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United States Senate
COMMITTEE ON BANKING, HOUSING, AND
URBAN AFFAIRS
WASHINGTON, DC 20510-6075

June 25, 2021

Ms. Elizabeth Rosenberg
Assistant Secretary for Terrorist Financing Designate
Department of the Treasury
1500 Pennsylvania Avenue NW,
Washington, DC 20220

Dear Ms. Rosenberg:

Thank you for testifying before the United States Senate Committee on Banking, Housing, and Urban Affairs on June 22, 2021, at our hearing to consider nominations.

In order to complete the hearing record, please respond to the enclosed questions by Thursday, July 1, at 12:00PM. When formatting your response, please repeat the question, then your answer, single spacing both question and answer. Please do not use all capitals.

Send your reply to Mr. Cameron Ricker, the Committee's Chief Clerk. He will transmit copies to the appropriate offices, including the Committee's publications office. Due to current procedures regarding Senate mail, it is recommended that you send replies via e-mail in a Microsoft Word or PDF attachment to Cameron_Ricker@banking.senate.gov.

If you have any questions about this letter, please contact Mr. Ricker at (202) 224-5587.

Sincerely,



Sherrod Brown
Chairman

SB/cr

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Questions for Ms. Elizabeth Rosenberg, of Vermont, to be Assistant Secretary for Terrorist Financing, Department of the Treasury, from Chairman Sherrod Brown:

Fighting Domestic Terrorism

1) As mentioned in my opening statement at the hearing, the FBI Director testified recently that racially motivated and anti-government extremists are likely to be the biggest domestic threat over the next few years. Last week, the Biden Administration rolled out a new strategy to counter domestic terrorism. The strategy calls for greater scrutiny of public social media posts and better coordination among law enforcement and national security agencies. How should Treasury work with other law enforcement agencies like the FBI and Homeland Security to better fight domestic terrorism, while protecting people's civil rights and liberties? Is there anything more Congress should be doing now to better assist TFI in protecting us from these threats?

Answer: As noted in the *National Strategy for Countering Domestic Terrorism*, the Intelligence Community assesses that domestic violent extremists (DVEs) who are motivated by a range of ideologies and galvanized by recent political and societal events in the United States pose an elevated threat to the United States in 2021. Enduring DVE motivations pertaining to biases against minority populations and perceived government overreach will almost certainly continue to drive DVE radicalization and mobilization to violence. If confirmed, I pledge Treasury will continue to: (i) explore, in coordination with law enforcement and other interagency partners, ways to enhance the identification and analysis of financial activity associated with domestic terrorists and their foreign counterparts; (ii) enhance engagement with financial institutions on domestic terrorist financing, including through existing provisions of the Bank Secrecy Act (BSA); (iii) coordinate with the Department of State, other interagency partners, and with our foreign allies to assess whether additional foreign entities linked to domestic terrorism can be designated as Specially Designated Global Terrorists, or Foreign Terrorist Organizations; (iv) in coordination with interagency partners, continue to support law enforcement action against domestic terrorists and their foreign supporters through the provision of financial intelligence, information, and analysis; and (v) across these efforts, work to ensure that Americans' civil liberties and constitutional rights continue to be protected.

Beyond these forms of domestic collaboration, Treasury, as Head of the U.S. Delegation to the Financial Action Task Force (FATF) through the Office of Terrorist Financing & Financial Crimes (TFFC), works with foreign partners, and otherwise works bilaterally to identify cross-border financial activity associated with racially or ethnically motivated violent extremists and adopt appropriate counter measures to address this activity.

Effectiveness of Sanctions

2) Critics have long questioned the effectiveness of sanctions. In your prior policy role at the Center for New American Security, you developed an approach to harnessing and measuring the effectiveness of sanctions. How would you address these critics, how can we accomplish the goals of sanctions more effectively, and how might the Treasury Department, and specifically

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the Office of Terrorist Financing and Financial Crimes, develop metrics to better track the value and effectiveness of sanctions?

Answer: Sanctions are most effective when they are based on all-source intelligence and economic analysis, used in furtherance of a clearly communicated and specific policy objective, and when they are part of a comprehensive diplomatic and security strategy. Also, they are most effective when applied multilaterally, easily understood and enforceable, and have clearly defined and communicated options for escalation and wind-down once the policy objective is met.

However, when these measures are not used in a focused and systematic manner, they can fail to impose meaningful economic, political, or other costs on a target and enrich adversaries. An arbitrary use of sanctions risks harming American workers, businesses, and competitiveness, as well as imposing unintended costs on U.S. allies and other third parties. These actions weaken U.S. credibility and may confuse allies, adversaries, and members of the private sector and civil society. These factors also weaken the United States' ability to use economic deterrence to further U.S. national security, foreign policy, and economic policy goals.

If confirmed, I would lead the TFFC office in collaborating closely with the Office of Foreign Assets Control (OFAC) to define an evaluative process to examine the effectiveness of sanctions, leveraging expertise from other offices of Treasury, including the Office of Intelligence and Analysis (OIA) and the Office of International Affairs (IA), as well as with other interagency partners.

TFI Structure

3) You previously worked in TFI as a Senior Advisor to the Under Secretary, and you currently work at Treasury as Senior Counsel to the Deputy Secretary. Based on this work and your longstanding knowledge of the various components and roles within TFI, do you have any recommendations on restructuring or streamlining TFI in order to enable the Office to utilize its tools more efficiently and effectively?

Answer: I first joined the office I have now been nominated to lead in 2009. Since that time, I have developed a deep appreciation of, and learned tremendously from, the expertise and experience of the professionals in the various components of the Office of Terrorism and Financial Intelligence (TFI). There are unique roles and responsibilities throughout the organization, and many forms of impressive complementary work in service of national security. Most recently, through my work as Counselor to the Deputy Secretary, I have come to appreciate the ways in which TFI has changed over the years, with new anti-money laundering and sanctions authorities, and an increasingly significant role to play in the execution of U.S. national security. In the context of the Deputy Secretary's sanctions review and in other engagements, the many talented staff members at Treasury, and others, have offered valuable ideas about ways to streamline the work of TFI and capture

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efficiencies, modernizing uses of data and information technology, ensuring that engagements and information sharing with financial institutions and other regulated entities can be as productive as possible, and that Treasury has robust partnerships with the law enforcement and intelligence communities, as well as foreign partners, for the purposes of enforcement and advancing policy interests. If confirmed, I would welcome the opportunity to implement some of these good ideas, in accordance with the views of Treasury's senior leadership and in close partnership with TFI's other component heads.

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Questions for Ms. Elizabeth Rosenberg, of Vermont, to be Assistant Secretary for Terrorist Financing, Department of the Treasury, from Ranking Member Patrick Toomey:

Congressional Oversight

1) Please provide your philosophy on how the Office of Terrorism Financing and Financial Intelligence (TFI) at the Department of the Treasury (Treasury) will approach and respond to Congressional information requests (both for documentary information and oral testimony), if you are confirmed.

Answer: I recognize that Congress plays an important oversight role regarding executive branch activities. If confirmed, I pledge to work through the accommodations process to comply with Congressional requests for information consistent with the constitutional and statutory obligations of the executive branch.

2) If confirmed, do you intend to respond to information requests differently depending on who is making the Congressional information request (whether it's the chair of the Congressional committee, the ranking member, or another member of Congress)? Please answer "yes" or "no." If your answer is "yes," please explain.

Answer: I recognize that Congress plays an important oversight role regarding executive branch activities, and I pledge to thoughtfully consider all Congressional information requests, recognizing the importance of transparency in government. If confirmed, I pledge to work through the accommodations process to comply with Congressional requests for information consistent with the constitutional and statutory obligations of the executive branch.

3) Will you commit that, if confirmed, you will respond in a timely manner and fully comply with all information requests from me? Please answer "yes" or "no." If your answer is "no," please explain.

Answer: I recognize that Congress plays an important oversight role regarding executive branch activities, and I pledge to thoughtfully consider all Congressional information requests including from any member, recognizing the importance of transparency in government. If confirmed, I pledge to work through the accommodations process to comply with Congressional requests in a timely manner for information consistent with the constitutional and statutory obligations of the executive branch.

4) Will you commit that, if confirmed, you will make yourself and any other TFI employee expeditiously available to provide oral testimony (including but not limited to briefings, hearings, and transcribed interviews) to the Committee on any matter within its jurisdiction, upon the request of either the Chairman or Ranking Member? Please answer "yes" or "no." If your answer is "no," please explain why.

Answer: I recognize that oral testimony plays an important role in Congress' oversight responsibilities regarding executive branch activities. If confirmed, I commit to brief or

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testify regarding Congressional requests consistent with the constitutional and statutory obligations of the executive branch.

5) On June 10, 2021, I wrote a letter to Treasury Secretary Yellen requesting records related to the Biden administration's efforts to reenter the Joint Comprehensive Plan of Action (JCPOA), by June 25, 2021.¹ I have yet to receive a response. When will Treasury respond and comply with my request?

Answer: If confirmed, I am happy to look into the status of the Department's response to this letter.

The Joint Comprehensive Plan of Action (JCPOA)

6) On April 21, 2021, an unnamed senior State Department Official suggested that during the Trump administration some sanctions, including terrorism sanctions, on Iranian entities were "not legitimately imposed."² Do you agree that such accusations undermine the integrity of the U.S. sanctions regime and disparage the career civil servants at Treasury who compile the evidentiary packages for such sanctions? Please answer "yes" or "no." If your answer is "no," please explain.

Answer: Based on my experience working at the Treasury Department from 2009-2013, and as a Counselor in the current Administration, I have confidence in the diligence and dedication of Treasury's career civil servants in the Office of Terrorism and Financial Intelligence and no reason to question the evidentiary basis of the designations. If confirmed, I will look into this matter and would actively work to ensure that staff have the resources and support necessary to continue with their excellent work.

7) If confirmed, will you commit to transmitting to me in writing, no later than seven days after you are confirmed, a determination on whether terrorism sanctions were imposed illegitimately by the Trump administration?

Answer: If confirmed, I will commit to expeditiously looking into this matter regarding terrorism sanctions imposed on Iranian entities.

8) Iran has not answered the International Atomic Energy Agency's (IAEA) questions regarding why nuclear particles have been found at undisclosed Iranian sites. As a result, the

¹ Senator Pat Toomey, Letter to Secretary Yellen Concerning JCPOA Reentry (June 10, 2021), https://www.banking.senate.gov/imo/media/doc/toomey_letter_to_treasury_on_jcpao_reentry.pdf.

² United States Department of State, *Briefing with Senior State Department Official On Recent U.S. Engagement in Vienna Regarding the JCPOA* (April 21, 2021), <https://www.state.gov/briefing-with-senior-state-department-official-on-recent-u-s-engagement-in-vienna-regarding-the-jcpoa-2/>.

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nuclear watchdog recently warned it is now impossible to confirm Iran is not seeking a nuclear weapon. ³

- a. Do you believe Iran should account for the existence of these nuclear particles before the United States rejoins the Iran nuclear deal and offers sanctions relief?

Answer: I defer to the State Department regarding these vitally important matters and the terms of any Iran nuclear deal. Broadly speaking, I believe Iran should only enjoy sanctions relief if it takes the appropriate steps to resume compliance with its nuclear commitments under the JCPOA. If confirmed, I will work to ensure that Treasury continues its important work to enforce U.S. sanctions and combat Iran’s support for terrorism, abuse of human rights, Weapons of Mass Destruction (WMD) proliferation and ballistic missile development, as well as the regime’s destabilizing activities in the region.

- 9) What is your view of the JCPOA and the sanctions relief it provided Iran and will provide Iran if the United States rejoins it?

Answer: I have in the past and continue to support nuclear arms control. As senior members of the Biden-Harris administration have said, if Iran implements its nuclear commitments under the JCPOA, the U.S. would implement its own commitments under the JCPOA to lift sanctions. The U.S. would nevertheless retain a broad range of sanctions, including hundreds of sanctions imposed by the previous administration, to deal with Iran's threats to regional stability, support for terrorism, human rights abuses, among other threatening activities.

- 10) If the United States returns to the JCPOA, do you agree that non-nuclear sanctions on Iran, such as terrorism sanctions, should be maintained?

Answer: As senior members of the Biden-Harris administration have said, if Iran implements its nuclear commitments under the JCPOA, the U.S. would implement its commitments under the JCPOA to lift sanctions. However, even under the terms of the JCPOA, Treasury would retain the right to impose sanctions related to Iranian support for terrorism, human rights abuses, WMD proliferation and ballistic missile development, as well as the regime’s destabilizing activities in the region. If confirmed, I will ensure that Treasury continues to enforce strong U.S. sanctions.

³ International Atomic Energy Agency, *IAEA Director General's Introductory Statement to the Board of Governors* (June 7, 2021), <https://www.iaea.org/iaea-director-generals-introductory-statement-to-the-board-of-governors-7-june-2021>.

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11) You are currently working at Treasury as Counselor to Treasury Deputy Secretary Wally Adeyemo. In that role, you have been conducting a review of Treasury's sanctions program.

- a. Do you have any evidence that the Central Bank of Iran has ceased activities connected to financing terrorism, including its connections to the Islamic Revolutionary Guard Corps (IRGC)?
- b. Do you have any evidence that the National Iranian Oil Company has cut off all ties to the IRGC and eliminated all concerns that led to its terrorism designation under Executive Order 13224?
- c. Do you have any evidence that the National Iranian Tanker Company has cut off all ties to the IRGC and eliminated all concerns that led to its terrorism designation under Executive Order 13224?
- d. Does the Financial Crimes Enforcement Network's (FinCEN) Section 311 finding that Iran's central bank is a primary jurisdiction of money laundering concern remain valid today?

Answer: Deputy Secretary Adeyemo is leading a review of U.S. use of economic and financial sanctions, and I work with him in this effort. The Treasury sanctions review is not focused on individual sanctions programs, individual designations, or on an intelligence review related to the application of sanctions. Rather, it is a relatively high-level examination of sanctions successes, opportunities for change or improvements, and steps for adjusting implementation across all sanctions programs. It is designed to identify ways to ensure that sanctions can most effectively advance the national security, foreign policy, and economic aims of the United States.

12) Will you commit to keeping in place U.S. sanctions on the Central Bank of Iran and other Iranian entities designated for supporting terrorism and the development of weapons of mass destruction (WMD) unless there is credible information that those entities have ceased engaging in the activity for which they were sanctioned? Will you commit to briefing this Committee and providing relevant information about changes in these entities' activities if they are delisted?

Answer: As senior members of the Biden-Harris administration have said, if Iran implements its nuclear commitments under the JCPOA, the U.S. would implement its commitments under the JCPOA to lift sanctions. If confirmed, I will commit to keeping Congress informed regarding Treasury's actions.

13) Yes or no, do you agree that Iran's IRGC is a terrorist organization?

Answer: Yes, Iran's Islamic Revolutionary Guards Corps (IRGC) was designated as a Foreign Terrorist Organization (FTO) by the Secretary of State pursuant to section 219 of the Immigration and Nationality Act (INA) on April 15, 2019. On October 13, 2017, Treasury designated the IRGC pursuant to the global counterterrorism Executive Order

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(E.O.) 13224 and consistent with the Countering America’s Adversaries Through Sanctions Act.

14) Are you committed to strict enforcement of sanctions against the IRGC and its subsidiaries and affiliates, including, but not limited to the National Iranian Oil Company?

Answer: U.S. sanctions depend on their effective implementation and enforcement. If confirmed, I will work to ensure that all economic sanctions are vigorously enforced.

15) If a return to compliance with the JCPOA does occur, will you commit to continuing to prevent Iran from gaining any access to the U.S. financial system, including through so called “U-turn” transactions?

Answer: I will support the Biden-Harris Administration and the President’s foreign policy decisions regarding the JCPOA, and will work to protect the integrity of the U.S. financial system.

16) If a U.S. return to the JCPOA is not achieved, what role do you believe conduct-based sanctions can play in persuading the Iranian regime to change its malign behavior?

Answer: I believe sanctions will remain a powerful tool to incentivize the Iranian regime to change its behavior. If confirmed, I would seek to amplify the effects of U.S. sanctions through coordination with allies and partners. As Secretary Yellen said, U.S. sanctions are more likely to compel changes in behavior and disrupt threatening activities when pursued in concert with our allies — carrying a more forceful economic impact by disrupting access to the international financial system — and sending a stronger message to malign actors by virtue of our solidarity.

17) Do you agree with the Financial Action Task Force’s (FATF) call for countermeasures against Iran given the country’s failure to enact the Palermo and Terrorist Financing Conventions in line with the FATF Standards?⁴

Answer: I recognize that the FATF has called for countermeasures on Iran to be re-imposed after Iran failed to implement the commitments it made to the FATF to improve its legal framework to combat money laundering and terrorist financing. I agree that Iran must ratify the Palermo and Terrorist Financing Conventions in line with the FATF standards.

18) The United States imposed sanctions on Iran’s new president, Ebrahim Raisi, in 2019, pursuant to Executive Order 13876. The order authorizes sanctions against the Supreme Leader of Iran, the Office of the Supreme Leader, any official appointed by him, and anyone conducting transactions with them. In particular, the order authorizes sanctions on foreign financial

⁴ Financial Action Task Force, *Outcomes FATF Plenary, 19-21 February 2020* (February 2020), <https://www.fatf-gafi.org/publications/fatfgeneral/documents/outcomes-fatf-plenary-february-2020.html>.

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institutions that knowingly facilitate or conduct a significant transaction with any individual or entity designated pursuant to that executive order. These sanctions are not nuclear-related and, thus, are consistent with the JCPOA.

- a. What would be the conditions under which Treasury would lift or waive sanctions on Ebrahim Raisi?
- b. Will you commit to consulting with me and the entire Committee before any potential waiving or lifting of sanctions on Ebrahim Raisi?

Answer: If confirmed, I would study the relevant legal authorities and available intelligence and can commit to briefing the Committee on this topic.

Recent Iran Sanctions Relief

19) Treasury has reportedly recently provided a specific license allowing the release of \$16 million in frozen Iranian funds from a South Korean bank.⁵ Specific licenses provide an exception to a sanction by which an otherwise prohibited transaction can occur. How many specific licenses related to Iran has the Biden administration issued since January 2021?

Answer: I understand from Treasury staff that according to a preliminary review of records for licenses issued under OFAC's Iran Transactions and Sanctions Regulations (ITSR), OFAC has identified approximately 145 specific licenses issued during the Biden Administration. This number matches the pace of licenses issued under the Iran program in the previous administration.

These licenses include the authorization for a \$16 million payment of UN dues. OFAC's policy across most sanctions programs is to authorize the official business of the UN, including the payment of dues. This is true in other comprehensive sanctions programs, including DPRK and Syria – both which have similar general licenses. This is longstanding and not new. On two separate occasions earlier this year, including under the previous administration, the US government took additional action to ensure that payment mechanisms were available for Iran's UN dues.

Iranian Funding for Terrorism

20) What is your assessment of the impact sanctions relief under a U.S. return to the JCPOA will have on Iran's funding of terror groups, such as Hezbollah, Hamas, Palestinian Islamic Jihad, and Kata'ib Hizballah (KH)?

⁵ Michelle Nichols, *Iran regains U.N. vote after U.S. enables U.N. payment*, REUTERS (June 11, 2021), [https://www.reuters.com/world/asia-pacific/iran-regains-un-vote-after-us-enables-un-payment-2021-06-11/#:~:text=payment,-Michelle%20Nichols&text=NEW%20YORK%2C%20June%2011%20\(Reuters,owed%20to%20the%20world%20body.](https://www.reuters.com/world/asia-pacific/iran-regains-un-vote-after-us-enables-un-payment-2021-06-11/#:~:text=payment,-Michelle%20Nichols&text=NEW%20YORK%2C%20June%2011%20(Reuters,owed%20to%20the%20world%20body.)

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Answer: As Secretary of State Blinken has said, an Iran with a nuclear weapon or the ability to produce one in very short order is an Iran that is going to act with even greater impunity when it comes to support for terrorist groups and for destabilizing activities in the region. If confirmed, I will not hesitate to use counterterrorism authorities to target Iran’s support to Hizballah and HAMAS, or any other designated terrorist group.

21) Would you agree that if the Iranian regime spent less money supporting terrorists and lining their own pockets, they could afford to purchase vaccines or pay the country’s U.N. dues?

Answer: Treasury’s Iran sanctions program is intended to deprive the Iranian regime from funding for terrorism, its nuclear program, and its other threatening activities in the region. If confirmed I will look into the Iranian regime’s fundraising and budgetary expenditure and will help lead Treasury’s important work to counter Iran’s corruption, human rights abuses, and the funding of terrorism.

22) Do you agree that every dollar of U.S. sanctions relief provided to Iran, frees up another dollar that Tehran can spend on illicit activities?

Answer: Iran presents an array of threats to U.S. interests and U.S. sanctions seek to deprive the Iranian regime of money it can use to engage in its threatening behavior. Furthermore, as Secretary of State Blinken has said, an Iran with a nuclear weapon or the ability to produce one in very short order is an Iran that’s going to act with even greater impunity when it comes to support for terrorist groups and for destabilizing activities in the region. If confirmed, I will look into the Iranian regime’s fundraising and budget expenditure, consulting with Treasury and interagency colleagues, and can commit to discussing this with the Committee.

China

23) According to leading ship tracking websites and the International Energy Agency (IEA), China has managed to import over 100 million barrels of oil from Iran since January 2021,⁶ in violation of U.S. sanctions on Iranian oil.⁷ By a conservative estimate, that is approximately \$5 billion in illicit revenues accruing to the regime in the space of six months. China purchased five times more oil in March 2021 than in the first nine months of 2020, according to the IEA. The Biden administration has not sanctioned a single Chinese transgressor.

- a. Do you believe that China’s ongoing violation of our sanctions regime is a problem? Please answer “yes” or “no.” If your answer is “no,” please explain.

⁶ Benoit Faucon, *Iran Boosts Oil Exports Amid Nuclear Deal Talks*, THE WALL STREET JOURNAL (April 15, 2021), <https://www.wsj.com/articles/iran-boosts-oil-exports-amid-nuclear-deal-talks-11618497634>.

⁷ See the Iran Freedom and Counter-Proliferation Act of 2012 (P.L. 112- 239) and Section 1245 of the Fiscal Year 2012 National Defense Authorization Act (P.L. 112-81).

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- b. Why have Chinese violators not been sanctioned?
- c. What specific steps would you take, if confirmed, to staunch the flow of Iranian oil to China and properly enforce U.S. sanctions?
- d. Do you agree that if U.S. adversaries perceive the United States to be unwilling or unable to enforce U.S. sanctions, then they will be more likely to violate sanctions?

Answer: Yes, I am concerned by all reports of alleged sanctions evasion. U.S. sanctions depend on their effective implementation and enforcement. Since the passage and implementation of the Comprehensive Iran Sanctions, Accountability, And Divestment Act in 2010, successive Administrations have demonstrated a willingness to sanction Chinese targets for conducting sanctionable transactions related to Iran. If confirmed, I will also work to ensure that the Treasury Department is focused on any efforts to evade sanctions and abuse the international banking system, working closely with colleagues in the Treasury Department and throughout the interagency.

24) Open source ship tracking websites have identified suspected vessels and entities involved in transporting Iranian oil to China since January 2021 (see UANI attached report). If confirmed, will you investigate these entities and apply sanctions to them if they have indeed violated U.S. law?

Answer: If confirmed, I pledge to review the facts and circumstances identified in this report and to promptly address any violations of U.S. law.

25) China has long been one of the worst violators of U.S. sanctions. If confirmed, how would you go about seeking better cooperation from China on sanction matters?

Answer: If confirmed, I will be clear-eyed regarding where we can seek cooperation with China and where our interests diverge. Our sanctions play a crucial role in upholding international standards and norms, countering terrorism and the proliferation of weapons of mass destruction, and other national security interests. I am committed to using the full breadth of Treasury's tools and authorities to implement U.S. sanctions and where necessary to hold China accountable for violations.

26) China is aggressively moving to develop and deploy a central bank digital currency (CBDC), which could potentially undercut the power of U.S. sanctions. What specific steps would you take at Treasury to prevent a Chinese CBDC from undermining U.S. sanctions?

Answer: If confirmed, I look forward to studying China's development of a central bank digital currency (CBDC) and to carefully consider the possible impacts of a Chinese CBDC on U.S. sanctions.

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27) China has established a joint venture with the SWIFT network, which could facilitate the integration of a Chinese CBDC with existing international payments standards.⁸ What steps do you believe should be taken to ensure the United States retains its international economic leverage and leadership as the dominant international trade currency?

Answer: If confirmed, I will commit to working closely with colleagues in Treasury’s Offices of International Affairs, Domestic Finance, and Economic Policy to ensure that the agency’s policies are aligned to promoting growth and robust U.S. markets, financial institutions, and trade, all of which are central to U.S. economic and financial preeminence and the attendant power of U.S. sanctions. If confirmed, I will commit to using Treasury’s existing tools and authorities, and if necessary seek new tools and authorities, to ensure the United States retains its economic leverage and leadership. I am committed to strengthening the anti-money laundering/countering the financing of terrorism (AML/CFT) regimes of countries around the world, including working with relevant multilateral organizations, to ensure proper standards and mechanisms are instituted and effectively implemented to promote an environment that best supports our national security and economic prosperity.

Sanctioning NordStream II AG

28) Nord Stream II AG is the company responsible “for planning, construction and subsequent operation of the Nord Stream 2 Pipeline.”⁹ The State Department—in its most recent Protecting Europe’s Energy Security Act (“PEESA”) report to Congress¹⁰—reported that Nord Stream II AG is using the Russian pipe-laying contractor LLC Koksokhimtrans for this project.¹¹ Notably, in 2016, LLC Koksokhimtrans was sanctioned under Executive Order 13685 for its involvement in Russia’s invasion of Crimea and its connections to another sanctioned entity, the Russian shipping company, Sovfracht-Sovmortrans Group.¹² Under Section 228 of Countering America’s Adversaries Through Sanctions Act (CAATSA), which passed the Senate 98 to 2, Nord Stream II AG must be sanctioned if it is facilitating a significant transaction with a sanctioned entity, such as LLC Koksokhimtrans.

⁸ *UPDATE 1-SWIFT sets up JV with China’s central bank*, REUTERS (February 21, 2021), <https://www.reuters.com/article/china-swift-pboc/update-1-swift-sets-up-jv-with-chinas-central-bank-idUSL1N2KA0MS>.

⁹ “Shareholder & Financial Investors” Nord Stream 2, <https://www.nord-stream2.com/company/shareholder-and-financial-investors/>.

¹⁰ See Report to Congress and Waiver with Respect to Certain Persons Identified on the PEESA Report, May 19 2021.

¹¹ Title LXXV of Public Law 116-92, as amended by section 1242 of the William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021 (P.L. 116-283).

¹² “LLC KOKSOKHIMTRANS.” *Specially Designated Nationals and Blocked Persons List*, U.S. Department of the Treasury, Office of Foreign Assets Control (May 20 2021) <https://sanctionssearch.ofac.treas.gov/Details.aspx?id=20290>; “Treasury Sanctions Individuals and Entities for Sanctions Evasion and Activities Related to the Conflict in Ukraine.” U.S. Department of the Treasury (September 1, 2016), <https://www.treasury.gov/press-center/press-releases/pages/j15048.aspx>.

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Furthermore, the State Department’s most recent PEESA report also identified LLC Mortransservice, a company that reportedly acquired another one of the vessels identified in the PEESA report.¹³ LLC Mortransservice appears to be the successor to ZAO ‘MORTRANSSERVIS’ a similarly named company established by the Sovfracht-Sovmortrans Group.¹⁴ The Sovfracht-Sovmortrans Group was sanctioned under Executive Order 13685 for its operations in Crimea.¹⁵

- a. With the identification of LLC Koksokhimtrans and LLC Mortransservice in the most recent PEESA report, it appears Nord Stream II AG has conducted significant transactions with previously sanctioned entities, making the legal connection that warrants sanctioning Nord Stream II AG pursuant to Section 228 of CAATSA. Given your current position at Treasury, can you please explain why Nord Stream II AG has not been sanctioned under CAATSA?
- b. If confirmed, will you commit to notifying me, within seven days of your confirmation, on whether any foreign persons or entities affiliated with LLC Mortransservice, LLC Koksokhimtrans and ZAO ‘MORTRANSSERVIS’ have been involved in sanctions evasion efforts in connection with the Sovfracht-Sovmortrans Group or the Nord Stream 2 Pipeline project?

Answer: If confirmed, I commit to looking into these important questions and working with interagency partners to respond to the Committee’s questions on these subjects expeditiously.

General Sanctions Enforcement

29) The Biden administration has emphasized the importance and strength of multilateral sanctions. What steps will you take to engage our partners in the European Union and elsewhere to harmonize sanctions regimes?

Answer: If confirmed, I commit to prioritizing the Administration’s efforts to work with allies and partners, including through the issuance of coordinated sanctions actions with allies, to amplify the financial and diplomatic impact of our economic authorities. In

¹³ “NORD STREAM 2: Russia Is Trying to Circumvent Sanctions Against the Project.” Foreign Intelligence Service of Ukraine, March 28, 2021. <https://szru.gov.ua/en/news-media/news/nord-stream-2-russia-is-trying-to-circumvent-sanctions-against-the-project>; see also “Ein Rennen gegen die Zeit und die USA” *Süddeutsche Zeitung*, February 23 2021, <https://www.sueddeutsche.de/politik/nord-stream-2-usa-russland-gaspipeline-1.5215746>.

¹⁴ “ZAO ‘MORTRANSSERVIS’.” Comfex, 2021. <https://comfex.ru/1027700360522>; “JSC ‘SOVMORTRANS’.” Comfex, 2021. <https://comfex.ru/1027739349076>; “Kompanii grupiy,” Sovfrakht. Accessed May 2021. <http://www.sovfracht.ru/group-companies/>; “Gruppa Kompaniy ‘Sovfrakht-Sovmortrans’ prinyala uchastiye v TransRossi 2012” *Argumenti I Fakti*, May 2, 2012. <https://pskov.aif.ru/money/realty/767137>.

¹⁵ “SOVFRACHT-SOVMORTRANS GROUP.” *Specially Designated Nationals and Blocked Persons List*, U.S. Department of the Treasury, Office of Foreign Assets Control, May 20, 2021. <https://sanctionssearch.ofac.treas.gov/Details.aspx?id=20288>; “Treasury Sanctions Individuals and Entities for Sanctions Evasion and Activities Related to the Conflict in Ukraine.” U.S. Department of the Treasury, September 1, 2016. <https://www.treasury.gov/press-center/press-releases/pages/j15048.aspx>.

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addition, this type of close coordination can help ensure our sanctions are calibrated to avoid unintended consequences on our allies and partners. As we have seen in recent months, the EU, United States, and other partners have taken multiple coordinated sanctions actions in relation to Belarus, most recently on June 21, 2021. If confirmed, I would also seek to increase our coordination across other programs. I would plan to prioritize the sharing of information as early as possible with allies and partners to help coordinate actions. In addition to working with the EU, I also look forward to working closely with close allies like the United Kingdom, Canada, and Australia.

30) Based on your work on Treasury's sanctions review, which sanctions programs and targets should Treasury be allocating more resources to in order to build more sanction designation packages?

Answer: The Treasury sanctions review is not focused on a particular sanctions program or set of designations, but rather on identifying broad successes, opportunities for change or improvements, and steps for adapting implementation across all sanctions programs. This will help to ensure that sanctions are relevant, rigorous, and fit to purpose, advancing the national security and foreign policy aims of the United States.

The sanctions review is considering questions of most advantageous disposition of resources to maximize effectiveness and provide a solid foundation for the use of sanctions over decades to come. The review is not yet completed, and the review team has not yet drawn final conclusions to these questions. If confirmed, after the conclusion of the review, I look forward to discussing your questions.

Sanctions on Hamas and Palestinian Terror Groups

31) If confirmed, what steps will you take to identify and sanction material supporters of Hamas, Hezbollah, and Palestinian Islamic Jihad, which are all U.S. designated terrorist groups?

Answer: If confirmed, I commit to using Treasury's counterterrorism sanctions and enforcement authorities to identify and dismantle the financial networks of terrorists and their supporters as well as others who seek to perpetuate harm against the United States and its allies. Treasury has key means to identify and disrupt the financial networks of terrorists and, if confirmed, I would seek to meaningfully advance this work.

32) In 2018, Congress unanimously passed the Sanctioning the Use of Civilians as Defenseless Shields Act in 2018 (Shields Act) (P.L.115-348). The law mandates sanctions on members of Hamas and Hezbollah that order, control, or otherwise direct the use of civilians to shield military objectives from attack. No sanctions have been applied pursuant to this law

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despite compelling evidence of the use of human-shields by both Hezbollah and Hamas.¹⁶ Will you commit to prioritize implementation of the Shields Act?

Answer: I categorically denounce the use of civilians to shield military objectives. If confirmed, I commit to reviewing Treasury’s use of sanctions authorities, including the Shields Act, to address this human rights violation.

Cryptocurrency

33) There has been a surge in cryptocurrency donations to Hamas since the start of its armed conflict with Israel in May 2021.¹⁷ Other terrorist groups and sanctioned actors are using digital currencies to circumvent sanctions and the international banking system. If confirmed, what will you do to ensure Treasury utilizes emerging technologies to combat the use of digital currencies to evade sanctions?

Answer: Users of cryptocurrency or other digital assets cannot be permitted to evade sanctions and violate U.S. law. If confirmed, I will examine Treasury’s tools and authorities to combat this illicit activity and to ensure that Treasury staff, including sanctions investigators, are fully equipped to deal with challenges posed by the use of cryptocurrency and digital assets to evade sanctions and finance terrorism.

34) Recent FATF guidance could require entities that never take custody of or control another person’s digital assets (that is, non-custodial entities) to register as Virtual Asset Service Providers (VASPs). In the United States, this would mean a non-custodial entity would have to register as a money service business (MSB). Contrary to FATF’s guidance, FinCEN has standing guidance that non-custodial entities, such as cryptocurrency miners and software wallet providers, do not have to register as an MSB. Do you agree with standing FinCEN guidance, which states that certain non-custodial entities never having control over another person’s digital assets are not required to register as an MSB?

Answer: In June 2019 under the U.S. Presidency of the FATF, the FATF revised its standards to explicitly require virtual asset service providers (VASPs) to implement the full range of preventive measures for AML/CFT and issued guidance to aid jurisdictions with swiftly implementing laws and regulations for this sector using a risk-based approach. I understand the FATF currently is updating the 2019 guidance and engaged in a public consultation in March to seek private sector input and feedback for purposes of issuing updated guidance later this year. If confirmed, I pledge to review the updated FATF guidance as well as FinCEN’s guidance on this important topic.

¹⁶ Orde Kittrie, Time to Act on Human Shields, FOUNDATION FOR DEFENSE OF DEMOCRACIES (October 15, 2020), <https://www.fdd.org/2020/10/15/time-to-act-on-human-shields/>.

¹⁷ Benoit Faucon, Ian Talley, and Summer Said, *Israel-Gaza Conflict Spurs Bitcoin Donations to Hamas*, THE WALL STREET JOURNAL (June 2, 2021), <https://www.wsj.com/articles/israel-gaza-conflict-spurs-bitcoin-donations-to-hamas-11622633400>.

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35) You co-authored an opinion piece that stated, “Bitcoin is a terrorist’s dream come true.”¹⁸ We recently saw how the traceable nature of Bitcoin benefited law enforcement that were able to recover Bitcoin ransom paid as part of the Colonial Pipeline cyberattack.

- a. Does Bitcoin have any characteristics that do not make it “a terrorist’s dream come true”?

Answer: As with most new technologies, Bitcoin presents positives and negatives for AML/CFT purposes. The Bitcoin blockchain can enable peer-to-peer transactions that do not involve financial institutions currently subject to AML/CFT obligations. The information the government obtains through compliance with those obligations by financial institutions is extremely important in mitigating illicit finance risk.

Creating potential risks, virtual currencies in general, including Bitcoin, can be used in ways that allow greater anonymity than the traditional financial system, and they simultaneously offer the potential to almost instantly and irrevocably transfer large amounts of value, including in cross-border transactions. On the other hand, Bitcoin can often be traced as the public blockchain provides a permanent and immutable record of transactions that investigators can access to trace the movement of Bitcoin. Analytical activities that can attribute Bitcoin to users by examining the blockchain, including with relevant additional digital information, can help to understand illicit uses.

There are many efforts made by criminals to obscure transactions on the public blockchain, such as the use of Bitcoin mixing services. Further, the underlying protocols supporting Bitcoin are subject to change and over time may offer increased anonymity. So, as with any technology, the challenge for policymakers and regulators is to consider how to encourage responsible innovation and technological benefits to efficiency, inclusion, and cost management, while mitigating the risks. Moreover, regulators are challenged to develop technology neutral rules in a very dynamic technology ecosystem.

- b. What benefits, if any, do you think Bitcoin provides to consumers and individuals?

Answer: I defer to colleagues for a definitive view on the economic benefits and consumer considerations associated with Bitcoin. As a general matter, however, I see that virtual currencies can provide benefits to consumers, including the potential to reduce transaction costs, give consumers more choice and control of their finances, reduce inefficiencies in financial exchange, and increase financial inclusion. I believe that Treasury should continue to support responsible financial innovation and ensure it does not come at the expense of increased illicit finance risks.

¹⁸ Edoardo Saravalle, Elizabeth Rosenberg, *Bitcoin can help terrorists secretly fund their deadly attacks* (January 9, 2018), FOX NEWS <https://www.foxnews.com/opinion/bitcoin-can-help-terrorists-secretly-fund-their-deadly-attacks>.

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36) You co-authored a report that states “[t]he U.S. government, in concert with private-sector actors where appropriate, should take all necessary steps to position the country as a leader in the financial technology space. This will serve to make and keep the United States competitive in what will be a strategically important area of economic activity.”¹⁹

- a. How will developing blockchain and other financial technologies in the United States help us remain economically competitive?

Answer: Blockchain platforms, being just one type of distributed ledger technology, have the potential to reduce costs and provide other benefits by creating efficiencies and reducing back-end operational costs that are associated with clearing and settling transactions. Financial technology companies and traditional banks worldwide have already implemented blockchain solutions of various kinds. Competition will continue across many dimensions, including developments that improve the experience for intermediaries and end users, including the utility of services offered, speed, cost, ease of use, and privacy features.

Through public-private sector partnerships and encouraging responsible innovation, the United States can remain competitive in the use of emerging technology. If confirmed, I will, along with colleagues and the dedicated Treasury career staff, continue to support responsible innovation and engage in discussions with the private sector to understand the strategies being deployed by the private sector to compete on a global scale. I am aware that the experts at Treasury aim to approach policy in this area with a degree of flexibility to allow for organic innovation, regulatory certainty, and strong risk mitigation.

- b. How will developing blockchain and other financial technologies in the United States help us improve our capabilities to track and deter illicit activities?

Answer: Depending on how it is implemented, blockchain technology can increase the overall transparency of transactions in some cases, including by creating a permanent virtual “paper trail,” and can improve regulatory reporting and monitoring. In the context of illicit finance, blockchain technology can be viewed as an obstacle for criminals who want to remain anonymous and disguise the original source of funds. We have already seen numerous instances where law enforcement and regulators successfully conducted blockchain analytics to “follow the money” and either stop or impose costs on illicit actors.

However, blockchain technology alone will not prevent fraud, money laundering, or the financing of terrorism, especially given the pseudonymity and sometimes anonymity-enhanced features already programmed into many existing blockchains. In addition, use of the blockchain can reduce or eliminate the involvement of financial institutions that have traditionally been the implementers of AML/CFT obligations in transactions. The

¹⁹ Peter Harrell, Elizabeth Rosenberg, *Economic Dominance, Financial Technology, and the Future of U.S. Economic Coercion*, CENTER FOR A NEW AMERICAN SECURITY (April 29, 2019) p.36, <https://www.cnas.org/publications/reports/economic-dominance-financial-technology-and-the-future-of-u-s-economic-coercion>.

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technology has costs and benefits and the key factor for Treasury is to maintain an appropriate policy posture to maximize its benefits and mitigate its risks.

Anti-Money Laundering (AML)

37) William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021 (P.L.116–283) Section 6403(d)(1)(C) of the Anti-Money Laundering Act of 2020 (AMLA), dictates that FinCEN should “reduce any burdens on financial institutions . . . that are, in light of the enactment of [the AMLA] and the amendments made by [the AMLA], unnecessary or duplicative.”²⁰

- a. Do you commit to eliminate any Customer Due Diligence (CDD) requirements imposed on financial institutions that are now unnecessary or duplicative in light of the enactment of the AMLA?

Answer: The AMLA creates a new reporting regime that requires reporting companies to provide beneficial ownership information to FinCEN and that provides for disclosure of this information to financial institutions to assist them in performing their required due diligence. The AMLA further directs Treasury to revise the existing CDD rule to bring the rule into conformance with the AMLA, account for the access of financial institutions to beneficial ownership information under the new reporting regime, and reduce unnecessary or duplicative burdens. I know that Treasury personnel are hard at work implementing these and other provisions of the AMLA. If confirmed, I will support my colleagues in implementation of AMLA requirements, including revising the CDD rule, mindful of the direction to reduce unnecessary or duplicative burdens.

- b. What existing requirements on financial institutions can be reduced because they are unnecessary or duplicative in light of the enactment of the AMLA?

Answer: Treasury is at the beginning of the process of developing the regulatory framework to implement the AMLA’s reporting regime. As noted above, implementation of the AMLA will ultimately include a consideration of existing requirements in the CDD rule, with a focus on reducing unnecessary or duplicative burdens on financial institutions.

38) Under the AMLA, businesses are now required to report beneficial ownership information directly to FinCEN.

- a. As a result, should financial institutions still be required to continue to collect and report to FinCEN beneficial information on businesses?

Answer: Presently, financial institutions collect beneficial ownership information as part of satisfying their customer due diligence obligations. They do not currently report beneficial

²⁰ H.R.6395 - William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021 (P.L.116–283).

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ownership information to FinCEN. As noted above, implementation of the AMLA will ultimately include a consideration of existing requirements in the CDD rule, with a focus on reducing unnecessary or duplicative burdens on financial institutions.

- b. If FinCEN continues to require financial institutions to collect and report to FinCEN beneficial ownership information on businesses, should the CDD rule be replaced with a risk-based collection standard?

Answer: As noted above, implementation of the AMLA will ultimately include a consideration of existing requirements in the CDD rule. This review will examine any needed revisions to the current rule.

- c. Will you commit to review whether the CDD rule is still necessary given that businesses are now required to report beneficial ownership information directly to FinCEN?

Answer: Yes. As noted above, the AMLA directs Treasury to revise the existing CDD rule, accounting for the access of financial institutions to beneficial ownership information under the new reporting regime, and reducing unnecessary or duplicative burdens. If confirmed, I can commit to reviewing the CDD rule.

39) AMLA exempts from beneficial ownership information reporting by non-profit organizations (non-profits) along with dozens of other exemptions from reporting requirement. Previous iterations of proposed—but not enacted—beneficial ownership legislation required exempt entities to provide some identifying information as a condition of receiving an exemption from reporting requirements. However, AMLA, as enacted, contains no such requirement. In fact, AMLA’s exemptions are self-executing and do not require exempt entities to provide any information to receive an exemption.

FinCEN’s Advance Notice of Proposed Rulemaking (ANPRM)²¹ implementing AMLA asks for public comment on what information non-profits should be required to file to receive an exemption from AMLA’s beneficial ownership reporting requirements. This question suggests that FinCEN is considering issuing a rule that requires non-profits to provide information to receive an exemption, which is inconsistent with the legislative text and history of AMLA. The concerns that animated many members of Congress to oppose any requirement for exempt entities to provide identifying information related to the potential for confidential information to be leaked or otherwise made public. Unfortunately, such concerns have been validated by the recent unlawful leaks of confidential taxpayer information from the IRS. Notably, the IRS is required to use privacy safeguards more stringent than those AMLA requires of FinCEN for data related to beneficial ownership.

²¹ Beneficial Ownership Information Reporting Requirements, 86 Fed. Reg. 17557.

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- a. In light of AMLA's text and legislative history and Treasury's repeated inability to safeguard Americans' confidential information, will you ensure that FinCEN's AMLA rule does not require non-profits to provide information to FinCEN in order to receive an exemption from beneficial ownership information reporting requirements?

Answer: The ANPRM sought comments from the public on numerous questions regarding implementation of the beneficial ownership reporting requirements. If confirmed, I can commit to carefully considering the public comments, and to working with Treasury staff to ensure that any collection of information is consistent with applicable law. I also appreciate the importance of safeguarding confidential information and will ensure that privacy and information security are considered throughout Treasury's implementation of the AMLA.

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Questions for Ms. Elizabeth Rosenberg, of Vermont, to be Assistant Secretary for Terrorist Financing, Department of the Treasury, from Senator Catherine Cortez Masto:

1) When you were at the Treasury Department working to formulate anti-money laundering and counter-terrorist and counter-proliferation financing policy, we were just beginning to develop machine learning technologies. What have you learned about machine learning and artificial intelligence's abilities and limitations to contribute to financial regulatory enforcement?

Answer: Innovative technology like machine learning and AI is important, and I believe that Treasury actively seeks to foster innovation in the private sector and makes use of it within the Department to improve the effectiveness and efficiency of the U.S. financial regulatory and supervisory system. At the same time, this innovation must not come at the expense of financial transparency that we need to safeguard the integrity of our financial system and our national security. I am aware that Treasury has, over a number of years, advocated for responsible innovation and the need to monitor emerging risks to ensure that new technology does not create loopholes or vulnerabilities that criminals can exploit for money laundering, terrorist financing, or other illicit finance risks. I believe that it is essential for TFI to evaluate and where appropriate, incorporate new technologies, including machine learning technologies, into its financial regulatory enforcement mission. For example, machine learning could help address the challenge of digesting and analyzing large amounts of financial information. Secretary Yellen recently discussed machine learning and artificial intelligence during a Treasury organized and hosted Financial Innovation Roundtable in February 2021 and I share her view of the importance of responsible innovation, both in the private and public sector.

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Questions for Ms. Elizabeth Rosenberg, of Vermont, to be Assistant Secretary for Terrorist Financing, Department of the Treasury, from Senator Robert Menendez:

1) If the United States reaches an agreement with Iran on its nuclear program, what sanctions do you assess would have to be lifted?

Answer: The Administration, through a negotiating team led by the State Department, is currently negotiating the steps the United States would need to take if it were to resume its commitments and if Iran were to meet its commitments, under the Joint Comprehensive Plan of Action (JCPOA). I believe Iran should only receive sanctions relief under the JCPOA if it takes the appropriate steps to resume compliance with its nuclear commitments under the JCPOA.

Even under the terms of the JCPOA, Treasury would retain the right to impose sanctions related to Iranian support for terrorism, human rights abuses, WMD proliferation and ballistic missile development, as well as the regime's destabilizing activities in the region. If confirmed, I will work with the Office of Foreign Assets Control (OFAC) to ensure that Treasury continues to administer and enforce our sanctions to apply pressure on Iran and others as appropriate.

2) China is flouting international sanctions on Iran by continuing to purchase increasing amounts of Iranian oil. What more can we be doing to ensure compliance with international and U.S. sanctions on Iran?

Answer: I am concerned with sanctions evasions generally and believe that sanctions must be clearly implemented and enforced to be effective. I note that Treasury has a track record of examining and seeking to counter evasion of Iran sanctions, including when it comes to China. This was true in the run up to the JCPOA and in the last several years since the United States reimposed sanctions lifted under the JCPOA and built upon them with others.

If confirmed, I will look into this issue, examining available intelligence and open-source information, discussing this with Treasury and interagency partners. I will furthermore, if confirmed, carefully consider the options available to address sanctions evasion, including looking at the various authorities that may be available to address this important issue. I can commit to working diligently to ensure that the Treasury Department is focused on any Iranian efforts to evade sanctions and abuse the international banking system and pursuing strategies to work with international partners to ensure that efforts to counter sanctions evasion are as effective as possible.

3) I understand you are leading Treasury Department review of US sanctions.

- a. What is the role of the State Department in that review?
- b. I believe that sanctions are a tool of foreign policy. Do you agree?

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- c. If you are confirmed, do you commit to work closely and cooperatively with the State Department to ensure that sanctions are aligned with and advancing US foreign policy?

Answer: Deputy Secretary Adeyemo is leading a review of the use of economic and financial sanctions. I am working to support this effort, along with a team of Treasury staff. This Treasury-led review is focused on identifying successes, opportunities for change or improvements, and steps for adapting implementation, so that sanctions are relevant, rigorous, and fit to purpose, effectively advancing the national security, foreign policy, and economic aims of the United States.

Treasury’s sanctions review involves engagements with a range of stakeholders, including from multiple bureaus and offices of the State Department and its leadership. The State Department has always been, and will continue to be, a key partner for the Treasury Department in the development and implementation of sanctions.

Economic and financial sanctions are one of several tools that the U.S. government may use to address a range of foreign policy, national security, and economic challenges. The use of sanctions, as well as other economic tools, are most effectively employed in the context of a broader U.S. government strategy and as complements to other forms of statecraft. Their impact is also magnified when complementary actions are undertaken by allies and partners.

If confirmed, I can commit to working with my State Department colleagues to ensure that sanctions are impactful, effective, and work in support of our foreign policy, national security, and economic interests.

- 4) CAATSA section 228 requires secondary sanctions on any entity that does business with a Specially Designated National.
- a. Do I have your commitment that you will work to fully implement this provision?

Answer: Yes, if confirmed, I commit to working to implement Section 228 of the Countering America’s Adversaries Through Sanctions Act (CAATSA) (P.L. 115-44).

- 5) A sanctions regime is intended as a tool, not end-point, for broader policy objectives.
- a. Given that the Biden Administration’s North Korea policy review suggests a different approach to dealing with the DPRK than the Trump administration’s feckless and failed effort, are there changes to the sanctions regime - tighter or looser or simply different - that you’d recommend so that sanctions and diplomacy are fully complimentary?

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Answer: I am deeply concerned by reports of North Korea’s nuclear and ballistic missile activity, along with widespread systemic human rights abuses. If confirmed, I will work with my Treasury colleagues and others in the administration to examine the intelligence, consider and pursue a range of options to address these threats, including diplomacy and targeted pressure measures, and will not hesitate to use Treasury authorities to target sanctions evasion wherever appropriate. Furthermore, if confirmed, I will, along with other interagency partners, seek to coordinate closely with regional partners to address these threats.

6) Venezuela’s Maduro regime is involved in a wide range of criminal activities: from alleged crimes against humanity to drug trafficking to a massive campaign of corruption and kleptocracy. The U.S. has responded with a range of reciprocal actions to deter Maduro’s actions.

- a. If confirmed, how will you advocate that the U.S. use its sanctions as leverage in order to curb the Maduro regime’s criminal activities and forge a diplomatic breakthrough that leads to new elections in Venezuela?

Answer: The power and integrity of the U.S. government’s sanctions derive not only from the ability to sanction actors when appropriate, calling out their threats, criminality, and the detriment they may pose to U.S. interests, but also to lift sanctions in a manner consistent with the law when a program’s goals are met. If confirmed, I will ensure that Treasury will be prepared to implement sanctions consistent with the Administration’s foreign policy goals to restore core democratic processes and institutions in Venezuela. In addition, if confirmed, I will not hesitate to explore additional targeted actions should the regime demonstrate that it is not acting in good faith and continues to engage in criminal, suppressive, and threatening actions.

7) The Maduro regime has facilitated a massive expansion of illicit gold mining in Venezuela, which includes trafficking routes to Turkey and the Middle East, and has led to widespread environmental devastation in Venezuela.

- a. What steps will you take to address Maduro’s illicit gold trade?

Answer: I am very concerned regarding reports of human rights abuses, widespread environmental devastation, and other security threats stemming from illicit gold mining in Venezuela. If confirmed, I will look into this matter to understand the intelligence, and will work with interagency partners to investigate reports of illicit gold mining activities and explore using the full suite of economic authorities and diplomatic leverage should the evidence indicate that such actions will be both feasible and impactful. Under Executive Order 13850, Treasury has the ability to sanction any person determined by the Secretary of the Treasury, in consultation with the Secretary of State, to operate in the gold sector of the Venezuelan economy.

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8) New Jersey and 47 other states have passed legislation authorizing some form of cannabis for regulated medical or adult-use purposes. But we all know that businesses that serve this market have found themselves shut out of the banking system and forced to operate exclusively in cash, often depriving them of banking products and creating serious public safety risks in our communities.

The SAFE Banking Act, which I cosponsored, would fix this problem by allowing banks to provide financial services to cannabis businesses. I also introduced the CLAIM Act, which would ensure that legal marijuana and related businesses have access to comprehensive and affordable insurance coverage.

- a. Would allowing state-regulated marijuana businesses to access financial services reduce the public safety risk and allow these legal businesses to operate like other businesses?

Answer: This is an important and complex issue, given the current treatment of marijuana under federal law. If confirmed, I commit to working with my colleagues to evaluate information regarding the operation of state-regulated marijuana-related businesses (MRBs), and working with Congress to address this issue in a way that helps to ensure public safety and equitable access to financial services.

- b. Is Congressional action needed so that businesses that serve state-regulated marijuana markets can have access to financial services?

Answer: Given the current treatment of marijuana under federal law, the decision to provide services to an MSB is a risk-based decision that each financial institution must independently assess under its risk-based approach to Bank Secrecy Act compliance.

9) In 2013, the Obama Administration authorized U.S. companies to apply for Treasury Department licenses to engage in the agriculture, telecommunications, and energy sectors in areas of Syria outside of President Bashar al-Assad's control. Just last month, Treasury's Office of Foreign Assets Control revoked the license of U.S. company Delta Crescent Energy, who had been working with the Autonomous Administration of North and East Syria (AANES) to refine and secure oil export contracts. State Department officials stated this decision was undertaken because the United States is in Syria, "for the people, not for the oil." However, in the absence of this partnership, it seems likely that oil generated in Northeast Syria will ultimately benefit the Syrian regime and its external backers (Russia), undermining the broader intent of the U.S. Syria sanctions regime.

- a. Please clarify the rationale behind this decision within the context of broader U.S. Syria policy.
- b. How will the Administration ensure that the product of Syria's oil fields benefit neither ISIS, Russia, nor the Assad regime (including through sales to middlemen

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who sell back to the regime), and that the AANES has a means of self-sustainment that does not benefit the regime?

Answer: I support the Administration's foreign policy priorities in Syria. If confirmed, I will work to ensure vigorous enforcement of Treasury's Syria-related sanctions authorities, including those that prevent the flow of funds to the Assad regime. If confirmed, I will focus on the Syria sanctions program and look into the array of current sanctions and legal guidance for this program, and will be available to discuss this issue further.

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Questions for Ms. Elizabeth Rosenberg, of Vermont, to be Assistant Secretary for Terrorist Financing, Department of the Treasury, from Senator Chris Van Hollen:

1) From the Microsoft hack, to Solar Winds, Colonial Pipeline, JBS (the world's largest meat supplier), and many others, it's clear that malicious cyberattacks are on the rise and have no signs of abating. Some of these may be profit-motivated economic espionage or theft, while others have a national security or intelligence gathering purpose.

- a. Given this landscape, what role should sanctions play in imposing consequences on cybercriminals, and should the US government increase the use of sanctions on these criminals?

Answer: Malicious cyber-attacks are a threat to our national security. Sanctions are a very powerful tool to respond to unusual and extraordinary threats to the national security, foreign policy, or economy of the United States that originate in whole or in substantial part outside the U.S. Depending on facts and circumstances, sanctions can be one of several tools that the U.S. government can use with the goal of imposing costs on those engaged in malicious cyber activity and deterring this malign behavior. Treasury has designated numerous malicious cyber actors under its cyber-related sanctions program and other sanctions programs, including perpetrators of ransomware attacks and those who facilitate ransomware transactions. If confirmed, I commit to continuing to find effective ways to use all appropriate tools, including sanctions, to take impactful action against cyber criminals.

- b. Do you believe sanctions for malicious cyberattacks might have real deterrence value? If not, what benefit might they provide?

Answer: Sanctions can be powerful tools to place restrictions on designated persons and entities and deter malign behavior. Sanctions are particularly effective when deployed in coordination with other U.S. government efforts and in coordination with sanctions and non-sanctions actions by allied and partner governments. For instance, in September 2020, Treasury targeted cybercriminals that used sophisticated schemes to steal account holders' passwords and steal the balances of the victims' virtual currency accounts. Simultaneously with the imposition of sanctions by Treasury, DOJ unsealed an indictment against the targeted cybercriminals, sought the civil and criminal forfeiture of assets traceable to the alleged crimes, and the United States Secret Service seized millions of dollars in stolen virtual currency and U.S. dollars. Multipronged actions like this send a clear message to all cybercriminals that the U.S. government will take aggressive action to disrupt their malicious cyber activities, to hold them accountable, and to protect the international financial system.

- c. Do difficulties in attributing the activities of individuals to nation-states make cyber sanctions less effective? Are there ways to overcome this evidentiary hurdle?

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Answer: Treasury’s sanctions programs targeting significant malicious cyber-enabled activities, whether by individuals or state actors, is an important and valuable tool. If confirmed, I commit to continuing Treasury’s close collaboration with law enforcement, the intelligence community, and others to ensure that OFAC continues to have access to relevant, available information to assess opportunities for action. Treasury has an important role to play in the whole of government effort against malicious cyber activities and protecting our financial system from such threats.

- d. How might cyber sanctions be coupled with other actions, including other forms of economic pressure, in order to develop a comprehensive and cohesive strategy toward the nation-states and/or organizations being targeted?

Answer: The growing threats posed by malicious cyber activity call for a whole-of-government effort to respond to such threats, including raising awareness about cybersecurity and resilience measures for the private sector. Where appropriate, sanctions should be considered, in addition to other authorities granted to Treasury. In certain cases, bilateral engagement may be an effective step in persuading allied and partner governments to take action against cyber criminals or their associated networks of supporters and facilitators. The whole-of-government response to the SolarWinds incident was a compelling example of the U.S. government using a wide range of tools, including imposing new sanctions against Russian entities to impose costs on the Russian government for its actions against U.S. interests.

2) Relatedly, many cyberattacks today come in the form of ransomware and other cyber-attacks involving the use of cryptocurrency. North Korea, for example, has engaged in cybercrime to launder and steal billions in cryptocurrency in an effort to generate income (and evade sanctions) in ways that are harder to trace and subject to less government oversight than the traditional banking sector.

- a. One important aspect of combatting illicit financing threats is transparency, and ensuring we have the information that we need to go over bad actors. The ability for criminals to engage in regulatory arbitrage by using foreign cryptocurrency exchanges that are not subject to the same anti-money laundering obligations as those in the US is troubling. Are there ways that we might be able to reduce this type of regulatory arbitrage?

Answer: I appreciate this concern. I recognize that the potential to send virtual assets nearly instantaneously and irrevocably across borders can increase illicit finance risks. For this reason, under the U.S. Presidency of the FATF, the FATF in June 2019 amended its standards to explicitly require virtual asset service providers (VASPs) to implement the full range of preventive measures for AML/CFT and issued guidance to aid jurisdictions with swiftly implementing laws and regulations for this sector using a risk-based approach.

Many jurisdictions continue to make progress in implementing these requirements, but gaps in global implementation exist, which enable the continued misuse of virtual assets

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through jurisdictional arbitrage. More remains to be done to address this concern, and if confirmed, I look forward to continuing this important work.

If confirmed, the office I will lead—the office of Terrorist Financing and Financial Crimes (TFFC)—serves as the head of the U.S. delegation to the FATF, and I will ensure that Treasury redoubles its efforts at the FATF to push countries to implement these standards effectively to reduce opportunities for regulatory arbitrage. Outside the FATF, Treasury’s Office of Terrorism and Financial Intelligence, including TFFC and FinCEN, will continue work with jurisdictions and the private sector to promote compliance with the international requirements. Treasury will also work with like-minded jurisdictions to ensure this is a multilateral push for global implementation.

- b. Do you think our current sanctions and AML regimes broad enough to effectively target bad actors when they engage in illicit activities through cryptocurrency? Are there ways that we might want to modernize our regimes to fully encompass these types of transactions?

Answer: The U.S. sanctions regime prohibits certain transactions involving property in which any foreign country or a national thereof has any interest. Such transactions subject to regulation may include convertible virtual currency, such as a cryptocurrency, in addition to those in traditional fiat currency. Similarly, Treasury administers a technology-neutral AML regulatory framework. If confirmed, I look forward to continuing this important work to deter illicit activities involving cryptocurrency.

As you know, cryptocurrencies can allow greater anonymity and pseudonymity than the traditional financial system in holding and transacting funds, and they simultaneously can enable the transfer of large amounts of value cross-border irrevocably and almost instantly. Cryptocurrencies can also permit the transmission of value by users without reliance on a financial intermediary on which AML/CFT obligations are placed. These features can present novel challenges. For example, bad actors can use different methods to obscure the traceability on such public blockchains, and the underlying protocols supporting such blockchains may change over time. Furthermore, there are certain cryptocurrencies that by their design are not transparent.

Thoughtful regulation requires a balancing between benefits and risks. If confirmed, I will continue Treasury’s important work to continue to refine the sanctions and AML regimes to keep pace with new threats, including illicit typologies associated with cryptocurrencies and other emerging financial technology. If confirmed, I would work closely with this Committee and TFI personnel to ensure that evolution carefully balances risk mitigation against the costs and other burdens imposed on industry and innovation.

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**Supplemental Questions for the Record from Ranking Member Toomey
for Elizabeth Rosenberg, to be Assistant Secretary For Terrorist Financing, Department of
the Treasury**

**June 22, 2021 Nomination Hearing
before the Senate Committee on Banking, Housing, and Urban Affairs**

1. Enacted in July 2020 with unanimous bipartisan support, the Hong Kong Autonomy Act (HKAA) (P.L. 116-49) is an essential tool in holding individuals and foreign banks accountable when they assist Beijing in violating China's obligations to Hong Kong under the Joint Declaration and Basic Law. HKAA requires sanctions on entities that materially contribute to the erosion of Hong Kong's autonomy, and foreign banks conducting significant transactions with those entities. On March 16, 2021, the Biden administration identified 24 previously sanctioned officials undermining Hong Kong's freedoms pursuant to Section 5(a) of the HKAA, yet it failed to identify any foreign financial institutions (FFIs) doing business with persons identified under Section 5(a).
 - a. If confirmed, will you commit to prioritizing the investigation of foreign financial institutions (FFIs) doing business with the individuals sanctioned under HKAA?

Answer: Yes, if confirmed I will commit to supporting Treasury's efforts to identify FFIs that may be doing business with individuals sanctioned under the HKAA.

- b. If confirmed, will you commit to notifying me in writing, within thirty days of your confirmation, why no foreign financial institutions that have been doing business with persons identified under Section 5(a) have been identified thus far?

Answer: If confirmed, I will commit to support Treasury's efforts to look into why no foreign financial institutions that have been doing business with persons identified under Section 5(a) have been identified thus far, and will support Treasury's effort keep Congress informed of Treasury's actions in a timely manner.

2. On June 24, Senator Chris Van Hollen (D-MD) and I sent a letter to President Biden urging his administration to use the HKAA to identify and sanction entities materially contributing to the Chinese Communist Party's assault on *Apple Daily*, the last pro-

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democracy newspaper in Hong Kong, and its founder Jimmy Lai.²² Last month, *Reuters* reported that Hong Kong Security Secretary John Lee ordered HSBC and Citibank’s respective Hong Kong branches to freeze Jimmy Lai’s accounts—they appear to have complied.²³ After 500 policemen raided *Apple Daily*’s offices in June,²⁴ Hong Kong’s Security Bureau ordered banks to freeze the newspaper’s assets, leading to its closure.²⁵ Section 5 of the HKAA requires the administration to identify foreign entities that are “materially contributing” to the “inability of the people of Hong Kong to enjoy the freedom of assembly, speech, press, or independent rule of law.” It seems very likely that the breathtaking crackdown on Jimmy Lai and *Apple Daily* involves numerous foreign persons to whom Section 5 of the HKAA applies.

- a. If confirmed, will you commit to investigating and identifying any entities to whom Section 5 of the HKAA applies, specifically those involved in the suppression of *Apple Daily* and Jimmy Lai?

Answer: Yes, if confirmed I will commit my support to Treasury’s efforts to look into the crackdown on Jimmy Lai and *Apple Daily* and fulfill Treasury’s responsibilities under Section 5 of the HKAA.

- b. It is our understanding that the orders to the aforementioned banks were issued in an extrajudicial manner, by a single official outside of the court system, and without any criminal charges or subpoenas. In light of the clampdown on *Apple Daily*, and the events that have unfolded in the year since China imposed a national security law on Hong Kong, do you believe the rule of law still exists in Hong Kong?

Answer: I am deeply concerned by reports of recent events, including the clampdown on *Apple Daily*, as well as the events over the past year to erode the autonomy of Hong Kong and repress its people. I believe China should abide by the rule of law and support freedoms enshrined in the Basic Law of Hong Kong.

²² Senator Pat Toomey, Letter to President Joseph R. Biden Concerning *Apple Daily* Closure, 24 June 2021, https://www.banking.senate.gov/imo/media/doc/toomey_van_hollen_letter_to_pres.biden.pdf.

²³ “Exclusive: Hong Kong Security Secretary Threatened Bank Not to Conduct Account Transactions with Li Zhiying by Going to Jail (Translated via Google).” *Reuters* (China), 27 May 2021, <https://cn.reuters.com/article/exclusive-hk-0527-thur-idCNKCS2D80P8>.

²⁴ Munroe, Tony. “HK’s *Apple Daily* Raided by 500 Officers over National Security Law.” *Reuters*, 17 June 2021, www.reuters.com/world/asia-pacific/hong-kongs-apple-daily-newspaper-says-police-arrest-five-directors-2021-06-16/.

²⁵ Ho, Kelly. “Hong Kong’s *Apple Daily* May Halt Publication This Sat, Pending Fri Board Meeting.” Hong Kong Free Press, 21 June 2021, <https://hongkongfp.com/2021/06/21/breaking-hong-kongs-apple-daily-may-haltpublication-this-sat-pending-fri-board-meeting/>.