Testimony of Deputy Secretary of the Treasury Wally Adeyemo before the Committee on Banking, Housing, and Urban Affairs, U.S. Senate

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As delivered:

Chairman Brown, Ranking Member Toomey, and Members of the Committee, thank you for giving me the opportunity to speak to you today about the National Advisory Council on International Monetary and Financial Policies (NAC) report to Congress, the Treasury Department’s priorities, and our outlook for the global financial system.

As you know, the International Financial Institutions form the core of an international financial architecture that is consistent with our economic interest. It is no accident that the U.S. economy is the largest in the world, that our financial markets are the deepest and the most liquid, and that the dollar is the world’s reserve currency. Our economic success is the result of the policy choices we made coming out of World War II, alongside the hard work and determination of the American people.

America’s interest in a strong, stable, and rules-based economic order is also deeply entwined with our foreign policy and national security interests. Our economic objectives cannot succeed if the international financial system facilitates the illicit flow of funds to oppressive regimes, terrorist groups, cyber criminals, and other malign actors. Bearing this in mind, Secretary Yellen requested a review of Treasury’s use of financial and economic sanctions since the terrorist attacks of September 11, 2001.

The review identified four primary challenges to the continued effectiveness of our sanctions regimes: (1) our adversaries’ attempt to build payment systems that allow them to avoid the dollar based financial system; (2) technological changes like the growth of digital currencies; (3) the need to permit the flow of legitimate humanitarian assistance and avoid collateral impact on non-target populations; and finally, (4) ensuring that sanctions are always deployed alongside other measures as part of an overarching national security strategy.
I want to briefly describe to the Committee the five initiatives Treasury is advancing to respond to these challenges and modernize the use of sanctions:

1. **Adopting a Policy Framework** – Treasury will adopt the use of a structured policy framework in order to inform its recommendations on the use of sanctions. This framework will seek to ensure that sanctions support clear policy objectives within a broader strategy; reflect input from technical experts and other critical sources of information including the intelligence community; incorporate multilateral cooperation; and are easily understood, enforceable, and reversible. The framework will be a tool to improve the use of sanctions, not a means to prevent it.

2. **Improving Access to Humanitarian Assistance** – Treasury will work to expand sanctions exceptions, where appropriate, to support the flow of legitimate humanitarian assistance, incorporating lessons learned from the last 20 years. The Department is committed to consistently providing clear guidance in the context of all applicable sanctions regimes, including the continued flow of legitimate humanitarian aid to heavily sanctioned jurisdictions.

3. **The Regular Assessment of Sanction Programs** – Treasury plans to use the sanctions policy framework on a regular basis to review sanctions programs and authorities and make recommendations to augment, adapt, or wind down individual authorities or to list or delist particular entities.

4. **Improve Sanctions Coordination and Communications** – The threat of sanctions alone—not even the imposition—remains a powerful tool of economic statecraft. In order to calibrate the use of this tool, Treasury needs to communicate and coordinate more effectively with stakeholders affected by the use of financial sanctions. This includes U.S. allies and partners, financial institutions and other actors within the financial system, nonprofit organizations, and the media. We will do this by using existing forums where we meet with our allies and partners to coordinate and collaborate on sanctions, as well as building a more formal mechanism for receiving feedback and advice and providing information to stakeholders.

5. **Modernize our Operational Capabilities** – As the threats to our nation change, sanctions must also adapt. Treasury must invest in changes to its workforce and technical capabilities to meet these evolving threats. This will involve streamlining current functions, as well as making workforce and infrastructure investments to take on growing threats like ransomware and other cybercrime.
This effort will require building on current processes in some areas and changes in others. Some changes may be implemented in the near-term, while others will require further deliberation and analysis to determine the best path forward in collaboration with the State Department and other executive branch partners. In many cases, support and advice from key partners, like Congress, will be critical.

Members, sanctions are not only an important tool for the United States; they play an important role in maintaining the rules-based global economy, which has benefited the world for generations. I look forward to working with members of this committee to continue advancing U.S. international economic leadership abroad and creating opportunities for Americans at home.

I’m happy to take your questions.

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