countries around the world to establishing a global minimum tax, which will greatly enhance the competitive position of our firms that are the only ones that face this now. And for the globe, it will stop the race to the bottom in terms of countries lowering their tax rates and leaving countries unable to raise the tax revenues that businesses need us to have to invest in infrastructure and other things that will make our economy competitive.

Mr. WILLIAMS OF TEXAS. Just a bit of raising taxes is not a winnable position, I don't think, and that is where I stand, and where a lot of people stand. Last week, the Federal Reserve Bank of San Francisco released a study which showed an inflation spike last March after Democrats forced the American Rescue Plan through Congress. They analyzed the current U.S. inflation rate against other developed economies and concluded that upwards of 3 percent of the inflation we are experiencing can be attributed to government spending. We know how the government spends.

Unfortunately, some people in Congress are trying to revive the Build Back Better Act to spend trillions more dollars in a time when the economy is already overheated. They often cite the same economist who incorrectly claimed inflation was transitory. We talked about that today, as the ones who now say Build Back Better will reduce inflation. So, we cannot double down on the reckless government spending continue to drive up inflation. I can tell you as a small business owner, I know what that is doing to our business.

Madam Secretary, I have a two-part question. First, who in this country is hurt the most by the inflation? That would be my first question.

Secretary YELLEN. Households or consumers are hurt by inflation, and low-income consumers probably bear the biggest burden.

Mr. WILLIAMS OF TEXAS. Okay. My time is up, and I yield back.

Chairwoman WATERS. Thank you very much.

The gentleman from California, Mr. Sherman, who is also the Chair of our Subcommittee on Investor Protection, Entrepreneurship, and Capital Markets, is now recognized for 5 minutes.

Mr. SHERMAN. Madam Secretary, at the beginning of this year, we faced \$16 trillion of legacy LIBOR, where the parties would not know how much interest should be paid by the borrower to the lender. We have solved that problem. I want to thank you and your staff for your help in drafting the LIBOR Act. And then, I want to thank the other part of your staff for promptly issuing tax regulations to clarify what I think was obvious, but it always deserves clarification when you are dealing with \$16 trillion, and that is that there was no sale or exchange as a result of the change in index.

The Chair of the Small Business Committee brought up in her comments the issue of cryptocurrency and Russians using that to evade our sanctions. I want to commend to all members of this committee, the bill I have dropped today, the Russian Digital Asset Sanctions Compliance Act, which would give the Administration the authority to tell crypto exchanges that they have to shut down all Russian wallets or some portion of Russian wallets. The crypto

exchanges have announced that they are going to do business as usual with all those that they believe are Russian citizens or Russian companies unless and until laws are passed that require them to do otherwise. This is in real contrast to so much of the rest of the private sector, which has voluntarily cut off Russia, particularly their oligarchs and government.

The ranking member of the committee brought up the issue of a possible invasion of Taiwan. I look forward to working with him and others on this committee on a bill that would strip China of its most favored nation status or normal trade relationship with the United States automatically should there be an invasion or blockade of Taiwan. We have, of course, focused on Ukraine, and I will in a second, but an even greater disaster is occurring in the world, and that is in the Ethiopian region of Tigray, where 500,000 people have been killed. This has been done not only by the Ethiopian government, but the government of Eritrea, which has imposed a blockade that threatens to kill hundreds of thousands, if not millions of people.

Given the short time, I am going to ask you to respond, for the record, what additional sanctions can we impose, particularly on Eritrea, which has crossed international borders for the purpose of engaging in a coordinated genocide against the people of Tigray?

It is hard to seize Russian oligarch assets if you don't know who owns what. The Washington Post reported on March 16th that finding yachts and mansions is easier than uncovering money in private equity funds that don't need to comply with the same anti-corruption rules. U.S. private equity, hedge funds, venture capitals are not currently required to disclose beneficial ownership information of their investors to FinCEN nor they are required to provide that information to the SEC.

In February, the House passed the America COMPETES Act, which included an amendment that I authored requiring the issuers of large issuances of exempt securities to file beneficial ownership with the SEC. So, we do need to know about this \$11 trillion of private securities market if we are going to know what is owned by which government agencies in Moscow or which Russian oligarchs. Congresswoman Maloney's Corporate Transparency Act now requires Treasury to establish a Federal beneficial ownership database administered by FinCEN. Madam Secretary, can you give us information on the time frame when we expect this database to be set up?

Secretary YELLEN. At FinCEN, we are working very hard to establish that database as rapidly as possible and have come out with one of the two proposed rules that we need. It is a very complex undertaking. We want to get it right. I want to respond on the issue about private equity firms and hedge funds that we share the concerns of Members of Congress who have raised this issue, and we are actively considering a rule that would address potential gaps in the AML/CFT coverage for investment advisors. And I do believe that this is something that needs to be addressed.

Mr. SHERMAN. Thank you. You may just have to respond to this for the record, but we now have a climate counselor in the Administration to coordinate a broad range of work regarding climate-related finance, economic, and tax policy. I hope you can provide us

with an update on Treasury's efforts to coordinate with our international partners.

Secretary YELLEN. I would be happy to.

Mr. SHERMAN. Thank you.

Chairwoman WATERS. Thank you. The gentleman from Arkansas, Mr. Hill, is now recognized for 5 minutes.

Mr. HILL. Thank you, Madam Chairwoman. Madam Secretary, it's so good to have you back before the committee, and I appreciate my colleagues discussing at length the role of the Special Drawing Rights issues that you and I have talked about several times. But I think it does merit noting that the \$17.5 in equivalent SDRs that were issued last summer by the IMF to Russia boosted their total SDR balance to 72 percent, meaning that the largest portion of their SDRs are from last year's allocation. And it is really their gold and their SDRs that, in my view, are still subject to the ability to avoid sanctions. I think it is a real risk, and that is why I am also glad, Chairwoman Waters, that we marked up H.R. 6899 that encourages you, as our Treasury Secretary, to make sure that the U.S. works very hard to make sure that Russia and Belarus cannot in any way exchange their SDR. So, thank you for that work.

I want to follow up, though, on our conversation we had last summer. You made some commitments to the committee and to the public about the enhanced rules that the IMF would do about that SDR issuance. You told us in March last year you were working with the IMF to craft rules that would make it difficult to exchange. Did the IMF release those rules?

Secretary YELLEN. The IMF has given countries guidelines about appropriate use of SDRs, and there is a disclosure framework so that we can monitor how they are being used. I don't quite know where you can access those, but I know that they have been produced.

Mr. HILL. I think it will be useful for the committee to have that access to those guidelines. And do you know if any SDRs were exchanged since they were issued for payment in any form of debt?

Secretary YELLEN. I can't give you a detailed rundown, but I can tell you that the United States—

Mr. HILL. No, I know the United States isn't doing it. That isn't the question. This is in your capacity of overseeing our role as the largest shareholders in the IMF. I know that the U.S. is in good standing here, but one of the concerns last year was that you couldn't obtain that commitment from anybody. We didn't ask anybody to commit to it in advance of it being issued, so we have not seen that guidance. We don't know what transactions have taken place, if any, over the past year, so I think that would be very helpful.

Secretary YELLEN. We will try to work with you on that.

Mr. HILL. Thank you very much. And this is all why I introduced H.R. 1568, the Special Drawing Rights Oversight Act, which would require congressional approval for all allocations of SDRs equal to 25 percent of the U.S. quota rather than the 100 percent under current law; limit unilateral allocations to once every 10 years rather than every 5 years; and require congressional consultations 180 days before consenting to an allocation rather, than 90 days. We don't need to reiterate how much we have, I think, demonstrated

that last year's SDR issue across the board to all members of the IMF was a mistake, as noted by Ranking Member McHenry.

On the subject of FinCEN, do you believe that FinCEN should have the nationwide authority to review any transaction of any amount on any subject out in the financial space over \$10,000? In other words, expand the geographic targeting that they do to a nationwide audience. Do you think that is appropriate?

Secretary YELLEN. I am not sure. I need to get back to you on that. I know that FinCEN has some concerns with geographic coverage because of the prevalence of internet transactions and would like to see some change—

Mr. HILL. I would like to hear your personal view on that because with no limitations, that would mean every transaction over \$10,000 will be subject to review by FinCEN staff and added to a database. That seems unusual to me, and perhaps not prudent, so I would like your personal view on that.

The last subject I wanted to raise with you is we have all expressed some concerns, including the chairwoman, about the performance of our managing director at the IMF, Kristalina Georgieva, and I have concerns about her qualifications. Do you share those concerns? Do you have all the faith in the world in her leadership at the IMF?

Secretary YELLEN. I believe that she has done a good job of guiding the IMF. We have been very supportive of the work that the World Bank did to look into the World Bank's doing business report—

Mr. HILL. Thank you, Madam Chairwoman. I am going to send to our oversight committee, Madam Chairwoman, a letter requesting an investigation of the Director of the IMF. Thank you.

Chairwoman WATERS. Thank you.

We will now hear from the gentleman from Colorado, Mr. Perlmutter.

Mr. PERLMUTTER. Thank you, Madam Chairwoman. Madam Secretary, it's good to see you.

Secretary YELLEN. Thank you.

Mr. PERLMUTTER. I want to give you the state of play of safe banking, which is cannabis and banking. You and I have had many conversations about this, but I want you to understand where it is and to put the muscle of the Administration behind getting it passed.

We have passed it now out of the House 6 times. Most recently, it was amended onto the America COMPETES Act. The way we passed it has been with sizeable bipartisan majorities. When it was a standalone, we passed it 321–101, and it gets to the Senate and gets stuck. And when Senator Crapo chaired the committee basically from the Republicans point of view: too big, too broad. Now, Senator Brown is the Chair of the committee: too limited, too narrow. But we know that people are still getting killed and robbed. And most recently, the Seattle Times did an editorial last week because three people were killed in Seattle last week—a robber, a police officer, and an owner of a dispensary—because of all of the cash. In Oakland, California, in November, there were 25 armed robberies in 1 week, and we had a young woman speak with us

who was one of those who was robbed, and then she got robbed again last week.

Small businesses, minority-owned businesses need access to capital, which they would get if the banking system were open to them. I was speaking to the national bank supervisors last week, and I said to them, this isn't Ukraine, this issue isn't Ukraine, this issue isn't nuclear winter, this issue isn't climate change, but it is a real problem. And they said, yes, you are sent there to solve problems and they expect this problem to be solved. I would like to just get your sentiment on this subject since you and I have talked about it for a very long time.

Secretary YELLEN. We have talked about it for a very long time, and I agree with you. It is an important issue, and it is an extremely frustrating one that we haven't been able to resolve. I really appreciate your leadership in this area. We have worked with you on this bill. We are supportive of it. As you know, there is a conflict between State and national law, banks are trapped in the middle of that, and some legislative solution, I think, is necessary to move this forward. I share your frustration that we haven't been able to make progress. I think it does really require congressional action.

Mr. PERLMUTTER. And I thank you for that. And I guess I just ask you to impress upon the Administration the need to either get it passed as part of the America COMPETES Act, which I think will be coming up the quickest, so that nobody else dies because there is so much cash or standalone, but get it out of the Senate and get it to the President.

Secretary YELLEN. We would like to see that happen.

Mr. PERLMUTTER. Thank you very much. I will switch to Ukraine for a second. One of the things that we have seen is, President Biden has brought together all sorts of nations to deal with sanctions on Russia and in response to the invasion. However, Russia has been preparing for this moment for some time and Putin has been attempting to sanction-proof his economy. What should we make of the Russian rubles recovery from the freefall it saw in early March, and is this a sign that the Russian economy is more resilient than we originally thought?

Secretary YELLEN. The Russian economy is really reeling from the sanctions that we put in place, and the market in rubles is not a free market where the value that is established in trading reflects the value if the currency could be freely traded. Russians aren't allowed to sell assets. Foreigners who own Russian assets are not allowed to sell rubles and take their money from the country. There are capital controls in place, and the restrictions that Russia and the Russian Central Bank have put on Russians leads to a situation in which you shouldn't really infer anything from the value of the currency.

Mr. PERLMUTTER. Thank you for your service, and my time has expired.

Chairwoman WATERS. Thank you very much. The gentleman from Georgia, Mr. Loudermilk, is now recognized for 5 minutes.

Mr. LOUDERMILK. Thank you, Madam Chairwoman. And thank you, Madam Secretary, for being here today.

I want to shift gears a little bit and talk about the implementation of the Anti-Money Laundering and Beneficial Ownership Reform Law that I know that you are working on right now. And the new rules from FinCEN really will require regular reporting of beneficial ownership from about 30 million businesses along with about 2 million new businesses per year. Now, the vast majority of these businesses are law abiding, and their focus is on serving their customers, and making payroll. They are law-abiding businesses, but they don't stay tuned into what is going on here on Capitol Hill. They are not watching the C-SPAN coverage of this today. They are trying to make a living. And so, I see that it is going to be a real challenge to make sure they are aware of these new rules.

Now, we don't want this to become a, "gotcha," enforcement mechanism that is used by unfortunately too many agencies now as punishment for someone who just isn't aware that they have to give up this type of information, and, quite frankly, most of them are small businesses. So, my question is, what is your plan to work with State Governments to make sure that small businesses are aware of the requirements and so they all know how they have to comply?

Secretary YELLEN. I think you raised an important point that it is important to be in touch with these businesses. I can't tell you in detail what the plan is, but I would be glad to have people at Treasury discuss this with you and offer a briefing and have a chance to hear your concerns and suggestions.

Mr. LOUDERMILK. I think it is going to be imperative for us to have a plan going in because, as I said, it should not turn into a, "gotcha," enforcement mechanism, to where a guy that runs a small carpentry shop, who is more focused on the price he is paying for lumber and sheetrock, et cetera, he is trying to keep his businesses going, and all of a sudden gets a knock on the door from a Federal agent who says, you never told us who you are and your ownership. I hope that isn't the direction that we are going, but I don't know. I think there needs to be a plan going forward, and that Congress is aware of the plan of how we are going to let these businesses know of the requirements that have been put on them by Congress and by the Federal Government to comply with this new law.

And so, I think there definitely should be a plan moving forward because most of these businesses, they don't have floors of compliance lawyers, they don't even have a lawyer. They are just trying to get by. I also think that there is a concern with many of us that the proposed rule's definitions of, "substantial control," and, "ownership interests," are overly complicated. I think it is going to make it hard to apply them consistently across-the-board, especially with various-sized businesses. And it is going to compound the problem for banks and credit unions if FinCEN uses those same definitions in an updated customer due diligence rule. As a follow-up question, will Treasury and FinCEN take steps to try to simplify these aspects of the rule before it is finalized?

Secretary YELLEN. FinCEN has put out a proposed rule to collect the information, and it does wish to minimize the burden on entities that are required to report it. There have been very significant

public comments on the rule, and FinCEN will consider them very carefully before trying to finalize a rule in this area. This is a very legitimate concern, and one that FinCEN needs to carefully work on.

Mr. LOUDERMILK. Right. And if I am not mistaken, FinCEN is technically a part of the Department of the Treasury. Is that correct?

Secretary YELLEN. Yes.

Mr. LOUDERMILK. Of which you are the captain at the helm. It sounds a little bit like you are deferring them to be an independent agency over here, but they do answer to you. Is that correct?

Secretary YELLEN. That is correct.

Mr. LOUDERMILK. And so, what I am asking is, are you going to give direction in these areas to simplify substantial controlling ownership interest, or make it such that this doesn't turn into an issue where we find potentially millions of businesses not in compliance with the law and wondering where they are going to go? I am looking for some type of direction. I am not hearing there is a plan, and I am not hearing that this is the way we are going, and I'm just kind of hoping that is the way we go.

Secretary YELLEN. I agree with you. This is a very legitimate concern that needs to be addressed, and we will address it.

Mr. LOUDERMILK. Okay. Thank you.

Chairwoman WATERS. The gentleman's time has expired.

The gentleman from Florida, Mr. Lawson, is now recognized for 5 minutes.

Mr. LAWSON. Thank you, Madam Chairwoman, and thanks for having this hearing.

Secretary Yellen, I am hearing from some small community development financial institutions (CDFIs) that they are concerned that proposed changes being made by the CDFI Fund will make it harder to become certified as a CDFI and access the important capital that Congress has been providing them. This is especially troubling coming out of a pandemic. Can I get a commitment from you today that we will look into this and make sure that the Administration and the CDFI Fund will not make changes to the certification process for community institutions to become CDFIs more difficult?

Secretary YELLEN. We will be happy to discuss this in greater detail with you. I am not sure I exactly understand what the issue is, but I can have my staff contact you and learn more. We are certainly very supportive of CDFIs and want to make sure that they can become established and receive all the additional funding that Congress has made available. These are critical institutions in supporting the provision of capital, especially in low-income minority neighborhoods.

Mr. LAWSON. Okay. Thank you, and I look forward to receiving that information. Secretary Yellen, I am hearing from those representing credit unions that when they apply for CDFI funds, some are waiting over 6 months for a status update on a decision on their certification as a CDFI. Can you look into it, what may be causing the delay in getting timely updates and decisions and let us know if this is something that needs statutory relief from Congress? Are there other ways that this can be addressed?

Secretary YELLEN. We will be glad to work with you on that and have a look.

Mr. LAWSON. Okay. Secretary Yellen, with the creation of the interagency law enforcement team, how is the information that Treasury collects being shared with the task force and have you found the creation of the task force useful?

Secretary YELLEN. I'm sorry. The task force on what? I didn't quite catch that.

Mr. LAWSON. Have you found the task force useful?

Secretary YELLEN. Which task force?

Mr. LAWSON. I'll tell you what, I say with the Capture, the creation of the intelligence law enforcement team.

Secretary YELLEN. I'm sorry. Are you referring to the Klepto Task Force?

Mr. LAWSON. Yes, Klepto. Have you found any information to be useful?

Secretary YELLEN. The KleptoCapture Task Force, is that it??

Mr. LAWSON. Yes, yes.

Secretary YELLEN. This was just recently established by the Department of Justice to help us go after oligarchs to make sure that we are able to identify and seize their property. And I think they have already had notable success in seizing some property, and it is going to be an important initiative in helping us make sure that sanctions work.

Mr. LAWSON. Okay. With that, Madam Chairwoman, I yield back.

Chairwoman WATERS. Thank you very much. The gentleman from West Virginia, Mr. Mooney, is now recognized for 5 minutes.

Mr. MOONEY. Thank you, Madam Chairwoman. Secretary Yellen, a recent study on Chinese lending by AidData revealed that China has established itself as a lender of first resort for many low- and middle-income countries. China's lending terms are often less generous than those of Western and multilateral creditors, yet the Multilateral Development Banks are not appealing enough to these countries, so they turn to loans from China. China has financed hundreds of billions of dollars in development projects around the world in the last 20 years. China is not extending their funds to these countries out of kindness. They are using their financing to aggressively expand their influence around the world. My question is, why is it that so many countries take a Chinese loan when financing from Multilateral Development Banks is available, and what are you doing to change this?

Secretary YELLEN. My sense is that many developing countries would much prefer high-standards capacity-building MDB loans to Chinese loans. And it is not that they prefer Chinese borrowing to MDB borrowing, but that they really want to have access to all of the financing that is available to them and they use both. We feel very strongly, and this is part of the commitment the President made to B3W, Build Back Better World, to helping developing countries build infrastructure in ways that involve sustainable debt, transparency, and high-quality lending practices, rather than often-predatory Chinese lending practices.

And I think, to make sure that we have that capacity, we need to bolster U.S. leadership in the multilateral system, and to make

sure that we meet our financial obligations to these institutions. So, they need to be adequately resourced, and we don't yet have confirmed executive directors, which is also important.

Mr. MOONEY. Okay. Thank you for your response to that question. As a lead-in to my second question, I like to use our current situation with Russia as a good example of why China's influence abroad is an important issue, a very important issue. In response to its aggression in Ukraine, America responded with sanctions that will isolate and weaken Russia. Such a response does not work if we act alone. We need other countries to join our effort in order to apply more pressure to Vladimir Putin and Russia. My concern is that, with China's growing influence abroad, it would be more difficult to isolate and weaken them in the case of a Chinese military aggression. Secretary Yellen, how concerned are you that China's lending around the world could interrupt attempts to respond to Chinese aggression?

Secretary YELLEN. I would say, generally, I am concerned about Chinese lending around the world. As I mentioned, I think often, Chinese lending can be predatory and result in unsustainable debt and influence on countries, and that I would very much like to see the United States and its partners expand our lending in ways that diminish China's influence in this space. And, of course, it is a way in which China exerts influence on many countries that borrow from it, but we need an alternative, and we need to finance it and we need a response.

Mr. MOONEY. Thank you. I think in my last minute, I have time for one more question. The Chinese Communist Party is carrying out what is widely acknowledged as genocide of the Uyghurs. And yet only one member of the Politburo has been sanctioned pursuant to the Global Magnitsky Act, and that individual sanction was during the Trump Administration. Why aren't we sanctioning China's top leadership for what they are doing to the Uyghurs?

Secretary YELLEN. We have put sanctions on individuals who were involved in Xinjiang and the Uyghurs situation. Whom exactly to sanction in China is something that is part of broader foreign policy concerns that the State Department plays an important role in determining. It is not just a matter for Treasury.

Mr. MOONEY. Thank you. I would just like to close by saying we need to act quickly to stop China's negative influence from growing further. Thank you. I yield back.

Chairwoman WATERS. Thank you. The gentleman from New Jersey, Mr. Gottheimer, who is also the Vice Chair of our Subcommittee on National Security, International Development and Monetary Policy, is now recognized for 5 minutes.

Mr. GOTTHEIMER. Thank you, Madam Chairwoman, and thank you, Madam Secretary, for joining us today

The U.S. faces an increasingly complex series of challenges before it between the Russian invasion of Ukraine, competition with China, and the continued threat of both homegrown and domestic terrorism. It is critical that Congress work together in a bipartisan manner to address these issues. The world is watching our response to these critical issues before us, and it is imperative we act together to demonstrate leadership in such areas as stopping the

financing of terrorist and ensuring the U.S. emerges as a leader in emerging technology.

Secretary Yellen, the New Jersey Office of Homeland Security and Preparedness just released its 2022 Terrorism Threat Assessment. The report cited homegrown violent extremists, such as those inspired by ISIS and other extremists, as the top terrorist threat facing New Jersey citizens. What is the Treasury Department doing to combat the financing of domestic terrorists, whether the funding comes from overseas or from U.S. sources, and is it a major concern for you and your work?

Secretary YELLEN. Yes, it certainly is a major concern, and we are using sanctions policy and other resources to try to address this threat.

Mr. GOTTHEIMER. Can you speak a little bit about, if you would, where do you see gaps? Now that you have been in the job for a bit, where do you see gaps in your authority which we could help address here in Congress? What would be most helpful for you to help fight these threats to our country?

Secretary YELLEN. Generally, we have great powers to impose sanctions and to use them under Executive Orders to address threats that we see. There may be some discrete areas. I think one came up earlier in this hearing about geographical targeting, in the case of FinCEN's collection abilities, but we can work with you and give you greater detail on areas where it might be possible to have our authority bolstered. But, in general, we have substantial powers in these areas.

Mr. GOTTHEIMER. Thank you, and I look forward to working with you on that. If I can move on. I have been a strong supporter of establishing appropriate guardrails around the cryptocurrency space. They will both protect consumers and encourage innovation here in the United States. This includes my discussion draft, the Stablecoin Innovation and Protection Act, which would establish guidelines in issuing qualified stablecoins. What I am particularly concerned about is ensuring that bad actors are not able to use cryptocurrency of any kind to launder money or fund nefarious activities. Can you talk a little bit about efforts Treasury is taking to with actors like terrorists or Russian oligarchs to prevent them from using crypto and avoid sanctions regimes?

Secretary YELLEN. Yes.

Mr. GOTTHEIMER. I know you talked about this a little, but if you can expand on that, I would be grateful. Thank you.

Secretary YELLEN. Sure. We are aware of the possibility clearly that crypto could be used as a tool to evade sanctions, and we are carefully monitoring to make sure that doesn't occur. But I would say we have a good deal of authority in this area and are using it and will use it, and it is harder on a large scale for an economy to actually use crypto to evade sanctions. Even large-scale transactions would become apparent by those who regularly examine the blockchain. We would see that there were large transactions taking place. Exchanges, those who use crypto need to get in and out of it to buy things in hard currencies and exchanges are subject to AML/CFT regulations. So, they are part of the financial system that is subject to those regulations.

And trying to use crypto on a large scale, we think is something that is not easy to do, so it is a channel we are worried about. We haven't seen significant evasion through crypto so far, but we will monitor carefully and use authorities that we do have to make sure that this isn't a major avenue for evasion.

Mr. GOTTHEIMER. In the crypto space, I am hearing from many Members of Congress, from those in the space, both consumer groups but also, of course, entrepreneurs, and businesses that are developing in cryptocurrency. I guess I am out of time, so I will yield back.

Chairwoman WATERS. Thank you.

Mr. GOTTHEIMER. Thank you.

Chairwoman WATERS. The gentleman from Ohio, Mr. Davidson, is now recognized for 5 minutes.

Mr. DAVIDSON. Thank you, Madam Chairwoman, and, Madam Secretary, thank you. I appreciate your testimony today. And I am just curious, do you believe that pursuing globalization through executive policies is aligned with our goals of promoting an internationally-competitive environment through domestic policy?

Secretary YELLEN. I'm sorry, promoting globalization—

Mr. DAVIDSON. Globalization.

Secretary YELLEN. Through what?

Mr. DAVIDSON. Did we sign a treaty or something with Basel? Did I miss something, that the Senate affirmed a U.S. treaty with some of this international global framework? And the reason I ask is just one of the most recent examples is this global minimum tax imposed under OECD Pillar Two, and it says it would protect national sovereignty. Your rationale seems perplexing because I am not sure anyone would think that sovereignty is derived from some sort of international agreement, particularly on tax policy. And, of course, in our Constitution, it says all bills for raising revenue shall originate in the House of Representatives. So, what is the logic of us submitting to some non-sovereign international framework on the tax policy?

Secretary YELLEN. Any change in tax law in the United States must be legislated by Congress without question, so there is no agreement that imposes any requirements on—

Mr. DAVIDSON. So just a coordination, kind of like Basel isn't binding, but we do implement it and kind of gold plate it, for example, not to conflate Basel with tax policy. But when you talk about bank regulation, prudential regulation, some of the components that are allegedly in these stress tests that even Congress isn't allowed access to and the people submitting to them aren't allowed to share the results of those even to Congress, who wants to determine whether we have the right regulatory framework in there. A lot of this is coming out of this global cooperation, so what is the nature of that?

Secretary YELLEN. We have a global financial system, and for it to be regulated effectively, regulatory systems across countries need to be coordinated with one another. And supervisors are all asking themselves, what is the best way to proceed to have a safe, sound financial system?

Mr. DAVIDSON. I think my point is that it is not the treaty of the United States, and it is not a power that Congress delegated, that

we shouldn't be able to hear candid answers. And so, there are big black holes in terms of what we are able to get from this. And I just want to follow up on one area, in particular, because I think you are saying something that is encouraging here.

In December, you submitted answers to Senator Toomey in response to questions that he submitted for the record. One question pertained to draft guidance issued by the Financial Action Task Force (FATF). A particular question asked if Treasury believed non-custodial services should be subjected to money services business registration in light of FATF guidance that was issued in the fall. In your answer, you stated that the FATF guidance was aligned with prior FinCEN guidance, and that neither approach proposed to regulate the technology itself. Rather, you asserted that both FATF and FinCEN guidance were focused on financial activity. Do you still stand by that statement?

Secretary YELLEN. I believe so. I don't know if you have something particular in mind that goes against that, but—

Mr. DAVIDSON. My concern is, picking up on that FinCEN guidance, for example, we introduced a bill called the Keep Your Coins Act, which protects self-custody. And the reason we feel the need to protect it is because Treasury, under Secretary Mnuchin, and under your leadership, has proposed to enter into a rulemaking that would potentially prohibit self-custody, or, as the language has been used, self-hosted wallets, but it is really self-custody of private property without an intermediary.

And I was really encouraged by your dialogue with Mr. Gottheimer there in terms of your view on some of the digital asset space, and I know that you have a speech coming up on that I think tomorrow. But in light of the President's Executive Order, do you believe that it would be fitting for Treasury or other components of Treasury, such as the SEC, to enter into rulemaking, while we are in the midst of that Executive Order?

Secretary YELLEN. To enter into a rulemaking?

Mr. DAVIDSON. Rulemaking speeches, statements of policy or guidance. Should we take those kinds of things as guidance in light of the Executive Order?

Secretary YELLEN. The President has issued an Executive Order asking his government to examine issues connected with digital assets. I am giving a speech tomorrow to describe the Executive Order and the approach that we are taking, but in most areas, we haven't come out yet with recommendations. An exception to that is in the area of stablecoins, where I believe my Under Secretary testified to you. The President's Working Group is sufficiently concerned about rapid growth and did come out with recommendations there.

Mr. DAVIDSON. Thank you, and I hope Congress will participate fully. And my time has expired, so I yield back.

Chairwoman WATERS. The gentleman from Illinois, Mr. Casten, who is also the Vice Chair of our Subcommittee on Investor Protection, Entrepreneurship, and Capital Markets, is now recognized for 5 minutes.

Mr. CASTEN. Thank you, Madam Chairwoman, and thank you, Secretary Yellen.

I would like to understand a little bit about the energy sanctions that we have on Russia and the potential sanctions that we could impose, and I am delighted to see that there seems to be some strong bipartisan support for sanctioning Russia's oil exports. If I am doing my math right, Russia exported about 4.7 million barrels a day last year, the second largest producer, 11 million barrels per day production, somewhere between 4 and 5.

Secretary YELLEN. I believe they produced about 10 or 11 million barrels a day.

Mr. CASTEN. Total production, but the exports are between four and five.

Secretary YELLEN. Something like that, yes.

Mr. CASTEN. That is ballpark. We are, of course, a very small take of that import.

Secretary YELLEN. Very small.

Mr. CASTEN. What I would like to understand is that as we are thinking with our NATO allies and others about sanctioning of that, let us call it 5, how much realistically can we block from the sale in international markets? Can we get the whole 5? Can we get half of that? What do we think is the amount of pain we could impose on Russia by blocking those exports?

Secretary YELLEN. The United States has banned oil imports.

Mr. CASTEN. Sure, but we are, like, half a million barrels a day—

Secretary YELLEN. The issue with blocking oil exports from Russia is that many countries, especially in Europe, are very dependent on that oil, and we are likely to see skyrocketing prices if we did put a complete ban on oil. And as I said at the outset, our concern has been in designing sanctions. We want to impose the maximum pain we can on Russia, but also taking care not to impose undue pain on Americans and on our partners. We wish we were a lot less dependent on oil than—

Mr. CASTEN. I am sympathetic, and I am not trying to ask a politically leading question. I am just trying to understand, and I realize natural gas is a bit of a different issue with Germany's situation. But with respect to oil, I have seen ranges of 1 to 3 million barrels a day that the civilized world could block, and I am trying to understand because there is a big supply/demand balance question on the other side. And I am wondering, as we think both about the tools we have to block Russia and the global inflationary measures, I don't know how to think about that except in saying how many million barrels a day are we going to take off the market.

Secretary YELLEN. To the extent that we diminish Russia's ability to export oil and force Russia to keep oil in the ground, which is occurring to a meaningful extent right now, we do want to worry about overall supplies and making sure that they are at least roughly adequate. That is why President Biden announced a release, a major release, a million barrels a day of crude from the Strategic Petroleum Reserve over the next 6 months in the hope that, an expectation that high prices will induce firms in the United States and elsewhere. It is enough time to ramp up production. If we are successful with that, it might be possible to put tougher restrictions on Russia.

Mr. CASTEN. Okay. Maybe we can follow up offline, because the concern I have is that if we are looking at 1 to 3 million barrels

a day of shutdown, there is no country that has the ability to ramp that up. And, of course, the Strategic Petroleum Reserve is a finite resource. And I think we have a lot of things that we could do on the demand side of course, right? I am delighted to see the move on heat pumps and things we could do to lower oil use, but I am nervous about what is there. And I would like us to understand, if we are, on a bipartisan basis as we should be committed to reducing Russian oil exports, then we need to have a really good visibility on what that does to global prices for oil markets and to what degree can we reduce our dependency on those through other measures.

Secretary YELLEN. Right. The demand for oil is highly inelastic in the short run. And so—

Mr. CASTEN. As is the supply.

Secretary YELLEN. —too large a restriction on supply could have very large price effects. And that is what we are trying to balance, that we would ideally like to impose as much pain as possible on Russia, but we need to take into account the consequences.

Mr. CASTEN. Okay. I am out of time, but I will send you a question for the record. I really have the same question about food, but if I look at wheat production and corn production and sunflower oil production, there is the same dynamic there, and I would like us to understand how we hurt Russia and understand the implications.

Secretary YELLEN. Same basis—

Chairwoman WATERS. The gentleman's time has expired.

Mr. CASTEN. Thank you. I yield back.

Chairwoman WATERS. The gentleman from North Carolina, Mr. Budd, is now recognized for 5 minutes.

Mr. BUDD. I thank the Chair, and I thank you, Madam Secretary, for being here today.

Considering that one of the topics of discussion today is our effort to counter terrorist financing, I would like to discuss the fact that the U.S. Government has already sent taxpayer money to convicted terrorists. I sent you a letter on January 11th regarding the revelation that the convicted Boston Marathon bomber had received a \$1,400 economic impact payment under President Biden's American Rescue Plan. Now, this was revealed in court filings in the State of Massachusetts. For background, this is a man who planted a bomb at the 2013 Boston marathon that killed 3 people, including an 8-year-old boy, and he maimed dozens more, and he then went on to murder an MIT police officer. And as of July 2021, the IRS found that 560,000 incarcerated individuals received stimulus checks, which totaled \$783 million.

Madam Secretary, my first question is this: Can you provide an updated number on how many incarcerated individuals received stimulus checks from President Biden's American Rescue Plan?

Secretary YELLEN. Sorry, I don't have that number at my fingertips. I believe that the law required it. This wasn't a matter of IRS discretion. I believe the IRS followed the law.

Mr. BUDD. Thank you. I want to shift gears just a minute. Rather than how many individuals, can you now provide an updated amount of Federal tax dollars that were sent to Federal prisoners?

Secretary YELLEN. Again, I don't have that. I don't have that for you, but this wasn't a discretionary decision by the IRS.

Mr. BUDD. From what we know, at least \$783 million in taxpayer funds have been sent to Federal prisoners, which includes murderers, rapists, and terrorists. Madam Secretary, does the Biden Administration believe it is acceptable that hundreds of millions of dollars, three-quarters of a billion dollars of taxpayer money, do you think it is okay with the Biden Administration that that goes to Federal prisoners?

Secretary YELLEN. The IRS is carrying out the law, and this is a law that Congress passed.

Mr. BUDD. It is very interesting, and I have the yeas and nays here from March 6, 2021. It was Cassidy Amendment 1162 on the Senate side. It was an amendment over there to block Federal money, taxpayer dollars from going to prisoners, but every single Senate Democrat last year blocked that amendment to the American Rescue Plan that would have prevented these payments to prisoners. So, we see that the Biden Administration didn't support that, but does the Biden Administration support sending taxpayer money to Federal prisoners, like the Boston bomber in particular?

Secretary YELLEN. As I said, Treasury is charged with carrying out programs that Congress passes, and that is what we are doing. And I don't have an opinion to share with you beyond saying that—

Mr. BUDD. I understand that, but it seems—

Secretary YELLEN. —we are implementing a law that Congress passed.

Mr. BUDD. I am just as confounded as it seems you are at this, because with the majority in the Senate side, they had the authority to stop it but did not, or if they didn't have the authority, why didn't they support the amendment that would have given you the authority to send that? The Biden Administration, it just seems, was very irresponsible with this because they could have prevented this and yet they did not. I just want to be very clear with you, Madam Secretary. I do not think that Federal prisoners should be getting stimulus checks, period. Every taxpayer dollar is sacred and should be treated that way, so I strongly urge your Department to do better when it comes to safeguarding taxpayer dollars.

I yield back.

Chairwoman WATERS. The gentlewoman from Iowa, Mrs. Axne, who is also the Vice Chair of our Subcommittee on Housing, Community Development, and Insurance, is now recognized for 5 minutes.

Mrs. AXNE. Thank you, Madam Chairwoman, and thank you, Secretary Yellen, for being here. It is good to see you today. And I want to start out by thanking you so much for helping the great State of Iowa get the funds that we needed transferred from the State over to Polk County to keep a roof over people's heads, and how quickly the Treasury Department responded to the request from me and the State to make that happen. It has made a big difference, and I really appreciate it.

Secretary YELLEN. Thank you.

Mrs. AXNE. Again, I thank you as well for yesterday's event where the President signed the Executive Order and for helping us address that family glitch so that a couple hundred thousand more

Americans can get healthcare coverage and we can lower the cost for others. In States like Iowa, that means a world of difference, so thank you so much for all you do.

Secretary YELLEN. Thank you for that. We were glad to be able to address that.

Mrs. AXNE. Wonderful. Here is the deal. I know a lot of people, and you are hearing it today, are very interested in how the sanctions are working against Russia. I have heard from multiple folks and in briefings, et cetera, that the sanctions seem to be working well. But as that is basically one of our key tools that we are using right now in this issue, I would like to hear more from you if you think that those sanctions are working in the way they should, and if they are strengthening what we have in place, and if there is any suggestions that you also have?

Secretary YELLEN. I do believe the sanctions are having a devastating effect on Russia. Russia has become almost completely isolated from the international financial system. American and foreign firms are leaving Russia. It is losing access to goods that Russians who are accustomed to buying are being deprived of. The Central Bank of Russia had amassed a war chest of reserves of over \$600 billion that they counted on to be able to deal with the impacts of sanctions on their economy and to help financial institutions and firms that were badly affected. And our sanctions on the Central Bank, jointly with our partners, have deprived them of access to certainly over half of that, and another 30 or 35 percent is tied up in gold and other forms of wealth that are not highly liquid. So, we have really deprived them of access to a war chest that they were counting on.

We have imposed restrictions on exports of a wide range of equipment. That is including semiconductors that are critical to Russia's ability to continue to build defense in high-technology sectors. We have sanctioned hundreds of Russian oligarchs and members of the Russian government. We have sanctioned firms in the defense sector, in the aerospace sector. And we continue to work with our allies to put in place additional sanctions as Putin ramps up his horrific crimes in the Ukraine. Just this morning, we announced that we are putting in place full blocking sanctions against Russia's largest bank that has over a third of the assets of the Russian banking system. We are prohibiting Americans from investing in Russia and further sanctioning elites. And this is, I believe, going to have a devastating effect on the economy and already is doing so.

Every week, we have put in place new sanctions, working closely to coordinate with our partners. We have a huge coalition, and countries that have rarely, if ever, imposed sanctions, including Switzerland and Singapore, have joined with our coalition, and I do believe that they are working.

Mrs. AXNE. Thank you, Secretary Yellen. That was a great overview. I did want to talk about the supply chain because of the lockdown in China. I am running out of time, but I appreciate all of the work you are doing and the update on the sanctions. Thank you.

Chairwoman WATERS. Thank you very much. The gentleman from Tennessee, Mr. Kustoff, is now recognized for 5 minutes.

Mr. KUSTOFF. Thank you, Madam Chairwoman. Thank you for calling today's hearing, and thank you, Secretary Yellen, for being here today.

One thing I hear from constituents at home, and I think every other Member of Congress hears from their constituents, is that everything is expensive. It is just expensive to live today, and there are a lot of factors for inflation. I get that. I do want to ask you, going back to the American Rescue Plan, before we voted on it, Larry Summers, one of your predecessors under President Clinton, talked about the package, and he said, "I think this is the least responsible macroeconomic policy that we have had in the last 40 years." He is right, isn't he, Madam Secretary?

Secretary YELLEN. Well, he is not right, and I am sorry, I have to differ with his assessment. You have an American economy that is enjoying the strongest job market that we have had in decades. Americans feel confident of their ability to get jobs and to move to better jobs. To think that a year, 2 years after a pandemic struck our country and unemployment was in the double digits, rather than waiting for a decade, as we had to, after the financial crisis, to recover the jobs that we lost, this country is enjoying a 3.6 percent unemployment rate, and has seen the creation of over 500,000 jobs a month in recent months. Americans' financial conditions overall are very strong. If you ask the largest banks in the country that keep track of checking account balances of their customers at all levels of income and wealth—

Mr. KUSTOFF. Let me reclaim my time, Madam Secretary. To put you on the record, you are saying that people feel good about the economy today? The American people feel good about the economy?

Secretary YELLEN. They are concerned about inflation, and that is entirely understandable, and I am concerned about it. And the Administration—

Mr. KUSTOFF. Because they are seeing the highest inflation that they have seen in 40 years, correct?

Secretary YELLEN. Yes, it is, and it is a significant problem that must be dealt with.

Mr. KUSTOFF. Let me ask you about this. Yesterday, San Francisco Fed President Mary Daly was speaking. She was talking about inflation being at a 40-year high, and she said that is as harmful as not having a job. She is right about that, isn't she?

Secretary YELLEN. Of course, it erodes the ability of households to purchase a wide array of goods and services, so, yes, it is. But remember that, especially for the lowest-income Americans, wage increases have been more rapid than inflation, and for pensioners' social security—

Mr. KUSTOFF. Reclaiming my time, the wages are not keeping up with everyday goods and services, correct?

Secretary YELLEN. For low-income Americans, on average—

Mr. KUSTOFF. For every American.

Secretary YELLEN. —that is not true. For low-income Americans, their wage gains have exceeded that, and—

Mr. KUSTOFF. How about for middle-class Americans, are wage gains exceeding the price increases, or are price increases exceeding wage gains for middle-class Americans?

Secretary YELLEN. Over the last year, the price increases have exceeded the wage gains for middle—

Mr. KUSTOFF. Let me ask you about sanctions in my remaining time. A big priority of Chairwoman Waters has been sanctions against the Russian oligarchs, I think of everybody, and we applaud those efforts. As it relates to President Putin, what degree of confidence do you have that any of these sanctions that we have levied have personally touched him or his assets?

Secretary YELLEN. We have levied sanctions against President Putin, and this morning, I believe we levied sanctions against his daughters. Look, did all the sanctions, including those that we have imposed against him and the threat that we told him that we would make this very painful and impose sanctions greater than anything any country had ever seen, did it deter—

Mr. KUSTOFF. Let me ask it another way. Is he feeling the effect of the sanctions? Is President Putin feeling the effects of the sanctions? Do we have any—

Secretary YELLEN. Is he what?

Mr. KUSTOFF. Is President Putin feeling the effects of the United States sanctions that have been assessed against him?

Secretary YELLEN. I don't know personally if he is feeling them yet, but Russia is certainly feeling the effects of these sanctions. And his defense establishment and other critical sectors of the Russian economy are absolutely feeling the effects of these sanctions as they find it impossible, for example, to find the parts that they need to keep their automobile factories running and to build their war machine and replenish it. Thank you.

Mr. KUSTOFF. Madam Chairwoman, I yield back.

Chairwoman WATERS. Thank you. The gentlewoman from New York, Mrs. Maloney, who is also the Chair of the House Committee on Oversight and Reform, is now recognized for 5 minutes.

Mrs. MALONEY. Thank you, Chairwoman Waters, and thank you so much for being here, Secretary Yellen. As you know, I am very focused on Treasury's implementation of my Corporate Transparency Act, which will require companies to disclose their true beneficial ownership to FinCEN. This was the most important, up-to-date, anti-money laundering law in a generation, and I believe this should be a top priority of the Treasury Department.

The law gave Treasury 1 year to finalize the rules implementing their bill, and that deadline was over 3 months ago. So far, Treasury has not finalized any part of the rule and has only proposed half of it. This is deeply disappointing, especially because the sanctions on Russian oligarchs have shown the importance of being able to look behind anonymous shell companies to find these bad actors. And as we speak, Russian oligarchs are busy moving their money out of our reach, and, in some cases, they are likely moving their money into the U.S. because they know they can hide it anywhere they want anonymously until Treasury finally finishes implementing my bill.

This is not about Treasury having insufficient resources either. I have worked with Chairwoman Waters and my colleagues on the Appropriations Committee to secure an additional \$355 million for Treasury and FinCEN, which is more than enough to write the rule. The second half of the rule, which Treasury hasn't even pro-

posed yet, is the most important part because it deals with who has access to the beneficial ownership database and on what terms.

Secretary Yellen, will you commit to proposing the access rule for the Corporate Transparency Act before the end of the month?

Secretary YELLEN. I can't give you a definite promise on timing. These are extremely complex rules. There are relationships between the two parts of the rule, and they have to be coordinated. Treasury has received very extensive comments on the first part of the rule that it has to consider in preparing the second part of the rule. They are not fully separable. So, this is tremendously important legislation. I congratulate you and Congress for passing this. It is a critically important effort. It is very complex. We have to get this right. I can't agree to a deadline. I am not positive when we are going to get that out.

Mrs. MALONEY. I will tell you it is critically important, especially with what is happening in the world with Ukraine. And if you can't commit to the end of the month, when will you be proposing the access rule? Can you give us an estimate for when we will be able to see this rule?

Secretary YELLEN. Certainly this year, within the coming months.

Mrs. MALONEY. Secretary Yellen, my message to you today is a very simple one: Please speed up the process for the beneficial ownership rulemaking. This is taking far too long, and we need action now, not in a few months, but now. We don't know who is behind buildings in New York and elsewhere, which are just bank accounts. There are no lights in the buildings. People don't live there. They are anonymous shell companies. And law enforcement wants to know, the public wants to know, the Ukrainian people want to know who owns this property, and we can't get to it until the rules have been made, and we are way, way behind, and it is an emergency.

Now, I would like to move on to the substance of the rule. There are a number of things Treasury could do in the access rule to make the beneficial ownership database more usable and more effective for law enforcement and others, for example, making the forms that companies fill out very clear and easy to understand, and having companies submit the information in machine-readable format. Open Ownership, which is an internet, national non-profit that focuses on beneficial ownership, has a number of additional recommendations for Treasury's database.

Secretary Yellen, what is Treasury doing to ensure that the beneficial ownership database is as usable and effective as possible for the users of the database?

Secretary YELLEN. It has been a key consideration since the outset, and I would be glad to give you a briefing on what FinCEN is doing on that front. Thank you.

Chairwoman WATERS. The gentlewoman's time has expired.

The gentleman from Ohio, Mr. Gonzalez, is now recognized for 5 minutes.

Mr. GONZALEZ OF OHIO. Thank you, Madam Chairwoman, and thank you, Madam Secretary, for being here today.

I want to jump right into some China, World Bank, debt-trap diplomacy questions, if I could. When we think about the developing

world and how we can help them develop their economies responsibly and sustainably, in many instances, countries in the developing world are choosing between different financing packages. Way too often, they are choosing China and the usurious terms that come along with that. From a tools standpoint, what do we need, either at the IFIs or the DFC, to have more competitive offerings for the developing world so that they are choosing our packages over China's, and/or are we even at the table when these conversations are taking place?

Secretary YELLEN. I think we need the Multilateral Development Banks to be adequately financed so they have the capacity to offer sufficient financing. There is an enormous need for infrastructure investment throughout the developing world. Countries are starved for the resources, and many don't have access to private capital markets.

Mr. GONZALEZ OF OHIO. Just to interrupt quickly, is it your contention that these banks are not funded appropriately, like the World Bank, the IMF? They do not have adequate capital to make competitive offerings, is that what you are suggesting?

Secretary YELLEN. In some cases, they are adequately funded. In other cases, there probably is a need for additional resources. We ourselves are in arrears, substantial arrears, in terms of meeting our own commitments and in terms of trying to generate new commitments. For example, we feel very strongly that the IMF's new Resilience and Sustainability Trust can make an important contribution to energy security and to pandemic preparedness, and Congress hasn't given us the authority to lend money to that. If the United States wins, we believe it could catalyze \$100 billion from a group of countries.

Mr. GONZALEZ OF OHIO. Got it. One of the issues I have been working on since I got here is Chinese influence at the IFIs, in particular, the World Bank, where when I have spoken to previous executive directors of both parties, what you often hear is that China has essentially bought their influence or they have more or less bought their votes in various ways, and it makes it very difficult to defeat anything that China wants. And as a response, one of the things that I introduced and it was signed into law was the Accountability for World Bank Loans to China Act. This law has various reporting requirements but also requires the Treasury Department to advocate for a prompt end to World Bank loans to China. China historically blocks that.

According to Treasury, there has been low progress on this front. Why has there been low progress, and what should we do? And do you personally believe China should graduate from the loan program at the World Bank?

Secretary YELLEN. Do I what?

Mr. GONZALEZ OF OHIO. Do you personally believe China should graduate from the loan program?

Secretary YELLEN. I absolutely do, and we have advocated for it very strongly.

Mr. GONZALEZ OF OHIO. Thank you. Another provision within the enacted legislation is a report to this committee on the indebtedness of countries to China through the Belt and Road Initiative, as well as the U.S. effectiveness in promoting debt transparency at

the IMF and the World Bank. In your estimation, how effectively are we countering China's efforts to engage in debt trap diplomacy, and how transparent are they, or how have we done in terms of getting the transparency we need to report to this committee?

Secretary YELLEN. Transparency is very important. It is a focus of both the IMF and the World Bank, and they have taken steps. We all have to try to increase transparency, especially of China's lending to these countries, and we are not where we need to be on this. China agreed to participate in the common framework for countries with unsustainable debt, and hasn't really fully met its obligations there either, and so all of these are frustrations.

Mr. GONZALEZ OF OHIO. Thank you. Quickly, I only have 20 seconds left, and I just want to get you back on the record on something. You mentioned that at present, there is no evidence that the cryptocurrency markets are being used in major ways by the Russians to evade sanctions or launder money related to the Ukraine crisis. Would you just reconfirm that that is in fact what you said?

Secretary YELLEN. We have not seen major use of crypto as a way of evading sanctions. We will be on the lookout for it. It is early days, but we have not seen that yet.

Mr. GONZALEZ OF OHIO. Thank you. I yield back.

Chairwoman WATERS. Thank you. The gentlewoman from Massachusetts, Ms. Pressley, who is also the Vice Chair of our Subcommittee on Consumer Protection and Financial Institutions, is now recognized for 5 minutes.

Ms. PRESSLEY. Thank you, Madam Chairwoman. The IMF's surcharge policy imposes extra, often hidden fees onto countries with high levels of debt and has been widely denounced by development experts and civil society organizations as an unjust burden and a hindrance to our global economic recovery. Secretary Yellen, these fees are coming at the worst possible moment, when countries are in the midst of a deadly global pandemic and in desperate need of humanitarian assistance and public health services. Are you worried that the IMF may be undermining the financial welfare stability of the very places we are trying to support?

Secretary YELLEN. I am supportive of the framework that includes IMF surcharges. They are part of the IMF's risk mitigation framework. And I see them as critical to protect the IMF's resources and really making sure that they can play a critical role as a global lender of last resort. We are going to rely on the Multilateral Development Banks and the IMF to provide more resources because of the Russian invasion of Ukraine, and we need to make sure that the proper mechanisms are in place, and I think that these surcharges should remain in place.

Ms. PRESSLEY. Secretary Yellen, respectfully, I disagree, as do 17 other congressional colleagues who sent a letter to you, urging you to reconsider in January. In 2009, even before the pandemic struck, 64 countries spent more resources servicing foreign debts than they did on healthcare expenditures for their citizens.

Okay, moving on, given that Egypt and Armenia have vaccinated less than 50 percent of their population, is it fair to say that the money these countries are paying in surcharge fees would be better spent on, say, vaccinating their people or addressing poverty?

Secretary YELLEN. Clearly, there are many countries that require resources to address the pandemic, to address downturns in their economy and the adverse impacts of the economy and of the current global situation. And the IMF, and the World Bank, and other MDBs are providing those resources that are very much needed. So, I think this surcharge issue is separate and is a risk mitigation, a policy that is appropriate.

Ms. PRESSLEY. I think the detrimental impacts of these fees and its governments' abilities to effectively combat the pandemic is not really up for debate. But since you are not willing to go on record in saying that you would suspend these fees, would you at least be willing to go on record and say that you would review this surcharge policy, at least a review of it, some consideration, given the detrimental impacts?

Secretary YELLEN. We can look at it, and meet with you to discuss this issue, if that would be helpful.

Ms. PRESSLEY. Absolutely. I look forward to that, and we will follow up. Thank you, Madam Secretary. And we have to do everything in our power to end the global pandemic, including eliminating surcharges. Thank you. I yield.

Chairwoman WATERS. Thank you. The gentlelady yields back.

I would now like to thank Secretary Yellen for her testimony today.

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

With that, this hearing is adjourned.

[Whereupon, at 1:02 p.m., the hearing was adjourned.]

A P P E N D I X

April 6, 2022

Statement by

Janet L. Yellen

Secretary

United States Department of the Treasury

before the

Committee on Financial Services

U.S. House of Representatives

April 6, 2022

Chairwoman Waters, Ranking Member McHenry, and Members of the Committee, thank you for giving me the opportunity to speak to you today. I am here today in my capacity as Chair of the National Advisory Council on International Monetary and Financial Policies (NAC) to discuss Treasury's oversight of the International Financial Institutions (IFIs) and our role in promoting inclusive and sustainable growth, global monetary and financial stability, and development.

The last two years have clearly emphasized that these institutions are essential complements to U.S. foreign policy. The IFIs have provided unprecedented financing in response to COVID-19, and they will play vital roles in responding to food and energy shocks, addressing a growing refugee crisis in Europe, and rebuilding an independent Ukraine.

U.S. leadership and involvement with the IFIs represents a key pillar of sustaining the global order and international financial architecture. As a leading founder of these institutions, the United States helped establish an international economic system that has supported historic growth and prosperity during the second half of the twentieth century. The International Monetary Fund (IMF), the World Bank Group, and the regional development banks are critical to addressing the challenges we face today, including a durable and inclusive recovery from COVID-19, reducing poverty, preparing for future pandemics, mitigating and adapting to climate change, strengthening food security, bolstering debt sustainability and transparency, fostering opportunities for private sector job creation, countering corruption and promoting rule of law, and investing in quality infrastructure. The IFIs also offer our international partners assistance that supports private sector-led, sustainable growth over the long-term and adheres to high standards, good governance, and transparency. Stronger, more stable growth abroad means a stronger economy here at home. As other economies prosper, demand for U.S. exports of goods and service increase, creating jobs. Treasury is committed to working with Congress, IFI management, and likeminded shareholders to enhance the IFIs' responsiveness to U.S. priorities.

Over the last two years, the IFIs have led the way in helping low-income and developing countries fight the COVID-19 pandemic. Since the beginning of the crisis, the IMF has approved nearly \$175 billion in emergency lending, concessional financing, debt service relief, and precautionary support to fund pandemic response and economic recovery efforts. The multilateral development banks (MDBs) approved nearly \$130 billion over the same period to address the health, economic, and social impacts of the pandemic. Of course, our fight against COVID-19 is not over. Treasury has asked the World Bank to continue working closely with COVAX and international partners to improve vaccine readiness and support increased vaccine delivery in developing countries. As long as this pandemic is raging anywhere in the world, the American people will still be vulnerable to new variants.

The importance of the IFIs is even more paramount given Russia's brutal and unprovoked invasion of Ukraine. Russia's actions represent an unacceptable affront to the rules-based, global order, and will have enormous economic repercussions in Ukraine and beyond.

Treasury is committed to holding Russia accountable for its actions so it cannot benefit from the international financial system. President Biden has rallied over 30 countries, representing well over half the world's economy, to impose swift, severe sanctions and export controls on Russia.

Treasury is also working collectively with our partners to block Russia from accessing benefits from IFIs. Both the World Bank and the European Bank for Reconstruction and Development (EBRD) had ceased approving new financing for Russia since the unlawful annexation of Crimea in 2014. Since the invasion, these institutions have announced further measures to prevent Russia's and Belarus' access to financial and non-financial assistance.

At the same time, the IFIs are stepping in to provide critical budget financing to help respond to the economic costs of war. Since the start of the war, the IMF has provided \$1.4 billion in rapid financing for Ukraine. The World Bank has provided Ukraine \$490 million in rapid financing as part of a \$3 billion package of support planned in the coming months. The EBRD approved an initial €2 billion resilience package for Ukraine and neighboring countries covering the areas of energy security, nuclear safety, municipal services, trade finance, and support for small and medium sized enterprises and refugees. Rapid IMF and World Bank assistance has allowed Ukraine fiscal space to pay salaries for civilians, soldiers, doctors, and nurses, while also meeting its external debt obligations. These are admirable acts of credibility by a government under siege. IFI support is helping keep businesses and banks open in Ukraine and neighboring countries. IFIs are dedicating technical and surveillance expertise to provide critical insights on the depths of the economic crisis caused by Russia's reckless actions. The IMF, World Bank, and EBRD will be critical partners in rebuilding Ukraine, alongside bilateral donors, and they also will provide vital support to neighboring countries welcoming refugees.

Globally, spillovers from the crisis are heightening economic vulnerabilities in many countries that are already facing higher debt burdens and limited policy options as they recover from COVID-19. The IFIs will play a critical role in addressing key spillovers from the crisis:

- **Food security:** Together, Russia and Ukraine account for nearly a third of the world's wheat exports. Russia's invasion disrupted the flow of food for millions of people around the world and caused prices to spike. The IFIs and food security funds, such as the International Fund for Agricultural Development and the Global Agriculture and Food Security Program, are already doing essential work to address both the short-term and long-term effects on global food prices and supplies. The MDBs can provide fast-disbursing budget support, financing to support domestic food production, and social safety nets. Likewise, the IMF has existing emergency and medium-term facilities to provide financial support, including a concessional facility for the poorest countries. The MDBs' private sector windows also play a role in providing trade finance to smooth supply chain disruptions. Treasury will press MDBs to provide positive net flows to vulnerable countries and expand ways within their mandates to address impacts to food security, including long-term investments in agricultural productivity and agricultural infrastructure.
- **Energy security:** The invasion of Ukraine has also underscored the need for sustainable, affordable, clean, and secure energy for economic growth and security for the United States, as well as for governments that partner with the IFIs. We are witnessing the vulnerability that comes from relying on one fuel source or one trade partner, which is why it is imperative to diversify energy sources and suppliers. The MDBs' promotion of energy efficiency and capital investment in diverse energy sources—and away from suppliers such as Russia—toward solar, wind, and other non-fossil fuel-based energy sources strengthens energy

security and reduces short-term fossil fuel price risks, all while addressing the long-term threat of climate change. Public finance alone cannot meet this challenge, so Treasury is encouraging the MDBs to undertake reforms and adopt more ambitious targets for mobilizing private capital, particularly through their private sector windows. The IMF is also helping its members design economic policies to respond to energy shocks and transitions underway.

- Debt sustainability: Many low-income countries are facing growing debt burdens as the pandemic continues into a third year. The IFIs supported the G20's Debt Service Suspension Initiative from 2020 to 2021, which helped eligible countries free up resources to use toward pandemic relief. The IMF and World Bank are now supporting the Common Framework for Debt Treatments, which seeks to help low-income countries address their longer-term debt-related vulnerabilities by providing technical analysis, policy advice, and financing to support the debt restructuring process. In addition, the IFIs are working to improve debt transparency for both debtor and creditor countries, which is critical for reducing debt vulnerabilities.

The recent record replenishment of the World Bank's concessional window—the International Development Association—will help deliver critical financing to the world's poorest and most vulnerable to address these impacts at a moment of urgent need.

Finally, the Biden Administration is seeking Congressional authorization to provide financing to bolster two critical IMF lending facilities that will support vulnerable countries through these exceptional global shocks. First, the Poverty Reduction and Growth Trust, the IMF's existing concessional facility, will provide emergency relief to the poorest countries. The PRGT has been stretched by the exceptional amount of COVID-19 financing provided and needs additional funding. Second, the new IMF Resilience and Sustainability Trust will provide targeted financing alongside IMF programs to support countries' effort to strengthen energy security and pandemic preparedness. I am happy to discuss these proposals in more detail, and I hope I can count on support from Congress.

Thank you for your time. I look forward to working with you to continue to advance U.S. international economic leadership abroad and create opportunities for Americans at home. I am happy to take your questions.



AMERICAN CITIZENS ABROAD
 EDUCATE, ADVOCATE AND INFORM

American Citizens Abroad submission of testimony to
The Annual Testimony of the Secretary of the Treasury
on the State of the International Financial System
 April 6, 2022

American Citizens Abroad, Inc. and its sister organization, American Citizens Abroad Global Foundation hereby submit our Statement for the record.

American Citizens Abroad, Inc. (ACA) is a leading advocacy organization representing Americans living and working overseas. Headquartered in Washington, DC, ACA is nonpartisan, non-profit (section 501 (c)(4)), with a 40-plus-year history of advocating on behalf of the community of Americans living and working overseas. Alongside ACA is its sister charitable (section 501(c)(3)) research and educational organization, American Citizens Abroad Global Foundation (ACAGF).

ACA thanks the House Committee on Financial Services for publishing the Annual Testimony of the Secretary of the Treasury on the State of the International Financial System presented on April 6, 2022. Financial Services Committee members referenced policy with important implications for Americans living abroad. There was discussion of Treasury work on a digital identification framework, to be used by all government agencies in delivering service to citizens. Treasury administers a range of public benefits to Americans abroad, including tax refunds and pandemic aid. Online accounts for accessing information and services are often inaccessible to Americans abroad because of identification confirmation difficulties, resulting in service delays or denials. A digital ID solution that will coordinate services across the government and accommodate Americans living outside the U.S. will greatly improve government service delivery to this underserved community. ACA is grateful for the Financial Service Committee's stewardship of this Treasury initiative.

In addition, Secretary Yellen was questioned by several Committee members about the overdue implementation of the Corporate Transparency Act (CTA). Once implemented, the CTA will force the disclosure of beneficial ownership information. A critical barrier to the government's use of the FATCA foreign financial account disclosure regime to fight financial crimes is the absence of information about individuals with a beneficial interest in offshore accounts. FATCA causes enormous problems for Americans living abroad in obtaining even ordinary banking products from their local banks. Non-U.S. banks seeking to avoid FATCA compliance have chosen to limit or to entirely exclude service to U.S. citizens.

Meanwhile, anonymous shell companies enable tax evaders and other financial criminals to use foreign financial accounts for nefarious purposes with no concern whatsoever for FATCA disclosure. Mandatory disclosure of beneficial interest information will at last enable FATCA to spotlight bad actors using foreign accounts in nefarious schemes to commit financial crimes - and not just inconvenience ordinary, law-abiding Americans abroad who use foreign financial accounts to pay their bills and save for the future. ACA joins CTA sponsor and Americans Abroad Caucus co-chair Rep. Carolyn Maloney in her calls for urgent action by Treasury to complete its work on the CTA implementation rules. ACA also encourages the Financial Services Committee to support Rep. Maloney's Overseas Americans Financial Access Act, which would eliminate all FATCA reporting for the accounts of Americans living abroad in the country where they live.

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TAXATION AND AMERICANS ABROAD

The Taxpayer First Act has identified U.S. citizens living and working overseas as an underserved community and the IRS is working to create systems and provide support to these taxpayers. This cannot come fast enough for the estimated 3.9 million U.S. citizens living and working abroad.¹ Tax filing for U.S. citizens living and working outside the U.S. is complex, costly and confusing, results in onerous taxation of foreign investments considered Passive Foreign Investment Company (PFICs), involves duplicate reporting regimes like the Foreign Account Tax Compliance Act (FATCA) Form 8938 and the Financial Bank Account Report (FBAR)(FinCEN Form 114), is unfair with regard to the application of certain tax credits for non-residents (Child Tax Credit and Earned Income Credit), exposes filers to double taxation with the Net Investment Income Tax (NIIT), and involves wading through many regulations that overlap with U.S. corporate international tax.

This is just a sampling of the problems on the individual side of reporting, not taking into consideration the filing requirements for small business operations run by U.S. citizens overseas that need to deal with the Transition Tax and Global Intangible Low-Taxed Income (GILTI) regimes.

RESIDENCE-BASED TAXATION

ACA has throughout its 40-plus year history advocated for the adoption of residence-based taxation (RBT) and has produced key documents and research that support the move to RBT, which can be made revenue neutral and tight against abuse. ACA was the first organization to develop a side-by-side analysis that indicates where in the current tax code changes could be made in a move to a system of taxation based on residence (excludes from U.S. taxation foreign earned income). ACA has fielded two research projects on the subject with District Economics Group (DEG), Washington, DC-based economic consulting firm – one in 2017 and one in 2022 that provide valuable information on the income, assets and taxation of U.S. citizens living and working overseas. This data supports our position that RBT can be adopted and no one will be any worse off, the U.S. Treasury would not lose revenue and the provisions would be protected against tax abuse.

CONGRESSIONAL HEARINGS ON TAXATION AND AMERICANS ABROAD

It is time for this research work, along with documents and testimony from ACA and other stakeholders, to be put on record with Congressional hearings. There are currently three pieces of legislation introduced in Congress that address some of the tax compliance problems of U.S. citizens overseas; H. R. 5800 (The Commission on Americans Living Abroad Act) and H.R. 5799 (The Overseas Americans Financial Access Act, referenced earlier) both introduced by Congresswoman Carolyn Maloney, and H.R. 6057 (The Tax Simplification for Americans Abroad Act), introduced by Congressman Donald Beyer. These legislators have asked Chairman Neal to address the tax and compliance issues of U.S. citizens living and working overseas, and ACA echoes this call to action for the Financial Services Committee.

Never in the history of the U.S. Congress have hearings been held to address the specific issues facing U.S. citizens living and working abroad, not only tax issues but other concerns related to banking, Social Security, Medicare, investing, voting and representation. The

¹ ACA and District Economics Group estimate that the total number of Americans abroad at present, excluding members of the military and other government employees and contractors, is approximately 3.9 million individuals.

Americans Abroad Caucus with Co-Chairs Carolyn Maloney, Dina Titus and Maria Elvira Salazar, are hearing from constituents in their districts about the growing concerns of citizens who chose to live and work overseas. If U.S. citizens are to engage in a global economic marketplace, they need the tools to help them compete for jobs and have full access to financial and banking services. Some U.S. laws, such as FATCA as previously noted, are hampering this and the Committee needs to hear and understand these issues and problems, in order that proposals, such as the adoption of residence-based taxation, can be carefully examined.

Obstacles to banking and to accessing U.S. government information and services from abroad, as well as how the current citizenship-based tax regime affects non-resident citizens, are all reasons why Congress needs to hold hearings on the tax and compliance issues of U.S. citizens overseas and consider legislation such as residence-based taxation to alleviate the problems.

ACA would like to thank the Financial Services Committee for the opportunity to submit this testimony and commentary. For more information, please visit the ACA website www.americansabroad.org or telephone +1 202 322 8441 and/or email marylouise.serrato@americansabroad.org.

**U.S. House of Representatives
Committee on Financial Services
Hearing on “The Annual Testimony of the Secretary of the Treasury on the State of the
International Financial System”**

Wednesday, April 6, 2022

Responses from Secretary of the Treasury Janet Yellen

Representative Bill Foster (D-IL)

Secretary Yellen, in our House Financial Services Committee hearing on the international financial system, I asked you about President Biden’s Executive Order on Ensuring Responsible Development of Digital Assets and the Treasury Department’s participation in implementing the Executive Order. You explained Treasury’s important role in assessing the future of money, which includes the role of digital assets. In your recent speech at American University, you mentioned that over the next six months, Treasury will work with colleagues in the White House and other agencies to produce foundational reports and recommendations related to the objectives of the Executive Order. These include potential regulatory and legislative actions to protect U.S. consumers, investors, and businesses and support expanding access to safe and affordable financial services.

1. How is the Treasury Department under your leadership staffing and planning to organize the work streams directed by the President’s Executive Order?
 - a. Is Nellie Liang leading the Treasury Department’s implementation of the Executive Order’s directives?
 - **Answer: Under Secretary Liang and other senior staff are working with offices across Treasury to draft the reports necessary to implement the Executive Order.**
 - b. Who and what groups within the Treasury Department are assigned to which work streams?
 - **Answer: Treasury is tasked with multiple deliverables in the Executive Order. Reports are being drafted by a cross-section of staff from across Treasury, including Domestic Finance, International Affairs, Terrorism and Financial Intelligence and General Counsel.**
2. How is the Treasury Department involving the Federal Reserve, the Securities and Exchange Commission (SEC), the Federal Deposit Insurance Corporation (FDIC), the Commodity Futures Trading Commission (CFTC), and the Office of the Comptroller of the Currency (OCC) in digital asset policy?
 - o **Answer: Building on last year’s publication of the President’s Working Group on Financial Markets (PWG) report on stablecoins, which was jointly produced by PWG member agencies, as well as the FDIC and OCC,**

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Treasury continues to coordinate closely with financial regulators regarding digital asset policy. In addition to bilateral conversations, as part of Treasury’s implementation of the EO, we are participating in a series of interagency policy committees, convened by the White House, to discuss digital asset policy issues.

3. How is the Treasury Department coordinating on the digital asset policy work streams within the Financial Stability Board, the Basel Committee on Banking Supervision, and the International Organization of Securities Commissioners?
 - **Answer: Treasury is extremely active at the Financial Stability Board in leading work to develop and set high regulatory standards for digital assets as well as coordinate across jurisdictions to maintain a level playing field. The Financial Stability Board works together with the international standard setting bodies, such as Basel Committee on Banking Supervision and the International Organization of Securities Commissions, in its work on regulatory issues related to digital assets including stablecoins, and to monitor global financial stability risks from crypto markets.**

4. How does the Treasury Department intend to engage with the public and the private sector with respect to this work?
 - **Answer: The PWG report reflected input from a range of stakeholders, including consumer advocates, industry, and other members of the private sector. We are continuing this engagement to inform the production of the EO reports.**

5. Do you believe there is a need for legislation, including authorization of a central bank digital currency or grants of power to regulate non-banks operating in the crypto-asset space, and would any recommended grant of regulatory power vest with prudential or market regulators?
 - **Answer: The PWG, together with the OCC and FDIC, has already recommended that Congress enact legislation to ensure that stablecoins and stablecoin arrangements are subject to a federal prudential framework, on a consistent and comprehensive basis. The work underway as part of the EO reports will inform recommendations regarding the regulatory framework applied to other types of digital assets.**

**U.S. House of Representatives
Committee on Financial Services
Hearing on “The Annual Testimony of the Secretary of the Treasury on the State of the
International Financial System”**

Representative Nikema Williams (D-GA)

Anyone who is familiar with my work knows that I center those most marginalized in everything I do. When it comes to the international financial system, I am particularly interested in the status of global health and poverty reduction efforts.

Let's start with the role of the international financial system in addressing COVID. It's because of the Biden Administration's leadership that we've gotten folks vaccinated and taken control of this pandemic. Now, we need to be sure that we keep doing our part internationally to end the pandemic globally and stop the spread of new COVID variants that affect all of us.

Secretary Yellen, in your testimony, you mentioned how international financial institutions have supported vaccine delivery across the world. However, in many developing countries, vaccination rates remain low – in some cases, below 20%.

1. In what ways could international financial institutions scale up their support in developing countries most in need of vaccine delivery, and how can the United States support these efforts?
 - **Answer: The United States actively encouraged the multilateral development banks (MDBs) to work with other partners to scale up support for vaccine delivery and the MDBs have supported vaccine deployment projects across a large number of countries. The MDBs, especially the World Bank, can play a vital role in supporting vaccine readiness in developing countries, especially as the supply of vaccines has increased. The United States supported the World Bank's efforts to prepare readiness assessments in more than 100 developing countries and encouraged investing MDB resources in addressing bottlenecks to readiness for delivery. Today, the issue is less about vaccine availability and more about addressing obstacles like vaccine hesitancy, and operational and logistical capacity. Treasury has encouraged the World Bank and other partners to take a country by country approach to devising solutions to overcome these obstacles.**
2. Secretary Yellen, if increased financing is provided on the front end to dramatically increase vaccination rates in developing countries, what would be the resulting economic benefit in improving health outcomes and limiting future economic disruptions?
 - **Answer: Increasing COVID vaccination rates in developing countries would bring substantial benefits not only in improving health outcomes and reducing economic disruptions, but also in reducing the space for COVID variants to develop. Notably, increasing vaccination rates requires attention not only to vaccine supply, which has increased substantially in recent months, but also to addressing other barriers such as last-mile delivery**

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bottlenecks and vaccine hesitancy.

Recovering from the COVID pandemic is not just about stopping the virus. It’s also about addressing economic inequalities that were magnified during the pandemic, and it’s about building the promise of a better future for all.

3. Secretary Yellen, can you give us a status update on the work that international financial institutions are doing to reduce global poverty and build a fairer, more inclusive global economy?
 - o **Answer: Poverty reduction and inclusive growth are at the heart of the MDBs’ missions, and in fact, the World Bank Group’s “twin goals” remain the elimination of extreme poverty and boosting shared prosperity. The effects of the COVID-19 pandemic and spillovers from Russia’s war on Ukraine, particularly the impacts on food and energy security, have set back efforts to reduce poverty and exacerbated global inequality. This is why the IFIs are needed today more than ever. Let me provide just a few examples., To avoid a sharp decline in development assistance for the poorest countries and provide for continued investments to bolster the recovery and reduce inequality, donors, led by the United States, approved a record \$93 billion replenishment of the World Bank’s International Development Association (IDA) in 2021, accelerating the replenishment by one year. The MDBs are focused on providing positive net flows to the poorest countries, particularly through grants and concessional assistance, while also working to strengthen debt transparency and sustainability. With Treasury’s leadership, the IFIs have developed an action plan to address food security. Given the disproportionate impact of climate change on the poorest, the United States continues to advocate for increased climate ambition across the IFIs, building on the vital role they are already playing. The MDBs are already the largest source of adaptation finance for the poorest countries, and we are working closely with them to bolster these efforts even further. Among many other issues, the MDBs are also emphasizing areas such as gender equality, addressing fragility and conflict, support to refugees, access to finance for small and medium enterprises, and sustainable, quality infrastructure to foster sustainable growth and inclusion.**

**U.S. House of Representatives
Committee on Financial Services
Hearing on “The Annual Testimony of the Secretary of the Treasury on the State of the
International Financial System”**

Representative Jake Auchincloss (D-MA), Vice Chair

Afghanistan

1. Approximately \$7 billion of Afghanistan’s foreign currency reserves are in the custody of the United States. On February 11, 2022, President Biden issued the Executive Order on Protecting Certain Property of Da Afghanistan Bank for the Benefit of the People of Afghanistan allowing for the release of \$3.5 billion for the "benefit of the Afghan people." According to the World Food Program, only two percent of Afghans have enough food, poverty continues to rise, and the stability of their health care system is at risk.

When and how do you expect these funds to be used for the benefit of the Afghan people?

- **Answer: The Administration is deeply committed to addressing the humanitarian and economic crisis in Afghanistan and is working expeditiously to facilitate use of a portion of the funds for the benefit of the people of Afghanistan as soon as possible. We have been working intensively on this issue across the interagency, which implicates a range of complicated legal and policy questions. Against this challenging backdrop, the United States will continue to work tirelessly with the international community so that humanitarian assistance and other support flows to the people of Afghanistan. The United States remains the single largest donor of humanitarian aid in Afghanistan.**

Secondary Sanctions

2. The International Emergency Economic Powers Act provides the President with powers to investigate, regulate, or prohibit transactions. This provides the President with broad authority to issue sanctions against individuals and entities outside the country that impose significant risk against the U.S.

Has the Treasury Department identified any individuals or entities aiding sanctioned individuals in Russia? Is the Treasury Department in conjunction with the Biden Administration prepared to utilize the IEEPA to issue secondary sanctions against those individuals?

- **Answer: The Treasury Department is committed to using our Russia-related sanctions authorities to counter sanctions evasion. Together with our interagency colleagues, we are engaging closely with partners and allies to expand the coalition of nations that are enforcing sanctions imposed against Russia. Our actions on March 31, 2022, and April 20, 2022, which targeted**

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the Kremlin’s sanctions evasion networks, illustrate our willingness to exercise our sanctions authorities in support of this shared objective. We have been clear that persons in third countries could be exposed to U.S. sanctions for engaging in certain transactions involving persons subject to our Russia-related sanctions and have issued public guidance underscoring this risk.

Emergency Rental Assistance

3. The American Rescue Plan Act requires that the Treasury Department begin reallocating ERA2 funds on March 31, 2022. According to the Emergency Rental Assistance (ERA2) Reallocation Guidance, Treasury will publish a similar form for Grantees that wish to receive funds from the reallocation pool.

What is the Treasury Department’s timeline to identify Grantees that are subject to recapture? When will the reallocation form for high-performing Grantees be available on the Treasury’s website?

- **Answer: For ERA2, Treasury is currently reviewing the data in grantees’ reporting to determine the amount to be reallocated under the Q1 Assessment as set forth in the ERA2 Reallocation Guidance. We expect to publish the Request for Reallocated Funds form on the ERA2 portal in the near future.**

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Representative Patrick McHenry (R-NC), Ranking Member

Scandals Involving IMF Managing Director Kristalina Georgieva

1. With regard to the WilmerHale investigation into IMF Managing Director Kristalina Georgieva’s data manipulation for China’s benefit while she was CEO of the World Bank, Ms. Georgieva has stated “the IMF Board agrees that the allegations were unfounded.” The U.S. is the most important shareholder on the IMF Board. Does Treasury “agree that these allegations were unfounded?” If not, why is the Managing Director misrepresenting your position?
 - **Answer: Secretary Yellen has previously emphasized that she takes seriously the issues raised by the investigation into the World Bank’s Doing Business report. She supported the IMF Executive Board’s thorough, fair, and timely review of the findings of the WilmerHale report. It remains Treasury’s view that, absent further direct evidence with regard to the role of the Managing Director, there is not a basis for a change in IMF leadership. Treasury has continued to press for appropriate follow up on the legitimate issues and concerns raised by the report.**
 - **On June 30, the IMF released the findings and recommendations of its Review of Institutional Safeguards. Leveraging an assessment by an External Panel of Experts, the review provides candid and detailed recommendations on a range of reforms that IMF Management and the Executive Board can take to ensure the IMF’s data and analytical integrity and internal governance processes meet the highest standards. In the coming months, Treasury – through the Office of the U.S. Executive Director to the IMF – will be engaging with IMF Management and the Board of Executive Directors to oversee the immediate actions proposed by the IMF as well as formulation of an action plan to address all the recommendations from the reports.**
2. In a speech last month, the IMF’s First Deputy Managing Director noted how gender equality is important to achieve “inclusive growth.” But just last week, the *Wall Street Journal* reported that her boss, Ms. Georgieva, failed to protect junior female staff by turning a blind eye to sexual harassment while CEO of the World Bank.¹ How can the IMF have any credibility on inclusive growth as long as the Managing Director is at the helm?
 - **Answer: Treasury is fully committed to addressing the economic impacts of gender inequality and promoting growth that is inclusive. We take seriously**

¹ “Former World Bank Chief Didn’t Act on Warnings of Sexual Harassment,” *Wall Street Journal*, March 28, 2022. <https://www.wsj.com/articles/former-world-bank-chief-didnt-act-on-warnings-of-sexual-harassment-11648476001>

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the need to have a workplace that is safe and respectful for all workers. The IMF’s Office of Internal Investigations is responsible for upholding the process for investigating and addressing sexual harassment claims. The IMF’s recently-released Review of Institutional Safeguards found that the IMF’s dispute resolution system is comparable to that of other international organizations, but also highlights a number of areas that need to be strengthened with specific recommendations. In the coming months, Treasury – through the Office of the U.S. Executive Director to the IMF – will be engaging with IMF Management and the Board of Executive Directors to oversee the immediate actions proposed by the IMF as well as formulation of an action plan to address all the recommendations from the reports.

3. The *Wall Street Journal* had reported that the IMF Managing Director, while she was serving at the World Bank, “knew about a top official’s sexual misconduct but failed to take any action despite publicly saying she was a strong defender of female victims of sexual harassment, according to current and former Bank staff.” Do you believe that female employees of the IMF can feel confident that complaints of sexual harassment will be taken seriously by Ms. Georgieva, despite the *Wall Street Journal* findings?

o **Answer: See above.**

4. In October, *Bloomberg* reported that Ms. Georgieva intervened in an Article IV Report on Brazil’s economy because the country’s Board representative complained to her.² This Board member went on to head up the ethics committee examining the WilmerHale allegations against the Managing Director.

Can you certify for us that the Managing Director has not intervened like this in other Article IV Reports, and will not influence future reports?

o **Answer: Treasury has long emphasized that the IMF should conduct strong, effective, and consistent surveillance over its members. As noted above, Treasury takes the analytic integrity of the IMF’s work very seriously. See above regarding the IMF’s Review of Institutional Safeguards.**

5. You told Rep. Hill during your testimony, “I believe [Ms. Georgieva] has done a good job of guiding the IMF.” Why did you make this endorsement after Ms. Georgieva’s doctoring of the Brazil report?

² “Georgieva-Led IMF Bowed to Brazil by Softening Climate Warning,” *Bloomberg*, October 8, 2021. <https://www.bloomberg.com/news/articles/2021-10-08/georgieva-led-imf-bowed-to-brazil-by-softening-climate-warning>

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- **Answer: Under Ms. Georgieva’s leadership, the IMF has played a critical role in supporting countries during the COVID-19 pandemic. Since early 2020, the IMF has provided over \$220 billion in much-needed financing to 94 countries grappling with multiple overlapping crises. As part of this effort, the IMF has significantly expanded its lending to low-income countries to support their efforts to respond to the COVID crisis and now the current crisis stemming from Russia’s war against Ukraine. The IMF is also providing essential support to Ukraine and countries affected by Russia’s war against Ukraine.**

- 6. Why has former Bundesbank president Jens Weidmann been tasked with leading an expert panel to review the IMF’s internal accountability safeguards if you believe Ms. Georgieva “has done a good job of guiding the IMF?”
 - **Answer: See above.**

- 7. The IMF’s Managing Director recently named a new First Deputy Managing Director and put her in charge of the IMF’s economic surveillance activities. However, just one week after the new Deputy took office, the IMF issued a surveillance report on Japan that, according to *Reuters*,³ altered an earlier draft examining Japan’s environmental policies. How can the public trust the IMF’s analysis under Ms. Georgieva and her Deputy in light of the *Reuters* findings?
 - **Answer: See above. Treasury has full confidence in the ability and integrity of the IMF First Deputy Managing Director, Dr. Gita Gopinath.**

- 8. With the IMF altering environmental assessments of Brazil and Japan, no one can take Ms. Georgieva’s rhetoric on climate change seriously. Are you concerned that the Fund’s lack of credibility on climate could damage its reputation in other areas?
 - **Answer: If left unchecked, climate change will have further effects on global macroeconomic and financial stability. Treasury supports the work of the IMF on climate change. We will continue to engage at the IMF so that its climate-centered work remains focused on areas where climate change and policies that affect climate have macro-critical impacts, in line with the IMF’s mission.**

³ “IMF Staff Cut Critical Coal Language from Japan Statement,” *Reuters*, February 2, 2022.
<https://www.reuters.com/markets/commodities/exclusive-imf-staff-cut-critical-coal-language-japan-statement-document-2022-02-02/>

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9. *Axios* reported that Treasury pushed for a new IMF Deputy Managing Director last year.⁴ However, according to *Axios*, the White House was shocked that this move was orchestrated without the White House’s consent. Why were Treasury officials freelancing, and what other personnel changes is Treasury planning at the international financial institutions?

- **Answer: The IMF First Deputy Managing Director is not a U.S. appointment, but is appointed by the Managing Director. Treasury worked closely with and appreciates the work of the former First Deputy Managing Director Geoffrey Okamoto. Treasury also fully supports the new First Deputy Managing Director Gita Gopinath. Dr. Gopinath is exceptionally qualified for this position, as a leading expert in core aspects of the IMF’s mandate.**

10. Did you authorize anyone at the Treasury Department to sign off on the IMF personnel change without the White House’s consent, as reported by *Axios*?

- **Answer: As noted above, appointments of senior IMF personnel, including the First Deputy Managing Director, are a decision of the Managing Director.**

11. According to a *Financial Times* report last week, the IMF’s First Deputy Managing Director believes that our Russia sanctions, including the President’s measures against the Russian central bank, could dilute the dominance of the U.S. dollar and result in a more fragmented international monetary system. This was from an article headlined “Russia Sanctions Threaten to Erode Dominance of U.S. Dollar, Says IMF.”⁵ Do you agree with the IMF’s analysis?

- **Answer: The long-standing and continued prominence of the dollar is underpinned by a confluence of factors including the United States’ strong economic performance, sound macroeconomic policies and institutions, open, deep, and liquid financial markets, institutional transparency, commitment to a free-floating currency, and strong and predictable legal systems. The sanctions against Russia were employed in a way to mitigate risks to the international monetary system, including in support of a clear policy objective and with strong multilateral coordination.**

In her interview with the *Financial Times*, Dr. Gopinath noted: “The dollar will remain the major global currency”. Further the *Financial Times* states

⁴ “White House Shocked by Treasury’s IMF Promotion,” *Axios*, December, 2021. <https://www.axios.com/treasury-imf-gopinath-white-house-2decd649-0a30-4b73-bab0-0f895cd5a193.html>

⁵ <https://www.ft.com/content/3e0760d4-8127-41db-9546-e62b6f8f5773>

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that she added, “The dominance of the dollar – backed by strong and highly credible institutions, deep markets and the fact that it is freely convertible – was unlikely to be challenged in the medium term.”

Special Drawing Rights (SDR) Allocation

12. IMF Special Drawing Rights represent unconditional liquidity. Please respond to the following:
- i. The Biden Administration approved nearly \$5 billion in SDRs for Iran last summer. China is Iran’s largest trading partner. Can you certify that Iran cannot exchange any new SDRs for renminbi?
 - **Answer: The SDR allocation was distributed to all IMF members in proportion to their respective IMF quota shares; as such, Iran received \$4.85 billion. Iran has not exchanged any SDRs under this allocation, and Iran currently holds more SDRs than its total allocation. U.S. sanctions on Iran remain in place, and the United States would not purchase SDRs from Iran. We will continue to employ diplomatic pressure aimed at preventing Iran from benefitting from an SDR exchange.**
 - ii. Do you believe the Biden Administration should oppose the exchange of Iran’s SDRs with any country, including China, even if it is requested by Iran under a new nuclear agreement?
 - **Answer: The United States would not purchase SDRs from Iran. We will continue to employ diplomatic pressure aimed at preventing Iran from benefitting from an SDR exchange.**
 - iii. Foreign governments are discussing using their SDRs to pay off debt. A Belt and Road Initiative borrowing country can exchange its new SDRs, or use its SDRs to free up funds, in order to facilitate repayment of Belt and Road loans, correct?
 - **Answer: The IMF has provided guidance to help members determine the most appropriate use for their SDRs, including the option to reduce debt. This guidance also advises countries with unsustainable debt not to use their SDRs to pay debts that will eventually need restructuring. IMF country surveillance reports will highlight the extent to which the use of SDRs was consistent with IMF advice, including in relation to transparency and accountability.**

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iv. The Biden Administration authorized new sanctions against Ethiopia last year due to the country’s civil conflict and reports of civilian atrocities. Can you certify that Ethiopia’s government cannot use its hundreds of millions of dollars in new SDRs you approved last summer in order to facilitate, in any way, the prolongment of this conflict?

▪ **Answer: Ethiopia does not currently hold any SDRs, having exchanged its holdings of SDRs in September 2021.**

v. Mexico’s president last year raised the idea of using his country’s newly allocated SDRs to pay off loans for state-owned oil giant Pemex. In September, Argentina made a \$1.9 billion repayment to the IMF using its new SDRs, part of the country’s never-ending bailout by the Fund. But Treasury told Congress these SDRs would be used to fight COVID-19. Were Treasury’s assumptions behind the allocation wrong, or did the Department misrepresent the allocation to Congress?

▪ **Answer: Treasury supported the SDR allocation to help meet a long-term global need for international reserve assets to help build reserve buffers, smooth adjustments, and mitigate the risks of economic stagnation in global growth. This enhanced liquidity for low-income and developing countries to facilitate their much-needed health recovery efforts.**

Mexico currently holds more SDRs than its allocation and has not exchanged its current SDR holdings for hard currency. Mexico participates in the IMF’s voluntary trading market for SDRs, and has purchased additional SDRs since last year’s allocation, facilitating additional liquidity for countries in need.]

SDRs are an unconditional reserve asset. As an IMF member, Argentina can use its SDRs to service its IMF obligations. As the IMF’s largest shareholder, we have a strong interest in seeing the Fund repaid by its borrowers, and SDR holdings are an appropriate potential source for repayment. The use of SDRs is not free, however: Argentina will continue to pay interest to the IMF (and, implicitly, to net holders of SDRs like the United States) for as long as its SDR holdings are below its allocation.

vi. Last summer, Treasury gave Russia and Belarus access to more than \$18 billion in hard currency through the IMF’s SDR allocation. China and Saudi Arabia both have arrangements with the Fund in order to trade in SDRs, and the IMF can direct other countries to exchange SDRs as well. Have you sought or received

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commitments from China and Saudi Arabia that they will refuse to exchange SDRs from Russia and Belarus?

- **Answer: The SDR allocation was distributed to all IMF members in proportion to their respective IMF quota shares. As such, Belarus received about \$927 million in SDRs, and Russia received approximately \$17.5 billion in SDRs. Since the August 2021 allocation, Russia and Belarus have not exchanged SDRs to gain hard currency.**

We are committed to preventing the Putin-led regime from benefitting from Russia’s holdings of SDRs. The United States, along with our key partners and allies, has imposed unprecedented economic measures on Russia in response to its unjustified, unprovoked, and brutal war against Ukraine. As a result of these sanctions, the Russian regime will face significant barriers if it seeks to benefit from its SDRs. Just as the United States has worked closely with likeminded partners in taking sanctions action Russia, we have also made efforts to hold the Lukashenka administration accountable. The United States and our partners comprise the majority of available counterparties in the IMF’s SDR exchange market. This coalition will not undertake SDR transactions with Russia or Belarus. Moreover, even if the Central Bank of Russia were able to acquire key usable currencies, our sanctions would effectively immobilize those assets, along with Russia’s other foreign exchange reserves held in these currencies.

- vii. Democracy activists pleaded with the Biden Administration to stop nearly a billion dollars in IMF Special Drawing Rights from going to the dictatorship in Belarus. They were joined by Republicans and Democrats in Congress. But Treasury knew the Lukashenko dictatorship would have access to these SDRs before it signed off on the allocation. Why did you still move forward, knowing the impact it would have on the people of Belarus?

- **Answer: All IMF members receive an SDR allocation proportional to their respective quota shares. Hence, some members whose policies the United States opposes received SDRs. However, since the August allocation, Belarus has not exchanged its SDRs for usable currency. We are committed to working to the Lukashenka-led regime’s ability to benefit from Belarus’s holdings of SDRs.**

IMF Resilience and Sustainability Trust

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13. The Resilience and Sustainability Trust (RST) is a pet project of the current IMF Managing Director, whom many in Congress believe is ethically compromised. Treasury now expects Congress to endorse this environmental initiative by Ms. Georgieva after she was caught removing environmental findings in Brazil’s Article IV Report, and after *Reuters* uncovered a similar IMF change to a Japan report. Why does Treasury expect Congress to help Ms. Georgieva launder her reputation on climate through the RST?
- **Answer: Treasury engaged with our partners in the G7 and G20 around the need to facilitate increased IMF support for countries to address certain longer-term economic risks that can affect global economic and financial stability. The Resiliency and Sustainability Trust (RST) represents the product of that intensive engagement and was not created at the suggestion of IMF management. The RST will provide much-needed balance of payments support to middle- and lower-income countries to enhance their ability to address the economic risks of pandemics and climate change. U.S. support for the RST will help us demonstrate our leadership at the IMF and in the global response to these critical challenges.**
14. According to media reports, you met with the leadership of the World Health Organization on April 5 to discuss a pandemic preparedness fund at the World Bank. Why is Treasury supporting the RST as a duplicative pandemic preparedness tool when the World Bank is the appropriate institution for this work?
- **Answer: Consistent with the IMF’s mandate, the RST will provide medium-term balance of payments financing in support of macroeconomic reforms, complementing the World Bank’s health sector-specific policy advice and investments projects to enhance pandemic preparedness. For example, the RST can help countries establish a more sustainable and transparent framework for managing health expenditures. Moreover, because of the RST’s link to full-fledged IMF programs, countries will be considering pandemic preparedness reforms in the context of an overall sustainable macroeconomic framework. The IMF is working with the World Bank and the World Health Organization to develop principles of collaboration on RST programs.**
15. You testified that you support the RST in the context of providing additional resources and new commitments to the IMF. However, the IMF currently enjoys more than \$200 billion in forward commitment capacity and another \$537.8 billion in supplemental funds, most of which consist of the U.S.-controlled New Arrangements to Borrow, a resource that Congress augmented just two years ago in the CARES Act. The IMF stated as recently as last year, “The IMF is adequately resourced with an overall lending

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capacity of about US\$1 trillion, ensuring its ability to respond to its members’ needs.”⁶
Isn’t the case against more resources overwhelming?

- **Answer: The RST’s resources will be operated as a trust fund and will be separate from the IMF’s regular balance sheet (the General Resources Account). Treasury continues to see the IMF’s General Resources Account as generally well-resourced. The General Resources Account can only be used to address short-term balance of payments problems, whereas the RST will address longer-term balance of payments needs.**

16. In your testimony, you told Rep. Gonzalez that the RST would promote “energy security.” However, unlike the multilateral development banks (MDBs), the IMF does not undertake energy projects. Even if it did, the Biden Treasury Department has adopted a policy of opposing virtually all fossil fuel projects in low-income countries, threatening their access to electricity and their ability to escape poverty. You have also not committed to advocacy at the MDBs in support of clean nuclear energy, which will push borrowing countries into the arms of Chinese and Russian lenders. Don’t these facts indicate that the Biden Administration is not genuinely interested in energy security in borrowing countries, and that the RST couldn’t deliver it anyway?

- **Answer: As with other IMF lending, the RST would provide balance of payments support—not development or project lending, which is the World Bank’s remit. The RST will provide low-cost, long-term balance of payments financing, complementing existing full-fledged IMF programs. In practice, this would take the form of RST-specific conditionality to promote structural reforms, additional to those in the regular IMF program, so that countries can prepare for future pandemics, develop options for energy security, and improve their resilience to climate change.**

17. China has reportedly pledged \$14 billion to the RST, making it both a leading supporter of the initiative and at a level far in excess of its IMF shareholding. Why should Congress believe that China takes the RST seriously as a climate tool when the country is the largest emitter of greenhouse gases and added over 40 gigawatts of new coal power in 2020 alone?

- **Answer: The RST will provide much-needed financing to vulnerable countries to enhance their ability to address the economic risks of pandemics and climate change. The RST will be subject to the same strong safeguards as traditional IMF lending with IMF Executive Board oversight for every RST disbursement. We encourage the participation of all countries willing to provide support through this facility.**

⁶ <https://www.imf.org/en/About/FAQ/imf-response-to-covid-19#q1.2>

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By enabling IMF financing as an option for vulnerable countries without access to global capital markets, U.S. support for IMF lending would provide a transparent alternative to more opaque and predatory sources of financing, such as from China.

18. Isn't the RST another misguided attempt to draw China into multilateralism, just as its last quota increase and the addition of the RMB to the SDR basket were followed by Beijing's assault on Hong Kong's democracy, increased state control of the economy, military threats against Taiwan, collaboration with the Putin regime, and genocide of the Uighurs? When will such facts affect Treasury's behavioral model of China?
- **Answer: See above.**
19. The IMF wants to use the RST for pandemic preparedness as well, which would presumably include budget support for COVID-19 vaccine purchases. Why should the U.S. support a trust that could lead to additional purchases of China's inferior CoronaVac and Sinopharm vaccines in the developing world, putting public health at risk while bolstering Beijing's diplomatic efforts?
- **Answer: RST programs will be designed to help countries address the longer-term risks of pandemics and climate shocks, not principally to respond to the current COVID crisis. The IMF is working closely with the World Bank to develop a basis for assessing country needs and designing policy conditionality to accompany RST lending, and we will continue to engage strongly through our Executive Directors at both institutions to help ensure that RST conditionality is robust and achieves the desired results. Separately, the United States continues to donate high-quality vaccines to low and middle income countries in order to bolster the response to Covid-19.**

Under Secretary for International Affairs

20. By this time in the Trump Administration, the Under Secretary for International Affairs had been Senate-confirmed for more than eight months and testified before our committee on the international financial institutions (IFIs). However, it took President Biden more than 14 months to nominate someone for this important job. What does this vacancy do to Treasury's credibility and leadership in international economic affairs when the President waits so long to fill this position?
- **Answer: The President has nominated a highly qualified candidate—Jay Shambaugh—for the post of Under Secretary for International Affairs. We encourage the Senate to quickly review this nomination.**

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China-related Issues

21. Under the IMF’s rules, a member country of the Fund does not have to be a member of the United Nations. Kosovo, for instance, is not a UN member state, but has been an IMF member since 2009. Taiwan isn’t a UN member either, but it belongs to the World Trade Organization and the Asian Development Bank. Its economy is far larger than Kosovo’s. Shouldn’t we support Taiwan’s membership at the IMF, just as we did Kosovo’s?

- **Answer: We support Taiwan’s meaningful participation in international organizations, and membership in those organizations for which it qualifies and has applied.**

Taiwan is neither actively seeking IMF membership, nor is it seeking broader participation in the IMF.

We encourage greater IMF staff coverage of Taiwan in analytical work where feasible, especially when assessing regional macroeconomic and financial sector risks. For example, we appreciated the IMF including Taiwan in its assessment of Asian life insurers in the October 2019 Global Financial Stability Report.

22. In October, Secretary of State Blinken called for Taiwan’s “meaningful participation” in the United Nations system, which includes the IMF and World Bank. What is Treasury specifically doing to secure Taiwan’s meaningful participation at the Fund and the Bank?

- **Answer: We support Taiwan’s meaningful participation in international organizations, and membership in those organizations for which it qualifies and has applied.**

Taiwan is neither actively seeking IMF or World Bank membership, nor is it seeking broader participation in these institutions. We do encourage Taiwan’s full participation in organizations in which it is a member, such as the Asian Development Bank and continue to advocate for equal treatment of Taiwan nationals in IFI employment and Taiwanese firms in MDB-funded procurement.

23. A recent study estimated that Chinese companies received \$7 billion in procurement from international organizations in 2019 alone. China frequently wins contracts at the multilateral development banks. In one case, the Committee is aware of a World Bank infrastructure project where a Chinese firm was not only the winning bidder, but all shortlisted companies were Chinese too. Are you concerned that taxpayer-backed loans are so often being used to support Chinese firms?

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- **Answer: We support MDB procurement rules that create a level playing field for all companies and all bidders. We also support MDB procurement rules that are based on value-for-money, rather than awards based solely on the lowest bid, so that development projects will be sustainable and long-lasting. U.S.-based firms can compete better with low-cost bidders when a value-for-money approach is employed. We are concerned any time low quality goods or services are procured with MDB funding, and we support the robust anti-corruption mechanisms the MDBs have in place to investigate and punish any firms or individuals found to be involved in corrupt bidding processes. That being said, it is not abnormal for domestic firms to be short-listed for local development projects, in China or otherwise. Also, the vast majority of MDB-funded procurement is handled by public procurement officials in the borrowing country. Treasury actively supports MDB and bilateral efforts to improve capacity and transparency in public procurement in developing countries as a critical input for improving the attractiveness of investment opportunities for U.S. firms and leveling the playing field. Treasury and the U.S. Executive Director’s Offices at each MDB work closely with the Department of Commerce, which has a member of the Foreign Commercial Service detailed to the U.S. Executive Director’s Office at every MDB, to increase awareness of procurement opportunities with the MDBs among American businesses and support U.S. businesses in engaging in MDB-funded procurement processes.**
24. A bipartisan law sponsored by Rep. Hill requires Treasury to advocate for greater debt transparency in countries that receive assistance from the World Bank, IMF, and other IFIs. Apart from U.S. efforts, how can other IFI Board members and the management of these institutions be more effective in insisting that borrowing countries reveal their obligations to Beijing?
- **Answer: With strong support from the United States and other shareholders, the IMF and World Bank have made significant progress in promoting debt transparency among borrowing countries and continue to prioritize it in their work streams. This continues to be a Treasury priority. Both institutions have revised the relevant policies that increase the perimeter and granularity of debt data borrowing countries must submit to the IMF and World Bank. They have also revised the incentives for borrowing countries to improve their debt data reporting to the IFIs. Additionally, the IMF and World Bank are stepping up their technical assistance to borrowing countries to help improve these countries’ capacities in debt data collection and reporting. These efforts are meant to promote a holistic understanding of a borrowing country’s entire debt picture, rather than to single out any individual creditors.**

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25. The private sector has a strong interest in improving Chinese debt transparency. What role can private creditors play, either in coordination amongst themselves or with the Treasury Department, to exert pressure on borrowing countries in a way that makes these countries’ obligations to Beijing better understood?
- **Answer: Both private and public creditors are demanding stronger transparency around the debt that borrowing countries owe to PRC-linked creditors. We see this in the context of debt restructurings, where clarity around China’s exposure to the debtor country is often a pre-condition. Private creditors are also working with the Institute of International Finance (IIF)—a group that represents global financial services companies—on incorporating stronger asks on debt transparency into the relevant IIF Principles.**
26. As Rep. Mooney remarked during your hearing, it appears that only one member of China’s Politburo has been sanctioned for the genocide in Xinjiang, a designation that occurred under the previous administration. In Russia, the U.S. sanctioned President Putin and Foreign Minister Lavrov following the invasion in Ukraine. Why are you pulling your punches with China’s top leadership when it comes to genocide?
- **Answer: Treasury has taken a number of actions pursuant to Executive Order (E.O.) 13818, which builds upon and implements the Global Magnitsky Human Rights Accountability Act, to promote accountability for PRC individuals and state-run entities involved in serious human rights abuse (SHRA) in Xinjiang. In 2020, OFAC designated several PRC government officials and entities, including the Xinjiang Public Security Bureau and Xinjiang Production and Construction Corps, for their role in serious human right abuses in Xinjiang. In 2021, Treasury took similar action against additional PRC officials, including most recently in December on International Human Rights Day. While we cannot comment on future actions, we will continue to use all of the tools at our disposal to respond to the ongoing genocide in Xinjiang.**
27. Section 9724 of Public Law 116-617 requires you to report to Congress on efforts to secure employment in hiring for Taiwan nationals at the IFIs. You have not submitted these reports. Today, Taiwan nationals appear to face the same unequal treatment at the World Bank that helped to inspire this provision. Why is Treasury not executing this law?
- **Answer: Treasury and the U.S. Executive Directors continue to advocate for equal employment opportunities at the IFIs, including non-discrimination against Taiwan nationals where relevant. Treasury staff and I would be available to brief you further on these efforts.**

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28. What kind of secondary sanctions exposure, if any, have you communicated to China in its continued dealings with Russia?
- **Answer: We are deeply concerned by the PRC’s alignment with Russia and the possibility that Beijing might attempt to expand non-sanctionable trade with Russia as a way of helping the Russian economy weather the impact of our sanctions. The President has communicated directly to President Xi there would be serious consequences if the PRC extended support to Russia’s war in Ukraine. We are monitoring any attempts across the board by the PRC or other countries to seize commercial opportunities in Russia as firms leave the market. We have been clear that persons in third countries could be exposed to U.S. sanctions for engaging in certain transactions involving persons subject to our Russia-related sanctions.**

Other foreign policy matters

29. Has the Biden Administration settled on specific benchmarks it expects to see before providing sanctions relief to Russia – if so, what are those benchmarks? If not, why were these measures imposed without a clear strategy with respect to behavioral change in Moscow?
- **Answer: The power and integrity of U.S. sanctions derive not only from our ability to use sanctions as a tool, but also from our willingness to remove sanctions in response to positive changes in behavior—the ultimate goal of sanctions. The Administration has been clear with Moscow from the outset that a further violation of Ukraine’s territorial integrity would come at a high economic cost. Russia continues to reject widespread calls to halt its incursion, a necessary condition for considering sanctions relief. We stand firm in our support of Ukrainian sovereignty by continuing to impose sanctions.**
30. Can you certify that the Biden Administration was able to evacuate all Afghan staff of the IFIs, as well as dependents of those employees, who wished to leave Afghanistan after the Taliban’s takeover?
- **Answer: The United States was in very close contact with the leadership of the IFIs who had staff in Afghanistan at the time of the Taliban takeover. We worked closely with U.S. officials at the Departments of State and Defense to help the IFIs evacuate their staffs. I would defer to the managements of the IFIs regarding the current location of their staff.**

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31. Iran is the world’s leading state sponsor of terrorism, and Treasury has designated it a jurisdiction of primary money laundering concern. Under a nuclear agreement with Iran, would Treasury support any access by the Iranian government to the U.S. financial system?
- **Answer: While we cannot speculate about potential future sanctions actions, under the previous Joint Comprehensive Plan of Action (JCPOA), the U.S. domestic trade embargo on Iran remained in place. With very limited exceptions, U.S. persons—including U.S. banks and businesses—remained broadly prohibited from engaging in transactions or dealings with Iran or its government. The Section 311 finding on Iran was not within the scope of the previous JCPOA and was imposed via rulemaking after finding that Iran constituted a primary money laundering concern for reasons related to the financing of terrorism, endemic government corruption, anti-money laundering/combatting the financing of terrorism deficiencies, and the lack cooperation between the U.S. and Iran. I will consider all available information and undertake careful and deliberate assessment of any changes in the aforementioned factors, including remediation efforts, prior to any consideration of the rescission of the jurisdictional Section 311 of Iran.**
32. In September, North Korea said it successfully tested a hypersonic missile, and *Bloomberg* reported last week that the country may soon detonate its first nuclear bomb in more than four years.⁷ According to the UN Panel of Experts on North Korea, the country continues to access financial institutions abroad and earns revenue from overseas labor. Through the bipartisan Otto Warmbier sanctions legislation, sponsored by Rep. Barr, the Biden Administration is required to sanction these activities, extending to foreign financial institutions that may be involved. Why is Treasury failing to apply these sanctions vigorously?
- **Answer: Treasury has taken significant action in the last several months to target supporters of and revenue generators for the Democratic People’s Republic of Korea’s (DPRK) weapons of mass destruction (WMD) and ballistic missile programs:**
 - **On May 27, Treasury designated one individual, two banks, and a trading company for their support to the Democratic People’s Republic of Korea’s (DPRK) development of weapons of mass destruction (WMD) and ballistic missile programs and to the U.S.-designated DPRK national airline. Treasury designated Russian financial institutions Far Eastern Bank and Bank Sputnik, for**

⁷ “North Korea Signals It’s Preparing for a Nuclear Test, Exploiting U.S.-Russia Rift,” *Bloomberg*, March 28, 2022. <https://www.bloomberg.com/news/articles/2022-03-28/north-korea-signals-nuclear-test-exploiting-u-s-russia-rift?sref=qvWfRb7l>

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conducting transactions on behalf of DPRK entities. OFAC took these actions in the spirit of the Otto Warmbier North Korea Nuclear Sanctions Act of 2019, which imposes mandatory designations on foreign financial institutions that knowingly provide significant financial services to persons designated under DPRK-related authorities.

- On March 11, 2022, the Office of Foreign Assets Control (OFAC) sanctioned two Russian individuals and three Russian entities for supporting the DPRK’s ongoing development of its WMD and ballistic missile programs in violation of multiple UNSCRs. This action targeted a group of Russia-based individuals and companies that aid a DPRK defense industry-related procurement agent in Russia.
- In response to further intercontinental ballistic missile (ICBM) tests, on April 1, OFAC sanctioned five DPRK entities for providing support to the DPRK’s development of WMD and ballistic missile programs. This action targeted the DPRK’s Ministry of Rocket Industry (MoRI) and four MoRI trading companies that have pursued various activities likely aimed at generating revenue for MoRI.
- On May 6, 2022, OFAC sanctioned virtual currency mixer Blender.io (Blender), which is used by the DPRK to support its malicious cyber activities and money laundering of stolen virtual currency. Blender was used in processing over \$20.5 million of the illicit proceeds from a \$620 million virtual currency heist — the largest such heist to date — by U.S.-sanctioned Lazarus Group, a DPRK state-sponsored cyber hacking group. Under the pressure of robust U.S. and UN sanctions, the DPRK has resorted to illicit activities, including cyber-enabled heists from cryptocurrency exchanges and financial institutions, to generate revenue for its unlawful weapons of WMD and ballistic missile programs. On May 26, 2022, the U.S. Departments of State and Treasury, and the Federal Bureau of Investigation, issued an advisory to alert the international community, the private sector, and the public to attempts by the DPRK and DPRK information technology (IT) workers to obtain employment while posing as non-DPRK nationals. The advisory provides detailed information on how DPRK IT workers operate and identifies red flags to help companies avoid hiring DPRK freelance developers and to help freelance and digital payment platforms identify DPRK IT workers abusing their services.

Treasury continues to investigate FFIs that may meet the criteria for the imposition of sanctions as laid out in the statute you authored, the Otto

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Warmbier North Korea Nuclear Sanctions Act. If we determine that an FFI is engaged in such activity, we will continue to use available tools, including sanctions, to address the threat the DPRK poses to U.S. national security.

33. Malaria remains the primary cause of childhood illness and death in Africa, killing more than a quarter of a million African children under the age of five each year. The World Health Organization has now given approval to a new malaria vaccine, and an even more effective vaccine is expected in 2024. In October, you called on the World Bank to devote future funding in the poorest countries on a number of areas of importance to the Biden Administration, but your remarks were silent on malaria and other tropical diseases afflicting Africa. Why aren't these a higher priority for the President?
- **Answer: The prevention and eradication of malaria and other tropical diseases remain a priority for the Administration, and I encourage you to speak with the State Department, USAID, and others about our bilateral programs and strong support for multilateral efforts, including through the Global Fund to Fight AIDS, Tuberculosis, and Malaria and GAVI, the Vaccine Alliance. The World Bank has been and continues to be a critical partner in the fight against malaria, funding numerous programs in Africa and other regions over the past two decades to support prevention, treatment, and eradication. The World Bank treats financing for malaria control as an integral part of financing for essential health services within the broader goal of achieving universal health coverage and works with countries to ensure that essential health interventions (including for malaria) are effectively and sustainably integrated in national health sector plans.**
34. World Bank executive directors from both Republican and Democratic administrations have testified to the Committee that Treasury faces inflexible legislative mandates at the IFIs. Treasury staff has echoed these concerns in the past. A bill introduced in a previous Congress by Rep. Hill would have allowed Treasury to waive certain mandates if it allows the Department to promote U.S. interests more effectively. Would you support this approach to provide more discretion for Treasury officials at the IFIs?
- **Answer: The large number of legislative mandates can, indeed, limit our ability to impact IFI work, as any time our votes are predetermined, it can tie our hands and give the IFI managements less incentive to work constructively with us. There are certainly instances in which we believe that some of the legislative requirements may conflict with other U.S. interests. We look forward to continuing our conversation with the Committee and other relevant Committees so that U.S. interests in the IFIs are articulated clearly and consistently, with the executive branch and legislative branch working together to achieve common goals.**

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35. By law, Treasury is required to advocate for the IMF to increase the use of its administrative budget to support technical assistance in the fight against money laundering and terrorist financing. This law also requires Treasury to report annually to Congress on the IMF’s budgeting for this purpose. However, in your latest report, you failed to include these budget details. Is the IMF increasing use of its budget for this important technical assistance – if not, when can we expect results?
- **Answer: Since 2002, the IMF has provided targeted AML/CFT assistance through 175 projects in 92 countries, helping to support the removal of nine countries from the FATF’s warning list and ongoing monitoring. The United States, through the U.S. Executive Director, has consistently pressed for increased resources to support AML/CFT work among IMF member countries, and going forward, the IMF expects to increase its AML/CFT assistance budget from \$3.7 million in FY2022 to \$7.7 million by FY2025.**
36. Last week, President Biden announced he would release an unprecedented one million barrels of oil per day from the Strategic Petroleum Reserve. He also called on Congress to punish oil companies that don’t raise production. Even before the Russian invasion of Ukraine, the Administration had requested that OPEC supply more oil to lower U.S. fuel prices. At the same time, the Treasury Department is claiming to confront climate change by opposing all oil projects abroad through the multilateral development banks, despite low-income countries’ minor contribution to emissions. According to a Treasury announcement in August, “We will also oppose oil energy projects across the oil value chain, including the processing of transport fuels.”⁸ Why do these measures, taken together, lack all coherence, and why does the President seem to believe that the world’s poorest, including much of sub-Saharan Africa, should suffer most?
- **Answer: The best pathway for achieving long-term energy security lies in the development and deployment of renewable and zero emissions energy that reduces dependence on commodity price spikes, petrostates or cartels. Renewables already account for over 80 percent of new electricity generating capacity added globally per year because they are often less expensive than building new coal or gas energy facilities. Securing energy access for the world, particularly the world’s poorest, means that we should encourage investments in renewable energy sources, alongside policy reforms, battery storage and technical assistance for grid preparedness, and avoid saddling poor nations with new fossil fuel infrastructure that will increasingly become uneconomic and obsolete.**

⁸ <https://home.treasury.gov/faq-for-new-fossil-fuel-energy-guidance-for-the-multilateral-development-banks>

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37. You have referred to climate change as “an existential threat.”⁹ The President’s tapping of the Strategic Petroleum Reserve and his threats to force oil companies to ramp up production suggest that climate isn’t so existential in his eyes. Why should the public take seriously the Administration’s climate rhetoric for the developing world when the President is arguing for more fossil fuel supplies to help Democrats before the midterm elections?
- **Answer: The Russian invasion of Ukraine has led to widespread sanctions on Russian oil/gas exports, which has constrained oil and gas supplies globally and led to rising prices. While there are other countries that can fulfill this demand (including the United States), infrastructure constraints and lack of supply cannot completely fill the gap. We see no contradiction between near-term actions designed to protect consumers from energy price shocks exacerbated by Russia’s war and broader efforts to reduce our long-term dependence on fossil fuels by investing in new and sustainable infrastructure obsolete technology as we shift to clean, renewable energy sources.**
38. Last week, the IMF approved a \$45 billion program for Argentina, primarily to help the country meet its existing IMF obligations. According to the Fund’s former director for Latin America, “The macroeconomic policy targets of the program are very weak, there is negligible strengthening of macroeconomic institutions, and a structural reform agenda is completely absent.”¹⁰ Since it joined the Fund in 1956, Argentina has averaged a new IMF deal once every three years. Why does the IMF keep failing in Argentina, and why should Congress support the Fund’s mission creep into climate change and public health when it can’t even achieve its core mission in countries like this?
- **Answer: Argentina has proven to be a continually challenging case, but it is far from clear that the IMF is responsible for the country’s difficulties, or that different engagement by the IMF could have solved Argentina’s problems. The job of the IMF is not to establish political sustainability, and it must work within a country’s existing political establishment. Over the years, Treasury has cautiously supported the Fund’s engagements in Argentina because we believe the Fund to have a net positive stabilizing influence on the country. In that context, we have pressed for IMF engagement that adheres to the institution’s own frameworks for institutional risk management and conditionality to underpin lending. While this engagement does not guarantee Argentina success in regaining a sustainable economic and financial equilibrium, on balance we continue to assess that the IMF’s**

⁹ <https://home.treasury.gov/news/press-releases/jy0092>

¹⁰ “Argentina and the IMF: A Never-Ending Story,” Alejandro Werner, Americas Quarterly, February 14, 2022. <https://americasquarterly.org/article/argentina-and-the-imf-a-never-ending-story/>

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engagement provides the best chance for an improvement in Argentina’s prospects, and we support their program on that basis.

Operations at the IMF and World Bank

39. The IMF’s Managing Director has previously called for higher taxes and spending to address inequality.¹¹ Her words ring hollow when you hear how the IMF is managed, so I want to pose a few questions that Treasury has declined to answer in the past:

- i. The IMF used to provide a “preschool consultant,” and its website lists a personal school counselor for its staff. The IMF has also provided subsidies so that staff can pay tuition at some of the Washington area’s most exclusive private schools. Are such perks still in place?

- **Answer: Treasury continues to engage regularly through our Executive Director’s office to review and assess staff compensation and benefits at the international financial institutions so that they remain competitive to attract a global and diverse workforce, without being overly generous. In that context, in 2019, Treasury rallied other major shareholders to press the IMF to constrain salary increases and streamline benefits toward a more efficient compensation package. In that review, we succeeded in making fundamental changes to the way the IMF computes its salaries, more closely aligning it to the U.S. public sector and the rate of U.S. inflation. U.S. efforts successfully reduced the generosity of the IMF’s benefits, including home leave, education, and other expatriate benefits.**

Treasury will continue to press for removal or reduction of overly generous benefits.

- ii. The IMF has its own golf club with 14 tennis courts and three swimming pools, where IMF staff and retirees enjoy special membership privileges. This is at odds with the Managing Director’s lectures on inclusiveness, isn’t it?
 - **Answer: The Bretton Woods Recreation Center was established in the 1960s to provide the staff of international financial institutions, many of whom were/are people of color, an opportunity for social interaction at a time when most social clubs in the Washington area were racially segregated. The Bretton Woods Recreation Center is a private, non-profit organization that does not receive ongoing support**

¹¹ “Reduce Inequality to Create Opportunity,” Kristalina Georgieva, IMFBlog, January 7, 2020. <https://blogs.imf.org/2020/01/07/reduce-inequality-to-create-opportunity/>

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from the IMF or other international organizations. Memberships are also available to individuals not affiliated with the international organizations.

- iii. The IMF Managing Director also wishes to use the Fund to combat climate change. However, the IMF has covered personal flights for expatriate staff and their families, and budgets over \$130 million per year just for travel. Does such spending make sense when Ms. Georgieva is calling for an end to fossil fuel subsidies¹² and you yourself have labeled climate change “an existential threat”?
- **Answer: Treasury shares the concern that international organizations should look for ways to reduce their carbon footprints as much as possible, consistent with their international membership and the importance of effectively carrying out their missions. We continue to push for these priorities at the IMF, including through making use where possible of greater remote connectivity options to reduce the need for travel. However, in-person technical and policy engagement remain critical to the work of the IMF.**
40. The Committee has long been concerned by a World Bank culture that prioritizes putting loans together for the Board’s approval, rather than consistently challenging itself to deliver results for the poor. Currently, all of the Bank’s regional vice presidents were appointed from within the Bank, and several of them have been at the institution for decades. The same probably holds true for other senior staff. I fear this is a self-perpetuating system. Just last week, a *Wall Street Journal* report showed how a senior Bank official with a reputation for sexual harassment went unaddressed, and the Committee has examined a similar instance of Bank staff failing up in the past. How can we expect the Bank’s culture to improve if the organization doesn’t have a truly competitive and accountable HR process?
- **Answer: The World Bank must have a zero-tolerance policy for sexual harassment or any other harassment and victims must feel empowered and protected to come forward to report harassment. Seniority or employment track record should have no bearing in whether and how findings of harassment are sanctioned.**

Current senior management of the Bank, with strong support and advocacy from the U.S. Executive Director’s Office, have indicated they are committed to establishing a respectful workplace, preventing and ensuring accountability for harassment, and protecting whistleblowers. These efforts include supporting survivors and giving them appropriate voice in the

¹² <https://www.imf.org/en/News/Articles/2021/09/24/unga-high-level-dialogue-on-energy>

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investigative process.

Treasury fully shares the view that the World Bank should have competitive and accountable human resources processes and policies, including robust performance management systems. This includes competitive recruitment approaches that appropriately balance bringing in outside ideas and expertise with providing high-performing staff with clear pathways for advancement. Performance should be the means through which staff are evaluated.

Office of Terrorism and Financial Intelligence

41. In a hearing before our committee on May 5, 2019, Elizabeth Rosenberg, now your Assistant Secretary for Terrorist Financing and Financial Crimes, testified that OFAC’s delisting of Rusal meant that the previous administration had “blinked, lost its spine.”¹³ This statement was at odds with others’ perspectives, such as former Treasury officials Brian O’Toole and Samantha Sultoon. They had written that the action was “among the most robust and verifiable delisting processes that Treasury has achieved.”¹⁴ They concluded: “After months of negotiations, Treasury officials have arrived at a delisting arrangement worthy of careful consideration and approval.” With respect to Russia sanctions, how can Assistant Secretary Rosenberg work effectively with OFAC officials involved in the Rusal delisting if their assessments of this policy are so divergent? Why has the President not reversed the Rusal delisting, and does his posture suggest the Biden Administration has “blinked, lost its spine,” to borrow the Assistant Secretary’s formulation?

- **Answer: Under the Trump Administration, the Treasury Department delisted En+ Group plc (“En+”), UC Rusal plc (“Rusal”), and JSC EuroSibEnergo (“ESE”). Under the terms of their removal from OFAC’s List of Specially Designated Nationals and Blocked Persons (“SDN List”), En+, Rusal, and ESE reduced Oleg Deripaska’s direct and indirect shareholding stake in these companies and severed his control. The companies also agreed to unprecedented transparency for Treasury into their operations by undertaking extensive, ongoing auditing, certification, and reporting requirements. This monitoring continues to this day, and as Treasury has made clear to the parties involved, we will not hesitate to take steps, including the reimposition of sanctions, in response to any breaches from the terms of removal.**

¹³ <https://financialservices.house.gov/events/eventsingle.aspx?EventID=403652>

¹⁴ <https://www.atlanticcouncil.org/blogs/new-atlanticist/memo-to-congress-treasury-s-plan-to-lift-sanctions-on-russian-oligarch-s-companies-is-a-good-one/>

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42. Recent media reports on Russian money laundering have noted that suspicious activity reports (SARs) have been filed on oligarch-linked transactions, but the transactions were still processed.¹⁵ It is unclear if FinCEN even followed up on these SARs. Why should Congress delegate additional authorities to FinCEN when leaks have made the media look more knowledgeable of what is in these SARs than Treasury does?
- **Answer: FinCEN’s rules require financial institutions (FIs) to file Suspicious Activity Report (SAR), but do not require that FIs refuse to process transactions that they deem suspicious. SAR reporting has been highly valuable to FinCEN’s ongoing and substantial efforts to support the Treasury Department and broader U.S. Government efforts to target the assets of Russian elites, oligarchs, and proxies. FinCEN is actively reviewing Russia-related SAR filings, which are available to authorized parties and, where appropriate, FinCEN is sharing relevant information and analysis with stakeholders within Treasury, law enforcement, and the broader interagency. The SARs filed by financial institutions have supported the development of two alerts and an advisory this year concerning Russian illicit finance. FinCEN’s review of SAR filings helps to inform the bureau’s engagement with the private sector on how to better identify corrupt proceeds of elites, oligarchs, and their proxies, and provide FinCEN and law enforcement with critical information to track, freeze, and seize their assets.**
43. I am pleased to see Treasury expanding its efforts to seize Russian oligarchs’ assets, but some of these oligarchs had previously been sanctioned. Why did it take the invasion of Ukraine to make this a priority for the Biden Administration more than a year after the President took office?
- **Answer: This Administration has made countering Russia’s malign activities a high priority since assuming office, as evidenced, e.g., by the issuance of Executive Order 14024. Treasury has always prioritized enforcing our sanctions, and we took numerous steps towards that end, including vigorously pursuing investigations and pursuing blocking actions. Russia’s aggression in Ukraine has heightened the urgency of these efforts, and we will continue to vigorously pursue them. These efforts have been and will be further strengthened as the sanctions regimes of our close partners come into closer alignment with our Russia-related sanctions program, and we employ more tools in coordinated and complementary ways to immobilize Russian assets.**

¹⁵ <https://www.post-gazette.com/news/world/2022/04/03/russia-oligarchs-fincen-money-laundering-russia-deutsche-banks/stories/202204030038>

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44. FinCEN has requested a massive expansion in authorities that could require U.S. citizens and residents – ordinary people, not companies – to report to FinCEN details of their economic activities with any foreign business. Why is FinCEN asking for authority to peer into Americans’ everyday dealings with non-financial entities?
- **Answer: The abuse by criminals or other illicit actors of shell companies, trust and company service providers, and legitimate businesses implicates U.S. national security priorities such as human trafficking, transnational organized crime and corruption. Treasury stands ready to work with Congress on any congressional proposal to update existing authorities that would better allow FinCEN to obtain information from financial institutions concerning foreign entities involved in illicit financial activities.**

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Representative Bill Huizenga (R-MI)

1. An April 3rd, 2022, Bloomberg¹⁶ article noted that a nuclear deal between the United States and Iran was “close”. Is this a fair assessment of the current situation between the United States and Iran when it comes to a nuclear agreement?
 - **Answer: Negotiations related to the United States and Iran mutually returning to the Joint Comprehensive Plan of Action have not concluded. I would defer to the State Department for a more detailed description of ongoing negotiations.**
2. Does the Biden administration continue to believe that the Iranian Revolutionary Guard Corps (IRGC) is a foreign terrorist organization?
 - **Answer: In April 2019, the Secretary of State designated the IRGC, including the Qods Force, as a Foreign Terrorist Organization (FTO). This designation remains in place. We would defer to the State Department for more information regarding the FTO authority.**
3. Would the United States consider removing the IRGC’s designation as a foreign terrorist organization in order to secure a deal with Iran?
 - **Answer: I would defer to the State Department for a more detailed description of ongoing negotiations, including questions related to the FTO authority.**
4. Have you, or anyone else at Treasury, been directed to reduce Iran sanctions enforcement so as not to interfere in the Vienna nuclear talks?
 - **Answer: Treasury’s Iran sanctions authorities remain in effect unless and until they are lifted, and we remain committed to enforcing them. The Treasury Department continues to enforce the Iran sanctions authorities, as evidenced by recent public enforcement actions. The Treasury Department has not been directed to reduce the enforcement of Iran sanctions. On May 25, Treasury designated a large network affiliated with the IRGC-QF that was illicitly selling Iranian petroleum and using the proceeds to support terrorism.**
5. If the Biden Administration were to finalize a new nuclear agreement with Iran, would Treasury support any access by the Iranian government to the U.S. financial

¹⁶ <https://www.bloomberg.com/news/articles/2022-04-03/iran-says-agreement-to-revive-nuclear-deal-with-u-s-is-close>

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system?

- **Answer:** While we cannot speculate about potential future sanctions actions, note that under the previous Joint Comprehensive Plan of Action (JCPOA), the U.S. domestic trade embargo on Iran remained in place. With very limited exceptions, U.S. persons — including U.S. banks and businesses — remained broadly prohibited from engaging in transactions or dealings with Iran or its government.

The Section 311 finding on Iran was not within the scope of the previous JCPOA, and was imposed via rulemaking after finding that Iran constituted a primary money laundering concern for reasons related to the financing of terrorism, endemic government corruption, anti-money laundering/combating the financing of terrorism deficiencies, and the lack cooperation between the U.S. and Iran. I will consider all available information and undertake careful and deliberate assessment of any changes in the aforementioned factors, including remediation efforts, prior to any consideration of the rescission of the jurisdictional Section 311 of Iran.

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Representative French Hill (R-AR)

1. Secretary Yellen, you told us in March last year that the Treasury Department was working with the International Monetary Fund to craft rules to ensure transparency and make it difficult for state sponsors of terror and authoritarian regimes to exchange their Special Drawing Rights. You mentioned at the April 12, 2022 hearing that “the IMF has given countries guidelines about appropriate uses of SDRs and there is a disclosure framework so that we can monitor how they are being used.”

Please provide the committee with a copy of these guidelines and a detailed explanation of the Treasury Department’s engagement with the IMF in the preparation of these guidelines.

- **Answer: Treasury worked with IMF staff to enhance the quarterly financial reports on SDR holdings by breaking out transactions into the aggregate categories of IMF operations and SDR trading, and asked staff to publish a guidance note on SDR use. The Guidance Note for Fund Staff on the Treatment and Use of SDR Allocation was published August 23, 2021, on the IMF’s website.¹⁷ The IMF publishes SDR holdings on a monthly¹⁸ and quarterly¹⁹ basis on its website. In addition, at our request, the IMF started publishing an annual update on SDR transactions²⁰ and an ex-post report on the use of SDRs will be published two years after the allocation.**
2. Since the August 2021 general allocation of Special Drawing Rights, have any SDRs been exchanged for payment of any form of debt? Please provide the committee with a detailed breakdown of any such SDR exchanges, including the date, the amount of SDRs exchanged, any parties that participated in the exchange, the currency that the SDRs were exchanged for, and any debt that was paid off using the proceeds from the SDR exchange.

Relatedly, has any Belt and Road Initiative borrowing country exchanged their SDRs, or used its SDRs to free up funds, in order to facilitate repayment of BRI loans?

- **Answer: Treasury encourages the IMF to work with authorities to provide advice and technical support on how to use SDRs in-line with IMF guidance. More broadly, Treasury is pressing at the IMF that countries should not use**

¹⁷ <https://www.imf.org/en/Publications/Policy-Papers/Issues/2021/08/19/Guidance-Note-for-Fund-Staff-on-the-Treatment-and-Use-of-SDR-Allocations-464319>

¹⁸ [Guidance Note for Fund Staff on the Treatment and Use of SDR Allocations \(imf.org\)](https://www.imf.org/en/Publications/Policy-Papers/Issues/2021/08/19/Guidance-Note-for-Fund-Staff-on-the-Treatment-and-Use-of-SDR-Allocations-464319)

¹⁹ [International Monetary Fund’s Financial Statements and the Quarterly Reports on IMF Finances](https://www.imf.org/en/Publications/Policy-Papers/Issues/2021/08/19/Guidance-Note-for-Fund-Staff-on-the-Treatment-and-Use-of-SDR-Allocations-464319)

²⁰ First year of publication: <https://www.imf.org/en/Publications/Policy-Papers/Issues/2021/10/26/Annual-Update-on-SDR-Trading-Operations-498096>

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IMF resources to repay China, or any other unsustainable debt, particularly in lieu of a needed debt treatment or broader reform effort.

3. Currently, FinCEN can only impose recordkeeping and reporting requirements on domestic financial institutions and non-financial trades or businesses in a geographic area through Geographic Targeting Orders, or GTOs. What reasons are there, if any, to remove the geographic limitation of FinCEN’s GTO authority? Does the Treasury Department support legislative efforts to do so?
 - o **Answer: Criminals are abusing new technologies, new payment systems, and evolving illicit finance threats and channels since 31 U.S.C. 5326 was first enacted in 1988 create new vulnerabilities. Drug trafficking organizations, corrupt officials, and terrorists are using technologies and companies that are not defined by jurisdictional boundaries or localized activity. The COVID 19 pandemic has also drastically changed the ways in which Americans as a whole access financial services and gatekeepers to the financial system. Treasury stands ready to work with Congress to ensure that its existing record keeping and reporting rules to maintain the integrity of the U.S. financial system are updated in ways that keep pace with changes in the way in criminals and corrupt officials abuse the U.S. and international financial systems.**

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Representative Tom Emmer (R-MN)

1. Secretary Yellen, given the concerns raised by the IMF staff about development and implementation of central bank digital currencies, how do you see those pilot programs and related efforts affecting the international financial landscape?
 - **Answer: The United States strongly supports responsible innovation that promotes global economic growth and financial stability without compromising other critical goals, such as national security. Treasury is deeply engaged both domestically and internationally with our counterparts to ensure that Central Bank Digital Currencies are designed in a manner consistent with transparency, rule of law, and sound economic governance.**

