

SELECT COMMITTEE ON INTELLIGENCE

UNITED STATES SENATE



Post-hearing Questions for

**Ms. Shannon Corless upon her nomination to be Assistant Secretary for
Intelligence and Analysis, Department of the Treasury**

U.S. Senator Tom Cotton
Nomination of Shannon R Corless, to be Assistant Secretary of the Treasury for
Intelligence and Analysis
November 30, 2021

1. As you may know, the Treasury, Commerce, and Defense Departments each keep their own blacklists relating to Chinese military-civil fusion (MCF) entities, each with their own special countermeasures against listed entities.
 - a. Do you believe it is important that the United States harmonize its blacklists relating to Chinese military-civil fusion (MCF) entities across the U.S. government?
 - **Answer: If confirmed, to lead Treasury's Office of Intelligence and Analysis, I would work to ensure OIA continues to collect, retain and disseminate the most up to date financial intelligence information. I understand the President has delegated authority to Treasury under Executive Order 13959, as amended, to list Chinese Military-Industrial Complex Companies (CMICs), and that Treasury's Office of Foreign Assets Control executes that authority. I further understand that the Department of Defense and the Department of Commerce have their own authorities and responsibilities related to Chinese military-civil fusion entities. If confirmed, I would seek to ensure that OIA continues to share and receive relevant information through a robust interagency process to support Treasury, Commerce, and Defense in their execution of their respective authorities.**
 - b. If confirmed, what can you do in your new position to help harmonize these blacklists and more consistently enforce U.S. action against these Chinese entities?
 - **Answer: If confirmed, I will continue to ensure OIA continues to collect, retain, and disseminate the most up to date financial information. I will also undertake a review of the analysis produced by OIA and coordinate closely with my counterparts both within Treasury and with the interagency. I will continue to focus on providing the best possible intelligence information and support to policy makers at the Departments of the Treasury, Commerce and Defense in the implementation of their respective authorities.**
2. A recent report by Georgetown's Center for Security and Emerging Technology (CSET) revealed that U.S. capital funding was critical in getting off the ground Chinese startups that supply the Chinese military with AI equipment. In one case, U.S. venture capital firm, Sequoia Capital, was the angel investor in a Chinese company that now supplies the PLA Ground Forces with AI software to better command and operate autonomous systems. Sequoia still remains the largest outside shareholder in this firm.
 - a. Do you think the current U.S. government investment screening system has vulnerabilities regarding U.S. capital funding Chinese technology and military startups?

b. If so, do you think it is time for an outbound CFIUS process, which could restrict the flow of U.S. investments into Chinese companies or industries that undermine the national interest of the United States?

- **Answer: Addressing national security risks to the United States arising from investment flows into sensitive technology sectors is an important priority. The IC has long assessed that China has a whole-of-government approach to targeting US critical technologies and related know-how.**
- **The U.S. investment review process carried out by the Committee on Foreign Investment in the United States (CFIUS) is designed, by statute, to focus on the national security implications from foreign investment into U.S. businesses, including U.S. businesses that contribute into joint ventures regardless of location. While CFIUS does not have authority over U.S. capital flows abroad, it does effectively address threats to U.S. national security arising from the transactions within its purview.**
- **While the longstanding open investment policy of the United States has disfavored broad “capital control” policies, I understand that the Biden Administration is considering all appropriate means to protect national and economic security with respect to the international flow of capital, technology, and information. I further understand that the Biden Administration seeks to close any related gaps in existing authorities that threaten our national and economic security. As CFIUS focuses on inbound investment, an “outbound CFIUS process” is a topic I would need to further consider. If confirmed, I would be happy to follow up with you on the question you raised.**

3. I’m disturbed by reporting that just yesterday the L.A. County Sheriff had to alert his county leadership that they had contracted “mandatory” COVID testing from a company with ties to several of Communist China’s genetic “national champions,” who might use DNA acquired through COVID testing to advance China’s national security efforts.

- a. As a long-time Intelligence Community leader on CFIUS as well as Economic and Financial Intelligence, how do you assess the private information of Americans, including their DNA, is at risk from the Chinese Communist Party’s commercial, scientific, and intelligence exploitation?
- b. In light of this, how should CFIUS be updated to prevent malign actors from acquiring private information about Americans through so-called joint partnerships and other arrangements?

- **Answer: The private information of Americans is extremely important to protect. There are real threats from our foreign adversaries, and this is something I have been focused on and will continue to focus on. While protection of US persons privacy is an issue CFIUS regularly encounters, CFIUS is not the appropriate tool to address threats to the personal data of U.S. citizens that do not arise from foreign investment into the United States. It is important that lawmakers and policymakers begin considering holistic solutions to ensure that the sensitive data of U.S. citizens in the possession of businesses are protected from these threats such as a federal privacy regime.**

The recent updates to CFIUS, through the Foreign Investment Risk Review Modernization Act of 2018, recognized the importance of protecting sensitive personal data of U.S. citizens and expanded CFIUS's jurisdiction over transactions that involve the acquisition of a non-controlling interest in certain U.S. businesses, including those that maintain or collect sensitive personal data. Today, CFIUS reviews a broad range of investment transactions involving U.S. businesses with data—including through joint venture transactions, mergers and acquisitions, and a range of other transaction types. If confirmed, I will ensure that OIA works closely with ODNI and other colleagues across the IC to produce strategic analysis that informs policymakers on how the threat from malign actors is evolving and the extent to which further updates and improvements to the CFIUS process are warranted.

4. Russia's Nord Stream 2 gas pipeline, the crown jewel of Putin's gambit to lock in Europe's dependency on Russia for its energy, is already at work as high natural gas prices coincide with his increasing belligerence across the region.
 - a. As the DNI's senior officer for Economic Security and Financial Intelligence, how do you assess that Putin is manipulating European energy markets to coerce final EU approval of Nord Stream 2?
 - b. Do you assess that Putin is using energy as a weapon to blunt criticism of his increasingly aggressive military posture against Ukraine, or his proxy-nation Belarus's weaponization of refugees against NATO members such as Poland and Lithuania?
- **Answer: As the President has said, Nord Stream 2 is a bad deal — for Germany, for Ukraine, and for our Central and Eastern European allies and partners. As multiple U.S. administrations have made clear, this pipeline is a Russian geopolitical project intended to divide Europe and weaken European energy security.**
5. Several weeks ago, I wrote about my concern of the risk that Putin's military posturing and bellicose rhetoric could be a prelude to further aggression against the sovereign

nation of Ukraine. If confirmed, how would you ensure that Vladimir Putin and the kleptocrat oligarchs upon whom he relies for power face debilitating consequences if they expand the invasion of Ukraine that they launched in 2014?

- **Answer: Russian oligarchs leverage their wealth, opaque international networks, and perceived status as legitimate businessmen to advance the Kremlin's agenda at home and abroad. Those who benefit from Putin's corrupt patronage system, and many of Putin's close friends and associates have amassed incredible wealth. If confirmed, I will work to ensure that OIA continues to collect, retain, and disseminate the most up to date financial intelligence information, and produces analysis to assist in assessing important priorities.**

- 6. The Central Bank of Iran (CBI) is subject to terrorism sanctions today under Executive Order 13224 for providing terror-related support to Iran's Islamic Revolutionary Guards Corps (IRGC), the IRGC Quds Force, and Lebanese Hezbollah.
 - a. Are you currently aware of any information indicating that the CBI is no longer engaged in any terrorism financing or in providing other terror-related support to the IRGC, IRGC Quds Force, or Lebanese Hezbollah?

 - b. Are you currently aware of any information indicating that the CBI has ceased terrorism-related activities that would justify removing its terrorism designation under Executive Order 13224?

 - c. In your view, should Iranian entities designated by the Treasury Department for terrorist activities under Executive Order 13224 remain sanctioned for continuing conduct that was the original basis of the entities' designation?

- **Answer: If confirmed, I would lead Treasury's Office of Intelligence and Analysis, so I would not be in a position to weigh-in on the appropriateness of removing sanctions. I am aware that CBI continues to provide support to terrorist entities. If confirmed, I would commit to providing a classified briefing on this issue.**

U.S. Senator Ben Sasse
Questions for the Record
Nomination of Shannon R Corless, to be Assistant Secretary of the Treasury for
Intelligence and Analysis
November 30, 2021

1. Ms. Corless, in your response to the Committee’s pre-hearing questions you suggest that “... religiously and ethnically motivated violent extremists (REMVE) ... pose a threat to our financial system and values.” I share your concern about the broad threat these groups pose to our nation and to our values. However, what is less clear to me is the threat they pose to our financial system. Can you please provide to the Committee a further explanation, classified and unclassified, of this threat?
- **Answer: I understand that racially and ethnically motivated violent extremists (REMVEs) have used the global financial system to raise and move money, including through large U.S. and European bank accounts, payment providers and crowdfunding platforms. Any exploitation of the financial system by REMVEs undermines the integrity of the financial system and has the potential to diminish business and consumer confidence in the financial system.**

U.S. Senator Ron Wyden
Nomination of Shannon R Corless, to be Assistant Secretary of the Treasury for
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1. On November 19, 2020, the Privacy and Civil Liberties Oversight Board (PCLOB) announced the conclusion of its review of the Treasury Department's Terrorist Finance Tracking Program (TFTP). The PCLOB's press release included four recommendations related to privacy and civil liberties.
 - a. What is the status of the Treasury Department's implementation of the PCLOB's recommendations?
 - b. If confirmed, will you advocate for greater transparency about the TFTP, including with regard to the privacy and civil liberties issues identified by the PCLOB and the implementation of the PCLOB's recommendations?
- **Answer: While I am not in the position yet, it is my understanding that Treasury values the input of the PCLOB and is diligently addressing its four recommendations, with implementation actions in progress. It is my general understanding that progress is underway on implementing solutions related to PCLOB's first, second, and third recommendations, and I understand that Treasury is still considering the feasibility of the fourth recommendation. I can assure the Committee that, if confirmed, I will provide additional information once confirmed and fully briefed.**
2. Large private investment funds are a \$10 trillion global industry, yet are exempt from most due diligence and disclosure rules that apply to other investment vehicles. Private equity, hedge funds and venture capital funds are pooled investment vehicles that are excluded from the definition of "investment company" under the Investment Company Act of 1940. Because of this loophole, they are able to accept substantial amounts of offshore money while being exempt from legal requirements to implement anti-money laundering programs. Moreover, the funds are not required to disclose the beneficial owners of these investments, increasing the threat that they will be used to infiltrate illicit proceeds into the global financial system.
 - a. If confirmed, will you commit to reviewing whether private offshore investment funds like hedge funds and private equity firms are being used to launder money at scale and potentially evade sanctions or finance terrorism?
 - b. Will you report to Congress on the results of this review?

Answer: If confirmed, I commit to working to identify and review systemic weaknesses in the global financial system to inform efforts to make the financial

system more resistant to illicit finance. If confirmed, I also commit to share OIA's findings with Congress in the appropriate setting.

3. Correspondent banking services by major U.S. banks have facilitated sanctions evasion schemes, including the one committed by the Turkish state owned bank Halkbank. These services have long been considered a major vulnerability in the financial system, raising concerns about money laundering and other financial crimes.
 - a. If confirmed, will you commit to reviewing whether weaknesses in correspondent banking networks of U.S. banks are allowing for widespread money laundering as well as sanctions evasion or terrorist financing?
 - b. Will you report to Congress on the results of this review?

Answer: As stated above, if confirmed, I commit to working to identify and review systemic weaknesses in the global financial system to inform efforts to make the financial system more resistant to illicit finance. If confirmed, I commit to sharing OIA's findings with Congress in the appropriate setting.

U.S. Senator Marco Rubio
Nomination of Shannon R Corless, to be Assistant Secretary of the Treasury for
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1. I would like to follow up on our conversation during your confirmation hearing regarding the Chinese Communist Party's objectives. If confirmed as the Assistant Secretary of Treasury's Office of Intelligence and Analysis, it is critical in my view that you understand what drives the CCP and the nature of the tactics they employ to achieve their objectives. I am concerned that a failure to see the CCPs efforts for what they are – a zero-sum economic and technological competition against the United States with the intent to displace the United States as the prominent economic and technological power – will detrimentally and potentially catastrophically bias and undermine OIA's efforts and analysis on the China threat. This could have a cascading effect on the quality and effectiveness of our efforts against the greatest threat facing the United States, as determined by the Director of National Intelligence. A zero-sum game of economic and technological competition means there is one winner and one loser.
 - a. Do you believe that China, under control of the Chinese Communist Party, is engaging in a zero-sum game of economic and technological competition against the United States? Please respond with yes or no.
 - b. Do you believe that one of the primary goals of the CCP is to displace the United States and rewrite the international rules-based system? Please respond with yes or no.
- **Answer: As I stated in the hearing, China is our greatest strategic competitor, and seeks to compete with the U.S. on both economic and technological fronts. As noted in the DNI's 2021 Annual Threat Assessment of the U.S. Intelligence Community, the Chinese Communist Party "will continue its whole-of-government efforts to spread China's influence, undercut that of the United States, drive wedges between Washington and its allies and partners, and foster new international norms that favor the authoritarian Chinese system." U.S. policy seeks to preserve our economic influence and support the economic health of our democratic allies. If confirmed, I will ensure OIA continues to collect, retain, and disseminate intelligence information in support of critical U.S. economic and national security objectives. If confirmed, I commit to meet with your team to discuss this important priority in the appropriate setting.**