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THE ANNUAL REPORT OF THE FINANCIAL STABILITY OVERSIGHT COUNCIL

HEARING

BEFORE THE

COMMITTEE ON FINANCIAL SERVICES

U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED FIFTEENTH CONGRESS

SECOND SESSION

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THE ANNUAL REPORT OF THE FINANCIAL STABILITY OVERSIGHT COUNCIL

Tuesday, February 6, 2018

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

The committee met, pursuant to notice, at 10:05 a.m., in room 2128, Rayburn House Office Building, Hon. Jeb Hensarling [chairman of the committee] presiding.

Present: Representatives Hensarling, Royce, Lucas, Posey, Luetkemeyer, Huizenga, Duffy, Stivers, Hultgren, Ross, Pittenger, Wagner, Barr, Rothfus, Tipton, Williams, Poliquin, Love, Hill, Emmer, Zeldin, Trott, Loudermilk, Mooney, MacArthur, Davidson, Budd, Kustoff, Tenney, Hollingsworth, Waters, Maloney, Velazquez, Sherman, Meeks, Capuano, Lynch, Scott, Green, Cleaver, Moore, Ellison, Perlmutter, Himes, Foster, Kildee, Delaney, Sinema, Beatty, Heck, Vargas, Gottheimer, Crist, and Kihuen.

Chairman HENSARLING. The committee will come to order.

Without objection, the Chair is authorized to declare a recess of the committee at any time. All members will have 5 legislative days within which to submit extraneous materials to the Chair for inclusion in the record.

This hearing is for the purpose of receiving the Secretary of Treasury's annual report on the Financial Stability Oversight Council. I now recognize myself for 3–1/2 minutes to give an opening statement.

Mr. Secretary, this is your first appearance before the House after the Tax Cuts and Jobs Act has been signed into law. I want to let you know, on behalf of the majority, how grateful we are to you and to the President for your leadership and for helping make this act signed into law. It is truly, truly historic.

After 8 years of failed economic policies that led to the slowest, weakest recovery in the modern era, the economy is starting to take off and wages are finally growing again. Consumer optimism abounds. So how ironic but totally predictable that equity markets will now swoon over the prospects of higher interest rates and possible inflation associated with a breakout of economic growth. Artificially low interest rates may have benefited some on Wall Street, but they haven't been particularly helpful to Main Street.

We have always known that the Fed would face significant challenges in unwinding its balance sheet when the economy took off. If you are listening, good luck, Chairman Powell, you volunteered for the job.

But, today, the underlying economy is strong and getting stronger due to the policies of the Trump Administration. Averaging 3 percent growth again, unemployment remains at a 17-year low. Wages just grew at 2.9 percent, the fastest in almost a decade. Two million Americans have gone back to work. All of this in President Trump's first year in office, and we are just now on the leading edge of the Tax Cuts and Jobs Act.

Let us take a look at the impact on the financial services industry alone. JPMorgan Chase recently announced it would be making a $20 billion, 5-year investment across its business lines. In addition to increasing wages for their employees, they plan to boost small business lending by nearly 20 percent. In my hometown of Dallas, Comerica announced it is boosting its minimum wage to $15 and giving a $1,000 bonus to 4,500 employees. Nationwide is giving its employees a $1,000 bonus and increasing its 401(k) match. Visa is also increasing its 401(k) eligibility in contributions as well. BB&T is raising its minimum wage from $12 to $15 an hour and giving its employees a one-time bonus of $1,200. Hardly crumbs.

And these are just a few of the financial services companies that have announced benefits due to the Tax Cuts and Jobs Act.

Again, Mr. Secretary, thank you. And thank you to the President.

Unfortunately, tax reform alone will not unleash our Nation's full economic potential. Why? Because, for the last 8 years, our economy has been drowning in a sea of complex, onerous, expensive, and job-crushing Washington red tape. Fortunately, the Trump Administration has aggressively cut needless red tape like few others, but much work remains, including at the Financial Stability Oversight Council.

FSOC can clearly serve a vital function in promoting financial stability by monitoring market developments, facilitating information sharing across regulatory silos, and making policy recommendations to Congress to mitigate risk.

Unfortunately, FSOC has proven it can also harm our economy through its designation of SIFIs (systemically important financial institutions). Under the last Administration, FSOC simply eviscerated GE Capital, one of America's great companies, one that had capitalized millions of small and midsize companies, from local bakeries to furniture stores. It is just gone. In a dangerous, unlawful, and misguided effort, it attempted to designate MetLife a SIFI, an insurance company. Fortunately, the decision was found to be arbitrary and capricious, and overturned.

Mr. Secretary, I am encouraged by much of what I read in FSOC's annual report. Under the new leadership of a new Administration, I look forward to hearing more about it.

I now recognize the Ranking Member for 4 minutes for an opening statement.

Ms. WATERS. Thank you, Mr. Chairman.

And welcome back, Secretary Mnuchin. I am looking forward to your testimony today on the annual report of the Financial Stability Oversight Council, or FSOC.

I am very concerned that the Trump Administration seems to be determined to remove all nonbank systemically important financial

institutions from FSOC supervision regardless of what threats those institutions may pose to our economy.

As we all know, one such financial institution, AIG, nearly brought down the economy in 2008 and had to be bailed out to the tune of $182 billion. FSOC plays a key role in ensuring the continuing stability of the United States economy. And it must not be weakened or sidelined from dealing with threats posed by risky financial institutions.

In addition to testimony on FSOC, it is also important today that the Secretary address several outstanding inquiries on vital matters with national security implications.

Mr. Chairman, as a general matter, Secretary Mnuchin's handling of inquiries from committee Democrats has been completely unacceptable. As you know, serious questions have been raised about the finances of President Trump, his family members, and his associates, and their involvement with Russian government officials and oligarchs.

As a Ranking Member of the committee with jurisdiction over the Treasury Department Financial Crimes Enforcement Network, that is FinCEN, I and other Democrats on the committee have requested information from the Secretary on these matters several times.

At the Secretary's last appearance before this committee, I asked about a letter that we had written to him regarding President Trump's financial ties to Russia, as well as those of his family members and associates. Secretary Mnuchin did not answer the letter, and he was not forthcoming in his testimony.

Since then, we have seen the Secretary—we have sent the Secretary two additional follow-up letters pertaining to the finances of President Trump, his family members, and his associates, as well as his own handling of law enforcement and regulatory matters that may involve those individuals.

The reply that my Democratic colleagues and I received from Secretary Mnuchin's staff just a few days ago did not provide answers to our inquiries and, instead, encouraged us to go and get the information we requested from other committees with which the Treasury had provided documents.

Despite the fact that the Financial Services Committee has clear jurisdiction over these matters, the Secretary seems to think that referring us to other committees is a satisfactory answer to our questions. It is not.

Relatedly, I am also very concerned about the Trump Administration's inaction on the sanctions passed with broad bipartisan support by Congress in 2017 to punish Russia by interfering in our democracy.

The Trump Administration has now missed several deadlines related to those sanctions, which is unacceptable. Trump's inaction in these areas serves to advance the interest of Putin, the Kremlin, and Russian oligarchs to the detriment of the American people. My January 31st letter to Secretary Mnuchin and Secretary Tillerson on this matter has gone unanswered as of yet.

Since Secretary Mnuchin is here today, it is my sincere hope that he will provide answers to the questions we have on all of these

matters. And so, with that, Mr. Chairman, I will yield back the balance of my time.

Chairman HENSARLING. The Chair now recognizes the gentlemen from Missouri, Mr. Luetkemeyer, the Chairman of the Financial Institutions Subcommittee, for 45 seconds.

Mr. LUETKEMEYER. Thank you, Mr. Chairman.

And thank you, Mr. Secretary, for being here today.

In the last year, we have made significant progress on tax and regulatory reform. However, we must continue to improve the efficiency of the regulatory regime that has left too many consumers and small businesses sitting on the credit sidelines. I am a firm believer in meaningful regulation. At the same time, regulation needs to be responsible and tailored.

With regards to risk, for too many years, we have dealt with a Federal Government that tried to purge all risk from the system. I remain unconvinced that the result of those actions has done very much at all to promote financial stability.

With regards to FSOC, Mr. Secretary, I urge you to use your authority to re-regulate and promote financial stability through analytical, not arbitrary, processes. FSOC needs to become a more thoughtful body. I look forward to your testimony.

Mr. Chairman, with that, I yield back.

Chairman HENSARLING. The gentleman yields back.

The Chair now recognizes the gentleman from Michigan, Mr. Kildee, the Vice Ranking Member, for 1 minute.

Mr. KILDEE. Thank you, Chairman Hensarling and Ranking Member Waters.

And, Secretary Mnuchin, I appreciate you being here.

We haven't met. My hometown is Flint, Michigan. And what happened in Flint is an example of what happens when we fail as a society to invest in older industrial cities, those towns that are struggling to make that transition to the next economy. The water crisis in Flint is a tragedy that is, sadly, still ongoing.

It should be a wake-up call for every American, a wake-up call about what happens when we put balance sheets ahead of the interests of people. Yet this Administration, and your Department as well, recently have attempted to justify changes in our Tax Code that by implication will hurt many of these communities.

The Republican-passed tax bill, while certainly there are winners and losers—and we could litigate that for the entirety of this hearing—one thing we know for sure is that the changes in the Tax Code are already being used by the Administration and by this Congress to justify cuts to programs that are necessary to the revitalization of these already struggling places. That is not acceptable. And there is no way to justify that.

What we need in this country is a plan to reinvest and reinvigorate those places. People live there. And the implications cannot be overlooked. We can't just focus on the people at the top who are winning without recognizing there are people who will suffer as a result.

Chairman HENSARLING. The time of the gentleman has expired.

The Chair now recognizes the gentleman from Michigan Mr. Huizenga, the Chairman of the Capital Markets Subcommittee, for 45 seconds.

Mr. HUIZENGA. Last week, my fellow Michigander Zack Booker was my guest to the State of the Union Address. And Zack is a fourth-generation barber, as well as starting and owning a number of various small businesses across my district in west Michigan. Zack describes himself as young but hungry for success, and continues to strive for growth. And he has said, because of this Tax Cuts and Jobs Act, that he is actually, quote, saying: "Our goals can be extended. I am increasing wages. I am trying to hire more people. I am trying to broaden our reach to serve more customers. We are trying to add more locations. We are trying to buy buildings instead of rent buildings."

Zack's is a common story. This bill is not just about providing crumbs to the American people. It is helping young entrepreneurs like Zack grow our economy and achieve the American Dream. So we as Congress know that we must work hard to do more to make sure that hardworking families in west Michigan and across the Nation have the opportunity to save and invest and have a better future, like my friend Zack. And Zack also knows, Mr. Secretary, that what is happening on Wall Street is a technical correction hitting Wall Street, not a fundamentals correction that is hitting Main Street. Far too long we have been ignoring Main Street, and it is time that we turn that around.

So I appreciate you being here today, and I look forward to supporting these young entrepreneurs like Zack. Thanks.

Chairman HENSARLING. The time of the gentleman has expired.

Today, we welcome the testimony of the Honorable Steven Mnuchin, United States Secretary of Treasury.

Secretary Mnuchin has previously testified before our committee, so I believe he needs no further introduction.

Without objection, the witness's written statement will be made part of the record.

The Chair wishes to inform members that, regrettably, we do expect a vote series to interfere with our hearing, midmorning, but the Secretary has agreed to stay until 1:30, the customary 3 hours for a Secretary.

Secretary Mnuchin, you are now recognized for 5 minutes to give an oral presentation of your testimony. Welcome.

STATEMENT OF THE HONORABLE STEVEN T. MNUCHIN

Secretary MNUCHIN. Thank you very much. And it is a pleasure to be here.

Chairman Hensarling, Ranking Member Waters, and members of the committee, thank you for inviting me today.

One of my top priorities as Treasury Secretary is sustained economic growth for the American people. So I am happy to report that the growth of the economy over the past year was higher than the average of over the prior 20 years and included 2 straight quarters of 3 percent or higher GDP. The President promised robust growth, and he is delivering on that promise.

I am here today to talk about the Financial Stability Oversight Council's 2017 annual report. This is an important vehicle for providing Congress and the public with the Council's assessment and recommendations relating to regulatory developments and potential risks in the financial system. The report emphasizes the impor-

tance of economic growth to maintaining a resilient financial system.

Since the financial crisis, we have had time to assess the effectiveness of regulatory reforms and consider their unintended consequences. The report recommends that the Council member agencies address regulatory overlap and duplication, modernize outdated regulations, and tailor regulations based upon the size and complexity of financial institutions. The report also discusses a number of risks that the Council is monitoring. One that I would like to emphasize today is cybersecurity.

The financial system's heavy and increasing reliance on technology increases the risk that significant cybersecurity incidents could disrupt the financial sector and potentially impact U.S. financial stability. Substantial gains have been made, but I want to emphasize the need for sustained attention to these risks.

The report makes a number of recommendations, including the creation of a private sector council of senior executives in the financial sector to collaborate with regulators in order to mitigate cybersecurity risks.

Turning to our growth policies, the Tax Cut and Jobs Act passed last year was our top priority, and this overhaul of the Tax Code is already having a positive impact. Because of tax reform, over 3 million Americans have received special bonuses or other benefits and over 300 companies have announced investments in their work forces. Companies are announcing higher wages and increased benefits, as well as greater spending on employee training, infrastructure, and research and development. These investments will lead to long-term prosperity, as well as companies to bring back cash from overseas. Our economy will continue to grow.

Let me now turn to some specific priorities. I want to commend both the House and Congress for their work on financial regulatory reform.

I appreciate the work of this committee and the House of Representatives to advance the cause of reform by passing H.R. 10, the Financial Choice Act, and dozens of strongly bipartisan bills. This legislation reflects many of Treasury's recommendations from our executive order reports released last year. I encourage the Senate and House to work together to move this legislation as quickly as possible.

Last week, I wrote to Congress providing notification of my determination that a debt issuance suspension period would last until February 28th. I respectfully urge Congress to act as soon as possible to protect the full faith and credit of the United States by increasing the statutory debt limit as soon as possible.

The House and Senate have been working toward modernization of the Committee on Foreign Investment in the United States, CFIUS. I support the Foreign Investment Risk Review Modernization Act, FIRRMA, and applaud Senators Cornyn, Feinstein, and Burr and Representatives Pittenger and Heck for their leadership on this issue. A modernized CFIUS will enable us to protect our national security. I look forward to working with Congress and the relevant committees to advance FIRRMA.

One of Treasury's core missions is to safeguard the Nation by using powerful economic tools. We will continue to take frequent

and ongoing actions to combat threats from malicious actors. These include terrorist groups, proliferators of weapons of mass destruction, human rights abusers, cybercriminals, and rogue regimes like North Korea, Iran, and Venezuela.

We continue to review intelligence to identify targets with maximum impact, deny them access to the U.S. and international financial system, disrupt their revenue streams, and ultimately pressure for a change in behavior.

As you are aware, last week, the Treasury Department submitted a series of reports in compliance with sanctions legislation. These reports represent another chapter in our efforts to use our economic authorities to counter the threats that we face.

On housing finance, the current situation of indefinite conservatorship for Fannie Mae and Freddie Mac is neither a sustainable nor a lasting solution. The Administration looks forward to working with Congress to reform America's housing finance system in a manner that helps consumers obtain the best housing suited for their own personal and financial situation, while at the same time protecting taxpayers.

I am proud of what we accomplished so far, and there is more to do. Our country's potential is enormous, which is why Americans expect their Government to enact policies that allow them to succeed and prosper. Treasury's collaboration with Congress is vital to that mission, and we look forward to working with you every day to make it a reality.

Thank you, and I look forward to answering your questions.

[The prepared statement of Secretary Mnuchin can be found on page 56 of the Appendix]

Chairman HENSARLING. Thank you, Mr. Secretary.

The Chair now yields to himself for 5 minutes.

Mr. Secretary, on her way out the door, Chair Yellen said that equity values are, quote-unquote, "quite high" and that, quote-unquote, "there are potential dangers there." I don't disagree with her. I just thought it was a little curious that a Fed Chair on her way out of the door would say such things. But economists, as you well know, have been predicting that, once the economy took off, that there would be immense pressures on equity markets.

Clearly markets have been roiled. We know that, fortunately, markets are still up over 20 percent in the Administration. But we have had huge volatility over the last few days. Could you give us your view on what is going on here?

Secretary MNUCHIN. Sure. Mr. Chairman, thank you very much for that question.

First, I would say we are very focused on the long-term economic growth, and we believe that the policies that we have enacted, including tax reform, are very positive for long-term economic growth. We are already beginning to see that in terms of corporate investments back into the United States and the impact on corporate earnings.

I think, as you said, the stock market is up significantly, over 30 percent since President Trump was elected. We are monitoring the stock markets. They are functioning very well, and we continue to believe in the long-term impact of the stock market. So thank you.

Chairman HENSARLING. Mr. Secretary, on page 6 of the FSOC report, you call on Congress to create a more, quote, "sustainable housing finance system," unquote, for the sake of, quote, "financial stability." We know it has been 10 years since the financial crisis, and regrettably, Congress has failed to act.

If we once again fail to act—and some of us are trying to work on bipartisan housing finance reform—but if we fail to act, isn't it true that, roughly a year from now, the President gets to appoint a new FHFA (Federal Housing Finance Agency) Director who will serve for a 5-year term? Is that correct?

Secretary MNUCHIN. That is correct.

Chairman HENSARLING. And isn't it true that the FHFA Director is not just the regulator of the GSEs but also the conservator? Isn't that correct, Mr. Secretary?

Secretary MNUCHIN. That is correct.

Chairman HENSARLING. And isn't it true that, as conservator, the FHFA Director has broad sweeping powers? For example, I believe, is it not true that if Congress fails to act, the FHFA Director could discontinue the GSEs' (government-sponsored enterprise's) HARP, or Home Affordable Refinance Program, isn't that true, Mr. Secretary?

Secretary MNUCHIN. That is correct, Mr. Chairman.

Chairman HENSARLING. And isn't it also true that the FHFA Director could suspend all GSE contributions to the housing trust fund if they found that they would, quote, "contribute to the financial instability of Fannie and Freddie"? Isn't that true?

Secretary MNUCHIN. That is correct.

Chairman HENSARLING. Isn't it also true, Mr. Secretary, that, under 12 U.S.C. 4566, that the FHFA Director can essentially choose not to enforce the statutory housing goals of the GSEs if he finds that, quote, "the achievement of the housing goal was or is not feasible"? Isn't that correct, Mr. Secretary?

Secretary MNUCHIN. That is correct.

Chairman HENSARLING. I would hope that all within earshot have listened carefully at what might happen if we choose not to engage in GSE reform. And, again, we look forward to working with you, Mr. Secretary, with the Administration, with my friends on the other side of the aisle in hopes that we can find America a truly, truly sustainable housing finance system, one that helps put people into homes they can actually afford to keep.

Different question, Mr. Secretary, to date, FSOC has designated four nonbank financial companies as SIFIs, but today only Prudential remains designated. As you know, under statute, FSOC is required to reevaluate these designations at least annually.

Can you tell me the last time Prudential's designation was last reevaluated?

Secretary MNUCHIN. I believe it will be coming up, but it has not been evaluated recently.

Chairman HENSARLING. Is there a specific timeframe for its reevaluation, Mr. Secretary?

Secretary MNUCHIN. My expectation is it will be in the near future, this year.

Chairman HENSARLING. OK. We know that a couple of weeks ago, the Administration chose not to—to drop the Government ap-

peal of the MetLife litigation, so essentially they have been dedesignated.

We know that an Article III court found the designation process of MetLife to be, quote-unquote, "fatally flawed." But wasn't it the same fatally flawed process that led to Prudential's designation?

Secretary MNUCHIN. Mr. Chairman, I am not going to make the comment on Prudential, but I will make the comment on MetLife. As you have said, the majority of the members of FSOC recommended to the Justice Department to drop the case, and we will be working with the committee on revised guidelines for designations.

Chairman HENSARLING. I have read where those revised guidelines, I think, will include a cost-benefit analysis to the economy and its impact on jobs. I look forward to that. My time has expired.

The Chair now recognizes the Ranking Member for 5 minutes.

Ms. WATERS. Thank you very much. Mr. Chairman, pursuant to clause d(4) of committee rule 3, I request recognition to question the witness for an additional 5 minutes upon the conclusion of the time allotted to me under the 5-minute rule.

Chairman HENSARLING. The Ranking Member is recognized for 10 minutes.

Ms. WATERS. Thank you very much.

I would first like to ask about the subject of my most recent letter, which is your Department's role in section 231 of the Countering America's Adversaries Through Sanctions Act. Congress passed this law on a broadly bipartisan basis with the clear objective of punishing Russia for its brazen attack on our democracy.

Mr. Secretary, do you believe our intelligence agencies, as they have said to us, that Russia did hack into our DNC and undermined our democracy? Do you believe that to be true?

Secretary MNUCHIN. Again, I will broadly say, I do believe in the intelligence assessment.

I want to refrain from comments specific that are classified.

Ms. WATERS. Thank you.

Secretary MNUCHIN. But, yes, I broadly believe in the assessments.

Ms. WATERS. Even the findings section of the law explicitly references the intelligence community's finding that Russian President Vladimir Putin ordered an influence campaign in 2016 aimed at the United States Presidential election.

The findings also recognize the intelligence community's warning that Moscow will apply lessons learned from its Putin-ordered campaign aimed at the U.S. Presidential election to future influence efforts worldwide, including against U.S. allies and their election processes.

Do you believe that to be true?

Secretary MNUCHIN. I have no reason not to believe it to be true.

Ms. WATERS. So, given the importance of the law's very purpose, I am wondering why this Administration continues to let key deadlines in the act come and go without taking any action to implement the act and punish Russia for its crimes against the American people.

Now, one provision of the law, which the Administration has ignored, is section 231 of the act. This section requires that the

President sanction persons he has determined to have engaged in a significant transaction with Russia's defense and intelligence sectors on and after January 29, 2018. As you know, the law also allows the President to waive or delay these sanctions.

However, to date, this committee has received no indication that any sanctions have been imposed, waived, or delayed. And, last week, when you testified before the Senate Banking Committee, you stated that you did not waive or delay sanctions.

Section 231 of CAATSA (Countering America's Adversaries Through Sanctions Act) is clear, that the President has 6 months from a date of enactment to determine which persons are engaged in sanctions with the Russian defense and intelligence sectors. After 6 months, the President must impose sanctions on such persons or waive or delay imposition of the sanctions.

Yet, despite the fact that the deadline for action has come and gone, no sanctions have been imposed, waived, or delayed pursuant to section 231. How can you explain this?

Secretary MNUCHIN. The section that I believe you are referring to has been delegated to the State Department. So I can't comment for Secretary Tillerson on that. I can comment on the portion that we were responsible for, which was the oligarch report, that we did deliver on time. And as I testified in the Senate, there will be sanctions coming out of that report. And, again, I want to commend the work that was done on the Intelligence Committee on the classified version.

Ms. WATERS. Who is responsible for delegating what was passed by an overwhelming majority of this House to the State Department?

Secretary MNUCHIN. The President was.

Ms. WATERS. So the President decided that, despite the fact that in the law that we passed, delegated responsibility to Treasury, that he decided that he wanted it to be delegated to the State Department, rather than the Treasury, and this is your excuse for not having implemented the law. Is that correct?

Secretary MNUCHIN. No, it is not my excuse. And, again, I believe, but we would be happy to sit down with you and go through the details of this, the President had the authority to delegate within that, as he chose fit, again, the portion that you are referring to was delegated to the State Department. The other portion was delegated to us.

Ms. WATERS. But the final conclusion is that nothing has been done. There has been no waiver. There has been no delay. There has not been anything that has been done. You did not waive or delay sanctions. That is the conclusion, whether we are talking about Treasury or the State Department. Is that correct? Nothing has been done on sanctions?

Secretary MNUCHIN. Again, there has been, on our side, there has been an enormous amount of work done. I want to commend the intel community. And there will be sanctions that come out as part of that. I can't comment on the State Department's part of the package.

Ms. WATERS. Would you describe the enormous amount of work that the Treasury Department has done that you just alluded to? What have you done?

Secretary MNUCHIN. Again, I would encourage you to look at the classified report. It is incredibly extensive. It is a work product of the intel and the Treasury, and that work product is now being used for the basis of developing sanctions.

Ms. WATERS. Are you telling me that, in your response to the overwhelming majority of this Congress, having created law to impose sanctions on Russia that undermined our democracy, that your response is classified? Is that what you are telling me?

Secretary MNUCHIN. Again, what I have said is part of the report was unclassified; part of the report was classified.

I assure you that, as it relates to the work being done at Treasury, there will be sanctions. And, again, there is a lot of ongoing work that is being done to develop those sanctions, and we complied with the law on time.

Ms. WATERS. The Congress of the United States does not know what you are doing. The Congress of the United States does not expect that your response to the public policy that was developed by us be somehow responded to in a classified way.

Is there anything that you can tell us that you have done?

Secretary MNUCHIN. Well, again, the law called for both a classified portion of the report and an unclassified.

Given that the majority of the work was developed on a classified basis, we classified the report. I would encourage you and other members to look at it. It is an extensive amount of work. Again, that the first phase was to develop the report and deliver it, which we did on time, and now we are developing sanctions on it. So I assure you, we are very focused on this.

Ms. WATERS. Well, I would encourage you to encourage the President to declassify any information that should be forthcoming to this committee, just as he was able to do in the Nunes memo. He used his power of the President to declassify.

I would suggest to you that if information is declassified, that should be available to this Congress, who voted overwhelming for sanctions on Russia, who undermined our democracy, those sanctions should be not delayed or waived, and we should have information about it.

Let me continue. Is it the Treasury Department's position that no persons are engaged in significant transactions with Russia's defense and intelligence sectors?

Secretary MNUCHIN. Again, I am not going to comment on that because that is not the portion that we are doing the work on.

Ms. WATERS. Would you tell us again, what are you doing the work on?

Secretary MNUCHIN. Again, we did the work on what was referred to the oligarchs as well as senior government officials. We detailed in the report where there was evidence of corruption, family relationships, networks. We complied with a very extensive report that, as I said, there is a classified version and an unclassified version. And we will be using the intelligence work, where there are indications of corruption, to follow this up with sanctions, which are a very effective tool that we intend to use.

Ms. WATERS. Are you referring to the work that you did on the oligarchs as the list of oligarchs that you lifted from the Forbes report?

Secretary MNUCHIN. Again, we were very clear that the public nonclassified version is the universe that we looked at and was developed on open source, both the oligarchs and the leaders.

The classified report goes through that list in a very detailed manner, as well as other people that weren't on that list that would have fallen below the billion dollar threshold. So, again, I would encourage you to review the report.

I think you would be impressed with the findings.

Ms. WATERS. But let me just ask you, were there any persons identified that were engaged in significant transactions with Russia's defense and intelligence sectors? You don't have to give me their names, but I want to know, did you identify, did the Treasury Department identify any persons?

Secretary MNUCHIN. Again, that portion of the act is not the work that I am familiar with. The portion of the act that I am familiar with is corruption. We did identify people that were involved in corruption, and we will be using that to come out with sanctions.

Ms. WATERS. Let me just continue. Last week, it was reported that CIA Director Pompeo met with senior officials in Russia's intelligence service, one of whom is subject to U.S. sanctions and the other of whom is subject to European sanctions. This meeting occurred just prior to the deadline for implementing sanctions on those engaged in significant transactions with Russia's defense and intelligence sectors. These are the same sanctions that the President has refused to act on.

As reported in The Washington Post, current and former U.S. intelligence officials said they could not recall so many heads of Russia's espionage and security apparatus coming to Washington at once and meeting with a top American official.

Are you at all troubled by the curious timing of a meeting between Russian intelligence and U.S. intelligence just days before the President failed to take action to implement sanctions pursuant to section 231 of CAATSA?

Secretary MNUCHIN. No, I am not troubled. I believe that timing was just coincidental, and I believe there were various issues that the Director wanted to discuss.

Ms. WATERS. I am sorry. I can't hear you.

Secretary MNUCHIN. I said I am not troubled by that. I believe that the timing was coincidental and had nothing to do with the reports.

Chairman HENSARLING. The time of the gentlelady has expired.

The Chair now recognizes the gentleman from Michigan, Mr. Huizenga, Chairman of our Capital Markets Subcommittee.

Mr. HUIZENGA. Thanks, Mr. Secretary.

I am going to move very quickly through a couple of things, but first and foremost, I need to remind my colleagues that we can go see classified information and that briefings have been offered by the Secretary and by others. I also want to touch a little bit on the economic growth that we are seeing. And in my opening statement, I talked about Zack Booker, my constituent, and the fundamentals of Main Street being solid but seeing technical corrections in Wall Street is OK.

But the interesting thing, this yarn that somehow President Trump inherited this great economy is quite amazing. First of all,

he had 1.2 percent growth in the first quarter as he came into office. That has grown into a 3-percent growth for the year. Never reaching 3 percent growth in a calendar year with the Obama Administration, and so I think we have seen the economy respond.

FSOC and stability requires broadening of those that participate in the marketplace, and that is where I want to go. We have seen a number of public companies decline by 50 percent since 2000. The average number of IPOs, or initial public offerings, has been about 135 per year versus 450.

In 2016, there were only 112 IPOs. This decline has been very troubling to many of us on the committee, both sides of the aisle. FCC Chairman Clayton noted, quote: "The reduction in the number of U.S.-listed public companies is a serious issue for our markets and the country more generally. To the extent companies are eschewing our public markets, the vast majority of Main Street investors will be unable to participate in their growth. The potential lasting effects of such an outcome to the economy and society are, in two words, not good."

You know, Zack isn't ready to bring his barbershops and his other companies public yet, but I am afraid that the Zack Bookers of the world aren't going to be able to do that in the long run. And I am curious, in your opinion, what are the three top impediments that are chilling this IPO market or discouraging companies from accessing capital in the public markets?

Secretary MNUCHIN. Well, thank you, and I appreciate the work you are doing on capital markets.

In the report we did, the executive order, we go through an extensive review of different things that we think can make it easier for companies to access the public markets, particularly smaller companies, with proper regulations. So I would encourage you to, we can go through the details with you, but there is a long list of things we recommended.

Mr. HUIZENGA. Yes, and I recommend that my colleagues take a look at that because I think this is the glide path and the direction that we need to go.

I want to move on to one of those impediments, in my opinion, the Volcker Rule, that I am afraid that it has had a chilling effect on the liquidity in the markets and the U.S. financial institutions.

And a couple of quick things: In testimony in March 2017, we had a hearing in the Capital Market Subcommittee on the Volcker Rule, and Ronald Kruszewski, Chairman and CEO of Stifel, testified that, quote: "To determine whether an activity was proprietary trading or legitimate market-making, compliance expert would also need to be a psychiatrist trained in determining to the intent of each trade by a trader."

In an April 7, 2017 speech, New York Fed Reserve Bank President William Dudley, commented, quote, "the line between market-making and proprietary trading is not always clear-cut, which makes regulation in this space difficult," and, quote, "that it may be worth considering giving greater discretion to trading desks that facilitate client business to intervene when markets are illiquid and volatile."

Do you agree with Mr. Dudley's assessment?

Secretary MNUCHIN. I do. And we are working with the regulators to try to have better definition around the law and the rule so that people can interpret it.

Mr. HUIZENGA. Do you believe it would make sense for one regulator to take the lead to interpret that guidance?

Secretary MNUCHIN. I do not.

Mr. HUIZENGA. OK. I do want to highlight one other quick oddity in this. We have a Michigan-based energy company that owns an industrial bank in Utah, where many of those ILCs, industrial loan corporations, are, and because of its ownership interest in the bank, an energy company is considered a banking entity under the Volcker Rule. And since nonfinancial parents of industrial loan companies are being treated as bank-holding companies under the Volcker Rule, if an investor breaches a 10-percent holding in ownership in its nonfinancial parent, it is deemed to be controlling a bank and is then itself subject to the Volcker Rule.

If the Volcker Rule did not apply to nonfinancial parents of industrial loan companies, do you believe that it would pose a systemic risk to the financial system?

Secretary MNUCHIN. No, I do not.

Mr. HUIZENGA. Thank you very much. I appreciate that. And we will continue to work on that and look forward to working with you, Mr. Secretary.

Secretary MNUCHIN. Thank you.

Mr. HUIZENGA. Thanks.

I yield back.

Chairman HENSARLING. The gentleman yields back.

The Chair now recognizes the gentleman from Missouri, Mr. Luetkemeyer, Chairman of our Financial Institutions Subcommittee.

Mr. LUETKEMEYER. Thank you, Mr. Chairman.

Mr. Secretary, thank you for being here again. I just want to also reiterate my support and thanks for working with us on the tax cut bill, tax reform bill.

I have two quick stories for you. I know, when we were discussing the tax bill with some of my folks back home, I had a small women's business roundtable. And at that roundtable, when I got done discussing what we were going to try and do, one of the ladies there who had a glass shop, 60 employees, said: "If you cut my taxes, Congressman, we will reinvest that money, and we will hire some more people and expand our business."

This past weekend I was back home. I was talking to another small business. And in your testimony today, you talk about 3 million people received bonuses; 300 companies announced investments. I am sure this particular company is not in those figures, and there are probably thousands and thousands of other folks just like them, but they will give a $500 bonus to all their employees. And this is a small business.

So there are lots of people across the country that are receiving these bonuses. And when they say it is a ripple effect, I think it is more like a tsunami that is starting to go across our country from the standpoint of how important this is to the citizens of our country. So thank you for that.

With regards to your testimony today, and something I am working on myself, one of the things that we are doing in my subcommittee is working on data security, cybersecurity. And in your testimony today, you talk about the Council is monitoring the cybersecurity risks and has a number of recommendations. And one of them is the creation of a private sector council of senior executives.

Can you elaborate a little bit more on FSOC's endeavors in cybersecurity, data security, and some ideas of things you are working on?

Secretary MNUCHIN. Well, thank you. It is an issue I am very much focused on. I think protecting the financial infrastructure is of critical concern to ours. And our two priorities are: One, making sure that the various different regulators are working together, that they are pooling their resources to focus on this issue; and two, that we develop the proper public-private partnerships to be able to exchange information, best practices. And, also, we have been conducting different tabletop exercises in case there is an event.

Mr. LUETKEMEYER. Just two more questions along this line.

Number one, right now, we have a patchwork of rules and laws across the country with regards to the States monitoring and having some input with regards to notification, wondering how will you support a streamlining of this, number one and number two, obviously, the Federal Government has a problem with data security as well—we have had a number of breaches that are well-known by the public of information that is held by the Federal Government—and how we would coordinate those as well.

Secretary MNUCHIN. So the first part, I completely agree with you with the idea and the need for streamlining. I think that is very important. And I am participating, along with DHS and other groups at the National Security Council on cyber to make sure we are coordinated across Government because, as you have said, we are not immune from these issues ourselves. And making sure that what we learn from attacks against us, we are also using to protect private industry.

Mr. LUETKEMEYER. Very good. One of the main objectives of FSOC is to designate systemically important financial institutions.

I know I have a bill that deals with this with regards to some of the midsize regional banks that are impacted by this that I think they are not part of the problem; they have been roped in as part of the solution. And one of my solutions to this problem is using the Federal Reserve's process by which they have a systemically important risk indicator score.

Does FSOC take into account this Federal Reserve score whenever you are discussing SIFIs?

Secretary MNUCHIN. I haven't seen that per se in my experience, but we will look into that. And I think that is something that we should consider.

Mr. LUETKEMEYER. And because it seems like we don't need to reinvent the wheel if the Feds are already doing the analytical work of looking at what a systemically important financial institution is, and by their score, indicating which ones are and which

ones aren't, it would seem to be a very helpful tool to FSOC to be able to utilize that.

Secretary MNUCHIN. Yes, we use a lot of work from the Fed. They are very helpful. And I will look into the scoring issues and follow up with your office. Thank you.

Mr. LUETKEMEYER. I have about 35 seconds left, Mr. Secretary. Would you like to respond to any of the questions that were directed to you a moment ago by the Ranking Member?

Secretary MNUCHIN. No, I am OK for now, but thank you for that option.

Mr. LUETKEMEYER. Mr. Chairman, I will allow the Secretary to reserve my 30 seconds.

With that, I yield back.

Chairman HENSARLING. The gentleman yields back.

The Chair now recognizes the gentlelady from New York Mrs. Maloney, Ranking Member of our Capital Markets Subcommittee.

Mrs. MALONEY. Thank you. Welcome, Secretary Mnuchin.

As you know, yesterday, the stock market suffered its worst day in 6 years with the S&P down 4.1 percent and the Dow down 4.6 percent. And it looks like markets are plunging even further today.

You are the Chair of the Financial Stability Oversight Council. And I want to know, are you concerned about this recent market rout, this recent market turmoil?

Secretary MNUCHIN. Well, first off, I would just comment, they have been quite volatile today. I normally wouldn't be looking at my iPhone, but given the market moves, I am checking it. It is now up 187 points, so we are back up today.

I am not overly concerned about the market volatility. I think the fundamentals are quite strong. I have checked in with market participants this morning before I came to make sure there was orderly market activity, clearance functioning, no systemic issues. And I am happy to report that I got the green lights.

Mrs. MALONEY. Well, do you believe—does this have financial stability implications?

Secretary MNUCHIN. No, I don't think these types of moves, given how much the market has rallied, do have financial stability concerns.

Mrs. MALONEY. Well, the Administration has claimed credit for the markets going up. Are they going to claim credit when the markets go down?

Secretary MNUCHIN. Again, I think we will still claim credit for the fact that it is up over 30 percent since the election.

Mrs. MALONEY. Well, let's move on to your testimony on cybersecurity, which you called one of the biggest risks to the financial system. And it is a very serious one, and it is a huge problem, particularly for virtual currencies, like bitcoin and ether. Virtual currency exchanges are constantly being hacked.

A few years ago, the largest bitcoin exchange in the world was breached and lost over $450 million worth of bitcoin. And just 2 weeks ago, another virtual currency exchange in Japan was hacked, and they lost $550 million worth of virtual currency, the largest heist in history.

A recent report found that about 14 percent of all of the major virtual currencies have been stolen by hackers. And this means

that if you hold a major virtual currency, there is a 1 in 7 chance that you have had your money stolen, a staggering statistic. But right now these virtual currencies, their exchanges aren't subject to any real cybersecurity standards.

Just last week, FCC (Federal Communications Commission) Chairman Clayton said that he thinks some exchanges should be regulated by the FCC, which would require them to develop cybersecurity standards and prevent fraudulent practices like price manipulation.

So my question is: Given that virtual currency exchanges are collectively holding billions of dollars for U.S. investors, which can disappear in the blink of an eye if hackers break in, should these virtual currency exchanges be subject to minimum cybersecurity standards to protect investors' money? It is a currency, but it is being treated by many people as an investment. So I am very concerned.

Secretary MNUCHIN. I broadly share your concerns. Last year, I set up a subcommittee of FSOC to specifically deal with cryptocurrencies. We made a lot of progress on that. You have focused on several issues, which I agree with. The two issues that I focused on are: One, we want to make sure that these exchanges can't be used for moving money to bad people. So, in the United States, if you are a bitcoin wallet, you are subject to the same anti-money laundering BSA (Bank Secrecy Act) requirements as a bank. We brought enforcement actions on that. We are working with the G20 to make sure that those rules are followed in other countries so that these don't become like old Swiss numbered bank accounts.

The other area of grave concern is the concern to the consumer. We have recently had futures listed. We have done a lot of work with the regulators to make sure that where there is consumer protection, it is appropriate. And I too share your concerns about the cyber attacks and having people's money that is safe. So this is something we are actively studying. And we would be happy to follow up with your office on your ideas.

Mrs. MALONEY. Thank you very much. And I do have a draft bill I would like to share with you.

And, finally, do you think Congress should raise the debt ceiling as part of the short-term continuing resolution this week?

Secretary MNUCHIN. I think that Congress should raise the debt ceiling. However they want to do it, I leave it to them. But I would encourage Congress to do that.

Chairman HENSARLING. The time of the gentlelady has expired.

The Chair wishes to advise members that there is a vote occurring on the floor, and the Chair will attempt to clear two more members and then declare a recess.

The Chair now recognizes the gentleman from Wisconsin, Mr. Duffy, Chairman of the Housing and Insurance Subcommittee.

Mr. DUFFY. Thank you, Mr. Chairman.

Mr. Secretary, you are in the Financial Services hearing room. You are not in the twilight zone. I am not sure if you would know where you are at based on the questions that came from the Ranking Member for 10 minutes.

Here we are at a near 20-year unemployment low, historic lows. African-American unemployment is at an all-time low. Hispanic

unemployment, all-time low. And a week ago, at the State of the Union, the people who say they care about their constituents, when Donald Trump brought that up, they all sat down. No applause. They sat there as unemployment is at historic lows for their constituents. And then they come in today and say: I don't want to talk about a GDP of 3 percent growth, where it was less than 2 under Obama. I am not talking about manufacturing jobs coming back to America. I am not talking about the great policies over the last year. What I am talking about is Russia. I want to talk about Russia.

And by the way, when we talk about the economy, did I have friends across the aisle who will say $1,000 or $2,000 is crumbs? Give me a break. I don't know where you guys live, but that is a lot of money where I come from. Or if you get a $2,000 extra amount of money in your paycheck over here, that is a lot of money. To call it crumbs or to call our Tax Code "Armageddon," that is out of touch.

You want to talk about Russia and collusion? All you have is the Hilary Clinton campaign and the DNC, including with Fusion GPS, Christopher Steele, and the Russians to take down an American President who fairly won an election.

You want to talk about Russia? You can talk about Uranium One and a payout to the Hillary Clinton campaign to get approval—or the Clinton Foundation—to get an approval for Uranium One, if you want to talk about Russia.

This is ridiculous, that these are the things that we are talking about, Mr. Secretary. And I will ask you actually questions that are relevant to, I think, our committee.

Yesterday, The Wall Street Journal reported that there were 1,700 banks that have closed in the last 12 months. Did you see that article?

Secretary MNUCHIN. I did.

Mr. DUFFY. Many of those banks came from rural America, places where I come from.

Secretary MNUCHIN. Yes.

Mr. DUFFY. What is the root cause of these branch closings, and what impact does it have on, now, communities that are in rural America that may now not be served by a bank?

Secretary MNUCHIN. I think a general issue is the cost of regulation for community banks. And that is why we are hopeful to look at Dodd-Frank reform that helps community banks. And those communities need those banks to lend.

Mr. DUFFY. Mr. Secretary, I thought all those regulations were only for the big banks. Are you saying that Dodd-Frank actually imposed regulations on the small community banks that serve rural America?

Secretary MNUCHIN. Yes, indeed.

Mr. DUFFY. Oh, I am surprised about that. And they are going out of business, because they can't comply.

Secretary MNUCHIN. Yes.

Mr. DUFFY. Or they consolidate, right? They consolidate. And then when the bank they consolidate with says: Well, that is not a profitable branch anymore; we are going to close it.

I want to talk about the fundamentals. So we talked about the market. Markets are down. A couple bad days in the market. Is this in coordination with lack of fundamentals in the economy? Do we have problems in the economy with growth or wages or jobs that are being reflected in a down market?

Secretary MNUCHIN. No. The fundamentals are quite strong.

Mr. DUFFY. How so? So what is the disconnect between a market coming down and fundamentals being strong?

Secretary MNUCHIN. I think you have seen a normal market correction, although large. And I think, again, there is just a disconnect in the short term. Markets move in both directions.

Mr. KUSTOFF. Could strong fundamentals actually bring down a market a little bit, be correct, just because you might be concerned about inflation, there might be concern about raising interest rates? Could that be a concern for the market?

Secretary MNUCHIN. It could be, as you suggest.

Mr. DUFFY. Any concern in the fall yesterday with algorithmic trading that could have heightened the losses that took place yesterday?

Secretary MNUCHIN. It definitely had an impact on market moves.

Mr. DUFFY. Anything we should be considering based on those market moves from—

Secretary MNUCHIN. Nothing that I would recommend at this time.

Mr. DUFFY. OK. And I want to be clear, as my time is about to end: When we talk about FSOC and designating financially systemically important institutions, we now have a threshold on size. Is it your contention that we should actually look at the activity surrounding the financial institution as opposed to the size?

Secretary MNUCHIN. It is my recommendation that we should definitely raise the level, and we should also look at activity.

Mr. DUFFY. OK. Listen, I want to thank you for your testimony. I am sorry for some of the questions that have come your way, but I want to applaud your efforts to actually work with us to lower tax rates that have had a huge impact on the American family, with the bonuses, with the increase in their paychecks. Though the other side should be dancing in the streets, they should be dancing in the aisles, they should be applauding; they are not because this is not about people, Mr. Secretary. This is about politics. And because they all voted no, they can't celebrate the win for their communities and for our country.

And I yield back.

Chairman HENSARLING. The time of the gentleman has expired.

The Chair again advises all members a vote is occurring on the floor.

The Chair now recognizes the gentlelady from New York, Ms. Velazquez.

Ms. VELAZQUEZ. Thank you, Mr. Chairman.

And welcome, Secretary.

The issue of making sure that our democratic institutions are intact should be the responsibility of everyone. And after all, we all voted for the sanctions against Russia.

Mr. Secretary, the history between the United States and Puerto Rico is one full of legal, political, economic, and social injustices. While 5 minutes won't be enough time to go through the list of things where U.S. policy has failed Puerto Rico, allow me to highlight how your administration has managed to further worsen conditions.

After one of the worst natural disasters, your administration continues to ignore Puerto Rico's healthcare system, a system that is crumbling before our eyes. The difference in Medicaid funding, such as lower matching rates, places a much greater burden on Puerto Rico than on other States.

In addition, President Trump fails to see that the new tax law you all brag about is actually harming Puerto Rico at a time when Puerto Rico needs our help to jump-start its economy. Let us be clear: The new tax law discriminates against Puerto Rico, removing the special incentives that the island relied on and treating Puerto Rico as a foreign country—treating Puerto Rico as a foreign country, a foreign country that has over 100,000 active-duty troops ready at any given time, a foreign country that, from 1998 to 2016, has paid approximately $74.4 billion in Federal taxes. Tell me, which country around the world pays Federal taxes to the U.S. Treasury? Puerto Rico does.

Yet, because of its treatment as a foreign country, the new tax law imposes a 12.5-percent tax on the income companies receive from intellectual property. What a way to kill the manufacturing sector in Puerto Rico.

Another example of this unequal treatment is the community disaster loans that were included for Puerto Rico in the October supplemental: Loans instead of grants. Another insult.

Don't you agree with me that that is outrageous, that it is cruel, that when a natural disaster strikes and people ask for disaster relief, a paper towel is an insult?

So, Mr. Secretary, my question for you is, is it acceptable in Treasury's opinion, to fund and provide disaster relief so slowly that it has taken the lives of more than a thousand residents in Puerto Rico, that over 270 Puerto Ricans have committed suicide on the island after Maria, that almost 30 percent won't have power until this summer, nearly a year after Maria?

Would this be acceptable in Houston, Louisiana, or Florida? I am sure people would be rioting in the streets.

Do you think the people of Puerto Rico are any less entitled to restoration of essential services than any other U.S. citizen? So, Mr. Secretary, please tell me if this is acceptable.

Secretary MNUCHIN. Well, let me first comment that I do share your concerns.

Ms. VELAZQUEZ. I want for you to share my outrage.

Secretary MNUCHIN. It is, first, that any loss of life is a great tragedy.

As it relates to the various different topics that you have discussed, I am personally not familiar with the healthcare issues, although I will follow up and look into that.

Ms. VELAZQUEZ. What about the tax bill, treating Puerto Rico as a foreign country?

Secretary MNUCHIN. As it relates to the tax law—and, again, I have had the opportunity to meet with various businesses and things—they have a situation where they are collecting their own taxes in lieu of Federal taxes.

And the last part, I would just say, is we are working very closely with the Government to get them funding to deal with the result of—

Ms. VELAZQUEZ. How many more lives have to—

Chairman HENSARLING. The time of the gentlelady has expired.

The committee now stands in recess.

[Recess.]

Chairman HENSARLING. The committee will come to order.

The Chair now recognizes the gentlelady from Missouri, Mrs. Wagner, the Chairman of the Oversight and Investigations Subcommittee.

Mrs. WAGNER. Thank you, Mr. Chairman.

As we sit here today and hear testimony about the continued onslaught regulations have had on Main Street America, it is worth noting the positive gains that we have made because of the Tax Cuts and Jobs Act.

Charter Communications, which has a very large presence, Mr. Chairman, in Missouri's Second congressional District, upwards of 5,000 employees, Mr. Secretary, that represent 5,000 hardworking Missouri families, they have recently volunteered to pay every one of their employees at least $15 an hour and, in addition, to increase the investment in their broadband network.

This is going to absolutely benefit working families and small businesses across my district. These are pro-growth promises that we made and have delivered on for our constituents.

I want to thank you, Secretary Mnuchin, for your fine work in making sure that all Americans keep more of their hard-earned money and we continue to grow this economy.

Now, sir, last week the Subcommittee on Oversight and Investigations, which I chair, held a hearing entitled, "Following the Money: How Human Traffickers Exploit U.S. Financial Markets." During that hearing we talked a lot about the emergence of cryptocurrencies as a financial tool.

I know you touched on it briefly, but the FSOC annual report identifies a need to further study new products and services, such as virtual currencies, and to coordinate regulatory approaches.

How do you believe these new technologies should be regulated? And what role should we in Congress have going forward as these new innovations are advanced?

Secretary MNUCHIN. Thank you.

My main concern in terms of regulation is to make sure that anybody that does business on cryptocurrencies can be monitored from a money laundering, a BSA standpoint, and that the institution follows the know your customer rule. So that is our main priority now, but we look forward to working with you on potentially other regulations.

Mrs. WAGNER. And what do you see as FSOC's role in this process, sir?

Secretary MNUCHIN. FSOC is coordinating the different regulators' response to it. So it is a coordination function.

Mrs. WAGNER. We look very forward to working with you and your team in this important area that is emerging.

Secretary MNUCHIN. Thank you.

Mrs. WAGNER. Now, Secretary Mnuchin, changing topics here, can you discuss your recommendations to address designation criteria, especially when it comes to our nonbank financial companies? The FSOC, Treasury report recommended that the designation process for nonbank financial companies be more transparent, including getting input from a company's primary regulator.

What are the steps that Treasury plans to take to make the designation process more transparent and ensure the FSOC is held accountable to Congress?

Secretary MNUCHIN. Thank you.

As you noted, we did extensive work in our executive order to the President on this, making recommendations. We will now be working with the committee on suggestions in terms of changing the criteria. Then I believe we will have to put out a notice of rulemaking before we enforce it. But this is something we are very focused on for this year.

Mrs. WAGNER. Last March the subcommittee, again, on Oversight and Investigations, which I chair, held a hearing entitled "The Arbitrary and Inconsistent Non-Bank SIFI Designation Process," and the hearing followed up on a committee report that provided examples of inconsistencies and departures from, frankly, FSOC's own rules and guidance when evaluating nonbank financial companies.

I hope this is something that we will look into and be able to coordinate going forward. Do you have any timing on this, sir?

Secretary MNUCHIN. Absolutely.

Mrs. WAGNER. Thank you. I appreciate it.

Mr. Chairman, I yield back the balance of my time, or I shall yield to you, if you would like, sir.

Chairman HENSARLING. I thank the gentlelady. She can yield back her time.

The Chair now recognizes the gentleman from California, Mr. Sherman.

Mr. SHERMAN. Mr. Secretary, you were here in July. Democrats and Republicans gave you questions for the record and we got responses to those last week, 6 months.

Can you commit now that the vast majority, I plan to ask one or two really tough ones, but that the vast majority of the questions for record that are asked by Democrats and Republicans today will be responded to with real answers within 30 days?

Secretary MNUCHIN. I can tell you that I told my staff I thought our response time was not appropriate.

Mr. SHERMAN. Can you make the commitment, I ask, or just apologize for the past?

Secretary MNUCHIN. We will do everything we can to make sure it is 30 days, but it won't be as long as it took last time, I can assure you.

Mr. SHERMAN. OK. Because I have a number of questions for the record, I need answers.

And the first relates to the FSOC report to base SIFI designations on an activity-based approach. I want to commend you for moving in that direction.

And I am interested in your plans for implementing the recommendation of the Treasury's asset management and insurance report and the report on nonbank SIFI designation process, in particular the recommendation that an activities-based approach be used. So I will ask you to respond to that for the record.

Also, we hear that the International Association of Insurance Supervisors is pushing a global standard that clashes with our system for State-based insurance regulation. And I will want to know your reaction to that and whether we can ensure that we are going to promote our own system in that negotiation.

Secretary MNUCHIN. I can assure you we will.

Mr. SHERMAN. Thank you.

Now, last time you were here I asked you about the Armenia tax treaty. I didn't expect you to know that I would ask—well, I did tell your staff in advance. And we have gotten the most absurd response. I am an old tax lawyer, I know it is hard work, but this is the easiest job they are ever going to have.

They responded to Judy Chu, who also raised this, by saying that this is a very resource-intensive process. Here is the model treaty. We have published it. And the government of Armenia has said they just want to sit down and use this as the basis and get the treaty done. Twenty-eight Members of Congress have asked you to do this.

Can you commit to investing 28 hours of one tax lawyer, just 28 hours of that one tax lawyer's time to start the process? I think he or she will finish the process. We are talking about filling in the blanks in a document we already have. Can you commit 28 hours of one tax lawyer's time?

Secretary MNUCHIN. I can commit the 28 hours—

Mr. SHERMAN. We will get it done, and the benefits will include the exchange of information provisions, which will allow the IRS to get information about anybody hiding assets in Armenia and thereby enhance our tax collection process.

When it comes to marijuana, we currently have the FinCEN guidance. And if you were to revoke that, then that would really make it better for armed robbers in my community because there would be huge amounts of cash at the local marijuana dispensary.

Can I have—well, I hope you would respond for the record what you plan to do, and I hope that you would indicate that you are interested in keeping our community safe. I don't want bags of cash at a marijuana dispensary down the street from my constituents. Can I count on your answer?

Secretary MNUCHIN. I can commit to you that we are reviewing it. But I assure you, we don't want bags of cash. I want to make sure that we can collect our necessary taxes and other things in other than cash.

Mr. SHERMAN. When you were here last time, you assured us that although we didn't designate China as a currency manipulator, even though we have lost a lot of jobs to their admitted past currency manipulation, that the Trump Administration was going to do something about this.

In back of you we have the chart that shows that every month that Trump has been in office we have seen an increase in the trade deficit with China. Are we just going to talk tough or when you come back a year from now are we going to see a different chart?

Secretary MNUCHIN. I think you are going to see a different chart.

Mr. SHERMAN. OK. And if we don't, can you then designate them a currency manipulator?

Secretary MNUCHIN. No, one has nothing to do with the other. One is we are very focused on trade. The currency manipulation independent of that will be based upon their actions.

Mr. SHERMAN. But they have secured markets by their past manipulation of currency.

And I yield back.

Chairman HENSARLING. The time of the gentleman has expired.

The Chair now recognizes the gentleman from Kentucky, Mr. Barr, Chairman of our Monetary Policy and Trade Subcommittee.

Mr. BARR. Secretary Mnuchin, good to see you this morning. And I want to thank you and the Administration for the Tax Cuts and Jobs Act on behalf of constituents in Kentucky's Sixth congressional District.

A couple quick stories. One is Allison. Allison is a bank teller, one of the lowest paid bank tellers at a small community bank in Berea, Kentucky. And she went to her supervisor after they adjusted their tax withholding and she said, "I think you made a mistake."

And he looked at the check and he said to Allison, "No, I didn't make a mistake."

And she said, "Did I get a bonus?"

And he said, "Actually, I didn't give you a bonus." The vice president said this to the teller. "We didn't give you a bonus, but in effect you got a bonus. You got a raise because of Republican tax cuts."

And then there is Karen. And Karen has been serving me coffee at 5:20 a.m. every morning when I go to the airport to get on that 6 a.m. flight to Washington D.C. And she is a hard-working person, and she is working the graveyard shift. And she wanted to know what the benefits of the tax cut were.

So we put her paycheck and all of her information through the tax calculator. And when I showed up on Monday morning, yesterday morning, she had a big smile on her face. And she said, "Congressman, I am going to save $1,410 every year because of the tax cuts."

And so on behalf of Karen and on behalf of Allison, thank you and your administration for these tax cuts. You are making life easier for working people in Kentucky.

I do want to talk about the market volatility that we have seen over the last few days. Obviously, since election day 2016, the Dow Jones industrial average has soared from a little over 18,000 to a little over 24,000, and I think it is actually up at this moment today. And of course at one point it hit an all-time high of 26,617.

That represents an extraordinary bull market, and I would agree that in part it reflects renewed investor and business confidence associated with this Administration's policies.

But I do want to ask about a factor that gets a little less attention but which explains the adjustment in the equity markets over the last few days, and that is monetary policy.

Obviously, for the better part of the last decade, the Federal Reserve through quantitative easing and low nominal rates has pursued an unprecedented policy of monetary accommodation. And while this unconventional policy failed to prevent the slow, weak growth produced by the previous Administration's fiscal policies, it did prop up asset prices.

But as this Administration has reversed the previous Administration's fiscal policies the economy has taken off, and you have noted the statistics of record high business and investor confidence, consumer confidence, low unemployment, and the Labor Department report of wages going up last year, average 3 percent GDP output, and the Atlanta Fed's projection that the first quarter we might see 5 percent economic growth, in the first quarter of 2018.

So I would just say it is altogether appropriate that the new leadership at the Fed has begun to address the risk of rising inflation and is proceeding with a strategy of monetary normalization.

My question is this, Secretary. In your capacity as Chairman of the Financial Stability Oversight Council, can you comment on how monetary normalization and a steady, predictable, well-communicated withdrawal of monetary stimulus at this time might keep valuations in line with reality, prevent asset bubbles, and promote financial stability?

Secretary MNUCHIN. Well, thank you.

I will comment, we have been working with the Fed in following their reduction of their portfolio and the impact of the markets.

As it relates to the overall monetary policy, I will respect the independence of the Fed, so I am not going to comment on its impact on the markets.

Mr. BARR. Thank you.

And then, Mr. Secretary, as you know, the World Bank's International Development Association, or IDA, is scheduled for its 18th replenishment. This committee has examined disturbing cases of management failures at the bank, which has helped bring about massive corruption, abuse of project beneficiaries, including sexual abuse, and staff incentives that reward pushing money out the door rather than having an impact on global poverty.

In light of these facts, writing a blank check for IDA18 would be an insult to the hard-working taxpayers of this country. Last month, the House passed our World Bank Accountability Act, which would make spending on IDA18 contingent on implementing reforms. I want to thank Treasury staff for working closely with us on developing tough but achievable reforms.

To underscore how important this legislation is, this was the first time in 40 years, Secretary, that Congress considered a standalone IDA bill. And it also happens to be consistent with President Trump's policies.

As he said in his State of the Union Address, quote, "I am asking Congress to pass legislation to help ensure American foreign policy

dollars always serve American interests and only go to friends of America, not enemies of America."

Mr. Secretary, the House World Bank bill delivers on the President's call of action. Could you just comment briefly on how you can work with our friends in the Senate so that they adopt a similar approach to IDA?

Secretary MNUCHIN. Well, we applaud your work on that and we look forward to working with the Senate so that we can get something passed.

Mr. BARR. Thank you. I yield back.

Chairman HENSARLING. The gentleman yields back.

The Chair now recognizes the gentleman from New York, Mr. Meeks.

Mr. MEEKS. Thank you, Mr. Chairman.

Secretary, welcome.

Let me first just ask a couple of questions because I think that I am unclear. First, I think I heard you say that you will be asking Congress, particularly many of my colleagues on the Republican side who generally sometimes don't want to raise the debt ceiling, to make sure that they raise the dealt ceiling when it expires. Is that correct?

Secretary MNUCHIN. That is correct.

Mr. MEEKS. OK. Because I don't know sometimes in listening to folks, I just want to get it right, so does debt matter in our economy?

Secretary MNUCHIN. It does.

Mr. MEEKS. OK, it does. And what is better for the American economy, because I am confused on this one also, because I have heard, especially from the Administration, both sides, what is better, a weaker dollar or a stronger dollar?

Secretary MNUCHIN. I am not going to comment on the dollar. I think some of my comments were taken out of context. But I will say—

Mr. MEEKS. That is why I am trying to clear it up. If it was taken—it was a comment—

Secretary MNUCHIN. In the long term, a strong dollar is in the best interest of the United States, and that is what I said in my comments.

Mr. MEEKS. OK. Because what I had you quoted as saying is, obviously, a weaker dollar is good for us as it relates to trade and opportunities.

Secretary MNUCHIN. Again, that was just a statement of fact. There were three parts to it. The first part was that we fundamentally believe in the free markets. Where the dollar is in the short term is not a concern. The second one you quoted was just a fact. And the third one was that we fundamentally support a strong dollar in the long term.

Mr. MEEKS. So you support a strong dollar, that is what you are telling us now?

Secretary MNUCHIN. That is correct.

Mr. MEEKS. OK. So the other statements we should not consider.

Now, in time of recession is stimulus important or not?

Secretary MNUCHIN. It depends.

Mr. MEEKS. It depends. Well, in times of crises, because I don't know if you—well, you were not here, but I was here, because I listened to some of my colleagues on the other side.

In 2007, when we were having the greatest recession since the Great Depression—by the way, it was a time that we—right before that, in 2006, is when the Republicans controlled the House, the Senate, and the Presidency at the same time—we had a Republican Treasury Department come over and say we had to do something because things were going crazy.

Would that have been an appropriate time to try to stimulate the economy, when you had that kind of recession?

Secretary MNUCHIN. Again, that would have been one of the things to consider.

Mr. MEEKS. OK. Would you have considered it had you been—

Secretary MNUCHIN. I would have considered it.

Mr. MEEKS. By the way, do you recall what the unemployment rate was in 2007 and 2008 and 2009?

Secretary MNUCHIN. I don't recall the exact number, but it was higher than where we are now.

Mr. MEEKS. In fact, it was at the peak, because of the recession, it was at close to 10 percent. Is that not correct? Does that refresh your recollection?

Secretary MNUCHIN. That sounds about right.

Mr. MEEKS. At the time that President Obama left, it was down to about 4.6 percent, I think it was. Does that refresh your recollection?

Secretary MNUCHIN. Sounds about right.

Mr. MEEKS. So it went down. And at the time that you came in, the unemployment rate at that point was lower than it had been for over the last 12 years or since the last time that Bill Clinton was President. Is that not correct?

Secretary MNUCHIN. That is correct.

Mr. MEEKS. OK. And is it also correct that when you looked at the overall economy and the number of jobs that were being created back in 2006 and 2007 and 2008, we were losing jobs every month? Is that not correct?

Secretary MNUCHIN. That is correct.

Mr. MEEKS. OK. At the time that you came or the President came into office, then we were gaining jobs every month, we were adding jobs. The Obama—so you didn't inherit an economy that was in recession, that was the lowest employment rate, that was going in the right direction. But when you came in, you inherited an economy that was moving in the right direction. Unemployment was going down. Jobs were increasing every month.

So the experience that you came in was nowhere near the experience that the Obama Administration had to deal with when they came in office. Is that not correct?

Secretary MNUCHIN. Again, the experience that we came in with was very, very low GDP growth.

Mr. MEEKS. But that is not what I am asking you about. The trends in the economy, at that particular time, the trends with reference to unemployment, the trends with reference to jobs, the trends with reference to the overall economy, it was not an economy that was in recession. It was an economy that was coming out

of recession. That is what you inherited, not what Obama inherited when he became President. Is that not correct, sir?

Chairman HENSARLING. The time of the gentleman has expired.

The Chair now recognizes the gentleman from Texas, Mr. Williams.

Mr. WILLIAMS. Mr. Secretary, thank you for being here this morning. And I am a small business owner for 47 years in Texas, still have my business, and I can tell you, it is a great time to be on Main Street. And I want to thank you for your hard work on behalf of the American people and for your annual report from the Financial Stability Oversight Council.

From overhauling the country's broken Tax Code to rolling back misguided and unnecessary regulations, 2017 proved to be a historic year for the Trump Administration, this Congress, and most importantly, the American people.

During my travels in the district I represent in Texas these past months, I have heard countless encouraging stories about what the Tax Cuts and Jobs Act means for Texans and business owners. While some of my colleagues on the other side of the aisle, and we have heard today, have claimed that these bonuses and wages were akin to crumbs, in Texas 25th District those crumbs come in the form of real dollars back in the pockets of hard-working families. It comes in the form of increased wages for employees and new capital investment for businesses.

It is my hope that this past year serves as a steppingstone for many and more great things to come. And there is still much more work to do, especially from the Dodd-Frank relief to combating the destabilizing and hostile activities from Iran.

Know that I am committed to working with this agenda with you and the Trump Administration to ultimately ensure long-term prosperity for our great Nation and our citizens.

First question would be, Mr. Secretary, you previously testified before the Ways and Means Committee that the Treasury Department is reviewing aircraft sale licenses following the Iran nuclear deal. I am encouraged by this Administration's focus on the world's leading state sponsor of terror and in your efforts to take a hard line on committing its destabilizing behavior.

To that end, the House passed my bill, the Strengthening Oversight of Iran's Access to Finance Act, which creates a reporting requirement for the licensing of aircraft sales to Iran in an effort to increase congressional oversight and provide transparency for the American people.

So my question, sir, is can you provide any updates on your review of licenses issued for aircraft sales to Iran? And is it your opinion that this Congress and the American people should know if Iran is using passenger aircraft authorized under the JCPOA for terrorist activity?

Secretary MNUCHIN. Well, I do believe that the American people and Congress should know. I don't want to comment right now because we are reviewing classified information as we consider the licenses for this. So this is undergoing review.

Mr. WILLIAMS. Thank you.

Next question would be, we have heard so many great stories in the last several weeks about how the tax bill is bringing businesses

back to the United States. Yesterday, the United Nations Conference on Trade and Development reported that the tax bill could spur the repatriation of $2 trillion.

Could you speak to the effect that repatriation and new investments will have on the U.S. economy and what Americans can expect to see in the months and years to come as the tax climate becomes friendly and more welcoming to investors and businesses?

Secretary MNUCHIN. Well, we believe one of the most important aspects of the tax bill was to go from a worldwide system with deferral, which encouraged our companies to leave trillions of dollars offshore, to a territorial system and a one-time tax to bring them home. Apple has announced $350 billion that they will be coming back into the U.S. with major investment into jobs and CAPX and equipment here, and they are just one of many companies that are going to be doing that.

Mr. WILLIAMS. A lot of good news.

Next question would be, I am certain that our colleagues from the other side of the aisle will highlight the recent volatility—we have heard that today in the market—in an attempt to sound an irresponsible alarm about the state of the market. They are clearly viewing the markets in terms of single day performance and not on the long-term performance.

If they were to do so, they would concede that in the last 15 months—and you talked about this earlier—the market recorded 84 record highs. And both the Dow and the S&P are still up by double digits during that period.

So, Mr. Secretary, from both your time in the private sector—I am a private sector guy—and now as the head of the Treasury Department, do you believe there to be any cause for alarm?

Secretary MNUCHIN. I do not.

Mr. WILLIAMS. OK. Thank you for being here.

And I would yield my time back to the Chairman.

Chairman HENSARLING. I thank the gentleman for yielding.

Mr. Chairman—I am sorry, Mr. Secretary—one of the things I think I saw in the Treasury report to FSOC—since you are wearing two hats here, I guess you are advising yourself—but the Treasury report had advocated to FSOC that basically cost-benefit analysis needs to be employed in the SIFI designation process.

Can you elaborate on whether or not FSOC is accepting this recommendation? And if so, what can we look forward to?

Secretary MNUCHIN. So, yes. Thank you, Mr. Chairman. That was part of our recommendation. As I mentioned, we are now working with the committee members to review our recommendations and update guidance. So that is something that I hope will be included.

Chairman HENSARLING. Thank you.

The Chair now recognizes the gentleman from Georgia, Mr. Scott.

Mr. SCOTT. Thank you, Mr. Chairman.

Welcome, Secretary.

You know, when I first opened your report I was very pleased to see where you had cybersecurity as your major concern. However, yesterday I became very worried with one of your FSOC members,

Mr. Mulvaney of the CFPB (Consumer Financial Protection Bureau).

And I understand that he has pulled back any investigations into Equifax, the largest, most significant cybersecurity attack in this Nation's history, 145 million American families having their birth dates, their Social Security numbers, all of that vital information out in the open. And he has pulled back.

And I found this out yesterday in reading the report from Reuters. Are you familiar with that, Mr. Mnuchin?

Secretary MNUCHIN. I am only familiar with what I also read in the press. I haven't spoken to Director Mulvaney about it, but I will.

Mr. SCOTT. Yes, I hope you do because it is very important. You are Chairman, as I understand it, of FSOC. You are Chairman. And it is FSOC's duty to keep our financial system secure from these kinds of threats. You have the head of the CFPB rolling back investigations.

I not only am asking you to speak with Mr. Mulvaney, but speak strongly, let him know how bad this looks and that the American people are very upset that this Administration is taking this backward step, back from investigating the most dangerous security threat in this Nation's history. Please do that, Mr. Mnuchin.

Do you have any reason why Mr. Mulvaney would even do such a thing?

Secretary MNUCHIN. I am not aware of that. But as I said, it is something I am to discuss with him and we will take up at FSOC.

Mr. SCOTT. Yes, because it will look very hypocritical if, on the one hand, the Administration is so eager in going after cybersecurity and then, on the other hand, having the consumer protection agency to back away.

And, additionally, the CFPB has even shelved plans for the on-the-ground test on how Equifax even protects its data. So we have some very, very significant things there.

In my final minute and a half, I do want to raise up the issue of the fintech companies. I am the Democratic Co-chairman of the FinTech Caucus. And the fintech industry is going through some remarkable challenges. And they are doing some great things, just from simply being able to partner with many of our traditional banks who will not service the under bank and those that need the help the most, but they are partnering with them. And they are also breaking away for real great technological improvement.

But here is the problem. Since OCC (Office of the Comptroller of the Currency) has issued or is going to issue a charter for their regulation, you have all of these regulators now, the CFP has their group, you have, Treasury, I don't know if you have your group, but each of these regulatory firms is now converging and coming up with how to regulate this industry.

Now we have three or four different regulators out there beginning to pounce. You are going to have overregulation. You are going to quite possibly suffocate this new emerging industry.

So I want to ask you, how do you see that? And is Treasury moving? And as the leader of FSOC, will you take leadership in making sure that fintech companies are not suffering?

Chairman HENSARLING. A very brief answer, Mr. Secretary.

I would remind all members to pay attention carefully to the clock.

A brief answer, Mr. Secretary.

Secretary MNUCHIN. Yes, thank you. We will address that at FSOC. We share some of your concerns.

Mr. SCOTT. Thank you, sir.

Chairman HENSARLING. The time of the gentleman has expired.

The Chair now recognizes the gentleman from Maine, Mr. Poliquin.

Mr. POLIQUIN. Thank you, Mr. Chairman, very much.

Mr. Mnuchin, thank you so much for being here. We really appreciate the great work you are doing. And I want to in particular thank you for your leadership in providing tax relief to American families and small businesses.

A couple of weeks ago, sir, I was at one of our terrific small businesses in Maine, the Dysart's Truck Stop and Diner, right in central Maine, in Hermon, right off Route 95, next time you go vacation with your family in Maine. And this fellow came up to me and said, "Bruce, thank you very, very much, because I get paid on a weekly basis and I got another 27 bucks in my weekly paycheck."

Now, he did the math for me. He said, "Bruce, that is about $110 a month, $27 a week, roughly $110 a month." And he said it is about $1,300 per year. He said, "That is really important to my family because it pays for groceries for our family for about 3 to 4 months out of the year."

So thank you very much for your leadership on this, sir, and we look forward to helping more American families.

I have been very concerned, along with other people on the committee, Mr. Secretary, about how unfair it is for nonbank financial institutions, like mutual funds, to be possibly designated as a SIFI by FSOC when they pose no risk to the economy if they get in trouble.

Now, I think it is widely agreed between our discussions here in the committee that we need reforms to the SIFI designation process that takes place over at FSOC.

Now, I think we can agree that it is a good idea for a business that is potentially going to be designated a SIFI to know why. And if, in fact, they are designated, to have an off-ramp such that they are able to make those adjustments.

And the reason why this is so important, Mr. Secretary, for small savers and small asset managers in Maine is because if you have this burden of additional regulations that are really unnecessary and costly, it drives up the cost to provide their services and drives down the rate of return for someone saving for college, for example.

So my question to you, Mr. Secretary, is can we agree that the best way to deal with this issue is to codify in legislation the reforms we need to the SIFI designation process?

Secretary MNUCHIN. We think that would be a good idea. And we believe in transparency, that, as you said, companies should understand, if they are designated, why and what they would need to do to get out.

Mr. POLIQUIN. Thank you, sir.

Recently, your own Treasury Department issued an asset manager report that recommends completely eliminating stress testing

for nonbank financial institutions, like mutual funds and insurance companies.

Now, in my opinion, I know we have had this discussion, sir, it doesn't make any sense for someone who is managing money for retirement to have the same stress test requirements or any stress tests at all as a bank that is insuring deposits for those same individuals.

I would like to bring to your attention, Mr. Mnuchin, if I can, my bill, H.R. 4566, Alleviating Stress Test Burdens to Help Investors Act. It passed this committee with wide bipartisan support. And I am asking you, sir, do you agree with the Treasury's own report and with this committee that it is a good idea to eliminate the stress test requirements for nonbank financial institutions?

Secretary MNUCHIN. I do agree with, as we put it in the Treasury's report, yes.

Mr. POLIQUIN. Thank you, sir.

Last week the Treasury produced a list of assets held by Russian oligarchs. Another bill that I have that has passed out of committee, sir, H.R. 1638, called the Iranian Leadership Asset Transparency Act, roughly does the same thing.

In other words, it looks at the top 70 or 80 political and military leaders in Iran—which I may parenthetically say that we all know is the chief sponsor of terrorists in this world. They recruit, they train, and they fund these terrorists, and they have American blood on their hands.

I think it is a great idea, as per my bill, to make sure we get the information out there to the public into the world how these folks have been ripping off their citizens, what they are using those assets for, to shed some light on this issue.

Now, Senator Cotton has also taken an interest in this bill, Mr. Mnuchin, and has introduced companion legislation on the other side of the chamber.

Can we agree that this is a good idea to make sure the world knows what this money is being used for and how it was accumulated?

Secretary MNUCHIN. I am not familiar with all the details of the bill, but I look forward to sitting down. But, conceptually, I think it is the right direction.

Mr. POLIQUIN. Wonderful, because you are already doing it for folks over in Russia.

Last, sir, if I may. The two reasons why the economy is doing so well is the great work in repealing red tape and also the tax cuts that have been recently enacted.

In rural Maine, it is critically important that small community banks and credit unions are relieved from additional burdens and red tape.

Can we get a commitment from you, sir, that you will do everything humanly possible to help rural financial institutions?

Secretary MNUCHIN. Yes.

Mr. POLIQUIN. Thank you, sir. I appreciate it.

Chairman HENSARLING. The time of the gentleman has expired.

The Chair now recognizes the gentleman from Texas, Mr. Green, the Ranking Member of our Oversight and Investigations Subcommittee.

Mr. GREEN. Thank you, Mr. Chairman.

Thank you, Madam Ranking Member.

And I thank the Secretary for appearing.

Mr. Secretary, I fear that the Grand Old Party—the party of Lincoln, Gettysburg Address, "government of the people, by the people, for the people shall not perish from the face of the Earth," the party of Reagan, "Mr. Gorbachev, tear down this wall"—I fear that the Grand Old Party has lost its way. I am amazed at the number of members of the Grand Old Party who are defending Russian intrusion into a legitimate election for President of the United States of America. The party has lost its way.

And I am concerned about the sanctions that Congress legitimately desires to have imposed. I am concerned as to whether they are being imposed, especially as it relates to section 241, which accorded the Secretary of the Treasury, Secretary of State, Director of National Intelligence to codify a list of these oligarchs, persons who have, by way of corruption, achieved great fortune.

And this list was to be used so as to identify them and have certain restrictions imposed upon them. It has been reported that the list was compiled by the appropriate members of the Government, the experts, if you will. But it has also been reported that after compilation took place, someone higher up decided that there was a better list that ought to be utilized. There is a suspicion that the person higher up resides in your office.

Can you give clarification as to what is going on with the list, Mr. Secretary?

Secretary MNUCHIN. I don't know what you are implying in any way. So, again, let me be perfectly clear, and I talked about this in the opening. There is a—again, we fully complied with the law. There was an extraordinary amount of work done. I encourage all of you, you have access to the classified report—

Mr. GREEN. Well, Mr. Secretary, if I may just intercede for just a moment, if I may. I don't mean to be rude, crude, and unrefined, but I do have to ask this.

Is it true that there was a list presented and that that list was changed in some way by persons other than those who had compiled the initial list?

Secretary MNUCHIN. It wasn't changed at all.

Mr. GREEN. Was it added to?

Secretary MNUCHIN. Were there people added to the list?

Mr. GREEN. Yes, to the list.

Secretary MNUCHIN. The list—

Mr. GREEN. Were there people added to the list?

Were there people added to the list?

Secretary MNUCHIN. Were there people—

Mr. GREEN. Were there people added to the list?

Secretary MNUCHIN. The classified list?

Mr. GREEN. Were there people added to the list?

Secretary MNUCHIN. By whom? By the intelligence people or by us?

Mr. GREEN. Were there people added to the list by any source? You have news reports saying that somebody changed it, and they are alleging that you are that person, Mr. Secretary. Were there people added to the list?

Secretary MNUCHIN. Again, let me be clear, I didn't add anybody—

Mr. GREEN. Well, were there—well, you didn't—were there people added to the list? This is a very succinct, a very clear question. It is perspicuously clear. Were there people added to the list?

Secretary MNUCHIN. Again, let me be clear. I don't know what you are talking about. The list—the list—again—

Mr. GREEN. I am talking about the 241 list of oligarchs, people who, by corruption, obtained fortunes in Russia, people who are to be sanctioned, have sanctions imposed—

Secretary MNUCHIN. Yes, there are people that are on that list and that will be sanctioned.

Mr. GREEN. Were there additional people added to the list?

Here is the allegation, Mr. Secretary, that additional people were added to the list so as to expand the list and cause the oligarchs, the criminals, to be associated with persons who legitimately made money, thereby solidifying those who have fortunes in Russia, with President Putin, thereby preventing what we wanted to see happen, that sanctions imposed against those who were achieving power and fame and recognition and money by virtue of corruption.

Secretary MNUCHIN. Again—

Mr. GREEN. Were there people added to the list?

Chairman HENSARLING. The time of the gentleman has expired.

Mr. GREEN. Let the record reflect I did not get an answer.

Chairman HENSARLING. The Chair now recognizes the gentleman from Arkansas, Mr. Hill, the majority whip.

Mr. HILL. I thank the Chairman. Thanks for this hearing.

And thank you, Mr. Secretary, for coming before us today. And I want to say, my appreciation to you in your first year working with both sides of the Hill on our historic Tax Cuts and Jobs Act.

Just the other day I got a message from a mom who told me that her withholding went down and her pay went up to the tune of $51.95 per pay period each month, and she connected it directly with paying for her daughter's biweekly health insurance premium.

That is exactly what I think the benefit of this tax plan is, is letting families have more of their money in their pocket to do what they need to do to help their family and to have their priorities met.

And I got a note Friday afternoon from All-Pro, which is a commercial painting contractor in Benton, Arkansas, in my district, that was so supportive of the act, their plans are to buy new equipment and improve the compensation for all 27 of their employees.

And then, finally, I think that something across Arkansas that was very beneficial was 2 weeks ago the Public Service Commission announced that for our shareholder-owned utilities, CenterPoint and Entergy, that the tax benefits that those utilities are getting by reducing the corporate tax rate will be passed through directly in lower utility bills for all Arkansans covered by them.

What a great way to say, here is a real benefit to your household that is not just seen directly, but indirectly from the tax bill.

So thanks for your leadership. I am sure it was a trial by fire as you left the private sector and came into Washington. So thank you.

The other thing I wanted to talk about today from a regulatory point of view and FSOC's responsibility is the complexity since Dodd-Frank's imposition of the so-called Volcker Rule. We have had a lot of bipartisan discussion on that over the past years and how we can deal with it.

Chair Yellen described it as too complex to implement. Several bank presidents have come to this committee saying that it was too complex to implement. Our new Fed Chair, just sworn in, Jay Powell, stated, I thought correctly, that trading desks needed Ouija boards to figure out how to comply with the Volcker act.

So I have a bill called H.R. 4790, which attempts to improve regulatory harmonization and coordination, something that you called for in the Treasury report, and also relieves banks under $10 billion from the complexity of the Volcker Rule. Is that something that you still personally support and would advocate for?

Secretary MNUCHIN. Absolutely. Thank you.

Mr. HILL. I want to remind my colleagues that the Federal Register—this is the Volcker Rule in the tiny print of the Federal Register. And all banks are trying to comply with this, Mr. Secretary, and it is just not doable.

And when you have Federal Reserve Bank presidents in the country saying they can't even administer the rule to tell a bank if they are in compliance with it or not, we have a problem.

So I appreciate your leadership, but it is an FSOC matter that we get that harmonization.

The other thing I want to mention, too, is on the subject of—that my colleagues on the other side of the aisle are talking about, and give you a chance to respond. Clearly, you talked at length about sanctions on North Korea, Venezuela, and Iran.

I want to compliment you again on Treasury's work with both sides of the Hill to impose not only your economic sanctions you have control over at Treasury, but also working with the Hill on legislative sanctions here under Chairman Barr's leadership.

Do you have a sense of timing on when you might follow through with proposed sanctions on the list of Russian inside oligarchs that has been so referenced by the other side today?

Secretary MNUCHIN. Sure. I can assure you that we have resources working on it right now, and it will be on a rolling basis over the next couple of months. And, again, these same resources are working on, as you said, North Korea, Iran, and Venezuela. And there also have been significant Russian sanctions already done under our administration.

Mr. HILL. Well, this is something that I think we have strong bipartisan support on Capitol Hill, that we use the economic power of the Treasury, our trade strength as the United States, and our bipartisan ability to have legislative sanctions against countries and non-state actors that try to hurt this county. So thanks for your leadership on the national security front.

I yield back, Mr. Chairman.

Chairman HENSARLING. The time of the gentleman has expired.

The Chair now recognizes the gentleman from Illinois, Mr. Foster.

Mr. FOSTER. Thank you, Mr. Chairman.

During the Obama recovery the stock market tripled, household net worth nearly doubled, unemployment was cut in half, trade deficits were reduced, and inflation was kept low.

Do you expect that your administration will match the Obama record? And if not, why not?

Secretary MNUCHIN. Again, obviously when we were coming out of one of the worst recessions we had those numbers move in specific directions. So we are now more focused on sustained GDP growth, which was subpar in the last Administration.

Mr. FOSTER. But you don't expect, for example, that you will do as well in tripling the stock market or similar—or cutting unemployment?

Secretary MNUCHIN. Again, I am not going to make any specific comments about where the stock market is in the future. It has been up a lot, again. But I am not going to make any specific comments on the stock market.

Mr. FOSTER. OK. I would like to talk a little bit about trade in Forex markets.

I have long viewed that the failure of free trade deals to address currency manipulation was probably their most significant shortcoming and the major reason I haven't supported them. Nations can and have devalued their currencies opposite the dollar, so that even the benefits of reduced tariffs which typically come from trade deals and other trade barriers are significantly undermined.

One of the duties you have is to periodically designate countries potentially for currency manipulation. I think largely because the dollar has been significantly down in the last year, you have not designated any countries as currency manipulators using the objective three-part test that was developed. And so I think that is correct.

However, there is a real danger that, particularly if things go sour in Asia, for example, they may resume currency manipulation. And so we have to be prepared to have actions.

So the question is, what action can we take with and without treaty level agreements?

So one proposal that I have studied that does not require—it is something that—any treaty level agreements, things that we could just do ourselves, comes from Fred Bergsten and Joseph Gagnon at the Peterson Institute. They argue the United States could act unilaterally or multilaterally, if possible, with a partner like the EU or the ECB to simply make countervailing purchases of currency for any country that was found to be manipulating its currency, according to either our definition or the IMF's definition, which are pretty similar.

So I was just wondering if you have had time to think about this. I raised this issue previously when you were here. And it seems like even announcing a policy, that this was a national policy to do this on a unilateral basis, would really basically solve this problem. It is not something that we have to actually get an international agreement to do. And I was wondering if you have any thoughts on how you might proceed on this.

Secretary MNUCHIN. Sure. Well, first of all, I can assure you that the President and I are very focused on the trade deficits and are very focused on currency manipulation. And to the extent there is

currency manipulation going forward, we will absolutely call that out.

Mr. FOSTER. We have been calling it out for decades, all right? Calling it out, jawboning doesn't work.

Secretary MNUCHIN. Again, I think sometimes in the past we didn't call it out, so that was one of the problems.

But in any event, we look forward to working with you. I think your idea is an interesting idea. It is one of the many tools that we can use against currency manipulators.

Mr. FOSTER. Right. No, I think this is—actually, it really comes from the Peterson Institute, the thought behind it. And when I saw this, I just thought this is something we can and should do.

Secretary MNUCHIN. I think it is very interesting. Thank you.

Mr. FOSTER. OK. I would like to speak a little bit about the debt limit. When we talked about this the last time you were here, you really said that you did not support the debt limit as a mechanism for controlling spending, which is something I agree. And the market has learned to tolerate things like Government shutdown pretty by rolling their eyes and not reacting too strongly.

But the reaction to a default, a potential default, has been huge. During the Tea Party default crisis in 2011 we saw just multitrillion dollars of losses in market value, and I think the average American lost more than $10,000 due to the Tea Party default crisis.

So this I view as a completely separate risk and a very important one that we are staring down the barrel of. And so I was just wondering if you have had any thoughts on things like proposals to permanently get rid of the debt limit in combination with other mechanisms that control spending.

Secretary MNUCHIN. I have. I have talked to the President about that. And I think that that is something that we should consider longer term.

Chairman HENSARLING. The time of the gentleman has expired.

The Chair now recognizes the gentleman from Minnesota, Mr. Emmer.

Mr. EMMER. Thank you, Mr. Chairman.

Thank you, Mr. Secretary, for being here today.

It is interesting. I want to go back. Just a second ago you said our focus has been more on addressing GDP growth as one thing that you brought up. I find it interesting because the last Administration on the way out the door was boasting 1.8 percent GDP growth, somewhere around December of the year they were leaving office.

It is completely different over the past year. Not only has GDP gone over 3 percent, but since election day you have the lowest level of unemployment in 17 years, wages are finally rising after 8 years of stagnation. In fact, 2.9 percent over the past 12 months is the largest since June 2009, and it doesn't even account for the bonuses that are due to tax reform.

Small businesses plan to increase compensation to the highest level in nearly 30 years, according to the NFIB. Pay gains during Trump's first year in office are the best since the Great Recession. More companies are hiking wages and salaries than at any time

over the last 18 years, according to the National Association for Business Economics.

U.S. manufacturing expands near the fastest pace in more than 13 years, according to the Institute for Supply Management. And U.S. jobless claims are nearing a 45-year low, according to our Labor Department.

Back in Minnesota on January 2, U.S. Bancorp, which is based in Minnesota, announced a thousand-dollar bonus for nearly 60,000 employees, a new minimum wage of $15 per hour for all hourly employees, and $150 million contribution to the U.S. Bank Foundation, which is heavily involved in our communities. The company also said it would enhance employee health insurance offerings as well as focus on improving customers' mobile and digital experiences.

This is in great part due to the Tax Cuts and Jobs Act, which you deserve to be thanked over and over for the leadership that you showed, Mr. Secretary, in making sure that thing got done. And we appreciate it.

Now, this is just one of the success stories that we have in Minnesota, but we are not out of the woods yet. And I think you would agree we have a lot of work left to do. We have just begun.

You have touched on it here today, the FSOC's 2017 report, with some other questions, but I want to go at this quote from your report on the importance of tailoring regulations based on the size and complexity of financial institutions.

To me, it is inane that we just pick a number, whether it is 50 billion or it is 250 billion, whatever it is, when what we should be doing is looking at the institution, looking at the portfolio, what are they doing to assess whether they pose risk to our system.

And I guess if you would just take a little bit of time and explain the problems that we encounter, not just the institutions, by failing to tailor these evaluations to the institution.

How does that not only impact the institution's ability to do business all the way down the financial services food chain, but how does it impact the consumer, the mom-and-pop small businesses?

Secretary MNUCHIN. Well, again, as you point out, just to start with on size, a $50 billion bank and a trillion-dollar bank have very different risks. But you could have two banks that are the same size and one could be a plain vanilla bank that does community lending and the other one could be a complex bank with lots of derivatives. So we believe in looking at the complexity of the organization and the risks.

Mr. EMMER. Mr. Secretary, would you support—and there have been efforts in this committee, and things have actually been moved out of committee—would you support trying to codify or legislate actual adjustments to how we evaluate, how you evaluate financial institutions? In other words, putting into law, rules that would allow that type of evaluation as opposed to an arbitrary threshold.

Secretary MNUCHIN. I would. And I look forward to working with you on it.

Mr. EMMER. Thank you very much.

I see, Mr. Chair, my time has run out. I will yield back.

Chairman HENSARLING. The gentleman yields back.

The Chair now recognizes the gentleman from Washington, Mr. Heck.

Mr. HECK. Thank you, Mr. Chairman.

Mr. Secretary, when you were here in July, I asked if you would please extend your efforts and that of your Department's in working with myself and Congressman Pittenger on our efforts to modernize the Committee on Foreign Investment in the U.S., CFIUS. You have. You have done so. Not only done so, you have done so constructively. And I want to publicly acknowledge that and thank you very much for following through on your word.

Secretary MNUCHIN. Thank you very much.

Mr. HECK. Now, a key part of making sure that CFIUS keeps us safe and functions efficiently is ensuring that it is appropriately resourced, that you all have the money to do what you need to do. The results of our collaboration, code named FIRRMA, have provisions in it that help with resources. For example, it creates a unified budget request, it grants special hiring authority, and grants authority for filing fees.

But you also personally, as Secretary of the Treasury, have an important role to play in this regard. So I would like to ask you, sir, if you can and are willing to give us a commitment that you will do everything you can, working within Treasury and the Administration and in partnership with Congress, to make sure that CFIUS has the necessary resources to do its job, especially if we enact CFIUS modernization legislation?

Secretary MNUCHIN. I will. And I am hopeful that we get this passed soon. It is a big priority of ours at Treasury working with you.

Mr. HECK. And you have demonstrated that. Again, thank you.

Also when you testified last July, you identified joint ventures as a particularly concerning gap in existing CFIUS authorities. I would like to ask if you could elaborate on why Treasury believes it is particularly important for any CFIUS modernization to cover joint ventures.

Secretary MNUCHIN. Sure. Because we think that where there are risks that would be done in a purchase, to the extent that a company is able to structure a joint venture to get around the CFIUS, current CFIUS legislation, that defeats the intent of the law. And that is why we have been working with you on FIRRMA to fix it.

Mr. HECK. How do you see expanded CFIUS authorities, especially with respect to joint ventures, interacting with existing areas of the law? Obviously, I am referring to export controls. Do you believe these can be integrated and work?

Secretary MNUCHIN. I do. Yes.

Mr. HECK. I want to go back to something that you said earlier in response to the question about FinCEN guidance on access to banking services for marijuana businesses in States that have legally constituted them, either through approval of legislative action or by a vote of the people, which is now a majority of States.

And what you said, Mr. Secretary, is—I am quoting you verbatim from just a couple hours ago—"I can assure you we don't want bags of cash."

I can conceive of no way in which you can avoid bags of cash if you back down on FinCEN guidance. Do you have something in mind that would enable us to prevent that very perilous circumstance to public safety of having bags of cash through a route other than that which FinCEN has already offered in terms of guidance?

Secretary MNUCHIN. Sure. Well, as I mentioned, we are reviewing the existing guidance. We specifically haven't taken it down. We are looking at what Justice has done, and, again, as I said, we are sensitive to the issue of dealing with the public safety issue and also making sure that the IRS and others have ways of collecting taxes without taking in cash.

Mr. HECK. I am interpreting what you just said to effectively implicitly being supportive of the current FinCEN guidance. Would I be off in that regard?

Secretary MNUCHIN. Again, I want to be careful in my wording in saying that we are reviewing it, but the intent is not to take it down without a replacement that can deal with the current situation.

Mr. HECK. Very good, sir.

Last, I cannot help but comment on this issue of Russian sanctions. Mr. Secretary, we will know when sanctions are working when Russia stops interfering in Western democracies' elections. We know they did in ours in 2016. We know they did in other Western democracies since then: Germany, France, as two examples. And we know they are, as we sit and speak, in the Mexican national election, as attested to by none other than the National Security Advisor to the President. So, as you proceed to be a party to these conversations about whether or not to actually carry through on the sanctions that Congress adopted 517 to 5, please keep in mind, they haven't stopped. They are not going to unless or until we actually do what Congress asked the Administration to do.

Chairman HENSARLING. The time of the gentleman has expired.

The Chair now recognizes the gentleman from Michigan, Mr. Trott.

Mr. TROTT. Thank you, Mr. Chairman.

Thank you, Mr. Secretary, for your time today.

The Chairman mentioned earlier the $1,000 bonuses that Comerica bank gave to their employees down in Dallas. Before they moved to Dallas, they were headquartered in Detroit, and they still have thousands of employees in Detroit. And in fact, we hope that they move their headquarters back to Detroit. A lot of exciting things happening.

Chairman HENSARLING. Would the gentleman yield on that point?

Mr. TROTT. The gentleman will yield.

Chairman HENSARLING. I was being facetious. As a Member from Dallas, we are very happy where Comerica is located.

Mr. TROTT. We still have thousands of people in Michigan at Comerica, but I want to thank you because the tax reform legislation that you helped get through Congress prompted Fiat Chrysler to make a very important decision, headquartered in my district. They decided to invest $1 billion in Michigan, create 2,500 jobs,

give each employee a $2,000 bonus, and move a plant from Mexico back to Michigan. So that is going to make a huge difference for people in my district. And I thank you for your efforts in that regard.

Now, a few minutes ago, my friend from Georgia asked if you had heard about the CFPB's decision not to pursue and investigate Equifax. And in other breaking news involving the CFPB, the D.C. circuit a few days ago decided en banc to throw out all of the penalties and fines that were imposed against PHH, over $100 million, by the prior czar who was acting in an arbitrary fashion when he decided to ignore RESPA and statute of limitation laws.

But with respect to Equifax, is it possible that the CFPB decided not to investigate Equifax because they are not authorized to? Under Gramm-Leach-Bliley and the Fair Credit Reporting Act, isn't that responsibility entrusted to the FTC, not the CFPB?

Secretary MNUCHIN. Again, I am not going to speculate on that until I have had a chance to talk to Director Mulvaney about his thinking on it.

Mr. TROTT. Well, I don't think they have the authority, so that is perhaps why they made the decision.

But in any event, I want to congratulate you on a very productive first year. It is making an incredible difference to our economy, and it is clear your background and experience has made you well qualified to do the work you are doing.

With that being said, your annual report did not call for the repeal of the orderly liquidation authority. And as a former bankruptcy attorney, I happen to believe that a new subchapter in the Bankruptcy Code is a much better way to deal with an insolvent financial institution than political-appointed bureaucrats sitting in secret in a private room.

You go to bankruptcy court, you have an experienced judge who is going to make a decision based on years of precedent. It is going to be open and transparent. And so I would just like your thoughts on whether the repeal of OLA in replacing it with a bankruptcy solution is a better outcome in the event we have a financial institution with some troubles down the road?

Secretary MNUCHIN. Sir, I think, as you know, one of the executive orders that the President signed was for us to review that. And we expect we will be coming out within the next month on our report and our recommendation. So, once we do that, I look forward to talking to you about it?

Mr. TROTT. Thank you. And, one of the problems I had with FSOC under the prior Administration is it seemed to be largely motivated by a guiding principle that was basically, to put it succinctly, that all business is bad, and if you're a bank making a profit, then you must be in need of additional regulation and/or must be taking advantage of consumers. And, therefore, we are going to empower bureaucrats to write rules because the Government is so much better at solving problems in the private sector than entrepreneurs.

Can you just briefly outline some of the reforms you are making to make sure that corporations have a fair shake at FSOC going forward?

Secretary MNUCHIN. Sure. Well, in general, I have met with literally hundreds and hundreds of CEOs. Specifically, we do believe in proper regulation, but we are being very clear that we want to make sure that the banks and other regulated entities do function properly.

Mr. TROTT. Thank you, Mr. Secretary.

I want to just close by mentioning my friend from Colorado, Mr. Tipton, has a great bill, the TAILOR Act, which is aimed at making sure regulations are tailored to specific businesses and not one-size-fits-all.

And, with that, I yield back my time to the Chair.

Chairman HENSARLING. I thank the gentleman for yielding.

Mr. Secretary, I want to go back and revisit the Volcker Rule. I just want to make sure I understand your views regarding coordination and harmonization of the various agencies. Would you advocate that a single regulator take the lead on rule-writing and interpretation of Volcker as long as the other regulators continue to have a role in the examination process?

Secretary MNUCHIN. Yes. Thank you, Mr. Chairman, for clarifying that. So I would support there being a lead agency—some people have suggested that be the Fed—and then have the other agencies play a supporting role so that there could be better coordination and better leadership on it.

Chairman HENSARLING. Thank you, Mr. Secretary.

The time of the gentleman from Michigan has now expired.

The Chair recognizes the gentleman from Massachusetts, Mr. Lynch.

Mr. LYNCH. Thank you, Mr. Chairman.

Thank you, Mr. Secretary, for your indulgence and with the generosity of your time here today. I know you have been here quite a while.

Mr. Secretary, I was just curious. I know that the current Administration has level funding the amount of resources for the Financial Crimes Enforcement Network, FinCEN. They do a lot of great work with this committee, especially with our antiterrorism financing subcommittee.

And there is one weakness, one vulnerability that we did encounter on our investigation of some of the countries' financial systems in the Middle East. And that is that we have, on occasion, one Treasury attache out of your Department covering five or six countries. And, obviously, countries in that area, in that region, that present some level of substantial risk.

And I am just wondering if you would be willing to look at the possibility of increasing our people on the ground to work with our embassy personnel to help with the resiliency efforts that we have in a number of the Middle Eastern countries where we suspect that terrorist financing and illicit financing are intertwined with the legitimate financial systems and banking system in those countries.

Secretary MNUCHIN. I would. And I agree with you. In my trip to the Middle East last summer and in other conversations, the Treasury attaches on the ground play a terrific role in working with the local governments and the local banks on combating terrorist financing.

Mr. LYNCH. Well, you have some very, very good people that are doing a wonderful job. My concern, and those of my colleagues on the other side of the aisle, as well as the Democrats, was that they are stretched pretty thin. And that we think that the result of being stretched thin like that will reduce the efficacy of our counterterrorism financing efforts.

One subject that has been a lively subject of debate in this committee is the Export-Import Bank. And I know that the President, when he ran for office, he talked about bringing jobs home and supporting manufacturing. One of the most effective tools we have in Government in creating manufacturing jobs here in the United States has been our Export-Import Bank. And we are up against other countries that are expending tremendous resources to give their companies a competitive advantage.

Recently, the President nominated someone with a long record of working to hobble and to actually shutdown the Export-Import Bank. And I would just like to find out what your approach might be or what your attitude might be toward the Export-Import Bank's efforts to promote U.S. competitiveness, especially in a manufacturing sector.

Secretary MNUCHIN. Well, I am indirectly involved in this, but I have spoken to the President and others, and he does want to open the Export-Import Bank for business. I think we want to make sure there are proper reforms there, but we are looking to fill the board.

Mr. LYNCH. OK. Let me jump to this other matter with the MetLife dedesignation suit. I understand that you have dropped the appeal of the MetLife dedesignation suit. And I am just curious if you think that dropping that suit might make any future designation vulnerable to a similar legal challenge.

Secretary MNUCHIN. Well, again, I think we looked at this purely from a legal standpoint, and we decided to drop the appeal. MetLife could still be subject to designation in the future or not. So the decision was made on a legal basis around certain issues.

Mr. LYNCH. I guess what I am asking is, are we satisfied with the precedent that we might be setting in dropping that appeal?

Secretary MNUCHIN. I think we are. We consulted with the Department of Justice and with the other agencies, and I think we are comfortable with that.

Mr. LYNCH. Thank you. Mr. Chairman, I yield back.

Chairman HENSARLING. The gentleman yields back.

The Chair now recognizes the gentleman from California, Mr. Royce, Chairman of the House Foreign Affairs Committee.

Mr. ROYCE. Thank you very much, Mr. Chairman.

This question, Secretary Mnuchin, this question goes to derisking the Federal balance sheet, and specifically, we discussed this the last time that you and I spoke when you were before the committee and also in conjunction with GSE reform, but I will lay out the case here. Earlier this Congress, I introduced legislation requiring that the GSEs increase credit risk transfers with the private sector. And I am hopeful that the bill will be included in the committee's comprehensive reform efforts. So we have seen credit risk transfers work, not just at Fannie and Freddie, but following last year's storm season. If we think about it, we saw a private reinsurance

payout afterwards of $1 billion to the National Flood Insurance Program. So analysis has shown that there is far more capacity in the financial system, worldwide about $600 billion, for increased credit risk transfer.

So my thought here is, why not look elsewhere in the Federal Government? On the housing front, why not replicate risk transfer at FHA and at Ginnie Mae, specifically? And I would ask if you would support those efforts.

Secretary MNUCHIN. Well, first of all, let me just say, I look forward to working with you and the Chairman and others on a bipartisan basis for housing reform. I think this is very important. And I do say housing reform, because I do think we need to look at FHA and not just the GSEs. I want to be very careful that we don't solve the taxpayer issue in one area, only to find out that the market-shared FHA has gone way up and we have taxpayers at risk on the Fed balance sheet.

Mr. ROYCE. Absolutely. So what I plan to do is to introduce legislation to direct the Office of Management and Budget to identify other areas of the Federal balance sheet where derisking could be used to protect taxpayers. And I hope you could support that effort.

Also, on export control reform, a point I was going to make is that, as we discuss our economic security here moving forward, I share the concern of my colleagues that foreign-government-backed investments, that it is critical that we look at those investments in U.S. technologies that might pose a national security risk. And as you mentioned in your opening, the committee is considering legislation to expand CFIUS in a way to address this threat.

The Foreign Affairs Committee, which I chair, is considering export control reform as an additional way to tackle the problem. So would you support new authorities to restrict the export of critical technologies to countries that threaten the U.S. national security?

Secretary MNUCHIN. I absolutely would, thank you.

Mr. ROYCE. Well, thank you.

With that, I will yield back, Mr. Chairman.

Chairman HENSARLING. Do you yield to the Chairman?

Mr. ROYCE. I yield my time to the Chairman.

Chairman HENSARLING. I thank the gentleman for yielding.

I want to go back to the FSOC designation process, Mr. Secretary, just to make sure I am clear.

In the previous Administration, FSOC seemed to make their designation without taking the input of the institution's primary regulator because we know the FSOC membership is not really an agency; it is a head of an agency. And we certainly know that, under the previous Administration, there was little to no interaction with the actual company that was the subject of the designation review.

As head of FSOC, how has your process changed? Will the primary regulator be involved in this process, and what exactly is the dialog or process that will take place with a company that is subject to a potential designation?

Secretary MNUCHIN. First of all, we absolutely will look to and rely upon information for the primary regulator. They are the regulator that understands the company the best. And as I mentioned

earlier, we are looking to revise the guidelines so that there is more transparency when we designate someone.

Chairman HENSARLING. Could you go into more detail about that, Mr. Secretary, on your transparency initiative?

Secretary MNUCHIN. Yes. I fundamentally believe that if people are designated, they should understand why they are being designated and what they can do to reduce those risks going forward.

Chairman HENSARLING. Thank you.

The Chair now recognizes the gentleman from Colorado, Mr. Perlmutter.

Mr. PERLMUTTER. Thanks for being here, Mr. Secretary. And I have three areas I want to talk to you about.

Secretary MNUCHIN. Thank you.

Mr. PERLMUTTER. Bitcoin, virtual currencies; marijuana and banking; and sanctions.

Secretary MNUCHIN. Three of my favorites.

Mr. PERLMUTTER. I thought you would enjoy those. And, really, we do appreciate your testimony today. You have been going a long time.

So let us just start with the virtual currencies. And we have seen tremendous fluctuation in the market, particularly over the last year. We have reached some 19,000 bitcoin, for instance, in mid-December. It is down around 6,000 or so today. How are you looking at these virtual currencies, and what do you think needs to be done, if anything?

Secretary MNUCHIN. Well, I share your concerns on it, and as I mentioned earlier, there is two major focus. One, we have set up a subcommittee of FSOC to make sure that we have the various different regulators working together since these are new areas.

Number one, I want to make sure that anybody who uses bitcoin, that we can understand how they are transacting so that they are subject to BSA rules, they are subject to money laundering, they are subject to know your customers. So, in the United States, we have those rules. We are working with the counterparts at the G20. I want to be careful that this doesn't turn into Swiss numbered bank accounts, so bad guys can't use these.

The second thing is I do share your concern about making sure that consumers understand them, and to the extent that they are now trading on futures exchanges, that the futures exchanges have the proper regulation of the underlying markets so that they can't be manipulated.

Mr. PERLMUTTER. Thank you. Second question, marijuana and banking. When you were here last, you and I had a little conversation. And, obviously, we see this industry growing. We are up to 46 States that have some level of marijuana use, so whether it is cannabis oil for seizures or medical marijuana or commercial. And, the Chairman and I joust about this from time to time, but obviously, the banking industry needs to provide some services to all these businesses across all these States. And I don't know if you were surprised by the revocation of the Cole memo by the Justice Department or whether you had had chances to talk to the Attorney General before that occurred, but the genie is out of the bottle on this. And Treasury and Justice and the Congress need to address this.

So you said you were going to talk to your friend Mr. Mulvaney about some CFPB issue or maybe budget or whatever. I suggest to you that you talk to him about the SAFE Act that Mr. Heck and I are sponsoring because he was a cosponsor of it. And we hoped he would have been the main sponsor but for the fact he was selected to go to the Administration.

So, obviously, in response to Mr. Heck, you guys are reviewing your FinCEN guidances and things like that, but there is no going back here. And your Department is square in the middle of so many banks and so many businesses either having a safe way and an accountable way to manage this, just if you have any comments to my comments.

Secretary MNUCHIN. Well, yes, first of all, I will follow up with Director Mulvaney on the SAFE Act, specifically. I did not participate in the Attorney General's decision and what he did, but we are consulting with them now. And, again, we do want to find a solution to make sure that businesses that have large access to cash have a way to get them into a depository institution for it to be safe.

Mr. PERLMUTTER. Thank you.

Last question. Sanctions, which you have had an opportunity to address a few times already today. But just looking at a story from Bloomberg from a couple days ago: "Treasury Warns of Upheaval If U.S. Sanctions Russian Debt." And my guess is you are familiar with it. But there is a sentence in here: "Russian assets climbed this week as investors speculated the Treasury wouldn't recommend sanctions on the country's sovereign debt." And then further, from a report, says: "Given the size of Russia's economy, its interconnectedness and prevalence in global asset markets, its likely overcompliance by global firms to U.S. sanctions, the magnitude and scope of consequences from expanding sanctions would be problematic."

Your response?

Secretary MNUCHIN. I think we are targeted on specific sanctions to bad individuals and companies, as opposed to sanctions on the debt.

Mr. PERLMUTTER. Thank you.

Chairman HENSARLING. The time of the gentleman has expired.

The Chair now recognizes the gentleman from Georgia, Mr. Loudermilk.

Mr. LOUDERMILK. Thank you, Mr. Chairman.

And, Mr. Secretary, good to see you again. And thank you for all you are doing.

Before I get to my questions regarding regulatory review, I want to just share with you a little bit of good news. We keep hearing this bad news. But 2 years ago, when I went home one weekend, I was at several events. A gentleman came up to me and he shared with me a story that he did not feel like he could continue on running their small manufacturing business that had been in their family for decades.

In fact, he told me it was so difficult to do business, between regulation, lack of access to capital, customers. It wasn't just him, but even his customers putting pressure on him because of their costs going up. He said: "After decades of running this small business,

I am going to retire, and I am going to shut this business down. And my children don't even want to be in the business because it is so difficult to do business."

This weekend, I ran into that same gentleman, who came up to me with a big smile on his face. He said: "I just want to tell you, my accountant came to me last week and said, 'Next year, because of the tax reform bill, you are going to save a $100,000 in this business.'"

He said: "No longer am I shutting it down. I am trying to figure out the best way to expand the business right now."

So that is a true Main Street story of what we—

Secretary MNUCHIN. Thank you. We like those stories.

Mr. LOUDERMILK. Oh, I do, too. And, hey, I will tell you, it is a whole lot better to go home and hear "thank you." "Thank you for what you have done." And we are hearing it all over.

I wanted to discuss an issue that you raised in the Treasury report on banks and credit unions. You discussed the importance of retrospective reviews of agencies' regulations, which many in this room, on a bipartisan basis, believe we should have regular reviews of regulations, especially those that are antiquated, outdated, or irrelevant. And in the report, you also noted that, before Dodd-Frank, the banking agencies themselves were responsible for implementing consumer financial protection laws. So these regulations were included in reviews under the Economic Growth and Regulatory Paperwork Reduction Act (EGRPRA). However, when Dodd-Frank created the CFPB, consumer regulations were no longer subject to these reviews.

Now, just in the last few weeks, we passed a bill out of this committee on a bipartisan basis that I authored that would actually include CFPB in the EGRPRA review process. And my question is, can you further explain, why it is important for these regulatory agencies to review their rules periodically?

Secretary MNUCHIN. Again, I think it is very important. I think that rules and regulations are very important, but on the other hand, they need to be constantly looked at as markets change and make sure that we don't overregulate to the extent we can't have growth.

Mr. LOUDERMILK. So, being that the changes in Dodd-Frank basically exempted CFPB from reviewing their own regulations, you support the idea of returning CFPB just to do the—

Secretary MNUCHIN. I do completely. I am not sure why they were exempted, so I agree with the change.

Mr. LOUDERMILK. As I said, we have strong bipartisan support for this bill, so I hope that we will see that when it comes to the floor. And it changed a little bit of the timeframe, instead 10 years to 7 years, I think. As things change, that will help American consumers by having more frequent reviews.

The other area that is very important to me is cybersecurity. That has been brought up a few times. I worked in the cybersecurity arena before coming to Congress. I had an IT services company for many years. And I also worked in the intelligence community back in the military, which in both instances, we were tasked with protecting the data. And one of the principles we worked off of is: You don't have to protect what you don't have.

What that means is: If you don't need information, don't keep the information. Otherwise, you become a risk. And from what I have seen is that, quite often, the Federal Government, through its regulatory agencies, puts onerous requirements on businesses to not only keep data that they normally would not keep or don't need to keep but also report it to the Federal Government, which we have seen, as our own Federal Government is by far a higher security risk than a lot of businesses.

Do you agree with those principles and ideas that we should have a stringent review on what data we are requiring businesses, not only to keep but to report?

Secretary MNUCHIN. Absolutely.

Mr. LOUDERMILK. Thank you.

Mr. Chairman, I will yield the remainder of my time.

Chairman HENSARLING. I thank the gentleman for yielding.

Mr. Secretary, CCAR and DFAST, are you convinced that they are doing us more good than harm? Or do you worry that this regulation may end up being a little too heavy-handed in its current form?

Secretary MNUCHIN. I think it is a very complicated regulation, and I think it could use some reform and clarity.

Chairman HENSARLING. I appreciate that.

Six seconds left. I yield back the time.

The Chair now recognizes the gentlelady from Ohio, Mrs. Beatty.

Mrs. BEATTY. Thank you, Mr. Chairman and Ranking Member. And thank you, Secretary Mnuchin, for being here.

We have asked you a lot of questions about regulatory issues in the Treasury that range from cybersecurity to terrorist financing to FSOC and its financial risks, and the list goes on and on.

But I am going to shift to the people part of it; I am going to start by first referencing from your testimony today. On line 3 of the first page, you used the words, "sustained economic growth." And on page 4, about three lines from the bottom, you have stated: "There is much more work for us to do. Our country's potential is enormous, which is why Americans expect their government to enact policies that allow them to succeed and prosper."

I agree with that. Our Ranking Member has allowed me to sit second chair on OMWI (The Office of Minority and Women Inclusion). So, when you were here before the time ran out, and I submitted in writing my request to you, and that was almost a year ago, asking you at that time if you had met with your director of OMWI. I am appreciative of a response, even though I just got it on Friday, after about 7 months, so I assume some good staff person got it to you to prepare you for today.

So I will now ask you today: Have you met with your OMWI director, or do you know who your OMWI director is?

Secretary MNUCHIN. Well, first of all, again, let me just say, the responses to the questions took way too long, and we apologize to the committee.

And as it relates to the OMWI, I am planning on meeting with them.

Mrs. BEATTY. So is that no and no? No, you don't know who the OMWI director is, and no, you have not met with the OMWI director? And while you are conferring, let me just read to you, Mr. Sec-

retary, that section 342(b)(3) of the Dodd-Frank Act mandates that each OMWI director is to advise the agency administrator for the U.S. Treasury, that would be you, on the impact of the policies and regulations of the agency on minority-owned and women-owned businesses and that, under section 342(g)(2) of the Dodd-Frank Act, it defines you as the agency administrator. So maybe that helps refresh your memory. You want to—

Secretary MNUCHIN. I am going to have to follow up with my staff on that and get—

Mrs. BEATTY. So that means you don't know who the person is and you have not met with the person?

Secretary MNUCHIN. I don't who—

Mrs. BEATTY. I just need a yes or no.

Secretary MNUCHIN. I don't know who the person is right now off the top of my head, and I want to confirm with my staff.

Mrs. BEATTY. So that would make you in violation of a direct law of something that you are supposed to be doing. I don't want to belabor this, but, Mr. Secretary, I want to let you know, this is not only important to me; this is something that is mandated and required.

And when we talk about, in your words, of enacting policies that allow people to succeed and prosper, it is my belief that we have this in the Dodd-Frank Act because there have been people like you and others who have not been proponents of OMWI, not followed through, so, thus, we put it in law. This is something that I have asked every person that has sat in that chair that is required to follow section 342.

So can you tell me how soon you are going to make this happen? Because there is no need in me asking you—

Secretary MNUCHIN. I am going to get back to you tomorrow. You have my commitment on that.

Mrs. BEATTY. OK. I appreciate that.

Let me move to my second question which relates to GSEs and affordable housing.

In this committee and on this subcommittee—as you know there is a Subcommittee on Housing and Insurance—we have held several hearings on the future of our housing finance.

In your opinion, what role should the future reforms in housing finance play with regard to housing and affordable housing? You made some reference in your testimony about Fannie Mae and Freddie and being in conservatorship.

So what are some of your reforms?

Secretary MNUCHIN. Well, again, I start with the premise that, on the one extreme, I believe that the 30-year mortgage is very important to the economy and the liquidity of housing. And on the other hand, we want to have the taxpayers properly protected. So I believe the current situation is not sustainable.

I also believe that affordable housing is something that is important, and whether there are direct or indirect goals and how it is paid for is something that we need to address as part of housing reform.

Chairman HENSARLING. The time of the gentlelady has expired.

The Chair now recognizes the gentleman from Ohio, Mr. Davidson.

Mr. DAVIDSON. Thank you, Mr. Chairman.

Thank you, Mr. Secretary. And thank you on behalf of Ohio's Eighth congressional District for your critical role in helping us pass the Tax Cuts and Jobs Act.

I have heard story after story about the difference it is making in the lives of hardworking families and innovative companies in Ohio.

One such story was highlighted during the President's State of the Union with Staub Manufacturing Solutions. Steve Staub, a friend of mine, his sister, and one of their employees, Cory the welder, were here talking about their expansion plans. And one of the lesser known provisions, I was just talking to the owner of a C&C business, very competitive niche, lot of automation there, talking about how much automation is moving their industry. And he was concerned about his ability to keep up with the investment required to stay competitive and did not understand that we had moved past section 179 expensing to get full and immediate expensing.

So he was very excited, was planning to go meet with his accountant to talk about how he could ramp up that investment plan. That is going to continue to make a difference for companies in our district. And just thank you on behalf of the people of Ohio's Eighth District.

I also want to highlight the other good things going on in our economy related to regulatory reform. There are a number of folks that have talked about that. And it would be great to get your support with the Senate, getting action on our reforms to Dodd-Frank with the CHOICE Act. So any thoughts on what we can do to advance the cause there with our Senate colleagues?

Secretary MNUCHIN. I am cautiously optimistic that the Chairman and Senator Crapo and others are going to figure out how we can get this done.

Mr. DAVIDSON. Thank you for that. And the cybersecurity realm, there are a number of concerns. They have been highlighted by breaches at the SEC, disclosed unfortunately well after the breaches occurred. And a lot of data that is vulnerable in our financial markets. We have the Consolidated Audit Trail that is critical for trading irregularities off of algorithms and due to be launched without a CISO (chief information security officer). Do you have specific plans to try to coordinate all the functional areas that you provide oversight over to address cybersecurity in this area?

Secretary MNUCHIN. We do.

Mr. DAVIDSON. How is that taking shape within the Department of Treasury? Is it specific to each subset or is there some macro level coordination?

Secretary MNUCHIN. Well, within Treasury and all of our specific bureaus, we have common guidelines. So the OCC, the IRS would be picked up on that. As it relates to the other independent agencies, we are coordinating with them to make sure that they are following the Administration's priorities on cybersecurity.

Mr. DAVIDSON. Thank you. Do you see any need for Congress to pass legislation to allow Government agencies, such as SEC, CFTC, FHFA, to oversee third-party service providers, particularly information technology service providers? Is there a gap in the regu-

latory framework to hold folks accountable? And I bring this up because of the Consolidated Audit Trail and the work Thesys has done there; it is taking a long time to get to implementation. There are some remaining cybersecurity concerns, including: What is the code written to? How do the people that need to interface, interface with the system? And there is still no CISO in place.

Is there a regulatory approach, or is that something that you feel is firmly able to be done by the Department?

Secretary MNUCHIN. I think it should be able to, but we look forward to—I will follow up with you and your staff. But I share your concern on it.

Mr. DAVIDSON. Thank you. And then, going back to the economy, we have seen great investment. We have seen the markets respond over the course of the year dramatically to regulatory reforms, to the expectation of tax reform, and now the occurrence of the tax reform. It is not like President Obama's friends, like Tim Cook, somehow forgot to make these big investments during the Obama economy. They are making the investments now because it is a fact: These things are going dramatically upwards. So, while there was a trend, a trend of the stagnant growth and stagnant wages, the trend now is toward dramatically increased growth and, finally, some traction on wages.

How do you feel about the outlook ahead for that trend?

Secretary MNUCHIN. I think it is quite positive.

Mr. DAVIDSON. Thank you.

And I think the last thing I would ask you is, do you consider China a market economy or not?

Secretary MNUCHIN. No, I do not.

Mr. DAVIDSON. Thank you. Mr. Chairman, I yield.

Chairman HENSARLING. The time of the gentleman has expired.

The Chair wishes to inform members that the Chair expects to clear two more members, Mr. Kihuen and Mr. Kustoff, and then release the witness.

The gentleman from Nevada, Mr. Kihuen, is recognized for 5 minutes.

Mr. KIHUEN. Thank you, Mr. Chairman.

And thank you, Ranking Member.

Thank you, Mr. Secretary, for being here this afternoon. As you might know, I represent the Fourth congressional District of Nevada, which is north Las Vegas, which was the epicenter of the foreclosure crisis during the recession where over 60,000 people all across the country lost their home to foreclosure, including 3,600 in the State of Nevada.

Now, I know that you ran OneWest when the bank was aggressively foreclosing on homeowners, including thousands of seniors in the State of Nevada. Now, as Secretary of Treasury, you are a key voice in the Administration's position on housing finance reform.

Now, how can we trust you to support responsible reforms that will hold lenders accountable when you yourself were responsible for abusing the system when you led OneWest?

Secretary MNUCHIN. Again, I think I have talked about this in the past but let me just, again, state I didn't originate any of those loans. Those loans were inherited. When you say we aggressively foreclosed, we were required to follow FDIC requirements and

HAMP modifications. And I think I have a great understanding of the issues that all those homeowners went through, and we are proud of the fact that loan modification started under the FDIC at IndyMac and we hope to expand that.

Mr. KIHUEN. Well, sir, there is a reason why you were dubbed the foreclosure king. And there is a reason why you have made millions of dollars, quite frankly, on the backs of my constituents who were losing their homes. And so that is why—you mentioned you have talked about this in the past, but not in this committee, not with me being here. And so it is it my responsibility to speak on behalf of my constituents.

Now there was a specific example, a 90-year-old woman, who claimed that Financial Freedom initiated foreclosure when she came up just 27 cents short on an insurance payment due to confusion about how much she owed.

Now, can you explain why it would make sense for a bank to initiate foreclosure proceedings against a person who just owed 27 cents?

Secretary MNUCHIN. It made no sense. And that is actually why we wrote HUD (U.S. Department of Housing and Urban Development) and tried to have those laws changed. So, again, that was a HUD loan that we were required to do, and we actually asked HUD to raise the limits up to several thousand dollars. It made no sense. In many cases, we appealed to them for exemptions. It was a very difficult situation.

Mr. KIHUEN. Mr. Secretary, specifically, what reforms do you think Congress should consider to ensure that households facing foreclosures are never again subject to the kind of predatory behavior that OneWest engaged in?

Secretary MNUCHIN. Well, again, OneWest did not originate those loans. I think the most important thing is that banks originate loans that borrowers can afford and underwrite them properly. And that was the biggest problem with the housing crisis.

Mr. KIHUEN. I will give the rest of my time to the Ranking Member.

Ms. WATERS. Thank you very much. I appreciate that.

But I am going to yield the time that you are giving to me to Mr. Ellison, if that is OK with you.

Mr. ELLISON. I thank the gentlelady.

With my 1 minute and 37 seconds, I will just acknowledge that I have seen you and some of my colleagues congratulate each other on this tax bill. You have been invoking small business people, baristas, you have been invoking bank tellers, regular folks like that, but I notice that you didn't mention the hedge fund managers and the private equity folks or even the President and the tax benefits that perhaps one Secretary of the Treasury might benefit.

Have you calculated your own personal benefit from this recent tax bill?

Secretary MNUCHIN. I don't think I get much benefit at all. I think, as you know, I was required to sell almost all my investments in coming into this job.

Mr. ELLISON. Right. Well, it is funny, because you were asked by Jake Tapper about this question. And he asked you, who is going to benefit? And you said the rich will not benefit. In fact, you said,

quote: "In high-tax States, actually, rich people's taxes will be going up."

Well, what we know now is that, by 2027, 9 of 10 members of the wealthiest 1 percent in every State will see their taxes go down.

Are you prepared to amend your claim that the taxes for the rich were going to go up?

Secretary MNUCHIN. No. I was commenting on what it was now. And, again, we hope that those situations in 2027—

Mr. ELLISON. Let me just reclaim my time and say that this tax bill is going to impose a $1.4 trillion deficit on the national debt.

Chairman HENSARLING. The time of the gentleman has expired.

The Chair now recognizes the gentleman from Tennessee, Mr. Kustoff.

Mr. KUSTOFF. Thank you, Mr. Chairman.

And thank you, Mr. Secretary, for being here today.

I represent an area in west Tennessee and in the Memphis area, and I recently, a couple weeks ago, convened a banking roundtable of some of my good community banks in the Dyersburg, Tennessee area. And one issue that really drove the conversations was that of CRA, or the Community Reinvestment Act. And if I can, to put it in perspective, one of the banks that I met with in the district talked about how they were required to open up a branch for CRA purposes, and it is now losing about $100,000 a year. I think that this speaks to the outdated requirements of the CRA when it comes to brick-and-mortar facilities, those physical banks.

The regulators have increasingly included in their CRA examinations criteria that is unrelated to the CRA, including compliance with other financial laws or consumer regulations that have lost—have their own standards and penalties for violations. In my district, one example that I heard is that these banks are being subjected to fair lending questions during their CRA exams.

Mr. Secretary, in your role as Secretary of the Treasury, do you envision modernizing the CRA to better suit the needs of the financial institutions and the communities that they serve?

Secretary MNUCHIN. We do. It is something we are actually working on now. It is something that I actually think we are focused on really recommendations as to how it can better serve the community.

I think in many places, banks are spending a lot of money, and they are not going to the right places. So we are going to be working with members in the community and banks to try to come up with proposed solutions.

Mr. KUSTOFF. Thank you, Mr. Secretary.

You have begun a review of the CRA then?

Secretary MNUCHIN. We have.

Mr. KUSTOFF. And do you know when you expect to release findings from the report?

Secretary MNUCHIN. It is over the next couple of months that we would hope to be able to do that.

Mr. KUSTOFF. Are there aspects of your recommendations that will come out that could be accomplished without rulemaking?

Secretary MNUCHIN. Again, that is something that, as we go through, we are going to look at carefully. Some of it we may be

able to do it through the regulators. Some of it may require changes in legislation but—

Mr. KUSTOFF. Thank you, Mr. Secretary.

One aspect that I think that the banks in my district do exceptionally well is financial literacy. However, the financial literacy, unless it is done in a very specific area, it doesn't count toward the CRA requirements.

Is there a way to modernize that?

Secretary MNUCHIN. That is one of the specific things that we are looking at, and one of the things that I had specific experience in as a banker. I think there is tremendous need for financial literacy in the public school systems.

Mr. KUSTOFF. Thank you, Mr. Secretary.

And I would like to yield the remainder of my time to the Chairman.

Chairman HENSARLING. I thank the gentleman for yielding.

Mr. Secretary, one of the things that has always concerned me about the stress test is the possibility of one imposed view of risk and having all of our major financial institutions tested, again, with the same set of assumptions. And doesn't, in some respects, this undermine market discipline if we are subject to a group regulatory, a regulatory group think? Do you have any comments on that?

Secretary MNUCHIN. It is something we need to be careful on.

Chairman HENSARLING. Another question. I have been concerned, also, about the cost to investors on mandatory, certain mandatory disclosure requirements that seem to be targeted at, say, social investing, in social questions other than what might be considered within the ambit of the traditional materiality concept. And so do you have an opinion on, say, the proliferation of these requirements, and ultimately what impact they could have on capital formation, economic growth?

Secretary MNUCHIN. I think there should be proper disclosure, but as you said, we need to be careful as to what that proper disclosure is.

Chairman HENSARLING. The time of the gentleman has expired.

I would like to thank the witness for his testimony today.

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

I would ask, Mr. Secretary, that you please respond as promptly as you are able.

This hearing stands adjourned.

[Whereupon, at 1:33 p.m., the committee was adjourned.]

A P P E N D I X

February 6, 2018

Statement of Steven T. Mnuchin
Secretary
United States Department of the Treasury
before the House Financial Services Committee
United States House of Representatives
February 6, 2018

Chairman Hensarling, Ranking Member Waters, and members of the Committee, thank you for inviting me today. One of my top priorities as Treasury Secretary is sustained economic growth for the American people, and so I am happy to report that the growth rate of the economy over the past year was higher than the average over the prior twenty years and included two straight quarters of 3 percent or higher GDP growth. The President promised robust growth, and he is delivering on that promise.

I am here today to speak about the Financial Stability Oversight Council's 2017 annual report. This is an important vehicle for providing Congress and the public with the Council's assessments and recommendations relating to regulatory developments and potential risks to the financial system.

This report emphasizes the importance of economic growth to maintaining a resilient financial system. Since the financial crisis, we have had time to assess the effectiveness of regulatory reforms and consider their unintended consequences. The report recommends that Council member agencies address regulatory overlap and duplication, modernize outdated regulations, and tailor regulations based on the size and complexity of financial institutions.

The report also discusses a number of risks that the Council is monitoring. One that I would like to emphasize in particular is cybersecurity. The financial system's heavy and increasing reliance on technology increases the risk that significant cybersecurity incidents could disrupt the financial sector and potentially impact U.S. financial stability. Substantial gains have been made, but I want to emphasize

Embargoed until 10:00 a.m. on Tuesday, February 6, 2018

the need for sustained attention to these risks. The report makes a number of recommendations, including creation of a private sector council of senior executives in the financial sector to collaborate with regulators in order to mitigate cybersecurity threats.

Turning to our growth policies, the Tax Cuts and Jobs Act passed last year was our top priority, and this overhaul of the tax code is already having a positive impact. Because of tax reform, over three million Americans have received special bonuses or other benefits, and over 250 companies have announced investments in their workforces. Companies are announcing higher wages and increased benefits, as well as greater spending on employee training, infrastructure, and research and development. These investments will lead to long-term prosperity, and as companies continue to bring back cash from overseas, our economy will continue to grow.

Let me now turn to some specific priorities for this new year.

I want to commend both houses of Congress for their work on financial regulatory reform. I appreciate the work of this Committee – and the House of Representatives – to advance the cause of reform by passing H.R. 10, the Financial CHOICE Act, and dozens of strongly bipartisan bills. This legislation reflects many of Treasury's recommendations from our Executive Order reports released last year. I encourage the Senate and the House to work together to move legislation as quickly as possible.

Last week, I wrote to Congress providing notification of my determination that a "debt issuance suspension period" (DISP) would last until February 28th. I respectfully urge Congress to act as soon as possible to protect the full faith and credit of the United States by increasing the statutory debt limit.

The House and Senate have been working toward modernization of the Committee on Foreign Investment in the United States (CFIUS). I support the Foreign Investment Risk Review Modernization Act (FIRRMA) and applaud Senators Cornyn, Feinstein, and Burr and Representatives Pittenger and Heck for their leadership on this issue. A modernized CFIUS will enable us to protect our national security from current, emerging, and future threats, while preserving our longstanding open investment policy that is key to fostering innovation and economic growth. I look forward to working with Congress and the relevant committees to advance FIRRMA.

One of Treasury's core missions is to safeguard the nation by using the powerful economic tools in our arsenal. We will continue to take frequent and ongoing actions to combat threats from malicious actors. These include terrorist groups, proliferators of weapons of mass destruction, human rights abusers, cyber criminals, and rogue regimes like North Korea, Iran, and Venezuela. We continue to review intelligence to identify targets with maximum impact, deny them access to the U.S. and international financial systems, disrupt their revenue streams, and ultimately pressure them to change their behavior. As you are aware, last week the Treasury Department submitted a series of reports in compliance with sanctions legislation. These reports represent another chapter in our efforts to use our economic authorities to counter the threats that we face.

On housing finance, the current situation of indefinite conservatorship for Fannie Mae and Freddie Mac is neither a sustainable nor a lasting solution. The Administration looks forward to working with Congress to reform America's housing finance system in a manner that helps consumers obtain the housing best

suited to their own personal and financial situations while, at the same time, protecting taxpayers.

I am proud of what we have accomplished so far, and there is more to do. Our country's potential is enormous, which is why Americans expect their government to enact policies that allow them to succeed and prosper. Treasury's collaboration with Congress is vital to that mission, and we are working every day to make it a reality.

Thank you and I look forward to answering your questions.

House Committee on Financial Services
Hearing: "The Annual Report of the Financial Stability Oversight Council"
February 6, 2018
Questions for the Record

Rep. Ted Budd (R-NC)

1. How do you think financial technologies should be regulated and what role should Congress play as these new innovations in financial technology are advanced? And does the so-called "regulatory sandbox" approach interest you as part of any updated regulation scheme for American financial technology companies?

Answer: Treasury is currently working on a fourth report in response to Executive Order 13772 that will focus on Nonbank Financials and Innovation. The report will consider a range of important policy issues raised by the application of new financial technologies including, among others, an assessment of regulatory approaches (including regulatory sandboxes) to these new forms of financial intermediation, marketplace lending, data aggregation by third parties, and the application of advanced analytical techniques such as machine learning.

Like the prior three reports, this fourth report will include a set of Treasury recommendations based upon consultations with financial regulators and a broad and diverse spectrum of market participants and stakeholder groups. Treasury staff is actively engaged in this work and working to finalize the report soon.

2. Artificial intelligence (AI) has the potential to revolutionize the financial services industry and pass along many benefits to the consumer. In that vein, how do you think we embrace AI and its benefits without unwanted potential downsides that might come along with it? And would a "sandbox" approach seem agreeable to you in this scenario?

Answer: Please see response above.

3. FSOC's report mentioned the need to coordinate regulatory approaches in the financial technology space. In that vein, can you give the committee an idea of what you and Treasury would like to see when it comes to regulation harmonization in the financial technology space?

Answer: Please see response above.

Rep. Robert Pittenger (NC-9)

1. Mr. Secretary, can you offer detailed summary of my FIRRMA legislation and why swift action needs to be taken?

Answer: CFIUS's reviews of transactions that may convey control over a U.S. business to a foreign person have played a critical role in protecting our national security. At the same time, however, certain transactions have highlighted gaps in our jurisdictional authorities—particularly in sectors such as emerging technologies. We continue to be made aware of transactions we lack

the jurisdiction to review, but which pose similar national security concerns to those before CFIUS. The Foreign Investment Risk Review Modernization Act (FIRRMA) would expand the scope of transactions reviewable by CFIUS to include non-passive but non-controlling investments and real estate transactions, which would allow CFIUS to better address risks posed by today's foreign investment landscape.

FIRRMA also authorizes the President to establish a regular, ongoing, interagency process that is informed by multiple sources, including the intelligence community, to identify emerging and foundational technologies essential to the national security of the United States and not otherwise already restricted for export. FIRRMA further authorizes the Commerce Secretary to establish controls on the newly identified emerging and foundational technologies to address concerns posed by transfers of such technology, including through investment vehicles such as joint ventures. The Commerce Secretary will establish controls based on risks associated with particular technologies, destinations, and end-uses, among other relevant factors. Where a license is required, FIRRMA provides for an enhanced export license application and review process.

Modernizing CFIUS through FIRRMA is critical to protecting our national security and doing so is a priority for me and the Administration. That is why the Administration supports House and Senate passage of FIRRMA. The time to modernize CFIUS is now and we look forward to working with the relevant committees of jurisdiction on the legislation.

2. Mr. Secretary, could you elaborate on how you think regulatory relief translates to local businesses and communities?

Answer: Consistent with Treasury's recommendations in its EO Report on Banks and Credit Unions issued last June, appropriate regulatory relief eliminates unwarranted cost and regulatory burden on financial institutions while retaining critical prudential standards protecting the safety and soundness of the banking system. Such regulatory relief, in turn, enables financial institutions to focus their efforts and funds on making essential loans to businesses, consumers and communities, as well as continuing to provide critical financial services in the communities they serve.

3. Mr. Secretary, do you believe that a simple asset threshold is an accurate and adequate measure of systemic importance for banks?

Answer: Treasury believes that it is very important to tailor prudential standards based upon the risks presented by a bank's size, complexity and overall risk profile. Such tailoring can be attained in part by increasing asset thresholds used for the application of enhanced prudential standards, as well as by requiring regulators to exercise supervisory judgment in tailoring such standards to the risk factors of individual banks. Treasury supports the adoption of an appropriately tailored regulatory regime, consistent with Treasury's recommendations in its EO Report on Banks and Credit Unions, designed to reduce unwarranted cost and burden for banks while protecting the safety and soundness of the banking system.

- What about for non-banks?

Answer: Similar to the discussion above, Treasury supports an approach to regulations designed to provide tailored application based upon the risks presented by a firm's size, complexity and overall risk profile. Specific to non-bank financial companies, Treasury outlined in its Executive Order Report on Asset Management and Insurance and its Report on FSOC Designations a recommendation that an activities based approach be prioritized in addressing systemic risk.

- Is the $50 billion threshold useful in any material way?

Answer: As discussed above, Treasury believes in the need for increased tailoring of prudential standards to the risks posed by individual banks. Simple asset thresholds can prove useful to regulators as an efficient means to exempt thousands of community or mid-size banks that do not pose comparable levels of risk as much larger banks. However, Treasury believes that the enhanced prudential standards threshold needs to be better tailored to avoid imposing unwarranted cost and burden on regional banks not posing significant risk to the banking and financial systems of our country.

Rep. Barry Loudermilk (GA-11)

1. In the Treasury report on banks and credit unions, you make several recommendations for improving the Volcker Rule. One issue of particular importance is focusing and simplifying the covered funds restrictions. Specifically, you recommend that regulators adopt a simple definition of covered funds that focuses on the characteristics of hedge funds and private equity funds, with appropriate additional exemptions as needed. As you point out on page 77 of the report, refining the definition of a "covered fund" can greatly assist in the formation of venture capital and other investments that are critical to fund economic growth opportunities. As you know, there are key differences between hedge funds, private equity funds, and venture capital funds: the life cycle and type of investments made, whether the fund is subject to redemptions, the amount of leverage used, and most importantly, whether the fund engages in high frequency, short-term proprietary trading. I believe the relevant agencies have the authority to modify the definition to more narrowly tailor what falls under the definition of covered funds and private equity, specifically by carving out venture capital funds. Do you agree that the agencies have this authority? Given your role as the Chairman of the FSOC and responsibility for the coordination of regulations for the Volcker Rule, can you identify the timeline and next steps for improving and streamlining the Volcker Rule in accordance with your recommendations?

Answer: Treasury supports a thoughtful reconsideration of the definition of "covered funds" by the agencies that have authority to write the Volcker rule. The agencies have made steady progress in identifying areas of the rule that need to be reconsidered and are proceeding with efforts to propose a rule as early as feasible.

Rep. Brad Sherman (CA-30)

1. I am interested in learning about your plans for implementing the recommendations in the Treasury's asset management and insurance report and the report on the nonbank SIFI designation

process, in particular, the recommendation to prioritize an activities-based approach instead of individual designations. Can you share the process and timeline you expect to follow?

Answer: Council members are considering the recommendations made in Treasury's November 17, 2017, report on FSOC designations, and I look forward to working with them to determine how best to implement the recommendations. Recently, the Council discussed this issue at its meeting on April 12th.

2. I have heard concerns from US-based insurance companies about negotiations at the International Association of Insurance Supervisors on a new global capital standard for internationally active insurance groups. Is there more that we can be doing to ensure that we are promoting our state-based system of insurance regulation in these negotiations?

Answer: Treasury – through the Federal Insurance Office (FIO) – is committed to taking positions at the International Association of Insurance Supervisors (IAIS) that best represent the interests of the U.S. insurance sector, U.S. consumers, the state-based U.S. insurance regulatory system, and the U.S. economy. Treasury also encourages all U.S.-based representatives at the IAIS to advance policy positions that best represent the interests of the U.S. insurance sector, U.S. consumers, the state-based U.S. insurance regulatory system, and the U.S. economy.

Treasury is committed to increasing transparency and accountability at the IAIS and improving coordination between U.S.-based members of the IAIS, and believes that, by doing so, U.S.-representatives at the IAIS are better-positioned to advance American interests - including the state-based system of U.S. insurance regulation - at the IAIS.

> Since the publication of Treasury's October 2017 Report, FIO has worked to improve its transparency and stakeholder engagement. These efforts include numerous meetings with stakeholders on IAIS developments and working with the IAIS to increase the transparency of the IAIS' ongoing work. Additionally, FIO will continue to work closely with insurance stakeholders, including Congress, and the other U.S.-based members of the IAIS to promote American interests in the development of the insurance capital standard.
>
> Importantly, international standards are not self-executing and are not binding on member jurisdictions. Any international standards would not become effective in the United States unless implemented through the relevant state or federal legislative processes. Treasury believes that the development of the insurance capital standard should accommodate the U.S. insurance business model and the existing state-based regulatory system.

3. Section 4 of the 25th Amendment states that the Vice President and a majority of the Cabinet (or another body designated by Congress) may provide a written declaration to the President pro tempore of the Senate and the Speaker of the House of Representatives that the President is unable to discharge the powers and duties of the office. The next step in the process is that the Vice President immediately assumes the role of Acting President.

4. Do you take your responsibilities under this section seriously? Have you conferred with legal counsel to understand your responsibilities under the 25th Amendment? Since Section 4 of the 25th Amendment would require you to work in a collegial manner, have you met with the other members of the Cabinet? Will you consult with legal counsel and other members of the Cabinet regarding the 25th Amendment?

> **Answer:** I have no reason to believe that the President is unable to discharge the powers and duties of his office.

Rep. Joyce Beatty (OH-3)

1. As financial companies and brokerage houses search for more profitable business lines in the aftermath of the Financial Crisis of 2008 and the passage of Dodd-Frank in 2010, the business of securities-based lending has grown exponentially in recent years. While this line of business has not yet proved to be a problem in this extended bull market, which started back in 2009, the recent market correction and volatility raise questions about the potential negative consequences of the rise in the use of securities-based lending on the stability of the economy and markets.

- Could you briefly discuss your thoughts on securities-based lending and potential effects on stability?

- Is this something the Financial Stability Oversight Council has examined in detail?

Answer: The Council monitors all aspects of financial markets and institutions to fulfill its important statutory role of identifying and responding to risks to financial stability. The Council's 2017 annual report included information about securities lending. Specifically, the report noted that to improve data collection on securities lending, in 2014 the Office of Financial Research (OFR), the Federal Reserve System, and the Securities and Exchange Commission (SEC) began a pilot data collection project focused on activity in this area, and agencies' staff published a summary of their findings in 2016. The annual report includes additional details on the findings, as well as information about related SEC and OFR data collection efforts.

2. As you are well aware, the Dow Jones Industrial Average is down more than 10% within the last week, off of its 52-week high, which most analysts would refer to as a market correction.

- Is the recent weakness in the market a cause of concern for you or the rest of the FSOC?
  Answer: Recent short term market moves are not by themselves a financial stability concern for me. We will continue to follow market developments and examine potential issues of concern.

- Does the recent weakness in the market, mean the economy is also experiencing weakness?
  Answer: The strength of our economy is based on long-term fundamentals, including robust U.S. and global growth, strong labor markets, and positive corporate earnings. Tax

reform reinforces these factors. We will continue to monitor market developments in coordination with market regulators.

- Is the stock market a good indicator of how well the underlying economy is doing?

  Answer: Short term moves in the stock market can be caused by many factors. The Administration is focused on promoting economic growth.

- What role did leveraged exchange-traded funds play in the recent market correction? Do you believe these derivative products have the potential to exacerbate market gains and losses to the extent they would affect financial stability?

  Answer: While there was increased activity in inverse volatility linked exchange traded products on the days surrounding February 5th, I do not believe this was the primary cause of the overall market correction. Treasury, in coordination with market regulators, will continue to monitor use of such products and consider the potential effects on financial stability.

3. Section 342 of the Dodd-Frank Act established the Office of Minority and Women Inclusion (OMWI) at the federal financial regulators, including the Department of Treasury.

- Do you believe that you are in compliance with the text and spirit of the law?
  Answer: Yes, Treasury is in compliance with the text and spirit of the law.

- What is the role of the OMWI Director at the Department of Treasury?
  Answer: The OMWI Director for Departmental Offices is responsible for all matters relating to diversity in management, employment, and Treasury's business activities in Departmental Offices, excluding the enforcement of statutes, regulations, or executive orders pertaining to civil rights.

- Can the Department of Treasury publish the annual OMWI reports to Congress on their website for public consumption, like all the other federal financial regulators?
  Answer: As of today, the annual OMWI reports starting in FY 2011 through FY 2017 are published on treasury.gov and have been submitted to the Chairman and Ranking Member of the Committee on Financial Services of the U.S. House of Representatives and the Committee on Banking, Housing & Urban Affairs of the United States Senate.

- Has the Department of Treasury rescinded any action memorandums or other inter-Department memorandums related to the Department's OMWI?
  Answer: No, the Department has not rescinded any action memorandums or other inter-Department memorandums related to the Department's OMWI.

- Is the Department's OMWI a separate office or does it fall under the authority of another office within Treasury?
  Answer: The OMWI for Departmental Offices is a separate office.

- Who does the OMWI Director report to? If not you, please state your reasoning.
  Answer: The OMWI Director for Departmental Offices reports directly to the Assistant Secretary for Management (ASM). The ASM is designated by Treasury Order as head of the Departmental Offices for all purposes related to administrative functions. The Departmental Offices OWMI Director therefore reports directly to the ASM. Because of the importance of the OMWI function, I have continued the "dotted-line" relationship that grants the Director direct access to me for policy guidance and updates on progress or challenges related to the Office's initiatives.

- Who does the OMWI Director advise? If not you, please state your reasoning.
  Answer: As the Chief Diversity & Inclusion Officer for the Departmental Offices, the OMWI Director is the principal diversity and inclusion strategist to me for the Departmental Offices.

- As of February 6, 2018, have you ever directly been advised by the Department of Treasury's OMWI Director on the impact of the policies and regulations of the agency on minority-owned and women-owned businesses?
  Answer: Yes.

- Prior to the passage of H.R. 1, An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018, had you ever been advised by the Department of Treasury's OMWI Director on the impact of tax reform on minority-owned and women-owned businesses?
  Answer: No. The scope of Treasury's OMWI is limited to advising on policies and regulations of Departmental Offices as they relate to minority-owned and women-owned businesses. The recent tax reform legislation enacted by Congress and implemented by the IRS does not fall within that scope.

Ranking Member Maxine Waters (CA-43)
Russia Investigation

1. On January 10th I sent you a letter regarding your personal involvement with the Trump campaign as it relates to your duties as Secretary of the Treasury. Given the inadequate response I received from you on February 1st, I ask that you respond to the following questions:

- Were you the Finance Chair of the Trump Campaign?

- Are you aware that the campaign has been accused of soliciting illegal in-kind contributions from a foreign country, specifically in the form of Donald Trump Jr. taking a meeting with Russians in order to obtain useful information on Hilary Clinton that would help his father's campaign?

- In your capacity as finance chair, were you ever involved in facilitating the transfer of ill-gotten funds from sanctioned persons to the Trump campaign or its agents?

- Have you ever directed, or has any other Trump Administration official, Trump campaign official or Trump family member called on, pressured you, or suggested to you that you should direct U.S. Treasury officials or staff members to obscure, destroy, or withhold information implicating the President, Trump campaign officials, Trump family members or his associates?

Answer: On February 1, 2018, the Department of the Treasury responded to your letters dated December 8, 2017 and January 10, 2018. At this time, there is no additional response.

2. When you testified before this Committee in July 2017, I asked if you had recused yourself from any work related to Russia or other foreign countries. You answered then that you had not. In my January 10th letter, I demanded that you recuse yourself from all official Departmental matters involving law enforcement and regulatory policy decisions relating to President Trump, Trump campaign officials, Trump family members and his associates. I specifically demanded your recusal due to the fact that your repeated efforts to stonewall us seem increasingly like blatant attempts to protect Administration officials from criminal liability. In a letter I received from your office on February 1st, your staff stated quote "Treasury employees are required to complete a standard ethics training when they begin work, and political appointees, and certain other Treasury personnel, participate in required ethics training annually and also file periodic financial disclosure reports that facilitate identification of potential conflicts," end quote. This is all well and good, but it does not answer the questions I raised in my January 10th letter. Therefore, please answer the following questions:

- Have you recused yourself from any matters related to Russia or other foreign countries?

- Have you received or requested guidance from the Department, the Office of Government Ethics, or any other party regarding whether you should recuse yourself from law enforcement or regulatory matters?

- Has President Trump or any other White House official instructed you, pressured you, or suggested to you that you not to recuse yourself from law enforcement or regulatory matters relating to President Trump, Trump campaign officials, Trump family members or his associates?

Answer: On February 1, 2018, the Department of the Treasury responded to your letters dated December 8, 2017 and January 10, 2018. At this time, there is no additional response.

3. If it is your position that you do not need to recuse yourself because no conflict of interest exists, and you are capable of being impartial and committed to the duties and responsibilities of being Secretary of the Treasury, a position that oversees the activities of our nation's financial intelligence unit, why is it that you have ignored my requests for documents and records housed within FinCEN?

4. Have you refused to respond to my letters or provide documents to this Committee in order to protect the President?

Answer (Response to questions 3 and 4): The Department of the Treasury makes every effort to provide timely responses to numerous requests for information from Congress.

5. During an interview with the New York Times last summer, the President confirmed that if Special Counsel Mueller looked at his finances or his family's finances unrelated to Russia, he would consider that crossing a "red line." Given the President's view of the parameters of what he believes Special Counsel Mueller should be able to look at, has the President or anyone connected to the President in any way suggested or directed that you not provide information to this Committee or any law enforcement body that pertain to him or his family members or associates?

Answer: As previously stated, the Department of the Treasury makes every effort to provide timely responses to numerous requests for information from Congress.

6. Mr. Secretary, during your most recent appearance before the Committee you repeatedly stated that Section 231 of CAATSA was delegated to the State Department. Quoting from the guidance issued by the State Department on Section 231, however, it states "The President delegated to the Secretary of State, **in consultation with the Secretary of the Treasury**, the authority to implement Section 231 on September 29, 2017." So it's clear from the guidance that you must in fact have a role in the implementation of sanctions under Section 231. What consultation have you had with the State Department under 231? What specifically have you done under this section to hold Russia accountable?

Answer: Consistent with the Presidential Memorandum issued on September 29, 2017 that implemented the CAATSA requirements, the Treasury Department's role in implementing CAATSA Section 231 involves providing the State Department with sanctions expertise. As a general matter, the Department of State confers with the Treasury Department prior to taking sanctions implementation and targeting actions under Section 231. For example, the State Department consulted the Treasury Department when drafting the initial guidance related to the section, and initiated ongoing technical discussions with Treasury about selecting and implementing sanctions from the menu of options in CAATSA Section 235. State has also consulted Treasury about specific parties and transactions of potential interest under Section 231. In keeping with standard practice, I cannot forecast what actions may be taken under Section 231; however, as demonstrated by previous Treasury actions, this Administration will continue to take steps to hold Russia accountable for its malign activity, including through sanctions.

7. Have you had any conversations with members of Russia's intelligence or defense sectors regarding the imposition of sanctions?

Answer: Treasury is focused on countering Russia's malign conduct and those who enable it. On January 26, 2018, Treasury's Office of Foreign Assets Control (OFAC) sanctioned 42 additional individuals and entities under four Executive Orders codified under the Countering America's Adversaries Through Sanctions Act (CAATSA) for their conduct in connection with Ukraine. Previously, on December 20, 2017, OFAC designated five individuals pursuant to the Sergei Magnitsky Rule of Law Accountability Act of 2012. In 2017, OFAC imposed targeted sanctions on 58 individuals and entities related to Russia and Ukraine.

On March 15, 2018, OFAC designated five entities and 19 individuals under the Countering America's Adversaries Through Sanctions Act (CAATSA) as well as Executive Order 13694, "Blocking the Property of Certain Persons Engaging in Significant Malicious Cyber-Enabled Activities," as amended, and codified pursuant to CAATSA.

On April 6, 2018, OFAC, in consultation with the Department of State, designated seven Russian oligarchs and 12 companies they own or control, 17 senior Russian government officials, and a state-owned Russian weapons trading company and its subsidiary, a Russian bank. This action targeted a number of individuals, including those who benefit from the Putin regime and play a key role in advancing Russia's malign activities. Russian oligarchs and elites who profit from this corrupt system will no longer be insulated from the consequences of their government's destabilizing activities.

Most recently, on June 11, 2018, Treasury designed five Russian entities and three Russian individuals under Executive Order 13694 "Blocking the Property of Certain Persons Engaging in Significant Malicious Cyber-Enabled Activities," as amended, and Section 224 of CAATSA, for providing material and technological support to the malign and destabilizing cyber activities of Russia's Federal Security Service (FSB).

In disrupting the activities of these entities and individuals and pressuring Russia more broadly, these actions have reaffirmed the impact that our financial tools can have. The Treasury Department continues to actively pursue opportunities to use the full range of authorities at its disposal to impose costs on Russia for its illicit conduct and to affect the Kremlin's calculus.

8. In May of last year, the DOJ's Office of Legal Counsel issued an opinion that effectively stated that executive branch agencies have no legal obligation to respond to individual Members of Congress' oversight requests, including those of Ranking Minority Members. Additionally, in June of last year, Uttam Dhillon, a White House lawyer and former Chief Oversight Counsel for the majority on this Committee, told agencies not to cooperate with such requests from Democrats at meetings with top officials for various government agencies. In your letter to my colleagues and I dated February 1, 2018, you "encourage us to be in contact with" other committees for information related to our requests. I will remind you again that my requests encompass information that is squarely within this Committee's jurisdiction. Is it the Treasury Department's

position that you do not have to comply with legitimate oversight requests from Democratic Members of Congress because we are not members of the majority party?

Answer: The Department of the Treasury makes every effort to provide timely responses to numerous requests for information from Congress.

9. Section 241 of CAATSA requires your Department to develop a report on senior foreign political figures and oligarchs in the Russian Federation. The Treasury transmitted that report to Congress last week.

- Why is it that the Department's list is an exact replica of the Russians on Forbes' 2017 list of the World's Billionaires, right down to the typos?
- Did your Department conduct any of its own research and analysis in developing this list?
- Did your Department develop or vet any other drafts of this list that substantially differed from the final report that was transmitted to Congress?
- What interaction did you or your Department have with the Director of National Intelligence and the Secretary of State in developing this list given that your Department is required under the law to consult with both?
- Did the Director of National Intelligence or the State Department have any other drafts of this list that substantially differed from the final report that was transmitted to Congress?

Answer: Treasury worked closely in consultation with both the Department of State and the Office of the Director of National Intelligence, among others in the intelligence community in producing the classified and unclassified versions of the Section 241 report. The development of the report was an iterative process in which lists of names and analysis were generated by multiple agencies. As I testified to Congress on January 29, 2018, the classified annex to the report includes a thorough analysis of senior Russian officials and oligarchs of greatest concern to the United States, and this report has been used by Treasury and others to inform our actions. The final report transmitted to Congress reflects a broad and far-reaching list of names intended to capture those individuals and entities who met the statutory criteria.

10. Following your last appearance before this Committee you were asked the following as part of a question for the record: "Do you believe that questions about whether the Russian government may have leverage over this administration or this President are serious and should be fully explored or do you view these more as partisan concerns?" You responded, quote "I understand

that certain congressional committees, in addition to the Special Counsel, are undertaking an examination. I respect the process being undertaken by these entities." Your response, of course, doesn't answer the question posed. So I will ask you again, do you believe that the issue of whether the Russian government may have leverage over this administration or the President is a serious concern?

Answer: The Department of the Treasury's February 1, 2018, letter to you stated as follows:

> [T]he Treasury Department has been cooperating for more than six months with several bipartisan Congressional inquiries concerning matters related to your request. This includes responding to Russia-related inquiries by the House Permanent Select Committee on Intelligence.
>
> We are fully committed to providing appropriate committees of Congress the information needed to complete their inquiries. Treasury is working to address, as expeditiously as possible, multiple Congressional requests for information of the sort sought in your requests. Given the highly sensitive national security and law enforcement information sought in these productions, document collection and processing must be undertaken by the staff of Treasury's national security and law enforcement components. We can assure you that Treasury personnel are making every effort to provide responses to the various bipartisan Congressional committee inquiries currently underway, while also fulfilling their other national security and law enforcement responsibilities. We encourage you to be in contact with those committees for information related to your request.

The Department has no additional response at this time.

11. In response to a question submitted for the record whether your Department had sought to obtain information from Cyprus' Unit for Combating Money Laundering, you indicated that during FY17, you "sent 18 requests to the FIU of Cyprus on behalf of law enforcement, and the average response time for requests that [you sent] to Cyprus is 32 days." Would you commit to provide additional information to this Committee regarding these requests in the appropriate setting?

Answer: In its role as the Financial Intelligence Unit (FIU) of the United States, FinCEN works closely with law enforcement and with partner FIUs from over 150 jurisdictions around the world. FinCEN generally does not comment about the specific nature or progress of investigations, including those led by law enforcement agencies.

AML Reform

12. Citing concern with managing anti-money laundering and combating the financing of terrorism or AML/CFT efforts, a growing number of financial institutions have engaged in what is known as "de-risking" in which they have terminated account services for entire classes of customers

perceived to be "high-risk" in recent years. This trend has affected respondent banks, embassies, remittance providers, charities, and other entities perceived to be high-risk.

Without weakening AML/CFT requirements, is your Department looking into what can be done to address the adverse effects of de-risking?

Answer: Yes. Treasury views financial inclusion and financial transparency as complementary and mutually reinforcing objectives in maintaining the integrity of the U.S. financial system. Treasury takes assertions of de-risking seriously, and is committed to preserving access to the U.S. financial system to support economic growth, financial inclusion, and financial transparency while continuing to enforce U.S. laws and regulations. Treasury leads the U.S. government's efforts related to de-risking, which includes direct engagement and dialogue with stakeholders from the public sector, industry, and U.S. financial institutions. Further, Treasury's work on this issue involves close coordination with global bodies and multilateral organizations, including the Financial Action Task Force, the Financial Stability Board, the World Bank, and the IMF. Treasury will continue to maintain open lines of communication with public and private sector stakeholders in the U.S. AML/CFT framework in order to maintain an effective AML/CFT framework and facilitate a clear understanding of both illicit finance risks as well as U.S. regulatory expectations.

Are you open to issuing guidance in this area to ensure that regulatory compliance expectations are clear for all financial institutions required to comply with U.S. AML/CFT rules?

Answer: The Department of the Treasury takes de-risking very seriously and has taken steps to address this issue in a variety of ways, including through guidance and similar clarifying documents. For example, Treasury worked closely with the Federal Banking Agencies to issue on August 30, 2016, the *Joint Fact Sheet on Foreign Correspondent Banking: Approach to BSA/AML and OFAC Sanctions Supervision and Enforcement*, that describes ways in which U.S. agencies communicate expectations regarding BSA and OFAC compliance, the FBA examination process, the issuance of rules and regulations, and the issuance of supervisory guidance. The fact sheet goes on to summarize key aspects of federal supervisory and enforcement strategy and practices in the area of correspondent banking. On March 11, 2016, FinCEN issued *Guidance on Existing AML Program Rule Compliance Obligations for MSB Principals with Respect to Agent Monitoring*, which, consistent with the purposes of the Money Remittances Improvement Act, encourages coordination between Federal and state regulators on such issues. FinCEN will continue to look for opportunities to address this important issue, including through participation in public outreach and guidance as appropriate.

CFIUS

13. In 2007 Congress passed the "Foreign Investment and National Security Act of 2007, known as FINSA, which codified the Committee on Foreign Investment in the United States (CFIUS),

made its membership permanent, and charged the Secretary of the Treasury with serving as the lead agency with responsibility for reviewing covered transactions, among other things. Now, a decade after FINSA was enacted, observers from various quarters have increasingly called for reviewing whether additional statutory reforms to modernize CFIUS are warranted.

- Over the past decade, are there any specific gaps in the CFIUS review process that have emerged that you believe Congress should address?

Answer: The primary gap in the CFIUS review process that requires action by Congress is that CFIUS does not have the statutory authority to review certain foreign investments that present similar national security considerations to those currently covered by CFIUS's authority. CFIUS's authority should be expanded to include certain non-passive, non-controlling investments and, real estate purchases near sensitive military sites, and transactions structured to evade CFIUS review. The need for these changes is twofold: (1) they will close gaps in CFIUS's authorities by expanding the types of transactions subject to CFIUS review; and (2) they will give CFIUS greater ability to prevent parties from structuring their transactions to avoid or evade CFIUS review when the aspects of the transaction that pose critical national security concerns remain. The Foreign Investment Risk Review Modernization Act (FIRRMA), which the Administration supports, would also strengthen the export control system to allow more rigorous oversight of certain joint ventures that may present national security concerns.

- Are you concerned that joint ventures, bankruptcies and supply chain acquisitions represent gaps in what CFIUS is able to review that should be addressed?

Answer: As mentioned above, I am concerned with the gaps in CFIUS's authorities as it specifically relates to certain non-passive, non-controlling investments and, real estate purchases near sensitive military sites, and transactions structured to evade CFIUS review.

FIRRMA also authorizes the President to establish a regular, ongoing, interagency process that is informed by multiple sources, including the intelligence community, to identify emerging and foundational technologies essential to the national security of the United States and not otherwise already restricted for export. FIRRMA further authorizes the Commerce Secretary to establish controls on the newly identified emerging and foundational technologies to address concerns posed by transfers of such technology, including through investment vehicles such as joint ventures. The Commerce Secretary will establish controls based on risks associated with particular technologies, destinations, and end-uses, among other relevant factors. Where a license is required, FIRRMA provides for an enhanced export license application and review process. With respect to bankruptcies, CFIUS already has the authority to review mergers, acquisitions, and takeovers that occur through bankruptcy that could result in foreign control of a U.S. business.

- Under current law, CFIUS filings are voluntary. Does this voluntary process work well, or are there certain categories of transactions that should be subject to mandatory filings and CFIUS review?

Answer: Yes and, noting that in certain instances the Committee may initiate a unilateral review of a covered transaction, CFIUS should remain a predominantly voluntary process. However, in certain circumstances mandatory declarations for certain transactions may be warranted, such as those that involve the acquisition of a substantial interest in a U.S. business by a foreign government, those where the national security harm resulting from the transaction would be difficult to remedy, or those where information about the transaction is difficult to obtain.

14. In evaluating whether reforms to CFIUS are appropriate, it has been noted that China and other countries seeking to acquire sensitive technology and knowhow will easily evade U.S. restrictions unless the U.S. and our allies agree to a similar set of technologies to control.

- Given the importance of working closely with our allies, do you have any specific views on whether expanded use of export controls would be an appropriate way to address technology transfer issues and other national security threats?

Answer: Our own national security is linked to the security of our closest allies, who face similar threats related to foreign investment. In light of increasingly globalized supply chains, it is essential to our national security that our allies maintain robust and effective national security review processes to vet foreign investments into their countries. Towards this end, Treasury and other CFIUS agencies have been actively engaged with our allies to help or encourage them to build their capacity to identify and address national security risks related to foreign investment. Many countries are looking to the United States for leadership on this issue, as they recognize our deeper experience in addressing these types of risks. We appreciate the FIRRMA provisions that would enable deeper collaboration and information sharing with our allies.

Regarding whether export controls are an appropriate way to address national security concerns arising from certain joint ventures, Treasury believes that CFIUS and export controls both play a role in addressing this problem. CFIUS and export controls are complementary and mutually reinforcing processes. Even today, CFIUS does not act when it determines that the national security risk posed by the transaction can be adequately addressed by existing authorities, including export control laws. This would continue to be the case under FIRRMA. The Administration supports the strengthened export control process envisioned under FIRRMA.

15. Currently, the President and his senior advisors are the subjects of a criminal investigation by Special Counsel Robert Mueller which centers on whether they colluded with Russia during the 2016 Presidential election. Recently, the President's former national security advisor, Michael Flynn, pleaded guilty to lying to the FBI, and the President's former campaign chairman has been charged with money laundering.

- Given these developments, are you concerned that the current CFIUS process, which grants the President the sole discretion to block problematic transactions, could leave us vulnerable if the President is unwilling to take actions against national security concerns?

- Given that the President and a number of his appointees came from careers in the private sector, what processes does CFIUS have in place to vet possible conflicts of interest based on the President's and Committee members' business ties?

Answer: I have full confidence in the integrity of the CFIUS process. Treasury takes seriously its compliance with all applicable ethics laws, including with respect to CFIUS. Treasury is fully committed to abiding by all federal ethics laws and statutes governing conflicts of interest and covered relationships.

16. Chinese investment into U.S. commercial real estate comprises approximately 29% of foreign investments into the sector, with record deal volumes reaching as high as $19.2 billion in 2016.

- Can you discuss CFIUS' current approach towards these types of foreign transactions in real estate, and what national security concerns could be implicated with such a large market share being owned by foreign investors?

Answer: CFIUS currently has the authority to review mergers, acquisitions, and takeovers that could result in foreign control of a U.S. business. This includes foreign acquisitions of real estate that, as part of the acquisition, could result in control of a "U.S. business." As mentioned above, I am concerned that CFIUS currently cannot review an acquisition of real estate near sensitive military sites in certain circumstances such as if the transaction only involves an acquisition of the land, and not a U.S. business as defined by the regulations. The FIRRMA legislation would close this critical gap in our national security landscape.

17. During this most recent election, it has become clear that foreign actors use social media to target certain audiences with the intent to not only interfere in the U.S. democratic election process, but also to sow discord and chaos in our society.

- As the lead agency responsible for coordinating CFIUS' review processes, can you comment on whether you believe foreign investments into U.S. telecommunications companies, such as Twitter and Facebook, should and do trigger a CFIUS review?

Answer: CFIUS currently has the authority to review mergers, acquisitions, and takeovers that could result in foreign control of a U.S. business. CFIUS's review of any transaction would include an assessment of how the acquired assets, including in the telecommunications industry, could be used to threaten U.S. national security. The U.S. government regularly monitors transactions, and will use all appropriate tools to protect national security.

- What factors would have to be present for this kind of transaction to fall under the scope of a review?

Answer: CFIUS currently has the authority to review only mergers, acquisitions, and takeovers that could result in foreign control of a U.S. business.

18. As foreign investment continues to rapidly expand in various critical industries in the United States, do you think that there are currently enough resources and manpower dedicated to the CFIUS process?

Answer: CFIUS has seen a significant increase in the number and complexity of transactions filed over the past few years, which has strained the resources of CFIUS and its member agencies. In today's resource-constrained environment, the dedicated men and women who support CFIUS work long hours, including nights and weekends. CFIUS has been stretching all available resources to ensure that it continues to fulfill its core mandate of protecting against threats to our national security. The FIRRMA legislation acknowledges these resource considerations and provides possible mechanisms to assist CFIUS in identifying and requesting the resources it needs.

Jobs Moving Overseas

19. Despite all his tweets and claims that workers at a Carrier manufacturing plant were "gonna keep their jobs," as Trump put it, since July, the company has eliminated more than 500 jobs, and union officials now fear that the $7 million Carrier received in state incentives as part of the deal brokered by Trump is only going to be invested in automation, leading to the need for even fewer employees. What do you have to say to the factory workers at Carrier and in other manufacturing jobs who feel betrayed by Trump's failure to deliver?

Answer: Since the President took office, 263,000 manufacturing jobs have been added to this economy, and the monthly pace of manufacturing job growth so far in 2018 is the fastest since 1997. The unemployment rate for America's manufacturing workers was 3.6 percent in 2017, below the national average and the lowest rate since 2000. In contrast, in the year before the President took office, manufacturing employment in this country shrank by 9,000 jobs. The President's proposals have put manufacturing jobs back on a strong growth path.

GOP Tax Scam

20. In the months leading up to the passage of the GOP's tax plan, you stated, Mr. Secretary, that the plan would pay for itself. You also stated that your Department was conducting a rigorous analysis of the tax overhaul and would provide that analysis to the public. On December 11, 2017, your Department released a one page document that you claimed was the analysis of the tax plan, and it showed, contrary to your initial remarks, that the tax plan would not in fact pay for itself, but would add $1.5 trillion to the national debt.

- First of all, your one page document is a callous insult to the millions of Americans who deserve to know exactly how this tax plan is going to affect them. Does your Department have any additional analysis that it plans to make public on the effects of the tax plan?

Answer: There is no plan to make additional Treasury analysis of the growth effects of the tax plan available to the public.

- House Speaker Paul Ryan has already made clear that the GOP plan to finance the tax cuts is to slash entitle programs like Social Security, Medicare, and food stamps. Republican efforts to cut spending have focused on programs primarily for the poor, including Medicaid and Supplemental Security Income. President Trump's budget proposal included $2.1 trillion in cuts to Medicaid, Affordable Care Act subsidies, food stamps, Social

Security Disability Insurance, Supplemental Security Income, and cash welfare. It's interesting that your one pager left out any mention of these proposed cuts. Do you care to comment now on these proposed plans to pay for the tax plan?

Answer: We look forward to working with Congress on ways to rein in the deficit.

21. Under the GOP tax plan, JP Morgan and Wells Fargo's tax cuts will total $7 billion this year alone. Matt Gardner, a senior fellow at the Institute on Taxation and Economic Policy, has stated, "There's clearly no question that the benefits of this tax break are going to go primarily to the top 4 percent [of earners]. Middle income families will be at best an after-thought."

Trickle-down economics, where the rich get all the tax-breaks, and the poor are expected to reap the gains of a growing economy, has been repeatedly debunked both by economists and in practice in the real world.

- Can you discuss why you think a return to a trickle-down approach as we've seen with the GOP tax plan, will affect households differently this time around? I would note that this is a question that was submitted for the record for your last appearance before this committee and one that you failed to adequately respond to.

Answer: The tax bill's lower corporate tax rate, new investment expensing provisions, and deductions for pass-through businesses will boost business investment, catalyze more efficient capital allocation, and encourage small business dynamism. This combination of structural improvements will draw more workers into the labor force, improving their skills. This will help place the U.S. economy on a structurally higher, sustained growth path.

22. In discussing the GOP tax bill, you were recently quoted as saying that that the "whole purpose" of the bill was to "put more money" in the U.S. business sector. Speaking, presumably on behalf of the Administration, you have also said that "we've said all along that we believe 70 percent of this will be returned to workers."

- Can you explain why you think workers will be the ones who disproportionately benefit, given that there is nothing in the tax bill to ensure companies have to actually pass along the windfalls they receive to their workers?

Answer: Over the long term, increases in the capital stock as a result of tax reform can lead to increased pay and benefits for workers.

- Given your previous comments about all the benefits that will accrue to U.S. workers under the GOP tax bill, what do you make of the fact that rather than raise wages or create jobs, many corporations have instead announced multi-billion dollar stock buybacks, or issued one-time bonuses which translate to workers only receiving only a tiny fraction of the immense wealth that is accruing to corporations?

Answer: Share buybacks today do not mean that there will not be opportunities for capital investment in the future that provide better returns on investment effects that one would expect to increase labor productivity and therefore wages.

- Given the value you purportedly place on increasing the prosperity of working families, would you support legislation that explicitly mandates that companies pass along a fair share of the benefits they receive under the tax bill to their workers?

Answer: No. Market forces should determine the allocation of resources and not mandates.

Debt Ceiling

23. In responding to questions submitted for the record as part of your last appearance before this Committee you affirmed that defaulting on the US debt "would have potentially catastrophic impacts." Separately, in a letter you sent to Speaker Ryan on January 30th, you called on Congress to act to increase the statutory debt limit "as soon as possible".

- Can you comment on when your Department expects the government will run out of borrowing authority?

- **Answer:** Congress acted to suspend the debt limit from February 9, 2018 through March 1, 2019. Beginning on March 2, 2019, the outstanding debt of the United States will be at the statutory limit.

- Can you also speak to the impact that the GOP tax bill has had on the timeline for increasing the debt ceiling?
  Answer: As indicated in my response to the previous question, Congress acted to suspend the debt limit from February 9, 2018 through March 1, 2019. Beginning on March 2, 2019, the outstanding debt of the United States will be at the statutory limit.

Cybersecurity

24. FSOC's annual report touches on this, but can you please provide the Committee with an update on the efforts being made to implement the Automated Indicator Sharing program developed by the Department of Homeland Security and other efforts to encourage automated information sharing?

Answer: As mentioned in the report, the Council supports continued government efforts to automate the flow of cybersecurity and threat information to the private sector, allowing valuable information to reach potentially vulnerable companies and organizations faster. As a specific example the Council does recommend that agencies continue to support efforts to implement the AIS program developed by DHS and other efforts to encourage automated information sharing. As the sector-specific agency for the financial services sector, Treasury continues to promote to the sector that they engage with DHS's programs, but defers to them on the efforts regarding implementation.

25. The annual report states that "The Council encourages additional collaboration between government and industry on addressing cybersecurity risk related to third-party service providers, including an effort to promote the use of appropriately tailored contracting language." Can you please expand on legislation you would like Congress to pass granting examination and enforcement powers to the SEC, CFTC, FHFA, and NCUA to oversee third-party service providers?

Answer: The Council recommended that Congress pass legislation that grants examination and enforcement powers to the SEC, CFTC, FHFA, and NCUA to oversee third-party service providers and encourages coordination among federal and state regulators in the oversight of these providers. Treasury believes this will both reduce potentially conflicting and duplicative regulatory oversight and promote more consistency in cybersecurity. Additionally, Congress could re-propose current third party risk/vendor/service provider guidance with a clear interagency notice and comment process with a greater emphasis on (i) improving the current tailoring and scope of application of guidance upon service providers to improve regulatory efficiency and (ii) enabling innovations in a safe and prudent manner.

26. In light of the introduction of cryptocurrencies and the new risks associated with this -- including the recent cryptocurrency hacking of hundreds of millions of dollars -- how is the Financial and Banking Information Infrastructure Committee (FBIIC) coordinating a response and what steps are being taken to combat these recent hackings of this new market for cryptocurrencies as well as managing the other risks such as data security?

Answer: In 2003, the President's Working Group on Financial Markets agreed to sponsor the Financial and Banking Information Infrastructure Committee (FBIIC). As directed, the FBIIC continues to focus on the protection and resilience of the financial sector's critical infrastructure.

Asset Management Products and Activities

27. Since the last FSOC Report, the SEC has finalized a myriad of rules created to promote effective liquidity risk management, provide for enhanced data reporting, and permit the use of swing pricing under certain circumstances. Can you please provide an update on the monitoring and implementation of these rules and whether they are addressing potential risks raised in the FSOC's Annual Report?

Answer: Treasury supports SEC's efforts to ensure registered investment companies have appropriate liquidity to meet potential withdrawals, as well as to make implementation of those rules workable for fund sponsors.

Capital, Liquidity and Resolution

28. It would not seem to be in the public's interest if regulators took a light touch approach to regulating large banks and making sure they can be resolved in an orderly fashion, unlike what happened with Lehman Brothers in the crisis. In the report, the Council recommends regulatory agencies continue to review, provide guidance, and ensure sufficiency of resolution plans, or living

wills, submitted by large financial institutions. Can you provide an update the status of these plans and if the Council is pushing the Federal Reserve and FDIC to vigorously implement these critical Dodd-Frank requirements?

Answer: The Council periodically receives updates on Federal Reserve and FDIC activities related to resolution planning, but I would refer you to those agencies for more information about the status of their efforts.

29. During the financial crisis, the government's inability to resolve failing mega-institutions like Lehman Brothers and AIG led to significant instability and required significant government infusions of capital to keep the financial system from collapsing. One of the signature accomplishments of Dodd-Frank, and one is being or has been modeled around the world, is to set up a resolution framework to safely terminate a failing mega-institution. However, this authority has been the target of House Republican attacks from their very beginning. As you have participated in talks with your foreign counterparts in Europe, Japan, and elsewhere, have any of these counterparts suggested that the orderly liquidation authority to unwind failing megabanks needs to be repealed? Please update the Committee on the Treasury Department's review, and what Congress should expect from a forthcoming report.

Answer: Treasury released the Orderly Liquidation Authority (OLA) report on February 21, 2018. In the report, Treasury recommended a new Chapter 14 of the Bankruptcy Code for distressed financial companies designed to make the likelihood of having to use OLA even more remote. However, since the bankruptcy of a large, complex financial company may not be feasible in some circumstances, Treasury also recommended retaining OLA as an emergency tool for use under extraordinary circumstances. Treasury also noted that, without the assurance of OLA as an emergency tool, foreign regulators would be more likely to impose immediate new requirements on foreign affiliates of U.S. bank holding companies, raising their costs of business and harming their ability to compete internationally."

Central Counterparties

30. In the FSOC's annual report, the Council recommends that Member agencies should continue to evaluate whether existing rules and standards for CCPs and their clearing members are sufficiently robust to mitigate potential threats to financial stability. What concerns do you have about the current oversight of CCPs? What more needs to be done, and as chair of FSOC, what steps is the Council taking to make sure there is sufficient oversight of CCPs and their clearing members?

Answer: Because of the important role that CCPs play in the financial system, regulators must take appropriate measures to manage the potential effects of stress or failure of a CCP on financial stability. Treasury's recommendations on this topic are outlined in the report on Capital Markets issued pursuant to Executive Order 13772.

31. Although Treasury's second deregulatory report suggested that additional oversight of systemically important financial market utilities, as well as recommending that such SIFMUs exhaust all private liquidity before being allowed to access the discount window, the report did not

call for repealing Title VIII of Dodd-Frank as the Wrong Choice Act would have done. Would you please explain why repealing Title VIII would not improve the oversight of SIFMUs or the stability of our financial market place?

Answer: It is imperative that our financial regulatory system prevent taxpayer-funded bailouts and limit moral hazard by addressing the systemic risks presented by FMUs. Treasury supports necessary measures to establish an appropriate regulatory environment and regulatory resources for supervising SIFMUs.

Data Quality, Collection, and Sharing

32. In May 2017, the Legal Entity Identifier, or LEI, System began collecting Level 2 data, which includes only hierarchy data that is publicly available in cases where the respective parent has its own LEI. Seeing as many of the most interesting drilldowns in determining beneficial ownership are related to private entities and information pertaining to public ownership is already accessible to many compliance teams within banks via simple internet searches, should Level 2 data collection not be expanded to include private ownership information to make it more robust?

Answer: The LEI system itself has no regulatory or legal authority. Its only power is granted by the Regulatory Oversight Committee (of which seven US regulators are a member) and, as such, the system merely provides the vehicle to capture ownership information, leaving it to sovereigns to mandate such reporting. For this reason, absent a regulatory mandate, entities may "opt out" of providing LEI parent data if there is a basis, such as the parent being a private entity whose identity is protected from disclosure. Any regulator could require that the LEI parent information be supplied to the system if it judged that this information would serve a regulatory purpose and we would support such adoption.

33. Do you agree that small business lending is an important aspect of our financial system? If so, do you also agree with the former head of the Small Business Administration, Karen Mills, that small business lending information should be collected and is critical so that policymakers can better understand the market to inform what regulatory or legislative changes may be necessary to promote more robust small business lending while maintaining appropriate safeguards?

Answer: Small businesses are an integral part of economic growth and job creation in the United States. Ensuring adequate access to capital for this segment of the economy is critical to supporting robust and lasting growth.

However, certain structural aspects inherent in lending to small businesses and in the banking sector more broadly continue to affect the cost and availability of small business credit. Minimizing the adverse impact of financial regulation on small business lending is not necessarily a function of changing a few specific regulations but rather reducing the aggregate burden of regulatory compliance on those institutions serving the financing needs of small businesses. This is especially true for community banks which have experienced an increase in the cost of doing business under the current regulatory framework.

Treasury believes that efforts to collect small business lending data, such as Section 1071 of Dodd-Frank, will further increase the cost to lend to small businesses, ultimately reducing access to small business loans. When implementing initiatives to obtain data on lending to certain markets, regulators should be mindful of this potential to create adverse consequences.

Diversity and Inclusion

34. You indicated in a written response to a question from Congresswoman Beatty following the July 2017 Committee hearing that you had not had an opportunity to meet Dr. Lorraine Cole, who headed the Treasury's Office of Minority and Women Inclusion ("OMWI") at the time, but that you interacted daily with the Assistant Secretary for Management Kody Kinsley, who reports to you and manages and briefs you on many management issues and program areas in the Department.

- I presume you are aware that Section 342(g)(1)(A) of Dodd-Frank mandates certain workforce and supplier diversity duties to the Departmental Offices of the Treasury?

  Answer: Yes, I am aware of this mandate.

- Are you also aware that there is an explicit duty prescribed under Section 342(b)(3) of Dodd-Frank for each OMWI Director "to advise the agency administrator on the impact of the policies and regulations of the agency on minority-owned and women-owned businesses" and that the "agency administrator" is defined under Section 342(g)(2) of Dodd-Frank as the "head of an agency," which means you, as the Secretary of the Treasury?
  Answer: Yes, I am aware of the requirements of section 342.

- Given the statutory mandate, have you had a chance, since last summer, to meet Treasury's OMWI Director?
  Answer: Yes, I had the opportunity to meet with Dr. Lorraine Cole, who heads OMWI for Treasury Departmental Offices, three times so far in 2018. On February 1, she joined me in a meeting on the topic of urban revitalization arranged in collaboration with the White House. On February 15, she participated in an event that I hosted with about 30 African American business people in recognition of Black History Month. On March 6, she provided a briefing to me on the status of business diversity, workforce diversity, and workplace inclusion within Treasury Departmental Offices.

- Can you please discuss the extent of your interaction with Treasury's OMWI Director, including how frequently you met and what you have learned from your interactions?
  Answer: On February 1, Dr. Lorraine Cole joined me in a meeting on the topic of urban revitalization arranged in collaboration with the White House. On February 15, she participated in an event that I hosted with about 30 African American business people in recognition of Black History Month. On March 6, she provided a briefing to me on the

status of business diversity, workforce diversity, and workplace inclusion within Treasury Departmental Offices. I currently meet with Dr. Cole on a regular basis to receive updates on diversity and inclusion within the Departmental Offices.

35. An audit report entitled, "Treasury DO's Office of Minority and Women Inclusion is Generally Carrying Out Its Functions Consistent with Dodd-Frank Act," which was released by the Office of Inspector General of Treasury ("OIG") on August 30, 2016, confirmed that Treasury's OMWI, under the Obama Administration, was largely in compliance with the statutory requirements under Section 342 of Dodd-Frank. In doing so, the OIG confirmed that Treasury had established the OMWI in January 2011, its OMWI had issued annual reports, its OMWI Director properly advised the head of the agency on the impact of its policies and rules on minority-owned and women-owned businesses (or "MWOBs"), and it was taking affirmative steps to seek diversity in its workforce. I would like go through with you some of these Section 342 of Dodd-Frank duties to confirm that Treasury, under the Trump Administration, is still in compliance with the law:

- Is the OMWI a fully operational and separate office at Treasury? How many full-time employees are currently assigned to the OMWI?
  Answer: Yes, OMWI is a fully operational and separate office at Treasury. OMWI is assigned two full-time employees, which includes the Director.

- Does the OMWI Director serve as your principal advisor on the impact of Treasury's policies and regulations on MWOBs?
  Answer: The OMWI Director serves as an advisor along with the Director of Small and Disadvantaged Business Utilization regarding policies and regulations on acquisition activities and contracts with MWOBs.

- Does the OMWI Director report directly to you, and not a subordinate? If not, who has principal authority to advise you on the impact of the policies and regulations considered by Treasury on minority-owned and women-owned businesses, and why is the Trump Administration's Treasury no longer complying with the action memorandum, dated January 21, 2011, that the OIG pointed to in its August 2016 audit report, which established a lawful reporting line between DO's OMWI Director and the Secretary?
  Answer: The OMWI Director for Departmental Offices reports directly to the Assistant Secretary for Management (ASM). The ASM is designated by Treasury Order as head of the Departmental Offices for all purposes related to administrative functions. The Departmental Offices OWMI Director therefore reports directly to the ASM. Because of the importance of the OMWI function, I have continued the "dotted-line" relationship that grants the Director direct access to me for policy guidance and updates on progress or challenges related to the Office's initiatives.

- Has your OMWI issued an annual report discussing its efforts to meet the Section 342 requirements and identifying any challenges to promoting workforce and supplier diversity and inclusion at Treasury since you began to serve as Secretary in 2017?
  Answer: Yes, OMWI has issued an annual report for FY17 which details its efforts and challenges to promoting workforce and supplier diversity.

- Has your OMWI fully implemented its requirement to include and review provisions in contracts to monitor whether contractors are exercising good faith efforts to hire qualified minorities and women?
  Answer: Yes, OMWI implemented its requirement to include and review provisions in contracts to monitor whether contractors are exercising good faith efforts to hire qualified minorities and women.

Fintech and Marketplace Lending

36. In light of the evolution of financial innovation, particularly as it relates to fintech and marketplace lending, can you please discuss any concerns around the possibility of predatory lending and data security held by third party aggregators and any steps you view as necessary to address any concerns?

Answer: Treasury is currently working on a fourth report in response to Executive Order 13772 that will focus on Nonbank Financials and Innovation. The report will consider a range of important policy issues raised by the application of new financial technologies including, among others, an assessment of regulatory approaches (including regulatory sandboxes) to these new forms of financial intermediation, marketplace lending, data aggregation by third parties, and the application of advanced analytical techniques such as machine learning.

Like the prior three reports, this fourth report will include a set of Treasury recommendations based upon consultations with financial regulators and a broad and diverse spectrum of market participants and stakeholder groups. Treasury staff is actively engaged in this work and working to finalize the report soon. .

37. Is the Treasury playing a role in coordinating a regulatory response to the rise of fintech across the financial services industry?

Answer: Please see response above.

Deregulation

38. It is clear the Trump Administration is focused on slashing Wall Street's corporate taxes permanently, leaving the middle class to fight for itself. And the Trump Administration is focused on deregulating Wall Street, as the Treasury Department, under your leadership, has issued report after report many hundreds of pages long that include recommendations that are copied and pasted from Wall Street's wish list. According to two headlines in the Wall Street Journal, they wrote: "Jamie Dimon, Treasury's Mnuchin Sing Same Bank Overhaul Song" and "Trump Regulation Plan Makes for Pleasant Reading on Wall Street." So I'm curious, is there any consumer protection law you would like to see strengthened, not weakened? For example, do you support giving the Consumer Bureau enforcement authority with respect to the Servicemembers Civil Relief Act as proposed by Ranking Member Waters to better protect our servicemembers who have sacrificed so much to protect us?

Answer: The Treasury Department does not support the weakening of consumer protections. The Department believes in free markets and consumer choice and recognizes that both of these goals are enhanced when consumers are free from fraud and abuse. However, a vibrant financial services marketplace requires that regulators strike the right balance to ensure that all creditworthy Americans have access to the products and services needed to manage their households and financial affairs.

The Servicemembers Civil Relief Act (SCRA) was enacted into law with strong bipartisan support. Among other things, it provides protections for servicemembers against default judgements while in military service. These protections have provided many servicemembers with financial security for them and their families as they protect our country. The SCRA is currently enforced by the Department of Justice and banking regulators. However, the Dodd Frank Act required that the Bureau of Consumer Financial Protection create an Office of Servicemember Affairs which, among other responsibilities, coordinates with federal and state agencies regarding consumer protection of servicemembers, veterans and their families. Since, the protections in the SCRA are important to military readiness, the Treasury Department supports continued coordination to ensure that we protect our servicemembers.

Government Sponsored Enterprises

39. Housing Finance Reform. Secretary Mnuchin, your senior counselor, Craig Phillips recently indicated that Treasury is broadly supportive of the FHFA Director Watt's outline for housing finance reform. Can you elaborate on your views on housing finance reform? Are there areas where you disagree with FHFA?

Answer: Fannie Mae and Freddie Mac (the GSEs) remain in conservatorship after nearly ten years. With the GSEs in their current state, taxpayers remain at risk for providing critical funding to the GSEs. The United States must formulate a comprehensive long-term housing finance policy that addresses the GSEs and supports the vital role housing plays in the financial security of American families and the broader US economy. Treasury recognizes the need to maintain robust and liquid residential finance lending markets – including through the availability of a 30 year, fixed-rate, prepayable single-family mortgage, which we view as an important element of the future state of housing finance.

The Administration's recently-released government reform plan includes a proposal that sets forth a high-level blueprint for a reformed housing finance system that ensures more transparency and accountability to taxpayers and minimizes the risk of taxpayer-funded bailouts, while maintaining responsible and sustainable support for homeowners. We look forward to working with Congress and other stakeholders to obtain feedback and determine the best way to proceed.

40. Building a Capital Buffer. Treasury and FHFA recently agreed to allow Fannie and Freddie to hold a modest capital reserve amount of $3 billion each. Can you talk about the rationale behind this decision?

Answer: Prior to the execution of the Letter Agreements to the Preferred Stock Purchase Agreements (PSPAs) between Treasury and the GSEs, the GSEs' capital reserve amount was

scheduled to decline to zero on January 1, 2018. Allowing each GSE to maintain a minimal capital reserve of $3 billion will reduce the likelihood of the GSEs drawing on Treasury's funding commitment as a result of normal course earnings fluctuations due to business cycle and market volatility. Because the capital reserve amount will automatically fall to zero if quarterly dividends are not paid in full, the change to the PSPAs provides an additional incentive for the GSEs to continue making quarterly dividend payments.

41. Effect of Trump Tax Reform on GSEs and the Affordable Housing Trust Fund. Despite the recent agreement between FHFA and Treasury to allow Fannie and Freddie to retain a modest capital buffer, Fannie and Freddie are expected to require Treasury draws because of the impact of recently enacted Republican tax reform law. Can you explain why this is not an indication of the poor financial health of the GSEs? Would a draw from the Treasury as a result of this act of Congress suggest that the GSEs are now in poor financial health?

Answer: Treasury indicated in its announcement of the Letter Agreements to the PSPAs last December that the enactment of tax reform legislation that resulted in a lower corporate tax rate would likely require one or both of the GSEs to draw on Treasury's funding commitment. Based on the net worth deficits each GSE recorded for the quarter that ended on December 31, 2017, Treasury provided $3.7 billion and $0.3 billion to Fannie Mae and Freddie Mac, respectively, on March 30, 2018. These draws were the result of the lower corporate tax rate and the required write-down of deferred tax assets held on the balance sheet of the GSEs; the draws were not an indication of the financial health of the GSEs.

