118TH CONGRESS, 1st Session } HOUSE OF REPRESENTATIVES { REPORT 118–292

TAIWAN CONFLICT DETERRENCE ACT OF 2023

DECEMBER 1, 2023.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. MCHENRY, from the Committee on Financial Services, submitted the following

REPORT

[To accompany H.R. 554]

[Including cost estimate of the Congressional Budget Office]

The Committee on Financial Services, to whom was referred the bill (H.R. 554) to deter Chinese aggression towards Taiwan by requiring the Secretary of the Treasury to publish a report on financial institutions and accounts connected to senior officials of the People's Republic of China, to restrict financial services for certain immediate family of such officials, and for other purposes, having considered the same, reports favorably thereon with an amendment and recommends that the bill as amended do pass.

The amendment is as follows:

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the "Taiwan Conflict Deterrence Act of 2023".

SEC. 2. REPORT ON FINANCIAL INSTITUTIONS AND ACCOUNTS CONNECTED TO CERTAIN CHINESE GOVERNMENT OFFICIALS.

(a) FINANCIAL INSTITUTIONS REPORT.—

(1) IN GENERAL.—Not later than 90 days after the date that the President, pursuant to section 3(c) of the Taiwan Relations Act (22 U.S.C. 3302(c)), informs the Congress of a threat resulting from actions of the People's Republic of China and any danger to the interests of the United States arising therefrom, and annually thereafter for 3 years, the Secretary of the Treasury shall submit a report to the appropriate Members of Congress containing the following:

(A) With respect to each of at least 10 natural persons described under subsection (b), at least 1 of whom is a natural person listed under paragraph (1) of such subsection (b) and at least 1 of whom is a natural person listed under paragraph (2) of such subsection (b), the estimated total funds that are held in financial institutions and are under direct or indirect control by such natural person and a description of such funds.

(B) A list of any financial institutions that—

(i) maintain an account in connection with significant funds described in subparagraph (A); or

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(ii) otherwise provide significant financial services to a natural person covered by the report.

(2) BRIEFING REQUIRED.—Not later than 30 days after submitting a report described under paragraph (1), the Secretary of the Treasury, or a designee of the Secretary, shall provide to the appropriate Members of Congress an unclassified or classified briefing (as determined appropriate by the Secretary) on the funds covered by the report, including a description of how the funds were acquired, and any illicit or corrupt means employed to acquire or use the funds.

(3) EXEMPTIONS.—The requirements described under paragraph (1) may not be applied with respect to a natural person or a financial institution, as the case may be, if the President determines:

(A) The funds described under paragraph (1)(A) were primarily acquired through legal and noncorrupt means.

(B) The natural person has agreed to provide significant cooperation to the United States for an important national security purpose with respect to China.

(C) A financial institution has agreed to—

(i) no longer maintain an account described under paragraph (1)(B)(i);

(ii) no longer provide significant financial services to a natural person covered by the report; or

(iii) provide significant cooperation to the United States for an important national security purpose with respect to China.

(4) WAIVER.—The President may waive any requirement described under paragraph (1) with respect to a natural person or a financial institution upon reporting to the appropriate Members of Congress that—

(A) the waiver would substantially promote the objective of ending the threat described under paragraph (1);

(B) the threat described under paragraph (1) is no longer present; or

(C) the waiver is essential to the national security interests of the United States.

(b) NATURAL PERSONS DESCRIBED.—The natural persons described in this section are persons who, at the time of a report, are the following:

(1) A member of the Politburo Standing Committee of the Chinese Communist Party.

(2) A member of the Politburo of the Chinese Communist Party that is not described under paragraph (1).

(3) A member of the Central Committee of the Chinese Communist Party that—

(A) is none of the foregoing; and

(B) performs any official duty that directly or indirectly affects Taiwan.

(c) FORM OF REPORTS; PUBLIC AVAILABILITY.—

(1) FORM.—The reports required under paragraphs (1) and (4) of subsection (a) shall be submitted in unclassified form but may contain a classified annex.

(2) PUBLIC AVAILABILITY.—The Secretary of the Treasury shall make the unclassified portion of the report required under subsection (a)(1) available to the public on the website and social media accounts of the Department of the Treasury—

(A) in English, Chinese, and any other language that the Secretary finds appropriate; and

(B) in precompressed, easily downloadable versions that are made available in all appropriate formats.

SEC. 3. PROHIBITION ON FINANCIAL SERVICES FOR CERTAIN IMMEDIATE FAMILY.

(a) IN GENERAL.—The Secretary of the Treasury shall prohibit a United States financial institution, and any person owned or controlled by a United States financial institution, from engaging in a significant transaction with—

(1) a natural person covered by a report made under section 2(a); and

(2) the immediate family of a person described under paragraph (1), if the Secretary finds that such immediate family benefits from funds described in the report.

(b) EXCEPTIONS.—

(1) EXCEPTION FOR INTELLIGENCE, LAW ENFORCEMENT, AND NATIONAL SECURITY ACTIVITIES.—Subsection (a) shall not apply with respect to any intelligence, law enforcement, or national security activity of the United States.

(2) WAIVER.—The President may waive the application of subsection (a) with respect to a person upon reporting to the appropriate Members of Congress that—

(A) the waiver would substantially promote the objective of ending the threat described under section 2(a)(1);

(B) the threat described under section 2(a)(1) is no longer present; or

(C) the waiver is essential to the national security interests of the United States.

(3) FORM OF REPORTS.—The reports required under paragraph (2) shall be submitted in unclassified form but may contain a classified annex.

(4) RULE OF CONSTRUCTION.—

(A) IN GENERAL.—Nothing in this section shall be construed as authorizing or requiring any sanction with respect to the importation of any good.

(B) GOOD DEFINED.—In this paragraph, the term "good" means any article, natural or manmade substance, material, supply or manufactured product, including inspection and test equipment, and excluding technical data.

(c) IMPLEMENTATION; PENALTIES.—

(1) IMPLEMENTATION.—The President may exercise all authorities provided to the President under sections 203 and 205 of the International Emergency Economic Powers Act (50 U.S.C. 1702 and 1704) to carry out this section. Not later than 60 days after issuing a license pursuant to this section, the President shall submit a copy of the license to the appropriate Members of Congress.

(2) PENALTIES.—A person that violates, attempts to violate, conspires to violate, or causes a violation of this section or any regulation, license, or order issued to carry out this section shall be subject to the penalties set forth in subsections (b) and (c) of section 206 of the International Emergency Economic Powers Act (50 U.S.C. 1705) to the same extent as a person that commits an unlawful act described in subsection (a) of that section 206.

(d) TERMINATION.—This section shall have no force or effect on the earlier of—

(1) the date that is 30 days after the date that the President reports to the appropriate Members of Congress that the threat described under section 2(a)(1) is no longer present; or

(2) the date that is 25 years after the date that the Secretary of the Treasury submits the final report required under section 2(a)(1).

SEC. 4. DEFINITIONS.

For purposes of this Act:

(1) APPROPRIATE MEMBERS OF CONGRESS.—The term "appropriate Members of Congress" means the Speaker and minority leader of the House of Representatives, the majority leader and minority leader of the Senate, the Chairman and Ranking Member of the Committee on Financial Services of the House of Representatives, and the Chairman and Ranking Member of the Committee on Banking, Housing, and Urban Affairs of the Senate.

(2) FINANCIAL INSTITUTION.—The term "financial institution" means a United States financial institution or a foreign financial institution.

(3) FOREIGN FINANCIAL INSTITUTION.—The term "foreign financial institution" has the meaning given that term in section 561.308 of title 31, Code of Federal Regulations.

(4) FUNDS.—The term "funds" has the meaning given to such term by the Secretary of the Treasury.

(5) IMMEDIATE FAMILY.—The term "immediate family" of any natural person means the following (whether by the full or half blood or by adoption):

(A) Such person's spouse, father, mother, children, brothers, sisters, and grandchildren.

(B) The father, mother, brothers, and sisters of such person's spouse.

(C) The spouse of a child, brother, or sister of such person.

(6) UNITED STATES FINANCIAL INSTITUTION.—The term "United States financial institution" has the meaning given the term "U.S. financial institution" under section 561.309 of title 31, Code of Federal Regulations.

PURPOSE AND SUMMARY

Introduced on January 26, 2023, by Representative French Hill, H.R. 554, the *Taiwan Conflict Deterrence Act of 2023*, would direct the Secretary of the Department of the Treasury, after delivery of a congressional notification pursuant to the *Taiwan Relations Act*, to submit to Congress a report identifying the financial institutions providing services to senior Chinese government officials. The bill would direct the Secretary to make the report public with a Chinese translation. In addition, the Secretary would be authorized to prohibit financial institutions from providing services to Chinese officials named in the report, as well as their immediate family members.

BACKGROUND AND NEED FOR LEGISLATION

Under the *Taiwan Relations Act*, the President is directed to promptly inform Congress of "any threat to the security or the social or economic system of the people on Taiwan and any danger to the interests of the United States arising therefrom." China's belligerence toward Taiwan has been on the rise. For example, in 2022, there were 1,737 aircraft of the People's Liberation Army tracked in violation of Taiwan's Air Defense Identification Zone, more than the previous three years combined. Taiwanese officials have also noted frequent Chinese surveillance balloon missions over the island. Director William Burns of the Central Intelligence Agency has testified that Chinese Communist Party Chairman Xi Jinping has ordered the military to be prepared for an invasion of Taiwan by 2027.

HEARING

Pursuant to clause 3(c)(6) of rule XIII, the following hearing was used to develop H.R. 554: The Committee on Financial Services held a hearing on February 7, 2023, titled "Combatting the Economic Threat from China."

COMMITTEE CONSIDERATION

The Committee on Financial Services met in open session on February 28, 2023, and ordered H.R. 554 to be reported favorably to the House as amended by a recorded vote of 41 ayes to 0 nays (Record vote no. FC–14), a quorum being present. Before the question was called to order the bill favorably reported, the Committee adopted an amendment in the nature of a substitute offered by Mr. Hill by voice vote.

COMMITTEE VOTES

Clause 3(b) of rule XIII of the Rules of the House of Representatives requires the Committee to list the record votes on the order to report legislation and amendments thereto. H.R. 554 was ordered reported favorably to the House as amended by a recorded vote of 41 ayes to 0 nays (Record vote no. FC–14), a quorum being present.

Record vote no. FC- 14

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. McHenry	X	___	___	Ms. Waters	X	___	___
Mr. Hill	X	___	___	Mrs. Velázquez	___	___	___
Mr. Lucas	___	___	___	Mr. Sherman	X	___	___
Mr. Sessions	X	___	___	Mr. Meeks	___	___	___
Mr. Posey	X	___	___	Mr. Scott	___	___	___
Mr. Luetkemeyer	X	___	___	Mr. Lynch	X	___	___
Mr. Huizenga	___	___	___	Mr. Green	X	___	___
Mrs. Wagner	X	___	___	Mr. Cleaver	___	___	___
Mr. Barr	X	___	___	Mr. Himes	___	___	___
Mr. Williams (TX)	___	___	___	Mr. Foster	X	___	___
Mr. Emmer	___	___	___	Mrs. Beatty	X	___	___
Mr. Loudermilk	X	___	___	Mr. Vargas	X	___	___
Mr. Mooney	X	___	___	Mr. Gottheimer	X	___	___
Mr. Davidson	X	___	___	Mr. Gonzalez	X	___	___
Mr. Rose	X	___	___	Mr. Casten	X	___	___
Mr. Steil	___	___	___	Ms. Pressley	X	___	___
Mr. Timmons	X	___	___	Mr. Horsford	X	___	___
Mr. Norman	X	___	___	Ms. Tlaib	X	___	___
Mr. Meuser	X	___	___	Mr. Torres	X	___	___
Mr. Fitzgerald	X	___	___	Ms. Garcia	X	___	___
Mr. Garbarino	___	___	___	Ms. Williams (GA)	X	___	___
Mrs. Kim	X	___	___	Mr. Nickel	X	___	___
Mr. Donalds	X	___	___	Ms. Pettersen	X	___	___
Mr. Flood	X	___	___				
Mr. Lawler	X	___	___				
Mr. Nunn	X	___	___				
Ms. De La Cruz	X	___	___				
Mrs. Houchin	X	___	___				
Mr. Ogles	X	___	___				

COMMITTEE OVERSIGHT FINDINGS

Pursuant to clause 3(c) of rule XIII of the Rules of the House of Representatives, the findings and recommendations of the Committee based on oversight activities under clause 2(b)(1) of rule X of the Rules of the House of Representatives, are incorporated in the descriptive portions of this report.

PERFORMANCE GOALS AND OBJECTIVES

Pursuant to clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the goal of H.R. 554 is to publicly identify financial institutions that provide services to senior Chinese government officials and authorize the Secretary of the Department of the Treasury to prohibit them from doing so in the future.

CONGRESSIONAL BUDGET OFFICE ESTIMATES

Pursuant to clause 3(c)(3) of rule XIII of the Rules of the House of Representatives, the following is the cost estimate provided by the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974.

H.R. 554, Taiwan Conflict Deterrence Act of 2023
As ordered reported by the House Committee on Financial Services on February 28, 2023

By Fiscal Year, Millions of Dollars	2023	2023-2028	2023-2033
Direct Spending (Outlays)	*	*	*
Revenues	*	*	*
Increase or Decrease (-) in the Deficit	*	*	*
Spending Subject to Appropriation (Outlays)	*	*	not estimated

Increases *net direct spending* in any of the four consecutive 10-year periods beginning in 2034?	No	Statutory pay-as-you-go procedures apply?	Yes
		Mandate Effects	
Increases *on-budget deficits* in any of the four consecutive 10-year periods beginning in 2034?	No	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	Yes, Under Threshold

* = between -$500,000 and $500,000.

NEW BUDGET AUTHORITY, ENTITLEMENT AUTHORITY, AND TAX EXPENDITURES

In compliance with clause 3(c)(2) of rule XIII of the Rules of the House of Representatives, the Committee adopts as its own the estimate of new budget authority, entitlement authority, or tax expenditures or revenues contained in the cost estimate prepared by the Director of the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1973.

FEDERAL MANDATES STATEMENT

Pursuant to section 423 of the Unfunded Mandates Reform Act, the Committee adopts as its own the estimate of the Federal mandates prepared by the Director of the Congressional Budget Office.

ADVISORY COMMITTEE STATEMENT

No advisory committees within the meaning of section 5(b) of the Federal Advisory Committee Act were created by this legislation.

APPLICABILITY TO LEGISLATIVE BRANCH

The Committee finds that the legislation does not relate to the terms and conditions of employment or access to public services or accommodations within the meaning of section 102(b)(3) of the Congressional Accountability Act.

EARMARK IDENTIFICATION

Pursuant to clause 9 of rule XXI of the Rules of the House of Representatives, the Committee has carefully reviewed the provisions of the bill and states that the provisions of the bill do not contain any congressional earmarks, limited tax benefits, or limited tariff benefits within the meaning of the rule.

DUPLICATION OF FEDERAL PROGRAMS

Pursuant to clause 3(c)(5) of rule XIII of the Rules of the House of Representatives, the Committee states that no provision of the bill establishes or reauthorizes a program of the Federal Government known to be duplicative of another Federal program, including any program that was included in a report to Congress pursuant to section 21 of the Public Law 111–139 or the most recent Catalog of Federal Domestic Assistance.

SECTION-BY-SECTION ANALYSIS OF THE LEGISLATION

Sec. 1: Short title

This Act may be cited as the "Taiwan Conflict Deterrence Act of 2023."

Sec. 2: Report on financial institutions and accounts connected to certain Chinese government officials

Under this section, the Secretary of the Department of the Treasury, after delivery of a congressional notification pursuant to the *Taiwan Relations Act*, would submit to Congress a report identifying the financial institutions providing services to senior Chinese government officials. The bill would direct the Secretary to make the report public with a Chinese translation.

Sec. 3: Prohibition on financial services for certain immediate family

Under this section, the Secretary would be authorized to prohibit financial institutions from providing services to Chinese officials named in the report, as well as their immediate family members.

Sec. 4: Definitions

This section codifies terms for (i) Appropriate Members of Congress, (ii) Financial Institution, (iii) Foreign Financial Institution, (iv) Funds, (v) Immediate Family, and (vi) United Sates Financial Institution.

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