

CHINA FINANCIAL THREAT MITIGATION ACT OF 2023

MAY 22, 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

R E P O R T

[To accompany H.R. 1156]

[Including cost estimate of the Congressional Budget Office]

The Committee on Financial Services, to whom was referred the bill (H.R. 1156) to require the Secretary of the Treasury to conduct a study and report on the exposure of the United States to the financial sector of the People's Republic of China, 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 “China Financial Threat Mitigation Act of 2023”.

SEC. 2. CHINA FINANCIAL THREAT MITIGATION.

(a) REPORT.—Not later than one year after the date of the enactment of this Act, the Secretary of the Treasury, in consultation with the Chairman of the Board of Governors of the Federal Reserve System, the Chairman of the Securities and Exchange Commission, the Chairman of the Commodity Futures Trading Commission, and the Secretary of State, shall conduct a study and issue a report on the exposure of the United States to the financial sector of the People's Republic of China that includes—

(1) an assessment of the effects of reforms to the financial sector of the People's Republic of China on the United States and global financial systems;

(2) a description of the policies the United States Government is adopting to protect the interests of the United States while the financial sector of the People's Republic of China undergoes such reforms;

(3) a description and analysis of any risks to the financial stability of the United States and the global economy emanating from the People's Republic of China; and

(4) recommendations for additional actions the United States Government, including United States representatives at relevant international organizations, should take to strengthen international cooperation to monitor and mitigate such financial stability risks and protect United States interests.

(b) TRANSMISSION OF REPORT.—The Secretary of the Treasury shall transmit the report required under subsection (a) not later than one year after the date of enactment of this Act to the Committees on Financial Services and Foreign Affairs of the House of Representatives, the Committees on Banking, Housing, and Urban Affairs and Foreign Relations of the Senate, and to the United States representatives at relevant international organizations, as appropriate.

(c) CLASSIFICATION OF REPORT.—The report required under subsection (a) shall be unclassified, but may contain a classified annex.

(d) PUBLICATION OF REPORT.—The Secretary of the Treasury shall publish the report required under subsection (a) (other than any classified annex) on the website of the Department of the Treasury not later than one year after the date of enactment of this Act.

PURPOSE AND SUMMARY

Introduced on February 24, 2023, by Representative Abigail Spanberger, the *China Financial Threat Mitigation Act of 2023* requires the Secretary of the Department of the Treasury to report to Congress on global economic risks emanating from the Chinese financial sector. The bill is necessary to better understand the governance, opacity, and potential instability of the Chinese financial system.

BACKGROUND AND NEED FOR LEGISLATION

H.R. 1156 results from previous bipartisan Committee discussions to require a Treasury report on financial stability risks emanating from China. Such risks have previously been addressed in the annual report of the Financial Stability Oversight Council, but in limited detail. Secretary Yellen has also addressed Chinese financial risks in response to Republican questioning before the Committee, particularly with respect to China’s real estate sector. Understanding these risks will help U.S. officials better evaluate overall risks to the global economy and work through such bodies as the IMF and Financial Stability Board to mitigate them.

HEARING

The Committee on Financial Services held a hearing examining matters relating to H.R. 1156 on February 7, 2023.

COMMITTEE CONSIDERATION

The Committee on Financial Services met in open session on February 28, 2023, and ordered H.R. 1156 to be reported favorably to the House as amended by a recorded vote of 40 ayes to 0 nays (Record vote no. FC–16), a quorum being present. Before the question to report was called, the Committee adopted an amendment in the nature of a substitute offered by Ms. Spanberger by voice vote.

COMMITTEE VOTES

Clause 2(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. 1156 was reported favorably to the House as amended by a recorded vote of 40 ayes to 0 nays (Record vote no. FC–16), a quorum being present.

Record vote no. FC- 16

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. McHenry	X	—	—	Ms. Waters	X	—	—
Mr. Hill	—	—	—	Mrs. Velázquez	X	—	—
Mr. Lucas	X	—	—	Mr. Sherman	—	—	—
Mr. Sessions	—	—	—	Mr. Meeks	—	—	—
Mr. Posey	X	—	—	Mr. Scott	—	—	—
Mr. Luetkemeyer	X	—	—	Mr. Lynch	—	—	—
Mr. Huelskamp	X	—	—	Mr. Green	X	—	—
Mrs. Wagner	X	—	—	Mr. Cleaver	—	—	—
Mr. Barr	—	—	—	Mr. Himes	—	—	—
Mr. Williams (TX)	X	—	—	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. Petersen	X	—	—
Mr. Flood	X	—	—				
Mr. Lawler	X	—	—				
Mr. Nunn	X	—	—				
Ms. De La Cruz	X	—	—				
Mrs. Houchin	X	—	—				
Mr. Ogle	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. 1156 is to better understand the governance, opacity, and potential instability of the Chinese financial system through a report to Congress from the Secretary of the Department of the Treasury on global economic risks emanating from the Chinese financial sector.

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.

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. 1156, China Financial Threat Mitigation 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)	0	0	0
Revenues	*	*	*
Increase or Decrease (-) in the Deficit	*	*	*
Spending Subject to Appropriation (Outlays)	*	1	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	
Increases on-budget deficits in any of the four consecutive 10-year periods beginning in 2034?	No	Mandate Effects	
		Contains intergovernmental mandate?	No
		Contains private-sector mandate?	No
* = between -\$500,000 and \$500,000.			

H.R. 1156 would require the Secretary of the Treasury, within one year of enactment, to study and report on the financial exposure of the United States and the global economy to changes in China's financial sector. The bill also would direct the Secretary to consult with the Board of Governors of the Federal Reserve Sys-

tem, the Securities and Exchange Commission, the Commodity Futures Trading Commission, and the Department of State for the study.

Using information about the cost of similar requirements, CBO estimates that implementing H.R. 1156 would cost federal agencies about \$1 million over the 2023–2024 period. Such spending would be subject to the availability of appropriated funds.

Costs incurred by the Federal Reserve reduce remittances to the Treasury, which are recorded in the budget as revenues. CBO estimates that the reduction in remittances attributable to implementing H.R. 1156 would not be significant over the 2023–2033 period.

FEDERAL MANDATES STATEMENT

This information is provided in accordance with section 423 of the Unfunded Mandates Reform Act of 1995.

The Committee has determined that the bill does not contain Federal mandates on the private sector. The Committee has determined that the bill does not impose a Federal intergovernmental mandate on State, local, or tribal governments.

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 the section 102(b)(3) of the Congressional Accountability Act.

EARMARK IDENTIFICATION

With respect to clause 9 of rule XIII 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

In compliance with 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: (1) a program of the Federal Government known to be duplicative of another Federal program; (2) a program included in any report from the Government Accountability Office to Congress pursuant to section 21 of Public Law 111–139; or (3) a program related to a program identified in the most recent Catalog of Federal Domestic Assistance, published pursuant to the Federal Program Information Act (Pub. L. No. 85–220, as amended by Pub. L. No. 98–169).

SECTION-BY-SECTION ANALYSIS OF THE LEGISLATION

Sec. 1: Short title

This Act may be cited as the “China Financial Threat Mitigation Act of 2023”.

Sec. 2: China financial threat mitigation

This section would require the Treasury Secretary to report to Congress, the U.S. Executive Director at the IMF, and the U.S. representative to the Financial Stability Board on global economic risks emanating from the Chinese financial sector within one year of enactment.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

H.R. 1156 does not repeal or amend any section of a statute. Therefore, the Office of Legislative Counsel did not prepare the report contemplated by clause 3(e)(1)(B) of rule XIII of the House of Representatives.