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**House of Representatives**

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Dear Secretary Yellen,

We are writing to express our deep concern regarding Hong Kong’s increasing role as a financial hub for money laundering, sanctions evasion, and other illicit financial activities. In the wake of the National Security Law of 2020, which subjected Hong Kong to the rule of the Chinese Communist Party (CCP), Hong Kong has shifted from a trusted global financial center to a critical player in the deepening authoritarian axis of the People’s Republic of China (PRC), Iran, Russia, and North Korea. We must now question whether longstanding U.S. policy towards Hong Kong, particularly towards its financial and banking sector, is appropriate.

The United States has long afforded preferential treatment under the law to Hong Kong. Upon Hong Kong’s return to the PRC in 1997, the United States-Hong Kong Policy Act specified special status to treat [Hong Kong](#) separately from [Mainland China](#) for matters concerning trade [export](#) and economic control. This law allowed the United States to continue to fulfill its obligations to Hong Kong under international agreements regardless of PRC participation, with provisions that such status may be revoked were Hong Kong’s autonomy from the PRC to be degraded. While this policy was adhered to in the initial decades following Hong Kong’s handover, posture began to shift following the crackdown on pro-democracy protests beginning in 2019.

This shift was catalyzed following the CCP’s July 2020 imposition of the Hong Kong National Security Law, that effectively subjects Hong Kong to PRC control. PRC authorities can now act with near impunity in Hong Kong, setting new standards on civil liberties, legal proceedings, and judicial powers. The Beijing-controlled Hong Kong Legislative Council further expanded government and CCP control with the 2024 passage of Article 23, which grants new powers to investigate and prosecute vaguely defined offenses such as external interference and the endangerment of national security with punishment of up to life in prison.<sup>1</sup>

In response to these actions, the Secretary of State of both the current and former U.S. administration have declared, as outlined in the Hong Kong Policy Act, that Hong Kong lacks the promised degree of autonomy to justify treatment separate from that of the PRC.<sup>2</sup> These declarations have been further coupled with a slew of new U.S. policy. The Hong Kong Autonomy Act of 2020 directs the imposition of

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<sup>1</sup> <https://www.bbc.com/news/world-asia-china-68508694>

<sup>2</sup> <https://www.pbs.org/newshour/world/blinken-reaffirms-trump-era-ruling-on-hong-kong-autonomy>

sanctions on officials and entities in Hong Kong and the PRC that are deemed to be violating Hong Kong's autonomy, with explicit reference to financial institutions doing business with these persons or entities. Likewise, Executive Order 13936 gives the Departments of Treasury and State the authority to sanction foreign persons who threaten or undermine Hong Kong's autonomy, the revocation of Hong Kong's licenses under the Export Administration Regulations that are not available to the PRC, and the provision that Hong Kong be treated that same as the PRC by the Committee on Foreign Investment in the United States' annual reporting.

Related to these developments, Hong Kong Chief Executive John Lee, the city's top public official, stated in 2022 that the threat of U.S. sanctions is a "barbaric act," with "no legal basis," and the Hong Kong government's position is to "laugh off the so-called sanctions."<sup>3</sup> Statements and actions such as these may severely undermine confidence in Hong Kong's banking regulations and know-your-customer (KYC) rules, which were once considered reliable. The heightened risk of sanction evasion and potential abuse of the financial system underscore the need for greater scrutiny and diligence.

Your department has taken preliminary action against entities based in Hong Kong, where the city has now become a global leader in practices such as importing and re-exporting banned Western technology to Russia, creating front companies for purchasing barred Iranian oil, facilitating the trade of Russian-sourced gold, and managing "ghost ships" that engage in illegal trade with North Korea.<sup>4</sup> Recent research revealed, for example, that nearly 40 percent of goods shipped from Hong Kong to Russia in 2023 were on the US and EU list of 'common high priority items'—semiconductors and other technology that Russia most needs for its war in Ukraine.<sup>5</sup>

Given these escalating concerns, we request that the appropriate U.S. Treasury Department official brief the Select Committee on the current status of American banking relationships with Hong Kong banks, how our policies have shifted to account for the changes in Hong Kong's status and posture, and the measures the Treasury plans to implement to address these risks. Specifically, we are interested in understanding how the Treasury intends to further combat the facilitation of money laundering and sanctions evasion through Hong Kong's financial system.

Your leadership in this matter is crucial for safeguarding our financial system and upholding the integrity of international banking practices. We look forward to your response and any insights you can provide regarding the Treasury's strategies and actions related to this urgent issue.

Thank you for your attention to this important matter.

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<sup>3</sup> <https://hongkongfp.com/2022/10/11/hong-kongs-john-lee-laughs-off-us-sanctions-says-they-have-no-legal-basis-in-city/>

<sup>4</sup> <https://home.treasury.gov/news/press-releases/jy0851>; <https://home.treasury.gov/news/press-releases/jy2700>; <https://home.treasury.gov/news/press-releases/jy1435>; <https://home.treasury.gov/news/press-releases/jy2546>

<sup>5</sup> <https://www.theguardian.com/world/article/2024/jul/22/hong-kong-trade-hub-report>

Sincerely,



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John Moolenaar  
Chairman  
House Select Committee on the CCP



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Raja Krishnamoorthi  
Ranking Member  
House Select Committee on the CCP