

Congress of the United States

Washington, DC 20510

January 26, 2018

The Honorable Donald J. Trump
President of the United States
The White House
1600 Pennsylvania Ave. NW
Washington, DC 20500

Dear President Trump:

As a key deadline in the implementation of the Countering America's Adversaries Through Sanctions Act (CAATSA) approaches, we are writing to reiterate our call for robust implementation of the law and renewed focus by the Administration on the Russian Federation's asymmetric arsenal of tools used to undermine democracy around the world. The purpose of CAATSA is as important today as when you signed it into law on August 2, 2017. As has become clear over the past year, the Russian Federation's efforts to interfere in democratic institutions has not diminished, but intensified. The U.S. must lead efforts to counter Russian Federation interference in democratic institutions around the world and pressure Moscow to fully implement the Minsk Agreements with respect to the conflict in Ukraine.

In particular, we note an impending January 29th deadline with respect to three areas mandated in the legislation: imposition of sanctions on the defense and intelligence sectors; a report from the Department of the Treasury on the implications of sanctions on the Russian Federation's sovereign debt; and a report from the Department of Treasury on oligarchs and parastatal entities of the Russian Federation.

First, you are required to impose secondary sanctions on those whom you determine have conducted significant transactions with individuals in the Russian Federation's defense and intelligence sectors. These sanctions were imposed on these sectors due to their interference in the 2016 U.S. election out of concern that they will continue these efforts in the U.S. and around the world. Under the law, the Administration is permitted to delay the imposition of sanctions only if it is able to show that the entity in question is substantially reducing the number of significant transactions with these sanctioned sectors. You may also waive these sanctions if you can certify that the government of the Russian Federation has made significant efforts to reduce the number and intensity of cyber intrusions conducted by the government.

In the days since enactment of the law, we have received briefings on the Russian Federation's defense and intelligence sectors and have developed a better understanding of their business and partners around the world. By January 29th, we expect a comprehensive briefing on the administration's diplomatic efforts to persuade potential violators to substantially reduce their significant transactions with these sectors. If the Administration cannot make this case, then we expect that sanctions will be imposed on sanctions violators.

Second, the Department of the Treasury is required to produce two important reports on January 29th.

The law mandates that the first report examine the effects of expanding sanctions on the Russian Federation's financial services sector to include sovereign debt and the full range of derivative products. If Russia continues to intervene to undermine democracies around the world, addressing the treatment of Russian sovereign debt may be a critically important tool, as the sale of government debt can be used, directly or indirectly, to finance such malign influence efforts abroad. As we look to further deter Russian government aggression abroad, Russian uses of sovereign debt; who is holding such debt in the US and around the world; and the broader economic consequences of expanding sanctions in this area should all be carefully assessed. We look forward to receiving your administration's detailed analysis of this issue.

The law mandates a second report on oligarchs and parastatal entities of the Russian Federation. With respect to senior foreign political figures and oligarchs in the Russian Federation, the report requires the following details:

- An identification of the most significant senior foreign political figures and oligarchs in the Russian Federation, as determined by their closeness to the Russian regime and their net worth.
- An assessment of the relationship between these individuals and President Vladimir Putin or other members of the Russian ruling elite.
- An identification of any indices of corruption with respect to those individuals.
- The estimated net worth and known sources of income of those individuals and their family members (including spouses, children, parents, and siblings), including assets, investments, other business interests, and relevant beneficial ownership information.
- An identification of the non-Russian business affiliations of those individuals.

With respect to Russian parastatal entities, the report is required to provide an assessment of the following:

- The emergence of Russian parastatal entities and their role in the economy of the Russian Federation.
- The leadership structures and beneficial ownership of those entities.
- The scope of the non-Russian business affiliation with those entities.
- The exposure of key economic sectors of the United States to Russian politically exposed persons and parastatal entities, including, at a minimum, the banking, securities, insurance, and real estate sectors.
- The likely effects of imposing debt and equity restrictions on Russian parastatal entities, as well as the anticipated effects of adding Russian parastatal entities to the list of specially designated nationals and blocked persons maintained by the Office of Foreign Assets Control of the Department of the Treasury.
- The potential impacts of imposing secondary sanctions with respect to Russian oligarchs, Russian state-owned enterprises, and Russian parastatal entities, including impacts on the entities themselves and on the economy of the Russian Federation, as well as on the economies of the United States and its allies.


While we understand the need to provide a classified annex to the report, we trust that you will make the report itself unclassified, as the law requires, so that the American public might gain a better understanding of how the Russian Federation's system operates.

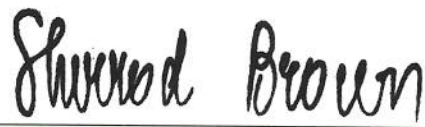
In addition to these components of CAATSA, we continue to conduct oversight to ensure full implementation of all other aspects of the law. Thus we would like to draw your attention to Sec. 224(a), the imposition of sanctions with respect to activities of the Russian Federation undermining cybersecurity. This section mandates sanctions on any person that knowingly engages in significant activities undermining cybersecurity against any person, including a democratic institution or government, on behalf of the Russian Federation. It is becoming increasingly clear that the Russian Federation sought to interfere in elections across Europe last year, especially in France. We expect a full report from the administration on why sanctions have not yet been imposed in response to these clear violations. **We also urge you to use this provision to send a strong message to the Russian Federation that you will assertively impose these sanctions in the event that it interferes in the 2018 U.S. election or the upcoming elections of our allies.**

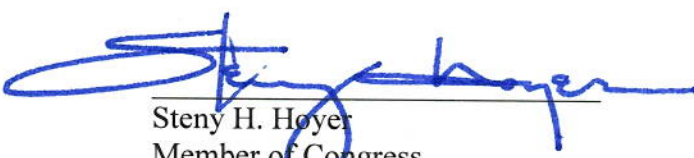
Finally, we hope the Administration is taking a strong stand against foreign companies that might try to backfill for American companies declining projects in light of CAATSA. The Obama Administration launched a strong effort in 2014 to prevent backfilling, and we hope your Administration will do no less.

The purpose of sanctions is not primarily to punish, but rather to deter and ultimately change future behavior. If the Russian Federation shows that it has significantly changed its behavior in accordance with the law, we should be prepared to allow for sanctions relief. Unfortunately, we have seen no such shift on the part of the Russian government. In fact, the continuing threat its actions pose to our democratic institutions and those of our allies is growing in intensity and urgency. You have a constitutional responsibility to defend those institutions. We look forward to gaining a more complete understanding of your administration's efforts toward that end.

Sincerely,


Benjamin L. Cardin
United States Senator


Sherrod Brown
United States Senator


Steny H. Hoyer
Member of Congress


Eliot L. Engel
Member of Congress