

**TIGHTENING THE SCREWS ON RUSSIA: SMART
SANCTIONS, ECONOMIC STATECRAFT, AND
NEXT STEPS**

HEARING
BEFORE THE
COMMITTEE ON
BANKING, HOUSING, AND URBAN AFFAIRS
UNITED STATES SENATE
ONE HUNDRED SEVENTEENTH CONGRESS
SECOND SESSION
ON
EXAMINING THE ECONOMIC ACTIONS TAKEN BY THE ADMINISTRATION
IN RESPONSE TO RUSSIA'S INVASION OF UKRAINE

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C O N T E N T S

TUESDAY, SEPTEMBER 20, 2022

	Page
Opening statement of Chairman Brown	1
Prepared statement	29
Opening statements, comments, or prepared statements of:	
Senator Toomey	3
Prepared statement	30

WITNESSES

Elizabeth Rosenberg, Assistant Secretary for Terrorist Financing and Financial Crimes, U.S. Department of the Treasury	5
Prepared statement	31
Responses to written questions of:	
Senator Hagerty	40
Andrew Adams, Director, Task Force KleptoCapture, U.S. Department of Justice	6
Prepared statement	34
Responses to written questions of:	
Senator Sinema	40

TIGHTENING THE SCREWS ON RUSSIA: SMART SANCTIONS, ECONOMIC STATECRAFT, AND NEXT STEPS

TUESDAY, SEPTEMBER 20, 2022

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

The Committee met at 9 a.m., via Webex and in room SD-538, Dirksen Senate Office Building, Hon. Sherrod Brown, Chairman of the Committee, presiding.

OPENING STATEMENT OF CHAIRMAN SHERROD BROWN

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

Today's hearing, again, is a hybrid format. Witnesses are in person. Thank you both for being there. I know you have busy schedules, including today, so thank you.

Members have the option to appear in person or virtually, as you know

Vladimir Putin's war on Ukraine has massacred innocent civilian communities, leveled cities, weaponized food and energy sources, imperiled the security of a nuclear facility, and jeopardized the future of a sovereign democracy.

His actions also, we know, threaten global order—drawing a clear distinction between those who stand for democracy and rule of law and the forces of repression and tyranny.

But there are two things that Putin did not count on.

First, the resilience and strength of spirit of the Ukrainian people, on clear display last week again when the Ukrainian military retook Kharkiv, Ukraine's second-largest city.

Second, the ability of President Biden to assemble and lead a broad, unified coalition of allies, and to keep that coalition together.

This Administration, with bipartisan and bicameral support from Congress, has spearheaded a forceful, comprehensive, and multilateral response to support the Ukrainian people and to isolate Russia.

Today's hearing examines the economic piece of the Administration's strategy.

This hearing follows on the Committee's work in evaluating our sanctions policy, as we did last year in a hearing on Treasury's sanctions review, and at a hearing this past July, where we heard

from the Commerce Department on its expansive restrictions on exports to Russia.

Because we are united, our efforts are beginning to work.

As Secretary of State Blinken said the other week, “Putin thought he would divide and weaken NATO.”

Again, Putin he was wrong. His actions have led to NATO’s growth. We are now poised to welcome Sweden and Finland. His actions led to NATO’s growth, reminding the world the vital role this alliance of democracies plays.

And America, and increasingly the world, is wise to Russian propaganda.

This Administration has corralled an unprecedented multilateral coalition, which includes our European partners and other allied countries, to impose one of the most comprehensive sets of economic sanctions in recent years.

These measures aim to limit trade and financial relations with Russia, to penalize corrupt Russian oligarchs for supporting Vladimir Putin, and to cripple Russia’s economy, cutting off support for funding this brutal and immoral war.

We have dramatically escalated this economic effort. And it is impacting every sector: sanctions against a number of major Russian banks, dozens of Russian officials, and Putin associates; expanded export controls that restrict Russia’s access to the technologies needed to sustain its aggressive military capabilities; limitations on imports of Russian energy products; even the seizure of a \$300 million yacht owned by a sanctioned Russian oligarch.

The impact of the Administration’s smart and targeted economic measures has rippled throughout the Russian economy, damaging their defense industrial base.

Ukrainian troops have found Russian military equipment rigged with semiconductors that appear to have been taken out of home appliances like dishwashers and refrigerators.

As we pass the 6-month mark of the war, we welcome back Elizabeth Rosenberg, who serves as Assistant Secretary for Terrorist Financing and Financial Crimes at the Department of Treasury, and we welcome Andrew Adams, Director of the KleptoCapture Task Force at the Department of Justice.

We look forward to hearing from the witnesses about the economic sanctions designed to weaken Russia’s economy and about our efforts to pursue corrupt Russian oligarchs’ assets.

We are making it increasingly difficult for Putin to fund his brutal war in the face of a shrinking Russian economy and its isolation on the global stage.

We must maintain the pressure of our many sanctions regimes; we must keep the coalition intact.

With so much of Russia’s revenue coming from energy sales, I look forward to hearing more from the witnesses today about the intended impact and status of the price cap negotiations.

Just last week I met with a group of Ukrainian Americans from Ohio. My State is proud to have a vibrant, active Ukrainian community. Their message was clear: we “cannot lose the momentum.”

We must continue to hold the Russian Government and sanctions evaders responsible.

The multilateral coalition, which President Biden adeptly assembled, rolled out a sweeping series of rules designed to degrade Russia's military and technological capabilities. We will not let up while Russia continues to threaten the sovereignty of Ukraine.

Senator Toomey.

STATEMENT OF SENATOR PATRICK J. TOOMEY

Senator TOOMEY. Thank you, Mr. Chairman, and thank you to our witnesses.

Last week, Ukrainian forces recaptured the town of Izium in eastern Ukraine. It had been occupied by Russian soldiers for 6 months.

In the streets, overjoyed and tearful residents celebrated their liberation. But in the forest just outside town, the horrors of Russia's invasion were once again revealed. Ukrainian soldiers discovered a mass grave filled with hundreds of civilians. Many of these victims are believed to have been tortured, bound, assaulted, and murdered—not unlike the horrors that occurred in Bucha in April.

Our Government has rightly said such atrocities committed by the Russians are war crimes. Identifying and prosecuting these war crimes are crucial to bringing justice to the Ukrainian people. But let us be clear: These crimes will continue unless we can force Vladimir Putin and those around him to conclude that abandoning the invasion is better than continuing it.

Ending this war on terms acceptable to Ukraine's democratic Government is not just a morally righteous undertaking for the United States; it is also in the vital interests of our allies and ourselves. The outcome will have ramifications far beyond Ukraine. We cannot allow revisionist autocrats to feel free to redraw international borders and fundamentally challenge global stability.

The principles of sovereignty and freedom must mean something, even when facing down the barrel of a gun. The stakes are high in Europe, where the United States has deep and longstanding security commitments, and they reach as far as Asia, where the Chinese Government is taking note of how the U.S. and its allies respond to Russia's invasion of its smaller neighbor.

Today this Committee will examine the existing and future sanctions that the U.S. and its allies will bring to bear on the Kremlin for its invasion of Ukraine. While the outcome of the war will be determined on the battlefield, sanctions have the potential to dramatically hasten an end to the conflict by depriving the Kremlin of the funds it needs to continue this war.

And let us be honest. The sanctions imposed on Russia thus far have not yet come remotely close to achieving this objective. Roughly \$1 billion in hard currency continues to flow into the Kremlin's war chest every day from energy sales. Treasury Deputy Secretary Wally Adeyemo recently acknowledged, and I quote, "There is one part of the Russian economy doing even better than when the war began: their oil industry."

By the way, Russia's gas industry is doing equally well. Gazprom recently announced record profits of over \$40 billion—record profits—for the first part of this year.

Today's hearing will focus on the Administration's plan for a novel sanctions regime that imposes price caps on the purchase of

Russian oil. This is an intriguing idea. I hope it will be considered for Russian gas as well. The premise of the idea is simple: Service providers, such as financiers and insurers, within the G7 will only be permitted to facilitate the purchase of Russian oil below the set cap price. Given that the vast majority of such service providers are, in fact, domiciled in G7 countries, I think this plan has the potential to significantly curtail Russian oil revenue.

But several questions remain about this program, including: How low will the price cap be set? What will enforcement of the cap look like? And how will the Administration ensure that buyers in countries like China and India do not skirt the price cap for their own gain?

This last question is, arguably, the most important to determining the effectiveness of this price cap regime. And because it is so important, Senator Van Hollen and I plan to introduce legislation that will complement the Administration's price cap scheme and impose mandatory sanctions on any foreign financial institution worldwide involved with any transaction in Russian oil above the price cap.

The legislation will be the first major bipartisan sanctions legislation that has been introduced on Russia since February, and I intend to work with Senator Van Hollen to get this bill enacted as soon as possible so that Russia can no longer profit from the oil sales funding its war in Ukraine.

Seven months after Putin began his "special operation," as he puts it, in Ukraine, the Ukrainians have conducted a remarkably successful campaign to liberate portions of the country from Russian control. Concerns harbored by China and India about Putin's war have been aired publicly, and gas prices in Europe are actually falling, down 45 percent since late August.

This war is not going as planned for Putin. I say this to my colleagues, now is not the time for half measures or complacency. It is time to crush the Kremlin's ability to continue this war.

Thank you, Mr. Chairman.

Chairman BROWN. Thank you, Senator Toomey. I will now introduce today's witnesses.

Elizabeth Rosenberg, Assistant Secretary for Terrorist Financing and Financial Crimes at Treasury. Welcome back to the Committee. As Assistant Secretary, she is responsible for leveraging the Treasury Department tools to target threats to national security and safeguarding the financial system from abuse.

We also welcome Andrew Adams, Director of the KleptoCapture Task Force at DOJ, a task force and interagency law enforcement endeavor led by Justice prosecutors and dedicated to enforcing the sweeping sanctions in response to Russia's unprovoked military invasion, a former Federal prosecutor from New York where he focused on organized crime, money laundering, and the recovery of assets.

Assistant Secretary Rosenberg, please begin.

STATEMENT OF ELIZABETH ROSENBERG, ASSISTANT SECRETARY FOR TERRORIST FINANCING AND FINANCIAL CRIMES, U.S. DEPARTMENT OF THE TREASURY

Ms. ROSENBERG. Chairman Brown, Ranking Member Toomey, and distinguished Members of the Committee, thank you for the opportunity to speak with you today about the Department of the Treasury's efforts to hold Russia accountable for its brutal and unjustified further invasion of Ukraine.

The U.S. Department of the Treasury is working with Administration partners, including my colleague from the Department of Justice, whom I am joined by today, to implement the U.S. Government's holistic response to Putin's war. Since the further invasion began 6 months ago, we have been advancing President Biden's promise to "squeeze Russia's access to finance and technology for strategic sectors of its economy and degrade its industrial capacity for years to come."

Just last week, we imposed additional sanctions to further degrade Russia's military, hold the perpetrators of this war accountable, and financially isolate Putin. To date, Treasury has sanctioned hundreds of Russian individuals and entities, and this includes a majority of Russia's largest financial institutions, key nodes in Russia's military-industrial supply chains, and the oligarchs and cronies who help perpetuate Putin's war.

The United States has been joined by over 30 countries—collectively representing more than half of the global economy—in imposing sanctions, the largest sanctions regime in modern history.

On the other side, Russia's propagandists have been aggressively attempting to bury any unfavorable news and push misinformation, saying that, for example, sanctions are not working and cause food insecurity. In fact, Russia has crippled Ukraine's farming and export economy and dramatically driven up global energy and grain prices.

The U.S. and partner economic responses to Russia's war have had and will continue to have a significant effect on Russia's ability to fund its war. Russia has been forced to impose draconian capital controls. The IMF expects Russia's economy will contract for at least the next 2 years, a sharp reversal from its 4.7 percent growth in 2021. The Russian stock market is about 35 percent below pre-war levels. Russia is unsustainably burning through its rainy-day funds, moving toward fiscal deficit by year's end. Simply put, Russia's economic picture is bleak and deteriorating.

Significantly, these economic constraints are translating into real battlefield difficulties for Russia. Struggling to import industrial goods and technology, Russia has been forced to turn to outdated equipment and approach global pariahs like North Korea and Iran to source materiel.

Because Russia is a sizable international economy and a globally important energy producer, imposing financial costs on Russia while mitigating the consequences of Russia's actions has required extraordinary planning, coordination, economic analysis, diplomacy, and creative policymaking. We have been keenly focused on Russia's large-volume oil exports and windfall earnings in a high energy price environment. At this point, this represents Russia's primary source of hard currency.

Given the global nature of oil markets, elevated energy prices affect us all, including American households that have seen rising prices at the pump and inflationary pressure across the economy. High energy prices hit the poorest the hardest in our country and across the world.

Our effort, alongside an international coalition starting with the G7, to impose a price cap on maritime Russian oil exports is the most viable option to support the security and affordability of the global oil supply. The policy involves price cap coalition countries offering services for Russia's maritime transport of oil priced below the cap and refraining from doing so for oil priced above the cap.

The majority of providers of some maritime services, like insurance, payments, and trade finance, are located within the G7 and EU countries, so there is an overwhelming economic incentive for buyers to purchase under the price cap so that they can engage these services. It will be cheaper and less risky to move Russian oil cargoes in this way. We are already seeing this policy work, with Russia forced to negotiate steep discounts for oil it sells to buyers in Asia.

To close, I would like to express my gratitude for the additional resources Congress provided in the Ukrainian supplemental appropriations packages, which helped us at Treasury and across the U.S. Government surge in the policy response to Russia's war and, critically, support the people of Ukraine. I would be happy to answer any further questions you have in this setting and to continue to work with you all in the future.

Thank you.

Chairman BROWN. Thank you, Ms. Rosenberg.

Director Adams.

**STATEMENT OF ANDREW ADAMS, DIRECTOR, TASK FORCE
KLEPTOCAPTURE, U.S. DEPARTMENT OF JUSTICE**

Mr. ADAMS. Thank you, and good morning, Chairman Brown. I appreciate the opportunity to appear before you today on behalf of the United States Department of Justice and in my capacity as Director of the Department's Russian sanctions task force—KleptoCapture—to discuss the important work of the task force in response to Russia's unprovoked, illegal, and brutal war of aggression in Ukraine.

The atrocities committed since Russia's February invasion have been well publicized. Russian attacks have devastated Ukrainian cities, leaving some on the verge of humanitarian collapse. Estimates are that as many as 1.6 million Ukrainians have been interrogated, detained, and forcibly deported to Russia under the oversight of Russian officials. And numerous news reports have detailed how the Russian campaign against Ukrainians includes a program of torture and rape, reporting that tragically finds support in the findings of mass graves and devastation uncovered in the wake of Russia's retreat from the recent Ukrainian counteroffensive.

This is why the work of the task force is so important. Our targets have and continue to profit from a system of corruption and violence, and they continue to sustain and enable that same corrupt and violent regime. Their willingness to facilitate and acqui-

esce in Russia's malign activities contributes to the death and destruction that we are witnessing in Ukraine.

The task force is dedicated to enforcing the sanctions, export restrictions, and economic countermeasures that the United States has imposed, along with its international allies and partners, in response to this unprovoked military invasion. It draws on the expertise and energy of agents, analysts, translators, and prosecutors throughout the Department and throughout the U.S. Government, including prominently our colleagues at the Treasury Department.

Our goals are, first, to bring charges against any individual or entity sanctioned under the Treasury designations or limited through Commerce Department rule making rolled out in response to Russian aggression.

With respect to people and entities on those lists, we will pursue any charge or seizure theory available. Sanctions evasion and money laundering are obvious charges and theories in this space, but if opportunities to bring charges for bank fraud, visa fraud, extortion, or any other Federal crime, are presented as to a listed person or entity, that is a charge that this task force will support and pursue.

Second, we would target those who would facilitate the evasion of economic sanctions and the Commerce Department's export controls for banks, real estate agents, broker-dealers, exporters, manufacturers, shipping companies, and others. Our goal is to shine a light where sanctioned actors may otherwise operate in shadow.

Now, our immediate focus has been on disruption of those individuals and entities who have aided and supported the Russian regime. We have worked quickly with international partners to seize an oligarch's \$90 million luxury yacht in Spain, to seize and transport a roughly half-billion-dollar yacht from Fiji to San Diego harbor, to seize millions of dollars associated with sanctioned parties held at multiple U.S. financial institutions, and to pursue oligarchs involved in violations of U.S. export controls. We have also filed and unsealed charges against Russian oligarchs themselves and their associates for evading sanctions and other related crimes.

The Department welcomes the Committee's consideration of legislation to augment the task force's ability to seek charges and seize assets, resulting from oligarchs' corrupt dealings with the Russian Government, and enable the transfer of proceeds from those actions to Ukraine to remediate the harms caused by the Russian aggression.

In addition, the Department continues to advocate for the following key proposals:

One, our proposal to clamp down on the facilitation of sanctions evasion by amending the International Emergency Economic Powers Act, or IEEPA, and its penalty provision to extend the existing forfeiture authorities to facilitating property and not simply to the proceeds of such offenses.

Second, our proposal to add criminal violations of IEEPA and the Export Control Reform Act to the definition of "racketeering activity" in the Racketeer Influenced and Corrupt Organizations Act, or RICO. This proposal would extend a powerful forfeiture tool against racketeering enterprises engaged in sanctions violations

and pave the way for prosecutions that appropriately capture the scope and the complexity of these evasion networks.

Third, our proposal to extend the statute of limitations from 5 to 10 years for money laundering in connection with certain foreign offenses, which would grant our prosecutors time to follow the money and unravel the complex networks on which oligarchs rely to hide their wealth.

And, fourth, our proposal to improve the United States' ability to work with our international partners to recover assets linked to foreign corruption.

I appreciate the opportunity to appear here today and to discuss the task force's focus and efforts to date and potential legislation as it relates to Russia's unprovoked and illegal war of aggression in Ukraine.

Thank you, sir.

Chairman BROWN. Thank you, Director.

If we need yet another reminder that competency and commitment to our Nation's core values, democracy, and the rule of law are essential to good government, we need to look no further than this Administration and its Herculean effort to impose targeted smart sanctions on Russia, its leveraged targeted export controls on the Russian economy, done so with an unprecedented multilateral coalition. And, of course, we must continue to ratchet up the pain if Russia continues to fight this war of aggression.

Assistant Secretary Rosenberg, tell us the right metrics to determine whether sanctions are working. And as you discuss that, what are the more significant challenges to make sure the sanctions continue to achieve that purpose?

Ms. ROSENBERG. Thank you, Senator, for the question. As you have noted, the sanctions that the United States and over 30 countries have put in place alongside export controls have had a powerful economic effect in achieving our goal: depriving Russia of revenue and of military equipment to wage its brutal war. Some metrics here.

Half of Russia's foreign exchange reserves have been locked up. Russia has been forced to resort to these draconian capital controls. It is burning through its fiscal buffers, heading toward fiscal deficit by the end of the year. It is struggling to fund imports, including of critical industrial goods necessary for manufacturing, and this is translating into battlefield difficulties for Russia crucial to the goal of depriving Russia of the ability to fight its war.

Specifically, it has had to cannibalize its own domestic industry in order to manufacture battlefield equipment it cannot procure on the international market because of the capital controls in particular. It is also compelled to look to international pariahs Iran and North Korea in order to source some of its military equipment. The soldiers on its front line do not have access to the most modern warfighting equipment. Those are important indicators of the criteria that we should look to for the efficacy of this policy approach.

With regard to challenges here, something that is forefront for us at the Treasury Department and our colleagues throughout the U.S. Government and elsewhere is to look to opportunities Russia may be pursuing to evade the sanctions, to find ways to skirt controls in order to engage in procurement for its military equipment.

A current and future priority for us will be looking to enforce sanctions that get at Russia's supply networks they may be using for evasion.

Chairman BROWN. Thank you. What else can be done to keep the pressure on Russia?

Ms. ROSENBERG. In addition to the priority I just noted, going after major enforcement efforts, looking at Russia's illicit procurement networks, we can work closely with international allies to ensure that they are enforcing their own sanctions and expanding and augmenting them in ways that complement measures we have in place.

For example, some of our partners still have the opportunity to put full blocking sanctions on some entities that we have fully blocked in the United States.

Chairman BROWN. Thank you.

Earlier this month, the Administration, along with other G7 countries, announced the plan that you both mentioned, you both discussed, to impose a price cap on imported Russian oil. Ranking Member Toomey spoke positively about it, its possibilities. Secretary Yellen said it would significantly reduce Russia's main source of funding for its illegal and immoral war, but keep supplies flowing to global energy markets.

What do you estimate its impact would be to the Russian economy if the price cap is effective, number one? And as you answer, talk about the necessity or is there a necessity that China and Russia be a partner or at least be helpful or at least not be opposed to these?

Ms. ROSENBERG. Thank you for the question. Many of us have noticed and focused on the fact that Russia is earning windfall profits from energy exports given that it has driven up energy prices itself by invading Ukraine. And with this in mind, the G7 has put forward this price cap policy. It will have two major economic effects. So to affirm what Secretary Yellen has said, this will deprive Russia of revenue because it will be compelled to sell into the price cap here at lower prices. And a second important economic effect is that, given this downward pressure on prices, developing economies will have the opportunity to purchase them for less, for a lower price. That is significant to them and significant to security of supply.

You mentioned China. It is important to note that China—

Chairman BROWN. And India. I may have misspoken. China and India both.

Ms. ROSENBERG. China and India. It is important to note that it is not essential—by design of this policy, it is not essential for such countries, such major importers of Russian oil to formally join this group. They can, nevertheless, use the existence of the price cap to leverage lower prices from Russia. And, in fact, we are seeing that already, where Asian purchasers have used the price cap in order to leverage lower prices, cut-rate prices for Russian energy. That is this policy already at work.

Chairman BROWN. Thank you.

Senator Toomey.

Senator TOOMEY. Thank you, Mr. Chairman.

I want to focus on two aspects of this idea that the Administration has developed: the likelihood of evasion, but also the price cap level itself. Treasury's guidance on the price cap plan so far indicates that the policy is constructed as a prohibition on service providers within the G7 countries who finance, insure, and broker Russian oil transactions above this price cap level, wherever it ends up being set. And as I said, I am hopeful that this will be effective. It strikes me as a very constructive step.

But, obviously, it is not meant to apply, it does not apply, certainly not directly, to oil service providers outside the G7. We have seen a huge increase in Indian and Chinese purchases of oil, just as U.S. and European purchases have declined. In fact, those purchases have fully offset the decline of the U.S. and the EU. And my concern is that China and India will continue to buy Russian oil and probably on a large scale. They will do so with their own service providers. It might not be quite as convenient as the existing regime, but they are quite capable of insuring and brokering and financing oil sales with indigenous companies and capabilities.

So I wonder if, briefly, Ms. Rosenberg, you could comment on any concerns you have that there is still this mechanism, this opportunity for Russia to continue to sell oil, albeit not to G7 countries or those who use services of G7 countries, but outside of the G7?

Ms. ROSENBERG. Thank you, Senator, for the opportunity to address these important questions. This price cap policy envisions a scenario where countries—China and India, for example—continue to purchase Russian oil. That is envisioned within this policy.

Senator TOOMEY. I understand, yes.

Ms. ROSENBERG. And it is possible that they could purchase that oil below the cap using G7 services. For example, there is a distinct advantage for them to do so: 80 to 90 percent of maritime insurance is concentrated in service providers within the EU—or, rather, within Europe, which means that India, for example, has a powerful interest in purchasing some of that oil below the price cap in order to take advantage of those services, which provide more reliability.

Senator TOOMEY. Yes, could I—I am sorry to interrupt. I am short on time here. There is no question everybody would like to buy oil as cheaply as they possibly can. And I completely acknowledge that this regime, if it is effective with G7 countries, might very well have some downward pressure. But there will also be efforts to evade it. There will be countries that will see an opportunity to get more discounted oil even if it is not fully discounted to the price level.

This is why I think it is important that we address this question. I acknowledge that the big majority of the market for the service providers comes from companies within the G7. They would be affected by this. But they do not have monopolies, and the Chinese and the Indians, as I say, are quite capable of expanding the role of their indigenous service providers.

This is not meant as really even a criticism of this arrangement. This is why Senator Van Hollen and I have introduced legislation that would require sanctions to be imposed on those who would evade this way.

Let me ask you another question, if I could. What is your best estimate right now of the marginal cost of producing a barrel of oil in Russia?

Ms. ROSENBERG. Senator, there are varying costs for doing so. It depends on the geology of the field, the technology involved in lifting and the amortization cost. I hope I could take just 1 second to address a key facet of the point you made earlier.

Senator TOOMEY. OK. But I do have another point I need to get to, and we have got a minute. So if we could do it quickly.

Ms. ROSENBERG. A key aspect of a successful price cap policy is the international approach involved here and the entirety of the G7. It is the case that some service providers may be able to function outside of it, but the broad coalition of the G7 and the existence of a price cap means that even outside of it, purchasers have the opportunity and leverage in order to ratchet down the price that they pay.

Senator TOOMEY. I get that, and I am hoping that that dynamic works. And if that market dynamic works and Indian and Chinese buyers end up paying no more than the cap price, then our sanctions legislation is kind of moot. It will sit there as a backstop without doing any harm, without being implemented. But if it does not work—and let us be honest, the Russians have taken in a lot of revenue we did not fully anticipate—then we would have a backstop.

My point on the price level is I think it makes sense—and I am open to an alternative idea, but I think it makes sense—I do not think you guys have set a price cap level yet. I hope it will be very close to the marginal cost of production, and I get that that varies over the course of a massive country like Russia. But, still, keeping it as low as possible diminishes the profits that the Russians make. I think that is a very important step.

A last point, Mr. Chairman, if you will indulge me. Just an observation for Mr. Adams' sake. I know the Administration has proposed expanding Justice's resources and tools to pursue administrative civil forfeiture and punish sanction evasions. I think enhancements might very well be appropriate to penalize Russia's aggression in Ukraine. But the Administration's proposals seem generally not to be limited to Russia, nor to be time-limited. And I think we should proceed very, very cautiously before we decide to expand these prosecutorial and administrative powers in areas unrelated to this invasion.

Thank you.

Chairman BROWN. Senator Tillis is recognized from North Carolina.

Senator TILLIS. Thank you, Mr. Chair. Is that because I wore a tie today?

Chairman BROWN. That was why.

Senator TILLIS. Thank you all for being here. What research has been conducted to—you were talking about maybe a lot of the Russian consumption being at the price cap, possibly negotiated below it. But what are going to be the biggest changes in terms of consumption? Who are the top three countries that are likely to greatly increase their dependence on Russian oil over the next 12 months?

Ms. ROSENBERG. Senator, thank you for the question. The European Union has decided in its sixth sanctions package to stop the purchase of Russian oil and refined product, and that will take effect on December 5th for seaborne oil. So the several million barrels that Europe has been purchasing will flow elsewhere. Generally, that may include countries in Asia, Africa, or Latin America. There is not one single country or two that would take on all of it. It will likely be an array of countries.

Senator TILLIS. Would China and India top the list of some of the greatest increased consumption?

Ms. ROSENBERG. Those countries are significant consuming countries of Russian crude oil already. It is possible that Russia could increase its exports to those countries, but the volume that will come from Russia, given that Europe has pulled back from the market, will flow to many countries.

Senator TILLIS. So do you think the price cap alone is enough to get the price where we want it to be? Or is there going to be a need for secondary sanctions so that we go beyond the U.S. and the G7?

Ms. ROSENBERG. The price cap we believe will have a powerful effect in doing several things, certainly in the first instance denying Russia revenue to fund its war; and, second, by keeping Russian oil in the market at lower prices, it will reduce the potential for price spikes in the market. It enhances security of supply. It makes affordable energy available for lower-income countries. All of those things are important benefits to a price environment that is good for our economy and our partners' economies.

Senator TILLIS. The Russians have—Putin made a great mistake when he went into Ukraine. He is seeing that play out on the battlefield. We are talking about tens of thousands of casualties, probably 25,000 deaths. Now we also know that their supply chains have been greatly disrupted. Their ability to replace a lot of what they have lost on the battlefield has been greatly disrupted, and so they are going to countries like North Korea and Iran to look for support. I believe that is already in violation of sanctions. What more do we need to do to curb that and limit Russia's options outside of their own indigenous defense industrial base?

Ms. ROSENBERG. Senator, it is certainly a violation of sanctions when entities in Iran or North Korea supply Russian-designated entities with military equipment. So, for example, earlier this month the Treasury Department imposed sanctions on Iranian entities that were supplying UAVs to Russia in violation of our Russia sanctions. And our approach here will be to continue to impose sanctions to hold accountable those suppliers to Russian-designated entities.

Senator TILLIS. Are there any in the works now based on transactions that have already occurred?

Ms. ROSENBERG. Senator, I am not in a position to forecast or speak about sanctions that may be coming, but please rest assured that this is a significant priority for us.

Senator TILLIS. I think there is estimated—is it \$300 billion in Russian assets that have been seized by the United States?

Mr. ADAMS. Senator, I can respond, at least in part. With respect to seizures, that is correct. As—

Senator TILLIS. Or frozen. Frozen, not seized.

Mr. ADAMS. Thank you, sir. There is a distinction.

Senator TILLIS. Now, the question is: How can we seize them? And what legal hurdles do you have for doing that?

Mr. ADAMS. Thank you, Senator. So it is one of the Department's priorities to look at the assets that are close to hand and most readily investigatable. Those include assets that are frozen in the United States. We have a focus on looking at whether those relate to the proceeds of crime or have been facilitating money laundering in—

Senator TILLIS. What is the worldwide number on frozen assets? And have any of those in other jurisdictions been seized?

Mr. ADAMS. Senator, the estimations of the total number range into the billions. I do not have a precise number to offer. There are foreign partners who have certainly frozen assets abroad, and in at least some jurisdictions, there are authorities that may ultimately lead to seizure and full confiscation, much like our civil forfeiture and criminal forfeiture.

Senator TILLIS. Well, I for one hope we put the foot on the accelerator and do everything we can to make sure that that money never falls back into the hands of the oligarchs. Thank you.

Thank you, Mr. Chair.

Chairman BROWN. Thanks, Senator Tillis.

Senator Van Hollen from Maryland is recognized.

Senator VAN HOLLEN. Thank you, Mr. Chairman. Thank you to both of our witnesses.

As the Chairman and others have said, the Ukrainian people have inspired people throughout our country and throughout the world in their fight for freedom and for sovereignty. And the support from the United States and our allies to the people of Ukraine has been essential in that fight, both the military support and the economic sanctions. And I want to applaud the Biden administration for working with our allies to provide that essential military equipment and to impose those sanctions very rapidly. We have seen projections of Russian GDP having declined as a result of that.

We all recognize—and I know the Biden administration does as well—that the one area where Russia has continued to generate a lot of revenue to fund their war machine is in their sale of energy—gas and especially oil. And so I also applaud the Administration's effort with the G7 to establish the price cap.

I think we all know—a lot of us have been following this closely. I chair the FSGG Subcommittee. We had a hearing on June 14th with Deputy Secretary Adeyemo where we covered some of these issues. And it is pretty clear that there is some skepticism among oil traders about whether this will work. That is why I am really pleased to team up with Senator Toomey to introduce legislation which, as he described it, we see as a complement to the Administration's effort, a backstop, because you can easily imagine Vladimir Putin saying that he is not going to comply with this price cap, and that will set off a negotiation with those around the world who may be willing to purchase oil for a little bit above the price cap, which is still in their interests compared to global prices.

And so the idea behind this legislation is to provide a uniform backstop worldwide and say to any financial institution that is

thinking about financing or participating in a transaction to purchase Russian oil above the price cap set by the G7 will face penalties. And if you are right—and we hope you are—that we do not need anything like that, people comply voluntarily, great. But if they do not, you would have a backstop. And, again, if it works perfectly, you will not need it.

So I guess my question is: What is your sense of the need for additional leverage? Wouldn't you support something that gives you a little bit extra leverage as you go around negotiating this price cap? Assistant Secretary Rosenberg.

Ms. ROSENBERG. Thank you, Senator, for the opportunity to address this point. The Biden-Harris administration and our G7 partners have a good deal of leverage and authorities right now in order to pursue a policy that sets out, as you have recognized, a powerful set of incentives for purchasers of Russian oil to purchase that oil at cut-rate prices, below the cap here. We also have authorities that we can bring to bear for the purposes of enforcement, which I believe you are specifically addressing, when there is an instance, for example, of a purchaser that has committed fraud, that has made material misrepresentations to service providers that are acting in good faith to follow this price cap policy.

Thus, to the extent that we need to use enforcement measures, we have sufficient authorities to pursue those avenues.

Senator VAN HOLLEN. I guess, Madam Secretary, that, as Senator Toomey pointed out, if you are Russia, you are going to be hell-bent on trying to develop different avenues to sell your oil at a price somewhat higher than whatever price the G7 sets. And so this mechanism signals to Russia and others around the world that if you are involved in some kind of scheme to evade these price caps, you will be hit, and it will be automatic.

I believe one of the benefits of putting this sort of threat of sanctions out in advance is everybody is on full alert that this is the law and this will apply. Clearly, if somebody is buying in good faith, you know, there can be exceptions for those purposes. But I do think there is a great benefit to having a worldwide backup so that Russia does not try, as it is bound to do, to play countries against each other if those countries know they are all going to be subject to the same uniform sanction penalty. Thank you.

Thank you, Mr. Chairman.

Chairman BROWN. Thank you, Senator Van Hollen.

Senator Menendez of New Jersey is recognized.

Senator MENENDEZ. Thank you, Mr. Chairman. Let me start off by commending the Administration's leadership on the price cap. A successful cap, however, requires agreement from a broad group of countries and is a delicate balancing act.

So, Secretary Rosenberg, where are we at in terms of securing the necessary buy-in and support to make the price cap work? Is there buy-in from other major economies beyond the G7?

Ms. ROSENBERG. Thank you, Senator, for the question and opportunity to speak to this. In negotiating and crafting the price cap policy, we have worked very closely with partners in the G7, and in this instance that includes the EU, so all of the EU Nations as well. That was enshrined and articulated in the G7 Ministerial Statement from several weeks ago with a commitment to imple-

ment this strategy. So we are in a very strong place when it comes to coordination across this group. That is meaningful because a significant majority of services for the maritime transport of Russian oil are concentrated in these countries.

We have also had the opportunity to speak with major purchasing economies that are not part of the G7 but that would be in a position, already have been and will continue to be purchasers of Russian oil, and they understand the purpose of this policy, and we have significant common cause with them when it comes to their ability to purchase Russian oil at significantly decreased rates.

Senator MENENDEZ. Let me ask you, how much of a concern is Russia's efforts to create alternative insurance mechanisms? And what are we doing to make those efforts ineffective?

Ms. ROSENBERG. Thank you, Senator. Russia does have insurance, maritime insurance, that it has used. It does not have enough insurance though in order to support all Russian oil that it exports, which is one of the reasons why insurance provided by European countries has been important and I think will continue to be important for purchasers of Russian oil.

Furthermore, those purchasers of Russian oil know that to use VLCC tankers, some of the largest tankers, they are essentially required to use European insurance. So there is a powerful incentive for those purchasers to continue to access G7 insurance and other services for the purchase of Russian oil.

Senator MENENDEZ. Well, India's importation of Russian oil has skyrocketed, helping it to maintain Russia's exports. How successful is our ongoing engagement with India on agreeing to adhere to a price cap? And can the price cap actually work if India and China are not part of the coalition of countries implementing it?

Ms. ROSENBERG. Thank you, Senator. It is the case that India has significantly increased its purchase of Russian oil. That is conceived of in this policy when it comes into force, and India continuing to purchase, including at a significant volume, can be entirely consistent with the price cap. What is key is that India is in the position to negotiate a lower price, a significantly lower price for the oil that it purchases.

And to the latter question that you just asked, it is not essential that countries such as India or others in Southeast or East Asia that purchase Russian oil formally join the price cap in order to be able to use that cap to leverage a very low cost of oil. That will advance our purpose, driving down Russia's revenue and also keeping Russian oil on the market at depressed prices for security of supply.

Senator MENENDEZ. That is a great point, but it is also a question. If China wants to help Russia, then it can purchase oil beyond the price cap, and it is a direct way of helping Russia at a critical time without being more directly involved in Ukraine.

So at some point, we have to think about how—these are not just any economies; these are major importing economies in terms of India and China—and they act in this context is going to be critical as to how successful we are. And I look forward to seeing how we are going to deal with that.

I get concerned about—I have been the author of more sanctions than I would like to remember, and the challenge is, of course, enforcement and dealing with evasion. And so it is critical that the United States crack down on entities and Nations that seek to evade and subvert Western sanctions. I am particularly concerned about possible sanctions evasions by Turkish financial institutions through their use of Russia's domestic payment system, Mir. I was pleased to see that the U.S. just sanctioned the CEO of NSPK, which oversees Mir's operations.

What further steps is the Administration taking to close loopholes that allow Western sanctions to be undermined through the use of the Mir payment system?

Ms. ROSENBERG. Thank you, Senator. We are quite concerned about the potential for evasion for Russian sanctions broadly in any jurisdiction, and as you note, this is one jurisdiction that we have focused on. Our Deputy Secretary has made a specific effort in that regard.

We are also interested in how existing financial connectivity that Russia has to the rest of the world, whether in the payment service you noted or others, whether those can be abused. We should think of any such connectivity as potentially vulnerable and appropriate for enhanced due diligence. We will continue to engage with Turkiye to focus on that vulnerability.

Senator MENENDEZ. Mr. Chairman, I had one final question, if I may?

Chairman BROWN. Sure. Proceed.

Senator MENENDEZ. Thank you.

Mr. Adams, we have seen a lot of high-profile yachts seized and what-not, although I do not know how much it costs us to maintain them before we can get rid of them. So I do not know what the net effect of that is. But certainly to those who lost them, it is significant.

The long-term success of a successful seizure effort will come down to coordination and information sharing at multiple levels across jurisdictions. What are some of the biggest obstacles to ensuring a robust effort to identify and seize privately held assets? And how is the U.S. aiding other jurisdictions to ensure that that takes place?

Mr. ADAMS. Thank you, Senator. I appreciate the concern behind that question. The biggest obstacle historically has been communication across borders in dealing with our international partners. In the wake of the February invasion, those obstacles have diminished greatly. There has been, in my experience, a significant uptick in the ability and the interest of international sharing, both in terms of law enforcement and intelligence.

The key hurdle previously was a mismatch and a misalignment between the U.S. sanctions regime on the one hand and foreign partners' sanctions regimes on the other. As the European Union, as our partners in the United Kingdom and elsewhere around the globe have come into alignment with our sanctions regime, it has greatly increased our ability to effect seizures, to effect requests for searches, to request arrests, et cetera. That I think will only continue as those regimes continue to come into alignment and, in particular, as our partners in Europe and the United Kingdom con-

tinue to work on legislation of their own that will increase their own ability to proceed on civil asset forfeiture or an analogous proceeding.

Senator MENENDEZ. Thank you, Mr. Chairman.

Chairman BROWN. Thank you.

Senator Rounds from South Dakota is recognized.

Senator ROUNDS. Thank you, Mr. Chairman.

Thank you to both of you for appearing before us today. Ms. Rosenberg, as you know, the use of sanctions has increased astronomically since the end of the cold war. My question is: Do you believe that sanctions are an effective way to advance U.S. national security and policy priorities?

Ms. ROSENBERG. Thank you for the question, Senator. I do believe that sanctions are an effective way to advance U.S. policy objectives, but not by themselves. They are effective in coordination with other authorities and tools of statecraft, including diplomacy, when appropriate the use of military or intelligence tools; and, furthermore, they are most effective when used alongside international partners, both as an economic matter and as a signaling matter to the target of the sanctions.

Senator ROUNDS. In a globalized economy where Russia can still earn \$1 billion a day in oil revenue, even while being heavily sanctioned, how do we make certain that our economic and other non-military tools actually stay effective?

Ms. ROSENBERG. Senator, to this excellent point, I would refer back to my comment previously on the multilateralism here. So the United States is, of course, a significantly sized economy, but there are other significantly sized economies that have even greater connectivity with Russia. And when we act together, given their connectivity to Russia, it will have the greatest effect in causing economic and financial isolation for Russia. That is how multilateral sanctions can be most effective.

Senator ROUNDS. It seems interesting that even though they have actually reduced the amount that they have produced and been able to deliver and the fact that they have got supply chain problems as well, with the price going up there were two messages that I had heard earlier in your opening statement. First was that we are successfully actually limiting and seeing their economy actually reduce in terms of its overall value. And yet at the same time, their largest industry, which is the production of petroleum, has substantially increased.

Am I missing something between the two? It seems that the sanctions, specifically with regard to their ability to produce and to market oil, does not seem to have worked as well as what we had hoped that it would. Is that a fair statement?

Ms. ROSENBERG. Senator, this broad international coalition of sanctions and export controls, are having the effect of overall constraining Russia's economy and putting it into pretty difficult and dire conditions. Nevertheless, the particular area that you have noted, in energy, is actually the last significant remaining Russian opportunity to earn hard currency. To many people, including Members of this Committee, that is intolerable, that Russia should still continue to earn windfall profits from the sale of this energy, which is why we seek to address it with further policy measures.

Senator ROUNDS. Thank you.

Mr. Adams, it is my understanding that your task force is fully empowered to use the most cutting-edge investigating techniques, including data analytics, cryptocurrency tracing, foreign intelligence source, and information from financial regulators and private sector partners, to identify sanctions evasion and related criminal misconduct.

In discussions with other Federal offices, I have been told that frequently the private sector actually provides more and better information than other sectors of the Federal Government.

I guess my question would be: What role does the private sector play in assisting you in identifying Russia's evasion efforts? And have you experienced a similar level of information sharing?

Mr. ADAMS. Thank you, Senator. The private sector has been an enormous partner throughout this effort, and I am referring here to the banking sector, to the financial services sector generally, to the insurance industry, to the shipping industry, et cetera.

There are instances in which our job as law enforcement officers cannot be done without witnesses who have firsthand knowledge of how the economy is working on the ground and have specific knowledge about particular sanctions evaders, as you note.

Working with the banking sector is not separate in my mind from working with the public sector and law enforcement. It is a symbiosis. We get information through bank secrecy reporting channels. We get information through less formal informants, et cetera.

To be able to marry those sources of information with confidential sources, for example, to marry it with our ability to proceed via search warrants, et cetera, amplifies both sides of what is essentially the same coin.

Senator ROUNDS. Thank you.

Thank you, Mr. Chairman. My time has expired.

Chairman BROWN. Thank you, Senator Rounds.

Senator Smith from Minnesota is recognized from her office.

Senator SMITH. Thank you, Mr. Chair, and thank you to our panelists for this excellent hearing.

My question is around global food insecurity. The Russian war in Ukraine is contributing to a global food security crisis. Somalia is one of the worst-hit countries. Before the war, Ukraine and Russia contributed up to 90 percent of Somalia's grain supply, and now an estimated 7 million Somalis are facing acute food insecurity and near-famine conditions. And despite some progress in restoring shipments of wheat to East African Nations, we continue to see Russian efforts to steal and divert grain supplies and threats from Russian President Putin to look at reducing future shipments.

So, Ms. Rosenberg, I was very glad to see last week Treasury announcing new sanctions against individuals that are overseeing the seizure and the theft of Ukraine's grain. Could you talk to us about how we can do more to use sanctions and other tools of economic statecraft to hold Russia accountable for intentionally exacerbating this food crisis?

Ms. ROSENBERG. Thank you, Senator, for the opportunity to speak to food insecurity and Russia's role in enhancing, unfortunately, the food insecurity that exists for so many countries.

One thing that is important we have found to point out is the necessity to clarify the fact that our sanctions do not bear on the export or the trade of food, medicine, or medical devices. That speaks to misinformation out there. In fact, what we have sought to do is to clarify that we have permission in all of our sanctions structure to ensure that such trade can continue. We have issued general licenses to that effect and additional guidance.

It is important to hold accountable those entities, including in Russia, that have been responsible for stealing Ukrainian grain and destroying their agricultural equipment from blockading the export of Ukrainian grain. And as you have noted, it is particularly outrageous and dismaying that Russia has been engaging in these activities, given the profound need by countries that are food insecure for this food aid that Ukraine has been in the position of supplying, as well as Russia, in the past.

Beyond efforts that we can bring forward and continue to do so to hold accountable those in Russia that are responsible, it is, furthermore, essential to ensure that that grain is able to be exported, and so the agreements, the negotiated agreements that have come into place and hopefully will be retained in order to allow that grain to continue to be exported will be just as essential as holding accountable those who are responsible for preventing the export of that grain.

Thank you.

Senator SMITH. Thank you. Thank you very much.

Just in the time that I have left, I would like to follow up on the excellent questions from Senator Menendez and also Senator Rounds around strategies that Russia is deploying to evade sanctions. It seems as if this is a constantly evolving battle—right?—between new strategies on the part of Russia to evade sanctions and then our efforts to adapt and to evolve as well.

So maybe, Mr. Adams, could you just talk a little bit about that? How have Russia's strategies to evade coalition sanctions evolved? And how are our detection and enforcement strategies evolving in response?

Mr. ADAMS. Thank you, Senator. In many ways, I think we see the same playbook for sanctions evasion today that we have seen for years. There is clearly a drive to evade export controls in particular given the stark deficiencies of the Russian military and the ability to rearm itself. And so from a strategic standpoint, we at the Department are looking at efforts to evade both the financing, sanctionable financing of controlled exports and looking specifically at new financiers and new shell companies, new financial services firms that are popping up in order to essentially play a shell game in terms of how to hide that money.

One strategy that we have adopted with the task force is to be as public as quickly as possible in setting out a road map for the private sector to look at. When we unseal affidavits, when we take actions, we try to speak with as much detail as possible about the specific companies involved, the specific route of money that is going through the financial system, so that we have an outsized effect beyond a particular case or a particular seizure, so that banks, insurance companies, financial services firms can look at our work

product and take their own action as they instill their own cultures of compliance.

Senator SMITH. Thank you very much.

Thank you, Mr. Chair.

Chairman BROWN. Thank you, Senator Smith.

Senator Daines from Montana is recognized.

Senator DAINES. Chairman, thank you.

I was one of the first U.S. officials to visit Ukraine following Putin's invasion on February 24th. That was in mid-April I went over. Following that visit, I saw Putin's atrocities firsthand. In fact, I brought a *New York Times* reporter with me as we went and saw the atrocities there in the Bucha area, of course, kind of north and a bit to the west of Kyiv. I pushed the Biden administration on my return to take immediate actions to reopen the U.S. embassy as well as to send more lethal aid to Ukrainian people.

On Sunday, the Guardian reported that Ukraine is lobbying the U.N. General Assembly to adopt a resolution to establish a mechanism that could leave the seizure of as much as \$300 billion of Russian State assets overseas.

As the war raged on and Russia's actions became more brutal and barbaric, I then urged Treasury Secretary Yellen to impose tighter sanctions on Russia's financial institutions.

In June, the U.S. Department of Justice stated the U.S. and its allies have frozen \$30 billion—I believe the number now is closer to \$39 billion—of Russian elite assets and \$300 billion of Russian central bank assets held overseas. Not long ago, I introduced a bill, Senate bill 4283, that would authorize the Biden administration to confiscate these Russian assets and use these assets to offset the cost of our Nation's assistance to Ukraine. I can tell you, when you talk about that with the taxpayers of this country, they think that is a great idea, as we have been most generous in sending aid over to Ukraine.

I think it seems prudent that we take advantage of our sanctions to the fullest and repurpose these Russian funds to help pay for the response to their invasion of Ukraine.

For Mr. Adams and for Ms. Rosenberg, can either of you offer guidance on what the Biden administration plans to do with the roughly \$39 billion of seized Russian assets? And, by the way, it is kind of a nice balance. We authorized about \$40 billion and change to support the Ukrainians. We have got about \$39 billion in seized Russian assets. What does the Administration do with that? And why can't we just take those dollars and use them as an offset for the aid we have sent to Ukraine? We will start with Mr. Adams.

Mr. ADAMS. Thank you, Senator. The concern behind the question is entirely felt within the Department and the Administration, heartfelt by the people at the task force. And the task force, the Department, stands ready to work with you, your office, with the Committee, with the Senate, to talk about legislation that has been proposed, that may be proposed, that may further expand our ability to go after—

Senator DAINES. And I thank you for that. Heartfelt, that is great. Concern, that is wonderful. But why aren't we taking action? What is the barrier prohibiting us from taking these seized assets

here and using those to offset the aid that we have sent to Ukraine? The taxpayers would love to see that, I can tell you that.

Mr. ADAMS. Thank you, Senator. To go directly to the hurdles here, with respect to frozen assets, which I think is a key distinction here between what has been seized pursuant to our warrants and——

Senator DAINES. What is the frozen asset number that you—if you were to look at your tally, what is that number?

Mr. ADAMS. I think that is the number that you are referring to.

Senator DAINES. Yes, correct. OK. Just to make sure we are on the same page, because that does match virtually what we sent to Ukraine. It is around about \$40 billion.

Mr. ADAMS. And with respect to frozen assets that sit in bank accounts, that sit in securities holdings, those are not entire co-extensive with what is today forfeitable, what we can bring a seizure warrant to go and ultimately divest all the ownership.

Senator DAINES. How much do you think we could provide of seizure warrant and actually take?

Mr. ADAMS. It is difficult to predict today, and it is under investigation right now. The question is: As a general matter, are the assets either traceable to the proceeds of an existing crime, involving in money laundering, or the assets of a racketeering enterprise?

Senator DAINES. Thank you.

Ms. Rosenberg, your thoughts.

Ms. ROSENBERG. Thank you, Senator. Let me just affirm that it is certainly our common cause and interest to pursue the restitution for the Ukrainian people. I would associate myself with the sentiment that it is challenging to move from frozen assets to forfeited assets, and there is a distinction between assets that are State assets versus assets that apply to oligarchs or to individuals, creating different legal standards for the both of them.

Additionally, some of those assets that you have noted are held in the United States and U.S. jurisdiction and others are held abroad. It is most important that we move in parallel to certain of our international counterparts in order to have consistency and credibility across our regimes.

Senator DAINES. Would legislation help?

Mr. ADAMS. Senator, from the Department's perspective, there are proposals that the Department has engaged with the Senate on that would help, I think, expand our ability both to investigate and ultimately to pursue the forfeiture of assets that are under consideration.

Senator DAINES. All right. Thank you.

Chairman BROWN. Thank you, Senator Daines.

Senator Sinema from Arizona is recognized from her office.

Senator SINEMA. Thank you, Mr. Chairman, and thank you to the witnesses for being here today.

Arizonans and Americans continue to stand with the Ukrainian people against Russia's illegal war. We are inspired by the courage and the determination of the Ukrainian people. We must continue to take smart, aggressive action to disrupt and dismantle Vladimir Putin's war machine and bring this bloody illegal conflict to a close.

Earlier this month, the Russian Government announced that Putin has personally sanctioned me, Senator Kelly, and other dis-

tinguished Members of this Committee. You know, when Senator McCain served in the Senate, he was sanctioned by Putin in the exact same way, and I could not be prouder to share such a distinction with him. I consider it a badge of honor.

What he said in response to Russia was this: "While I suppose this means I will spend this Easter in Sedona rather than Siberia, I could not be more proud of being sanctioned by Vladimir Putin for standing up for freedom and human rights for the Russian people and against Putin's deadly aggression in Ukraine. I will never stop my efforts to support democracy, free speech, and the rule of law in Russia."

I could not agree more.

Assistant Secretary Rosenberg, it is good to see you. I am encouraged by reports that the Russian military is being forced to repurpose domestic industry to obtain key inputs for its battlefield hardware because no respected world power will sell to them. This success shows what is possible when Nations put aside differences and work together toward a common goal.

Can you expand on the direct combat implications of this achievement? And are these international export restrictions a factor in why the Russian military had to pull back from Kharkiv a few weeks ago?

Ms. ROSENBERG. Thank you, Senator, for the opportunity to discuss this issue. Indeed, we do believe that export restrictions and financial sanctions are directly meaningful for Russia's difficulty in sourcing modern, state-of-the-art battlefield equipment. Their soldiers on the front line do not have access to key warfighting equipment, which degrades Russia's readiness, its posture, and its ability to wage this war.

Specifically, we have noticed and pointed out Russia's difficulty in getting access to chips, certain high-tech equipment that is significant as components to certain battlefield equipment. As you rightly noted, Russia has struggled to be able to procure on the open market because responsible countries of the world have denied it the opportunity to procure those goods. That is something that we will seek to continue: tightening those export controls. They are a vise that continues to tighten. Successively over time it will be more and more difficult for Russia to source that equipment, meaning that its second-rate materiel is an impediment for battlefield readiness for the period of the war yet ahead of us, unfortunately.

Senator SINEMA. Thank you. Do you have a sense of which industrial goods and technology are the most devastating for global suppliers to withhold from the Russian military?

Ms. ROSENBERG. Senator, I did not catch the beginning of your question, but to the extent that this is about particular goods and technology controls—

Senator SINEMA. Yes.

Ms. ROSENBERG. Yes, I would defer to my Commerce Department colleagues who maintain the lists and the particular prohibitions as well as my Defense Department colleagues and their analysts to make an assessment of what is most significant to Russia's warfighting ability and its battlefield readiness. But as I believe you have noted, the broad array of restrictions across many cat-

egories of equipment and technology that Russia uses to source its battlefield equipment are important, as well as the complementary financial sanctions that also seek to deprive Russia the opportunity to make such procurements.

Senator SINEMA. Thank you. I also want to ask you about the efficacy of current restrictions on Russian oil exports. Some reports state that Russian oil producers are attempting to circumvent the spirit of these restrictions by blending their oil with oil from other countries so that the percentage of Russian oil falls beneath 50 percent. Under current rules, that would allow the oil to be branded as a non-Russian country's blend, even though nearly half of the oil revenue will continue to go to Russia.

Is this an issue of concern for the United States? Or is this primarily an issue for the European Commission?

Ms. ROSENBERG. Thank you. At this time we are putting together the price cap policy, which will come into force on December 5th. The point that you have made about blending of Russian crude is one that we have heard from other individuals and people in the industry. We have an opportunity to offer further clarity on this important point in the forthcoming guidance and frequently asked questions that the U.S. Government will put out in the coming weeks to effectuate our price cap. Our partners in other G7 countries will have the opportunity to do so—as well as to clarify the specifics here. But it is important to remember that Russian oil on the water is Russian oil on the water for the purposes of the price cap policy.

Thank you.

Senator SINEMA. And my final question. Does the Department support European Commission efforts to tighten restrictions on this very type of blending scheme?

Ms. ROSENBERG. Thank you, Senator. We work very closely with the European Commission, which is part of the G7 coalition for the price cap. We all collectively see the price cap policy as strengthening and enforcing the existing set of restrictions that we have to respond to Russia and what it does is build upon the EU's sixth package that passed in the spring that has the provisional basis, the provisional legal basis for its ban on Russian services for third countries. So we will certainly work closely with the EU and other G7 partners as we continue to implement this policy.

Thank you.

Senator SINEMA. Thank you.

Thank you, Mr. Chairman.

Chairman BROWN. Thank you, Senator Sinema.

Senator Cortez Masto from Nevada is recognized from her office.

Senator CORTEZ MASTO. Thank you, Mr. Chairman. Thank you to both Ms. Rosenberg and Mr. Adams.

Mr. Adams, let me talk with you. Let me just say this: I appreciate President Biden's implement robust sanctions against the Russian Government to stop the illegal and unprovoked invasion against the people of Ukraine. I also appreciate the work that you are doing in the creation of the KleptoCapture Task Force. Let me just talk about two things, because I have two proposals that I am working on, and thank you, I know we have reached out to DOJ and the Administration about this.

But here is what I am interested in is your position on when you talk about the benefits of adding the crime of sanctions evasion to the definition of “racketeering activity” under RICO. As you well know, there are civil and criminal actions under the Racketeer Influenced and Corrupt Organizations Act, and I am interested in your thoughts if adding the crime of sanctions evasion would be helpful in the work that you are doing.

Mr. ADAMS. Thank you, Senator, and my thanks to both you and your staff for the conversations about the proposed legislation. We are committed to continue those conversations.

It would be helpful in a number of respects to add IEEPA and ECRA violations to the list of RICO predicates. There are a number of ways in which we expect that would inure to the benefit of seizing assets. Under the RICO criminal provisions and the forfeiture laws, the ability to go after racketeering enterprises and the assets, all assets of a racketeering enterprise is a particularly powerful forfeiture tool, and it is one that is appropriate in the context of sophisticated, complicated, complex, multinational racketeering enterprises that are engaged in a number of financial crimes.

It is the case, as we have talked about today on a number of points, that what we see are efforts to evade sanctions in Russia, but they also tie into efforts to evade sanctions in Iran and North Korea. There are partnerships and growing partnerships in Iran and North Korea, in particular due to the success of our sanctions regime and the success of the export control regime.

The ability to look at financial service providers, for example, to look at facilitators who are engaged generally in the efforts to make a buck on the back of sanctions evasion, irrespective of where in the world the sanctions evasions are taking place, would be particularly powerful and allow us to go after a broader set of actors and to use a particularly powerful forfeiture hammer to ultimately inure to the benefit of Ukraine.

Senator CORTEZ MASTO. Thank you. And, listen, I so appreciate your answers to some of the questions today. I have taken action both under civil and criminal RICO and addressed and tried to take action under forfeiture laws as well. It is very challenging, there is no doubt about it, and there are certain property rights that have to be taken into consideration.

I do think we need to make sure that we are giving you all the tools that you need under our existing laws, and by adding just a sanction evasion as a RICO predicate would be one of the easiest things that we can do to give you more opportunity to take the action that we are all asking you to take, quite honestly.

The second thing I want to ask you, I know the Administration seeks to extend the statute of limitations for acts against the U.S. for sanctions evasion from 5 to 10 years. Can you talk a little bit about that and why that is important?

Mr. ADAMS. Thank you, Senator, and the proposal here is, as you say, to extend the statute of limitations, focusing on, in particular, activity and unlawful activity that is taking place abroad. The reason for the request is the difficulty in conducting those kinds of investigations in particular.

I mentioned earlier that the realignment and the continuing alignment of our sanctions regime and our foreign partners’ sanc-

tions regime is encouraging. It has been robust, particularly in the last few months.

That said, the difficulties of conducting transnational investigations of piercing often opaque jurisdictions that have an interest in concealing or providing a harbor for those who would conceal illegal activity is a tall order. It requires intensive resources, and it at times requires multiple years of investigation.

Senator CORTEZ MASTO. Right, so, in essence, you just need more time for the investigation. You do not have that because of the extent of the assets and what you are dealing with in an international perspective.

Thank you again. I so appreciate both of you and the work that you do.

Thank you, Mr. Chairman.

Chairman BROWN. Thank you, Senator Cortez Masto.

Senator Warren from Massachusetts is recognized.

Senator WARREN. Thank you, Mr. Chairman.

So ever since President Biden announced sanctions against Russia for the invasion of Ukraine in February, I have had serious concerns about Russian elites potential using cryptocurrency to evade sanctions. Back then, we already knew that countries like North Korea had used crypto to skirt sanctions and launder at least hundreds of millions of dollars, and Russia could easily be part of that.

So that is why I introduced the Digital Asset Sanctions Compliance Enhancement Act with many of my colleagues actually on this Committee to strengthen our sanctions regime. Since my bill's introduction in March, Treasury has identified numerous cases of Russian entities attempting to evade sanctions with crypto.

In April, Treasury sanctioned multiple Russian crypto mining companies. Just last week, Treasury sanctioned five crypto addresses tied to a Russian neo-Nazi paramilitary group. And on top of that, Russia's Deputy Finance Minister announced earlier this month that Russia is looking into using stablecoins as a way around Western sanctions.

Assistant Secretary Rosenberg, could digital assets be used right now by Russian oligarchs to evade sanctions on Russia?

Ms. ROSENBERG. Yes, Senator, that is possible.

Senator WARREN. All right. I appreciate your candid answer here. Many crypto boosters continue to claim that crypto could never be used as a way to evade sanctions. Despite the evidence to the contrary, they say that because blockchain is transparent, anybody can where the tokens are moving, so no problem here.

Now, obviously, we know there are problems. A whole industry has popped up to create tools for illicit actors to tangle or hide the trail of crypto transactions. One of these tools is called a "mixer," which pools funds with the explicit purpose of hiding the origins of the funds. In fact, one report estimates that so far this year, nearly a quarter of all funds sent to mixers came from illicit actors.

Assistant Secretary Rosenberg, let us start with the basics. Do mixers and other technology used to hide cryptotransactions make it harder for Treasury officials to do their job of enforcing sanctions?

Ms. ROSENBERG. Anonymity-enhancing technologies, such as mixers that you mentioned, are indeed a concern for understanding the

flow of illicit finance and getting after it. It is true that what you note, that on a public blockchain, it is possible to trace the source of money and where it is flowing. The detractor from that would be anonymity-enhancing technologies.

Senator WARREN. That is right, like these mixers. So that is why I was glad to see last month that Treasury sanctioned Tornado Cash, a mixer used by a North Korea-linked hacking group to launder nearly half-a-billion dollars. Earlier this year, the mixing service Blender was sanctioned for laundering funds for Russian and North Korean groups.

Now, some in the crypto industry are furious over these sanctions, and they are fighting to have the chance to keep right on laundering money. Some downplay, some even lie about the risks associated with their products.

One of the industry witnesses who testified before this Committee earlier this year claimed that mixers do not make it easier for illicit actors to hide their transactions. Well, that was clearly wrong. Tornado Cash alone has been used to launder over \$7 billion with nearly 30 percent of its current business tied to illicit actors.

Even so, Coinbase, the largest U.S.-based crypto exchange, is now bankrolling a lawsuit against Treasury for its work to sanction these mixers.

So, Assistant Secretary Rosenberg, will sanctions against mixers like Tornado Cash help strengthen our sanctions regime against Russia and other illicit actors?

Ms. ROSENBERG. Thank you, Senator. Sanctions such as the one that you have noted, when they can serve as a deterrent to any criminal that would seek to use a mixer in order to launder their funds, the proceeds of corruption or other criminal activity, that is an effective avenue we can use in order to signal that we cannot tolerate money laundering. So whether that is for a Russian criminal actor, an Iranian, a North Korean, or wherever they may come from.

Senator WARREN. Well, I appreciate that. You know, one thing I have learned over the past couple of years is when the crypto boosters cry the loudest, you are probably on to something. If crypto has nothing to hide on money laundering for oligarchs or drug lords or tax evaders, then they should not mind a little transparency. Thanks very much.

Thank you, Mr. Chairman.

Chairman BROWN. Thank you, Senator Warren.

Senator Ossoff from Georgia is recognized from his office.

Senator OSSOFF. Thanks to both of our panelists for your service and your testimony today.

Assistant Secretary Rosenberg, I would like to begin with you. What will be the most significant implementation challenges associated with the G7 price cap?

Ms. ROSENBERG. Thank you for the question. We have already begun significant work to implement this, by discussing and explaining it publicly. It is a different kind of sanction or a different kind of financial set of rules than we have imposed before, along with our G7 partners, so there is a good deal of work to be done, a good challenge to be had in explaining this and clarifying it to

the parties that would be in the position to use it. And that includes the service providers that must know and understand it in order to be able to work within its parameters. We have sought to engage those service providers extensively as we have constructed the framework for compliance and have learned a great deal from them as well as from other countries that purchase Russian oil and that would seek to purchase Russian oil.

So a challenge we have is being able to continue to discuss and explain this broadly with all those in a position to implement it.

Senator OSSOFF. Thank you, Ms. Rosenberg, and my understanding is that the guidance that has been issued, according to that guidance, financial institutions that inadvertently capitalize the shipment of oil that is not compliant with the cap will not be penalized for that. How will “inadvertent” be defined? What due diligence will financial institutions be required to undertake in order to ensure that they are not facilitating oil trades which are not compliant with this arrangement?

Ms. ROSENBERG. Thank you, Senator. Our purpose is indeed strong compliance with the price cap policy such that purchasers of Russian oil will be in a position to leverage it, as I have noted before. Your reference to the guidance, the preliminary guidance that we put out does speak to service providers that may be duped or having received false information. If they are acting in good faith, if they are undertaking due diligence in the normal course along the lines of what they are required to do under other compliance frameworks or supervisory frameworks, that is in general terms the nature of the requirements that we would expect them to be undertaking here. Our focus by contrast as an enforcement matter would be on those purchasers making these material misrepresentations or lying to the service providers.

Senator OSSOFF. Thank you, Ms. Rosenberg. More broadly now, what forms of access to international markets or capital or technology that may not currently be constrained by the sanctions regime as constructed are more essential to the Russian Federation’s capacity to generate military power over the next several years?

Let me just restate the question for clarity. What forms of access to international markets and capital that the Russian Federation may still enjoy and to specific technologies, will the Russian Government and Russian industry be best able to exploit to generate military power given the high rate of attrition that they have experienced thus far during operations in Ukraine?

Ms. ROSENBERG. Thank you, Senator, for the question. One key area of focus for us is looking to Russia’s significant source of wealth when it comes to its energy sales, its major source of hard currency at this time. That is important to Russia for budgetary support now and will be in the future, which is why policies such as the price cap policy are essential in degrading its fiscal basis now and into the future. And I would point out a policy which is not a U.S. policy but which will nevertheless be significant, and that is Europe’s long-term goal to move away from the purchase of Russian energy and indeed to seek alternative energy supplies and greater efficiency. That has caused Russia to anticipate a decline in revenue, a very meaningful decline in revenue over the years to come. That is significant when it comes to its ability to sustain any

kind of economic growth or achieve any kind of economic growth or sustain it into the future.

Thank you.

Senator OSSOFF. Thank you.

Thank you, Mr. Chairman.

Chairman BROWN. Thank you, Senator Ossoff.

That concludes the questioning. In bringing this hearing to a close, it is important that we all again realize what is at stake. The struggle of the Ukrainian people and Putin's inhumane war is a fight between democracy and tyranny. The price is high. Zelensky said it best, describing to Putin what Ukrainians would go without. He said, "Without gas or without you? Without you. Without light or without you? Without you. Without food or without you? Without you. Without water or without you? Without you."

That is the strength of Ukrainian resolve and ours on this Committee and in this Congress, and the Administration must match it. Congress must work hand in hand with you, with the Administration, and our multilateral coalition to protect the sovereignty and protect the people of Ukraine.

Again, thanks to the two of you for being here today and providing testimony.

Senators who wish to submit questions, they are due 1 week from today, on Tuesday, September 27th. To the two of you as witnesses, please submit your responses to those questions for the record no more than 45 days from the day you receive them. Thank you again.

With that, the hearing is adjourned.

[Whereupon, at 10:31 a.m., the hearing was adjourned.]

[Prepared statements and responses to written questions supplied for the record follow:]

PREPARED STATEMENT OF CHAIRMAN SHERROD BROWN

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

Today's hearing is in a hybrid format. Our witnesses are in-person, but Members have the option to appear either in-person or virtually.

Vladimir Putin's war on Ukraine has massacred innocent civilian communities, leveled cities, weaponized food and energy sources, imperiled the security of a nuclear facility, and jeopardized the future of a sovereign democracy.

His actions also threaten global order—drawing a clear distinction between those who stand for democracy and rule of law and the forces of repression and tyranny.

But there are two things that Putin did not count on:

First: the resilience and strength of spirit of the Ukrainian people—which was on clear display last week, when the Ukrainian military retook Kharkiv, Ukraine's second-largest city.

Second: the ability of President Biden to assemble and lead a broad, unified coalition of allies, and to keep that coalition together.

This Administration, with bipartisan and bicameral support from Congress, has spearheaded a forceful, comprehensive, and multilateral response to support the Ukrainian people and isolate Russia.

Today's hearing examines the economic piece of the Administration's strategy.

This hearing follows on the Committee's work in evaluating our sanctions policy—as we did last year in a hearing on Treasury's sanctions review, and at a hearing this past July, where we heard from the Commerce Department on its expansive restrictions on exports to Russia.

Because we are united, our efforts are beginning to work.

As Secretary of State Antony Blinken said the other week, "Putin thought he would divide and weaken NATO."

But he was wrong. Putin's actions have led to NATO's growth—We're now poised to welcome Sweden and Finland—reminding the world the vital role this alliance of democracies plays.

And America, and increasingly the world, is wise to Russia's propaganda.

This Administration has corralled an unprecedented multilateral coalition, which includes our European partners and other allied countries, to impose one of the most comprehensive sets of economic sanctions in recent years.

Those measures aim to limit trade and financial relations with Russia, to penalize corrupt Russian oligarchs for supporting Vladimir Putin, and to cripple Russia's economy, cutting off support for funding this brutal and immoral war.

We've dramatically escalated this economic effort. And it is impacting every sector:

- Sanctions against a number of major Russian banks and dozens of Russian officials and Putin associates.
- Expanded export controls that restrict Russia's access to the technologies needed to sustain its aggressive military capabilities.
- Limitations on imports of Russian energy products.
- And even the seizure of a \$300 million yacht owned by a sanctioned Russian oligarch.

The impact of our smart and targeted economic measures has rippled throughout the Russian economy, damaging their defense industrial base.

Ukrainian troops have found Russian military equipment rigged with semiconductors that appear to have been taken out of home appliances like dishwashers and refrigerators.

As we pass the 6 month mark of the war, we welcome back Elizabeth Rosenberg, who serves as Assistant Secretary for Terrorist Financing and Financial Crimes at the U.S. Department of the Treasury, and welcome Andrew Adams, Director of the KleptoCapture Task Force at the Department of Justice.

We look forward to hearing from the witnesses about the economic sanctions designed to weaken Russia's economy and about our efforts to pursue corrupt Russian oligarchs' assets.

We are making it increasingly difficult for Putin to fund his brutal war in the face of a shrinking Russian economy and its isolation on the global stage.

We must maintain the pressure of our many sanctions regimes and we must keep the coalition intact.

With so much of Russia's revenue coming from energy sales, I look forward to hearing more from the witnesses today about the intended impact and status of the price cap negotiations.

Just last week I met with a group of Ukrainian Americans from Ohio—my State is proud to have a vibrant, active Ukrainian community—and their message was clear:

We “cannot lose the momentum.” We must continue to hold the Russian Government and sanctions evaders responsible.

The multilateral coalition, which President Biden assembled, rolled out a sweeping series of rules designed to degrade Russia’s military and technological capabilities. We will not let up while Russia continues to threaten the sovereignty of Ukraine.

PREPARED STATEMENT OF SENATOR PATRICK J. TOOMEY

Mr. Chairman, thank you.

Last week, Ukrainian forces recaptured the town of Iziyum in eastern Ukraine. It had been occupied by Russian soldiers for 6 months.

In the streets, overjoyed and tearful residents celebrated their liberation. But in a forest just outside town, the horrors of Russia’s invasion were once again revealed.

Ukrainian soldiers discovered a mass grave filled with hundreds of civilians. Many of these victims are believed to have been tortured, bound, assaulted, and murdered—not unlike the horrors that occurred in Bucha in April.

Our Government has rightly said such atrocities committed by the Russians are war crimes. Identifying and prosecuting these war crimes are crucial to bringing justice to the Ukrainian people, but let’s be clear: These crimes will continue unless we can force Vladimir Putin and those around him to conclude that abandoning the invasion is better than continuing it.

Ending this war—on terms acceptable to Ukraine’s democratic Government—is not just a morally righteous undertaking for the United States. It is also in the vital interests of our allies and ourselves.

The outcome will have ramifications far beyond Ukraine. We cannot allow revisionist autocrats to feel free to redraw international borders and fundamentally challenge global stability.

The principles of sovereignty and freedom must mean something—even when facing down the barrel of a gun. The stakes are sky high in Europe, where the United States has deep and longstanding security commitments, and they reach as far as Asia, where the Chinese Government is taking note of how the U.S. and its allies respond to Russia’s invasion of its smaller neighbor.

Today, this Committee will examine the existing and future sanctions that the U.S. and its allies will bring to bear on the Kremlin for its invasion of Ukraine. While the outcome of the war will be determined on the battlefield, sanctions have the potential to dramatically hasten an end to the conflict by depriving the Kremlin of the funds it needs to continue this war.

And let’s be honest: the sanctions imposed on Russia have not yet come remotely close to achieving this objective. Roughly \$1 billion in hard currency continues to flow into the Kremlin’s war chest every day from energy sales.

Even Treasury Deputy Secretary Adeyemo recently acknowledged: “There is one part of the Russian economy doing even better than when the war began: their oil industry.” Russia’s gas industry is doing equally well: Gazprom recently announced record profits of over \$40 billion from the first part of this year.

Today’s hearing will focus on the Administration’s plan for a novel sanctions regime that imposes price caps on the purchase of Russian oil. This is an intriguing idea that I hope will be considered for Russian gas as well.

The premise of the scheme is simple: service providers, such as financiers and insurers, within the G7 will only be permitted to facilitate the purchase of Russian oil below the set cap. Given that the vast majority of such service providers are domiciled in G7 countries, I think this plan has the potential to significantly curtail Russian oil revenue.

But several questions remain about this program, including: How will the price cap be set? What will enforcement of the cap look like? And how will the Administration ensure that buyers in countries like China and India do not skirt the price cap for their own gain?

This last question is arguably the most important to determining the effectiveness of the price cap regime. And because the G7 agreement does not address this question, I have joined with Senator Chris Van Hollen to introduce sanctions legislation that will complement the Administration’s price cap scheme and impose mandatory sanctions on any foreign financial institution, worldwide, involved with any transaction in Russian oil above the price cap.

This legislation is the first major bipartisan sanctions legislation that has been introduced on Russia since February. And I promise to work with Senator Van Hollen to get this bill enacted as soon as possible so that Russia can no longer profit from the oil sales funding its war in Ukraine.

Seven months after Putin began his “special operation” in Ukraine, the Ukrainians have conducted a successful campaign to liberate portions of the country from Russian control, concerns harbored by China and India about Putin’s war have been aired publicly, and gas prices in Europe are actually falling—down 45 percent since late August.

The war is not going as planned for Putin. But I say this to my colleagues: now is not the time for half-measures or complacency. It is time to crush the Kremlin’s will to continue this war.

PREPARED STATEMENT OF ELIZABETH ROSENBERG

ASSISTANT SECRETARY FOR TERRORIST FINANCING AND FINANCIAL CRIMES, U.S.
DEPARTMENT OF THE TREASURY

SEPTEMBER 20, 2022

Chairman Brown, Ranking Member Toomey, and distinguished Members of the Banking Committee, thank you for the opportunity to speak with you today and provide an update on the Department of the Treasury’s efforts to hold Russia accountable for its brutal and unjustified further invasion of Ukraine.

The U.S. Department of the Treasury is a key agency working alongside others across the Administration to implement the U.S. Government’s holistic response to Putin’s war. Since the further invasion began 6 months ago, we have been advancing President Biden’s promise to “squeeze Russia’s access to finance and technology for strategic sectors of its economy and degrade its industrial capacity for years to come.”¹

Just last week, we imposed additional sanctions to further degrade Russia’s ability to rebuild its military, hold the perpetrators of this war accountable, and further financially isolate Putin. To date, Treasury has sanctioned hundreds of Russian individuals and entities, cutting them off from the U.S. financial system. This includes a majority of Russia’s largest financial institutions, key nodes in their military-industrial supply chains, and the oligarchs and cronies who steal from the Russian people to line their own pockets and help Putin perpetuate his war. For example, Treasury’s sanctions over the last few months, including our latest tranche last week, have targeted elites tied to the Kremlin, firms connected to Russian steel production and the military-industrial base, and sanctions evasion networks operating on behalf of designated Russian entities. They have also exposed Russian agents and entities involved with Russian Government efforts to promulgate disinformation and election interference in the U.S. and Ukraine.

Treasury has also implemented restrictions on dealings in Russian sovereign debt; prohibited economic dealings with the so-called Donetsk People’s Republic and Luhansk People’s Republic regions of Ukraine; prohibited new investment in the Russian Federation, and imposed services bans covering the provision of quantum computing, accounting, trust and corporate formation, and management consulting services to any person located in the Russian federation. We have also imposed prohibitions on importing certain commodities from Russia into the United States, including oil and natural gas, and similarly imposed prohibitions on exporting certain items like luxury goods and dollar-denominated banknotes.

The United States has been joined by over 30 countries—representing more than half of the global economy—in imposing these measures. The G7, the EU, and other partners like South Korea, Singapore, and Australia have joined us in implementing the largest sanctions regime in modern history. To complement these targeted measures, Treasury has worked alongside colleagues at the Department of Justice to develop unprecedented and wide-reaching international information exchange activities with partner countries, including through the Russian Elites, Proxies, and Oligarchs (REPO) Task Force. These efforts facilitate our ability to share intelligence, law enforcement data, and relevant financial records in order to expose shadowy economic and commercial Russian evasion networks. We are also working with allies and the Government of Ukraine to examine how we may best use Russian assets that have been frozen and forfeited to support the people of Ukraine.

¹ <https://www.whitehouse.gov/briefing-room/speeches-remarks/2022/02/24/remarks-by-president-biden-on-russias-unprovoked-and-unjustified-attack-on-ukraine/>

In addition, Treasury has mounted an aggressive campaign to close the global financial policy and regulatory loopholes across jurisdictions that Russian aiders and abettors of this war, and other criminals, use to perpetuate their illicit activity. At home, this includes three key regulatory efforts: FinCEN's work to stand up a beneficial ownership database pursuant to the Corporate Transparency Act, developing new disclosure requirements for nonfinanced purchases of real estate, and ongoing analysis related to the illicit finance risks presented by investment advisers and funds. FinCEN has also issued several Russia-related alerts, including on Russia's attempts to evade sanctions. Abroad, Treasury is working to strengthen global standards for corporate transparency through the Financial Action Task Force (FATF) and enhance its focus on using financial transparency tools to combat the scourge of corruption. This includes launching new efforts at the FATF to address abuse of Citizenship by Investment, or so-called golden passport programs, and the risks for money laundering, corruption, and evasion of sanctions posed by financial gatekeepers and Politically Exposed Persons (PEPs). Notably, FATF has also taken the unprecedented step of downgrading Russia's standing within FATF as a result of its war in Ukraine, further delegitimizing it in the eyes of the international financial community.

On the other side, Russian propagandists have been hard at work. In the style of the former Soviet Union, Moscow is aggressively attempting to bury any unfavorable news and push the paradoxical narrative—and misinformation—that sanctions are simultaneously not working and yet also cause food insecurity. In fact, Russia's invasion spiked the price of energy earlier this year by 21 percent. Russia's months-long blockade of Ukraine's Black Sea ports, coupled with the purposeful destruction and theft of agricultural infrastructure, crippled Ukraine's farming and export economy, dramatically drove up global grain prices, and outrageously deprived food-insecure recipients of much needed resources. Its attacks on a major food exporter produced similar shocks to global food prices. To detract focus from its brutal tactics, Russia continues to minimize the dislocations it has caused to global commodity markets and its inhumane deprivation of people in Ukraine and across the globe.

This lies in stark contrast with the efforts of the U.S. and others to aid Ukraine and developing countries around the world suffering from Putin's actions. Foremost among these efforts are the Congressional commitments to provide Ukraine with budget support and economic assistance to keep critical Government functions going. In addition, we are pushing international donors to accelerate their complementary bilateral support. We thank Congress for already granting \$8.5 billion for Ukraine assistance that has gone toward these efforts.

The economic actions we have taken, both independently and jointly with our international partners, have had and will continue to have a significant effect on the Russian economy. Russia had been forced to impose draconian capital controls and is burning through its rainy-day fund, dramatically eroding its economic base and buffers in unsustainable ways. Russia will be in fiscal deficit by the end of this year. The IMF expects Russia's economy will contract for at least the next 2 years, a sharp reversal from its 4.7 percent growth in 2021.² Russia's inflation rate after its invasion reached up to 21.3 percent, almost triple the rate from 2021, and remains in the double digits.³ The Russian stock market also reflects pessimism—its valuation remains depressed, sitting about 35 percent below pre-war levels.⁴ Further, the Central Bank Governor of Russia has started to advocate for “structural transformation.”⁵ The bottom line is that Russia's economic picture is bleak and deteriorating.

Significantly, these economic constraints are translating into real battlefield difficulties for Russia. The Russian Duma proposed wartime economic controls over the economy which would allow the State to commandeer private businesses as necessary and force employees of certain enterprises to work overtime.⁶ Struggling to import a host of industrial goods and technology, Russia has been forced to cannibalize its domestic industry to assemble battlefield hardware it can no longer buy from responsible countries. Russia has been forced to turn to outdated equipment and approach global pariahs like North Korea and Iran to source the tools to fight.

Fundamentally, the challenge we face in using financial measures to hold Russia accountable while mitigating the effects of the war on third countries is of a dif-

² <https://www.imf.org/en/Publications/WEO/Issues/2022/07/26/world-economic-outlook-update-july-2022>

³ <https://www.cbr.ru/eng/press/keypr/>

⁴ Data from time series Moscow Stock Exchange Index available here: <https://www.moex.com/>.

⁵ <https://www.cbr.ru/eng/press/event/?id=14034>

⁶ As reported by Russian media: <https://tass.com/economy/1476563>.

ferent kind than we face in other sanctions programs. Russia is not North Korea, Iran, or Venezuela. Moreover, Russia is a sizeable international economy, a globally important energy producer, and over the last 30 years has grown closely tied—and in some instances inextricably intertwined—with some of our closest international partners and allies. Imposing financial costs on Russia for its brutal policies while mitigating the consequences of Russia's actions has required extraordinary planning, coordination, economic analysis and diplomacy, and creative policymaking, all alongside a large group of international partners.

In line with the 2021 Treasury Sanctions Review, we are constantly re-evaluating and reassessing our course of action. We ask ourselves: Do our policies achieve our intended goals? How has the target adapted to our measures? What adjustments do we need to make to increase our effectiveness and mitigate unintended consequences? How do we sustain and strengthen the international coalition of countries working together to hold President Putin accountable for his horrific war?

Examples of the real time adjustment Treasury has made to our financial policies include the multiple fact sheets we have issued just this year, including Preserving Agricultural Trade, Access to Communication, and Other Support to Those Impacted by Russia's War Against Ukraine in April 2022 and the Food Security Fact Sheet published in July 2022, which both offer expansive information about how sanctions are calibrated to avoid unintended impacts as well as to counter Russian disinformation. These public guidance documents also clarify, in writing, to both industry and the international community that agricultural and medical products are not the targets of U.S. sanctions. Rather, any impediments to the delivery of these vital commodities lie squarely with Russia and its war, theft of food products, and shelling of agricultural sites, in addition to Russia's own export restrictions on food and fertilizer.

We have also been keenly focused on Russia's oil exports as we have implemented our evolving policy approach to deny Russia the money needed to sustain its war. At this point, these exports represent Russia's primary source of hard currency. Moreover, Russia is reaping windfall profits from oil and petroleum products due to rising energy costs, spurred by the geopolitical uncertainty Russia caused by choosing to pursue a land war in Europe. We are concerned with the way energy revenues fuel Russia's war efforts but the global nature of the oil market requires a careful approach.

Energy security affects us all—including American households that have seen rising prices at the pump and elsewhere as the downstream effects of rising energy costs have applied inflationary pressures across the economy. Elevated energy prices hit the poorest the hardest, in our country and across the world. Simply put, applying financial pressure to curb Russia's windfall energy profits requires a different, creative approach to make sure that Russian coffers, not regular citizens in our economy and the rest of the world, bear the costs we impose. That challenge—and the need for a carefully tailored policy approach—is urgent. We cannot allow Russia to continue to fund its atrocities, and we must do all we can to prevent the recessionary risks that follow extended painful, unaffordable energy prices.

Our commitment to counter Russia's energy war profiteering centers on our effort—alongside an international coalition, starting with the G7 countries—to impose a “price cap” on maritime Russian oil and product exports. Ultimately, the price cap policy is the most viable option to support the security and affordability of the global oil supply.

The oil price cap mechanism is a tool for other importers—mainly developing and emerging economies suffering most as a result of Putin's war—to demand a lower price for Russian oil that they purchase. We are already seeing this take place with Russia negotiating steep discounts for the oil it sells to buyers in Asia. These discounts are already depriving Russia of revenues it would otherwise use to finance its reckless war.

As a technical matter, this policy creates a framework for companies in price-cap-coalition countries offering services for Russia's maritime transport of oil: They can continue to offer these services for Russian oil priced below the cap, and may not for any Russian oil sold above that price. Given that premium service providers and the majority of providers of some maritime services—like insurance, payments, and trade finance—are located in G7 and EU countries, there is an overwhelming economic incentive for buyers to purchase under the price cap so they can engage these service providers. It will be cheaper and less risky to move Russian oil cargoes this way. We will continue to communicate closely with service providers, as we have already done in developing this framework, to collectively, constructively, and aggressively sustain participation in and the success of this policy.

But make no mistake: This is and will remain very hard work. This is an entirely new way to use financial measures against a global bully. A price cap coalition re-

quires unprecedented coordination with international partners, as well as close partnership with global maritime industries, and exceptional resolve in the face of hostile Russian bluster and threats, including the risk that Russia may seek to retaliate. I can tell you confidently that we at Treasury—and our partners across the U.S. Government—are extraordinarily diligent when it comes to these economic policies and the commitment to extensive and creative multilateral engagement. Moreover, we are laser-focused on the imperative to hold Russia accountable and support the people of Ukraine, to constantly understand the risk environment, and to advance a foreign and financial policy that embodies our goals and does not bend to the rants and coercion of a brutal bully.

We know that Russia's war in Ukraine is not the only challenge for which the Treasury Department will be called upon to act. Other threats demand our attention as well, and the illicit finance landscape continues to evolve. Additionally, while the U.S. dollar, U.S. financial institutions and services, and our capital markets are still dominant in international finance and trade, our adversaries are actively finding ways to attack this centrality and insulate themselves from touchpoints with the U.S. financial system. These are long-term challenges that we cannot sanction ourselves out of. We must continue to strengthen the U.S. financial system and innovate new ways to use economic policies and authorities to meet both our domestic and foreign policy objectives. The price cap—a bold policy never previously attempted by the U.S. Treasury—is the vanguard for a new form of economic statecraft, and I am proud to be a part of the team pushing these boundaries in the interest of U.S. national security.

Lastly, I'd like to echo Secretary Yellen and Deputy Secretary Adeyemo's sentiments from when they were last here and express my gratitude for the additional resources Congress has provided in the Ukraine supplemental appropriations packages. Your timely actions are what allow me and the dedicated career staff at Treasury to surge on this urgent national security priority. The partnership between Congress and the Administration has always been very important to U.S. policy toward Russia, sanctions, and responding to the crisis in Ukraine. I would be happy to answer your questions and look forward to working with you as we move forward. Thank you.

PREPARED STATEMENT OF ANDREW ADAMS

DIRECTOR, TASK FORCE KLEPTOCAPTURE, U.S. DEPARTMENT OF JUSTICE

SEPTEMBER 20, 2022

Good morning, Chairman, Ranking Member, and Members of the Committee. I appreciate the opportunity to appear before you today on behalf of the United States Department of Justice and in my capacity as Director of the Department's Russian sanctions Task Force—KleptoCapture—to discuss the Task Force and to discuss Federal asset forfeiture, both civil and criminal, as it relates to Russia's unprovoked and illegal war of aggression in Ukraine. Today, I will summarize the Task Force's structure, scope, and strategic priorities, before turning to particular tools utilized by the Task Force in its work to date and tools that, if provided, would further enhance the Task Force's ability to accomplish those strategic goals.

Task Force: Structure

As this Committee is well-aware, the Department's response to Russia's invasion of Ukraine included the launch of Task Force KleptoCapture. The Task Force is an interagency law enforcement endeavor led by Justice Department prosecutors and dedicated to enforcing the sweeping sanctions and export restrictions that the United States has imposed, along with allies and partners, in response to Russia's unprovoked military invasion. The Task Force sits within the Office of the Deputy Attorney General and draws on the expertise and energy of agents, analysts, translators, and prosecutors throughout the Department. Two deputy directors have joined to aid in running the task force, both experienced attorneys within the Department of Justice, one hailing from the National Security Division, and the other from the Criminal Division's Money Laundering and Asset Recovery Section, with particular experience and expertise from his work with that Section's Kleptocracy Unit. In support of its mission, the Task Force draws on dedicated teams at FBI, Homeland Security, the IRS-Criminal Investigations, the U.S. Postal Inspection Service, the Commerce Department, the State Department, every relevant component of the Treasury Department, and from the intelligence community, military branches, and our international partners.

The Department has long targeted sanctions evasion, Russian organized crime and global kleptocracy, both through trial attorneys at Main Justice and through

the extensive efforts of the United States Attorney's Office community. The efforts of those departmental components have been robust and successful. Charges targeting sanctions evasion and export control violations by individuals and major financial institutions; money laundering charges and seizures involving everything from cryptocurrency to trade-based money laundering; charges targeting kleptocracy and laundering of foreign bribes; and willful failures of anti-money laundering systems in both traditional and novel financial institutions—all are cases well within the experience of the Department.

The Department's historical focus and past success informs the work of the Task Force in two ways. First—and as a core challenge to be met through our work—past action means that the fruits of corruption that might be found in the United States are likely to be buried deep beneath layers of sham owners and shell companies—while the most obvious and ostentatious forms of kleptocracy will be located outside of the United States, as the world has already seen.

Second, those past efforts mean that cases under the ambit of the Task Force will continue to benefit from the leadership of the U.S. Attorney's Office community across the country, as well as from teams within Main Justice, who have been working in this space for several years. Subpoenas, search warrants, and the like will flow from grand juries and courts around the country, and prosecutors across the U.S. Attorney community and Main Justice will take part in running individual investigations under the Task Force's coordination.

Task Force: Scope

The work of the Task Force is based on the sanctions and export controls imposed in response to Russian aggression since 2014. It is no exaggeration to say that, as of the early months of this year, the scope, intended impact, and international alignment of those measures are without precedent. The Committee will be familiar with the key categories of actions taken to date, but here I will summarize the principal measures undertaken to date for context and to emphasize the breadth and impact of those measures:

First, the Treasury Department has rolled out lists of sanctioned individuals and entities subject to asset freezes, and sanctions targeting services that might be provided to, or transactions with, those listed targets. These are the classic sanctions that form the basis for most historical casework and figure most prominently in the public imagination. When we talk about locking down an oligarch's yacht as the fruit of a sanctions violation, for example, these measures are the tool to hand.

Second, the Task Force's scope will be based in part on the Commerce Department's series of export controls placed on particular U.S. goods and technologies bound for Russia, and on actors within the global supply chain who provide Russia with the raw material for conducting wars of aggression.

Third, the United States—in close coordination with foreign partners—has rolled out a series of sanctions targeting economically critical infrastructure within the Russian State and the Russian military industry. Perhaps most prominently those measures have included immobilizing the Russian Central Bank's assets, held in coffers around the world.

Against the backdrop of those sanctions and controls the Task Force's goals are, first, to bring any appropriate charge against any individual or entity sanctioned under the Treasury Department designations, or limited through the Commerce Department's export controls, rolled out in response to Russian aggression. With respect to people and entities on those lists, we will pursue any charge or seizure theory available. Sanctions evasion and money laundering are obvious charges and theories in this space, but if opportunities to bring charges for bank fraud, visa fraud, narcotics trafficking, or any other Federal crime, are presented as to a listed person or entity, that is a charge that the Task Force will support and pursue.

The Task Force's scope goes beyond those specifically designated persons, however. The Task Force will target those who would facilitate the evasion of economic sanctions and export controls. The Department has a track record of success in this vein that we will continue in our efforts today. For banks, real estate agents, broker-dealers, exporters, manufacturers, and others, our goal is to shine a light where sanctioned actors may operate in shadow.

Strategic Priorities in the Short- and Long-Term

The Task Force's focus in its first 6 months has been on disruption, disgorgement, and discomfiture of those individuals and entities who have aided and supported the corrupt Russian regime. The aim has been to bring criminal charges and seize assets linked to particularly prominent, and often extravagantly wealthy, enablers of the Russian State. Since the Task Force's establishment in March, the Justice Department has worked with international partners to seize a sanctioned Russian

oligarch's \$90 million luxury yacht in Spain, to seize and transport a nearly half-billion-dollar yacht belonging to a sanctioned oligarch from Fiji to San Diego, to seize millions of dollars associated with sanctioned parties held at multiple U.S. financial institutions, and to pursue luxury aircraft and to publicly expose the opaque corporate structures masking the ownership of those assets. Those seizures are based on sanctions violations, bank fraud, and money laundering by several designated Russian nationals and their proxies. The Justice Department has also charged Russian oligarchs and their associates for evading sanctions, as well as for conducting foreign malign influence operations arising from illegal efforts to promote Russian propaganda and undermine Ukrainian democracy and society.

These acts of immediate, significant, and public disruption of oligarchs' wealth and networks will continue apace. They have had a tangible deterrent effect, including in some cases the push toward active cooperation with the United States. The message of support underscored our seriousness of purpose and encouraged our international partners to align with our robust sanctions regime and to propose their own analogues to our law enforcement tools.

As we witness the recent successes that have come from Ukraine's perseverance and struggle in the face of Russia's most recent, illegal aggression, it is appropriate that we reaffirm our commitment to the goals of disruption, disgorgement, and discomfiture of those individuals and entities who have aided the corrupt Russian regime, while also turning attention to the longer-term targeting of those actors who would facilitate the evasion of economic sanctions and critical export controls. Referred to here as "Facilitators," these are individuals and entities across the economic spectrum who are not themselves sanctioned, but who assist sanctioned individuals or entities or those who wish to engage in export control violations in those illegal endeavors. Targeting Facilitators is a strategic priority for mid- to long-term success of the Task Force's mission, aimed at dismantling routes through which criminals would otherwise undermine the efficacy of the sanction and export control programs.

As to these strategic priorities, first, the primary obstacle to identifying illicit proceeds and the actors for whom, and by whom, those funds are transmitted, is the use by criminal networks of shell corporations found in multiple, often offshore and relatively noncooperative, jurisdictions. Banks, accountancy firms, law firms, real estate agents, financial advisors and other traditional and nontraditional financial services firms are key gatekeepers for, and access points into, the global financial system, including favored U.S. markets. The Task Force is therefore directing particular attention to attempts by foreign individuals and entities, including off-shore shell corporations, to move funds through correspondent accounts at U.S. banks. In its simplest form, this may involve stripping critical information (or inserting affirmatively false information) from international wires, thereby undermining the anti-money laundering, countering-the-financing-of-terrorism, and sanctions-enforcement programs of U.S. financial institutions. In more complex form, we are examining the use of nested bank accounts and the U.S. dollar funding of offshore "nostro" accounts dedicated to use by sanctioned actors. If U.S. banks are unable to accurately determine the originator, beneficiary, purpose, or source of funds with respect to a transaction, through whatever means of obfuscation and omission, their ability to investigate, report, or block a suspicious transaction is compromised in material respects.

Second, in order to help maximize the efficacy of strong Federal export controls, the Task Force has deployed a three-prong plan: (1) investigate and prosecute criminal violations of U.S. export control laws; (2) support interagency partners' efforts to deploy civil and administrative tools as enforcement mechanisms; and (3) collaborate with our partners to identify procurement networks and facilitators who seek to assist Russian end-users in their efforts to circumvent U.S. export control laws.

The Task Force is committed to investigating and prosecuting individuals and entities who facilitate or conduct transactions designed to evade sanctions and export control regimes or otherwise protect or obscure the assets of sanctioned parties, and to highlight the breadth and international reach of those Federal laws. This is an effort that extends well beyond the subset of targets commonly recognized as the "oligarch" set, and one that will require continuous effort to maintain interdepartmental and interagency cooperation and communication.

Tools to Hand and Legislative Proposals

Fundamentally, this Task Force is investigating entrenched, well-funded, organized crime; and the means, methods, and approach for dealing with the mission of this Task Force must be grounded in the approach taken to successfully combat organized crime. We recognize that the offenses we are investigating are generating real—even if widely dispersed—victims. We must pursue aggressive, muscular in-

vestigations that will encompass not only the full financial picture of a subject's business, but will dive into their historical affairs, family offices, and deeply held personal motivations. We must be prepared to offer the opportunity for substantive, significant cooperation to individuals with serious criminal exposure, and be prepared to require accountability as part of that cooperation, understanding that reconciliation begins and ends in truth and candor. We must maintain a clear-eyed understanding that our targets will attempt to exploit people and institutions of good faith in efforts to intimidate witnesses into silence and to present false narratives to investigators and courts.

Among the more prominent tools used to date has been the use of seizure warrants—authorized by Federal magistrate judges—to effect the seizure of criminal property and to begin the process of forfeiting that property through the Federal criminal and civil asset forfeiture laws, and liquidating forfeited property when appropriate. For many years I have been a Federal prosecutor focusing on organized crime, money laundering, and the recovery of assets. My home office is the United States Attorney's Office for the Southern District of New York, which sits in Manhattan, but its cases span around the United States and, indeed, around the world. One example of the global reach of that Office is the work done by New York prosecutors in the area of recovery of looted and stolen works of art and cultural property and the return of those works to rightful owners in Europe—all of this is done through the tools available through the Federal civil asset forfeiture laws. In 2019, those tools were specifically used to aid Ukraine: A painting, known as "Amorous Couple", was stolen from the National Museum of the Arts in Kyiv in the closing days of World War II. For decades, the painting was sought by the Museum for return, but remained missing until this past decade, when it began circulating in London and the United States under a new title. In 2019, the painting was identified by Federal investigators as the same piece stolen many decades prior. A warrant for the painting's seizure was authorized on the basis that the painting was tainted property—stolen property that had crossed into the United States after its theft. Without a thief to prosecute, or a criminally knowledgeable importer, that criminal investigation could not be resolved through the standard criminal processes of an indictment, a criminal trial, and a criminal sentencing. But because U.S. prosecutors have both criminal tools and civil asset forfeiture tools available to them, the painting was seized for civil forfeiture; notice was provided to the then-current owner, the auction house engaged in its sale, and to the world at large; and a proceeding to determine who had the right to ownership under U.S. law commenced. The answer in that case was clear, and the parties quickly resolved the issue—the painting had to be, and swiftly was, returned to Ukraine.

That case was just one of many involving the return of tainted, criminal proceeds or facilitating property that would have been impossible without the tools available through the U.S. asset forfeiture procedures and without the human resources available to conduct those cases—the prosecutors, analysts, agents, and linguists that drive our Justice Department forward.

Federal prosecutors utilize both criminal and civil forfeiture in cases across the Department. Criminal forfeiture is a penalty imposed following a criminal prosecution and following conviction. In criminal forfeiture, only the specific defendant's interest in an asset can be divested—other owners or persons claiming interests in the asset may petition the Court to protect their rights even as a convicted defendant's rights are divested. In criminal cases, the highest burden of proof under the U.S. legal system is applied—we must prove a person's guilt "beyond a reasonable doubt" before they are subject to any penalties, including incarceration or forfeiture. However, once convicted of a crime, the Government need only demonstrate that property is tied to that crime through the lower standard of proof, essentially whether it is more likely than not tainted. In criminal proceedings, as in civil proceedings, the Government provides notice of its intent to forfeit property to any possible claimants or owners, through direct notification and through broad publication of the intent to forfeit the property.

Civil forfeiture is an adjunct to criminal forfeiture. In a civil forfeiture proceeding, the United States files a lawsuit against property itself—United States v. One Looted Painting by Pablo Picasso or United States v. \$1,000,000 in Bank Account 1234, for example. We use this tool in several situations—where a criminal charge is unlikely to succeed because the criminal is either concealed to the point of anonymity or is located in a jurisdiction beyond the reach of extradition (in Russia, for example), or where the only person with criminal intent has died, and yet the proceeds of the crime live on.

Regardless of the reason for proceeding through civil forfeiture, the United States must still demonstrate to the satisfaction of a court that property has a nexus to an identified crime, for example that the property is involved in a money laundering

transaction or is the proceeds of a fraud, theft, or extortion. These “theories” of forfeiture are specific to the statute providing for forfeiture as to particular crimes—not all crimes carry forfeiture of property “involved in” that offense, or “facilitating” that offense, as a component of their forfeiture penalties.

Moreover, the Department must again provide notice to claimants and potential claimants and also provide notice to the world at large through publication of our intent to forfeit. The notion here is one of due process and respect for legitimate property rights—although criminal actors forfeit their rights in property generated through crime, everyone (including innocent owners) must be afforded notice and the opportunity to request a hearing prior to the divestment of rights in property.

The Department greatly appreciates the efforts to date to craft proposals that, if passed, would augment the Justice Department’s resources and tools to impose serious costs for Russia’s unjustified aggression, and to isolate and target the crimes of Russian officials, Government-aligned elites, and those who aid or conceal their unlawful conduct. In addition to the Administration’s announced proposal to apply administrative civil forfeiture proceedings to new classes of assets, the Department continues to advocate that the following critical proposals would strengthen the Justice Department’s efforts:

- *Enabling the Transfer of the Proceeds of Forfeited Kleptocrat Property to Ukraine To Remediate Harms of Russian Aggression.* The proposal would improve the United States’ ability to use forfeited funds to remediate harms caused to Ukraine by Russia’s war of aggression against Ukraine. Generally, existing statutory and regulatory authorities require that forfeited funds are used to compensate victims of the crimes underlying the forfeitures and for law enforcement purposes. This proposal would permit the Departments of Justice, the Treasury, and State to work together to return funds forfeited to the U.S. Government to remediate harms of Russian aggression toward Ukraine. Providing this authority requires amendments to multiple statutes governing the use of forfeited funds.
- *Clamping Down on Facilitation of Sanctions Evasion.* This proposal would expand forfeiture authorities under the International Emergency Economic Powers Act (IEEPA) to reach property used to facilitate sanctions violations enabling the Government to take away the violators’ “tools of the trade.” This proposal would amend IEEPA’s penalty provision to extend the existing forfeiture authorities to facilitating property, not just to proceeds of the offenses. With this change, assets that are used to mask sanctions evasion, without themselves being the proceeds of that evasion, would be within the ambit of our forfeiture authorities, just as under current authorities we can forfeit a medical license held by a doctor who used the license to distribute controlled substances in violation of the Controlled Substances Act, or a vehicle used by a drug dealer to transport narcotics to or from a drug transaction.
- *Modernizing Racketeering To Include Sanctions Evasion.* This proposal would improve the United States’ ability to investigate and prosecute sanctions evasion and export control violations by adding criminal violations of IEEPA and the Export Control Reform Act (ECRA) to the definition of racketeering activity in the Racketeer Influenced and Corrupt Organizations (RICO) Act. This proposal would extend a powerful forfeiture tool against racketeering enterprises engaged in sanctions evasion.
- *Expanding the Time Limit to “Follow the Money.”* This proposal would ensure that the United States can prosecute violators and seek forfeitures based on foreign offenses more effectively by extending the statute of limitations from 5 years to 10 years. The change would also extend the statute of limitations for seeking forfeiture of property based on these offenses, as a critical tool to deprive criminals of their ill-gotten gains.
- *Leveraging Foreign Partners’ Ability To Recover Oligarch Wealth.* This proposal would improve the United States’ ability to work with our international partners to recover assets linked to foreign corruption. As kleptocrats and other criminals commit crimes and launder money in multiple jurisdictions, this proposal would expand upon existing U.S. law to facilitate enforcement of foreign restraint and forfeiture orders for criminal property. The proposal would improve our ability to take these actions here in the United States in support of international efforts to forfeit criminal property.

The Department is deeply appreciative of the effort and attention that the Committee’s membership has devoted to these and other proposals that would strengthen the Department’s immediate and longer-term projects in support of Ukraine. The Task Force, and the Department writ large, stand ready to continue partnering with

Congress to craft legislation that is diligent in its respect for the fundamental rights of Americans and robust in its response to what amounts to Russia's network of sophisticated and international organized crime.

**RESPONSES TO WRITTEN QUESTIONS OF SENATOR HAGERTY
FROM ELIZABETH ROSENBERG**

Q.1. On September 15, the Administration imposed sanctions (<https://www.state.gov/targeting-senior-russian-officials-defense-industrial-base-financial-infrastructure-leaders-and-human-rights-abusers/>) on key financial institutions such as Russia's National Card Payment System, an entity owned by the Central Bank of Russia that operates the country's Mir payment card network, the payments by which were reportedly being rejected in Turkey.

In May, a number of Republican Senators wrote to the Deputy Secretary of the Treasury Department requesting that the Administration extend the application of sanctions to target the National Card Payment System and review UnionPay's involvement in assisting Russia evade sanctions.

Can you confirm that Turkey is no longer processing Mir payments?

A.1. During Treasury's engagements in Turkiye between October 17 and 19, Turkish Government and banking officials confirmed that all Turkish banks have stopped accepting MIR payment cards. They noted that their decision was informed by the September 15, 2022, guidance from Treasury's Office of Foreign Assets Control (OFAC) on the use of the MIR National Payment System.¹

Q.2. Can you also comment on the status of Mir card acceptance in Vietnam, the United Arab Emirates, and other jurisdictions where they have a presence?

A.2. We understand there is one bank in Vietnam, the Vietnam–Russia Joint Venture Bank (VRB), currently using the MIR National Payment System for ATM cash withdrawals only. These withdrawals are subject to per transaction and daily limits. The State Bank of Vietnam (SBV) has told us it does not expect any expansion of MIR usage in Vietnam and closely monitors the activities of VRB. Treasury will continue to examine this issue.

Treasury does not have reporting at this time that any banks in the UAE currently accept MIR cards. Among the various risks arising from the MIR National Payment System, there are due diligence risks associated with using MIR cards, because a name does not need to be printed on the card, and many banks have avoided MIR for this and other reasons. There have been press reports, primarily from Russian news sources, about discussions between the UAE and Russia to introduce the use of MIR payment cards in UAE. Treasury has engaged top UAE banking and Government officials about this issue and will continue to do so.

**RESPONSES TO WRITTEN QUESTIONS OF SENATOR SINEMA
FROM ANDREW ADAMS**

Q.1. Your testimony mentions how Russian oligarchs and organized crime syndicates have utilized both cryptocurrency and trade-based money laundering to illicitly move funds. I've worked to improve

¹ See "Frequently Asked Questions: Russian Harmful Foreign Activities Sanctions" (No. 1082), U.S. Department of the Treasury (Sept. 15, 2022), <https://home.treasury.gov/policy-issues/financial-sanctions/faqs/1082>.

Federal enforcement capacities against both of these sanctions evasion tactics.

Could you help me scope the current size of these problems with the respect to Russian organized crime? Specifically, based on previously announced enforcement actions and charges and with respect to Russian organized crime, is cryptocurrency or trade-based money laundering currently a bigger problem?

A.1. Response not received in time for publication.