

*Periodic Report on the National Emergency
With Respect to the Threat From Securities Investments That Finance
Communist Chinese Military Companies*

I hereby report to the Congress on developments and expenditures relating to the national emergency declared in Executive Order (E.O.) 13959 of November 12, 2020, as amended by E.O. 13974 of January 13, 2021, with respect to the threat from securities investments that finance Communist Chinese military companies. In accordance with section 204(c) of the International Emergency Economic Powers Act (IEEPA), 50 U.S.C. 1703(c), this report covers actions taken in the exercise of national emergency authorities under IEEPA. It also covers expenses that are directly attributable to the exercise of those authorities, in accordance with section 401(c) of the National Emergencies Act (NEA), 50 U.S.C. 1641(c).

IEEPA Reporting (from November 12, 2020, through April 20, 2021)

1. On November 12, 2020, the President signed E.O. 13959, “Addressing the Threat From Securities Investments That Finance Communist Chinese Military Companies” (85 Fed. Reg. 73185, November 17, 2020). In E.O. 13959, the President found that the People’s Republic of China (PRC) is increasingly exploiting United States capital to resource and to enable the development and modernization of its military, intelligence, and other security apparatuses, which continues to allow the PRC to directly threaten the United States homeland and United States forces overseas. Through the national strategy of Military-Civil Fusion, the PRC increases the size of the country’s military-industrial complex by compelling civilian Chinese companies to support its military and intelligence activities. Those companies, though remaining ostensibly private and civilian, directly support the PRC’s military, intelligence, and security apparatuses. At the same time, those companies raise capital by selling securities to United States investors that trade on public exchanges both here and abroad, lobbying United States index providers and funds to include these securities in market offerings, and engaging in other acts to ensure access to United States capital.

The President further found that the PRC’s military-industrial complex, by directly supporting the efforts of the PRC’s military, intelligence, and other security apparatuses, constitutes an unusual and extraordinary threat to the national security, foreign policy, and economy of the United States. To deal with this threat, he declared a national emergency and prohibited certain transactions in publicly traded securities, or any securities that are derivative

of, or are designed to provide investment exposure to such securities, of any person determined to be a Communist Chinese military company, as defined in section 4(a) of E.O. 13959, by any United States person after certain dates. See Attachment A for a copy of E.O. 13959.

On January 13, 2021, the President signed E.O. 13974, “Amending Executive Order 13959—Addressing the Threat From Securities Investments That Finance Communist Chinese Military Companies” (86 Fed. Reg. 4875, January 19, 2021). In E.O. 13974, the President amended E.O. 13959 to, among other things, expand the definition of the term “transaction,” and revise the definition of the term Communist Chinese military company. E.O. 13974 also amended E.O. 13959 to prohibit possession of the covered securities by a U.S. person after certain dates. See Attachment B for a copy of E.O. 13974.

2. On January 8, 2021, the Department of the Treasury’s Office of Foreign Assets Control (OFAC) issued General License 1 – Authorizing Transactions Involving Securities of Certain Communist Chinese Military Companies.

On January 14, 2021, OFAC issued General License 2 – Authorizing Securities Exchanges Operated by U.S. Persons to Engage in Transactions Involving Securities of Communist Chinese Military Companies.

On January 27, 2021, OFAC issued General License 1A – Authorizing Transactions Involving Securities of Certain Communist Chinese Military Companies. See Attachment C for copies of General Licenses 1, 2, and 1A.

3. On December 28, 2020, OFAC made the “Non-SDN Communist Chinese Military Companies List” (the “NS-CCMC List”) available on the Department of the Treasury’s website. The NS-CCMC List contains the names of entities identified in or pursuant to E.O. 13959 as Communist Chinese military companies, along with additional identifying information.

On January 8, 2021, OFAC identified four subsidiary companies of Communist Chinese military companies and updated the NS-CCMC List on the Department of the Treasury’s website to more accurately reflect the country codes in the Equity Ticker column.

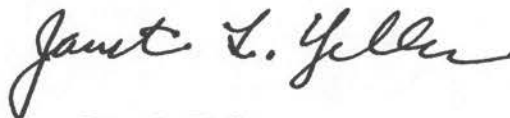
4. OFAC closed nine licensing cases (which may take the form of specific licenses, license amendments, “return-without-action” letters, general information letters, interpretive guidance letters, denial letters, closed without determination letters, or withdrawals). In addition, OFAC posted 17 Frequently Asked Questions (FAQs) on the Department of the Treasury’s website.

5. OFAC discussed this program during its numerous outreach events to the financial, securities, and international trade communities. Details of this program, including the NS-CCMC List and all the FAQs, are available on the Department of the Treasury's website.

NEA Reporting (from November 12, 2020, through May 12, 2021)

6. The expenses incurred by the federal government that are directly attributable to the exercise of powers and authorities conferred by the declaration of a national emergency with respect to the threat from securities investments that finance Communist Chinese military companies are reported to be approximately \$1.64 million, most of which represent wage and salary costs for federal personnel. Personnel costs were largely centered in the Department of the Treasury and the Department of State.

I shall continue to report periodically to the Congress on significant developments as required by law.



Janet L. Yellen

Department of the Treasury

Dated: May 12, 2021