

March 29, 2022

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
Washington, DC 20515

Dear Speaker Pelosi,

We write to you today to commend the quick action by the House to draft measures to hold the Russian Federation accountable for its war in Ukraine, and impose punitive sanctions on those responsible for this invasion, the brutal and needless loss of innocent lives, and destruction of a sovereign nation. While the House took swift action to remove Russia's PNTR status, more action is required. This includes sanctions legislation.

On March 17, the House Committee on Financial Services marked-up a handful of bills, taking aim at debt relief for Ukraine and punishment for Russia and its accomplice, Belarus. This tranche of bills touches on some key issues, but noticeably lacks high priority components that we sincerely believe belong in the final bills that come to the House floor.

First, the Russian sanctions package that comes to the House floor must address the urgent need to impose further -- and more serious -- capital markets sanctions against Russian companies trading and raising funds in our markets in a manner appearing to be "business as usual". For example, eight of Moscow's largest companies -- all sanctioned by the U.S. for the 2014 invasion of Crimea -- still remain in the investment portfolios of tens of millions of unwitting American retail investors, primarily through passive investment products, but also actively managed accounts.

What we must insist on in this correspondence is that Russian companies, particularly those traded in the Over-the-Counter (OTC) market, be deregistered and removed from our capital markets at once. Moreover, it should be made illegal for any U.S. persons worldwide to hold the securities (i.e., stocks *and bonds*) of Russian companies.

While the legislation passed out of the Committee would expand the scope of U.S. financial institutions that must comply with existing sanctions, place increased limits and responsibility on U.S. financial institutions, and stricter requirements regarding the conduct of their related entities when it comes to Russia and Belarus, the bill passed out of the Committee creates no new sanctions and fails to force the delisting and deregistering of Russian companies or mandatory divestment.

The bills passed out of the Committee should take the same approach as that already taken by the U.S. Government against investment in Chinese defense contractors and other malign influence companies in the surveillance technology and military civil fusion operations. U.S. financial firms and investors were forced to divest from dozens of these companies beginning in August.

To carry on this policy practice for other malign actors, we believe that if the U.S. is, for example, sanctioning bond purchases of Sberbank and banning the purchase of Russian oil and gas, then it makes no sense to allow American pension funds and other institutional investors and Wall Street "emerging market" investors to buy shares of these companies. This would also apply to the newly sanctioned Russian defense contractors that President Biden announced on March 24 in Europe. These sanctions are important, but must be matched by an all-out ban on investment in all Russian enterprises – especially those in the OTC market and included in ETFs.

We believe that more forceful measures are required to remove Russian companies from U.S. markets - not simply prohibitions on new debt and equity issuances, stricter definitions on which of our U.S. financial institutions are subject to sanctions compliance, or reliance on merely voluntary actions such as halts in trading or some removal of Russian companies from indices and select divestments by certain institutional investors.

Such actions to remove Russian securities from indexes, like the MSCI and FTSE-Russell indices, are today a voluntary matter. It means these sanctioned and other "bad actor" Russian companies can again be included in these indices and associated ETFs at a moment's notice. While the currently pending legislation seeks to broaden and strengthen the imposition and enforcement of sanctions throughout U.S. financial markets, Congress must act decisively so that these exclusions remain until U.S. policy concerns are drastically altered.

The House should therefore consider amending these efforts to include language that follows recent executive action from President Biden. Specifically, EO 14032:

The following activities by a United States person are prohibited: the purchase or sale of any publicly traded securities, or any publicly traded securities that are derivative of such securities or are designed to provide investment exposure to such securities.

The prohibition should apply to all companies domiciled in Russia, and/or owned or controlled by Russian officials or oligarchs. The prohibition would apply to U.S. persons purchasing in the United States or in foreign countries, and apply to institutional investors.

Second, the bills must also establish a mechanism by which secondary sanctions can be immediately imposed upon those countries, institutions, or individuals who assist Russia or Belarus directly or assist Russia or Belarus in evading U.S. sanctions or diluting their impact. While the extent of such foreign partner assistance is not fully known or realized yet, we believe the U.S. Government must have tools at the ready and clearly established thresholds for action should it be warranted.

Secondary sanctions legislation has been introduced in the Senate and we encourage the House to consider similar such measures to be included in a package for a floor vote, including the prompt removal from the U.S. capital markets of any offending, "sanctions-busting" foreign companies -- particularly Chinese enterprises -- that are publicly traded.

Again, we commend the House of Representatives for moving quickly to put in place measures holding both Russia and Belarus accountable for their unconscionable invasion of Ukraine and urge members to redouble their efforts towards this end.

Sincerely,



Zach Mottl, Chairman
Coalition for a Prosperous America



Michael Stumo, CEO
Coalition for a Prosperous America

Cc: The Honorable Kevin McCarthy, House Minority Leader
The Honorable Maxine Waters, House Financial Services Committee Chairwoman
The Honorable Gregory Meeks, House Foreign Affairs Committee Chairman
The Honorable Patrick McHenry, House Financial Services Committee Ranking Member
The Honorable Michael McCaul, House Foreign Affairs Committee Ranking Member