

IRAN TERROR FINANCE TRANSPARENCY ACT

JANUARY 11, 2016.—Ordered to be printed

Mr. ROYCE, from the Committee on Foreign Affairs,
submitted the following

R E P O R T

together with

ADDITIONAL AND DISSENTING VIEWS

[To accompany H.R. 3662]

[Including cost estimate of the Congressional Budget Office]

The Committee on Foreign Affairs, to whom was referred the bill (H.R. 3662) to enhance congressional oversight over the administration of sanctions against certain Iranian terrorism financiers, and for other purposes, having considered the same, reports favorably thereon without amendment and recommends that the bill do pass.

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BACKGROUND AND PURPOSE OF LEGISLATION

On July 14, 2015, the United States, negotiating alongside the United Kingdom, France, Germany, Russia, and China as the “P5+1” reached a “Joint Comprehensive Plan of Action” (JCPOA) with Iran. This final agreement asserts to limit Iran’s nuclear program to peaceful purposes, in exchange for broad relief from U.S., European Union (EU), and United Nations sanctions. A resolution sponsored by the United States to approve the deal and allow for the removal of U.N. sanctions was passed by the Security Council on July 20, 2015. The agreement’s “Adoption Day” was marked on October 18, 2015. The Obama administration asserted that the 90-day timeframe allowed for review of the JCPOA by Congress under the Iran Nuclear Agreement Review Act (P.L. 114–17) and for review by Iran and any other legislature of the other P5+1 states. On Adoption Day, the United States issued the provisional presidential waivers required to implement U.S. sanctions relief, with the waivers and associated sanctions relief to formally take effect on “Implementation Day.”

The Committee expects Implementation Day to take place within the next few weeks. Once it does, the United States, the U.N., and the EU will cease application of specific sanctions. The U.N. Security Council will terminate the provisions of its resolutions on Iran: 1696 (2006), 1737 (2006), 1747 (2007), 1803 (2008), 1835 (2008), 1929 (2010), and 2224 (2015).

Members of Congress have expressed concerns with the scale of the sanctions relief offered by the U.S. and its negotiating partners. The agreement lifts restrictions on arms sales to Iran after 5 years, and, after 8, removes restrictions on Iran’s ballistic missiles. Experts have testified in front of the Committee that Iran will likely use the financial windfall gained from sanctions relief to reinforce its “revolutionary” regime at home while bankrolling terrorist activity in the region, including Hamas and Hezbollah.

Iran’s ballistic missile program, in particular, has concerned Congress. Ballistic missiles are a central component of any country’s nuclear weapons program as they are the most effective way to deliver a nuclear warhead—no country that has not aspired to possess nuclear weapons has ever opted to sustain a lengthy and expensive missile program. Iran’s long-range ballistic missiles provide it the ability to target Israel as well as U.S. forces throughout the Middle East. Iran has been undertaking extensive efforts aimed at providing their long-range ballistic missile forces greater accuracy and range.

The 2013 interim agreement called for Iran to abide by all U.N. Security Council resolutions—which state that “Iran shall not undertake any activity related to ballistic missiles capable of delivering nuclear weapons.” In February 2014, U.S. negotiator Wendy Sherman testified that Iran’s ballistic missile program “is, indeed, going to be part of something that has to be addressed as part of a comprehensive agreement.” However, after the Supreme Leader called restrictions on Iran’s ballistic missiles “a stupid, idiotic expectation,” Deputy Secretary of State Antony Blinken testified that “The scope of this agreement, if there is one, is the nuclear program. That’s what our partners have agreed to. That is what is being negotiated. It is not a missile agreement.”

The final agreement provides Iran with substantial relief from sanctions on its ballistic missile program without requiring any limits on Iran's efforts to develop this dangerous technology. In what appears to be a last minute concession driven by Russia and China, after 8 years the agreement removes the ban on Iran developing ballistic missiles potentially capable of reaching the United States. Iran has conducted two ballistic missile tests in the wake of the deal, both in violation of a binding U.N. Security Council resolution. Iranian President Hassan Rouhani has recently ordered the defense ministry to accelerate Iran's missile program.

Iran will receive up to \$150 billion in funds and or assets held abroad. Such large-scale sanctions relief will allow the Iranian economy to recover and fund a new generation of terrorism and threats. The United States has designated Iran as a State Sponsor of Terrorism since 1984. The State Department report on international terrorism for 2013 stated that Iran "continued its terrorist-related activity" and describes Iran's support for key proxies including Hezbollah, Hamas, and the Assad regime as well as opposition militants in Bahrain and separatists in northern Yemen who recently toppled the country's government. Experts warn that Iran's significant support for Shia militias fighting ISIS in Iraq risks fueling sectarian tension. Similarly, Iran has used the Houthi advances in Yemen as an opportunity to advance its regional objectives by leveraging a Zaidi Shiite armed group, similar to its relationship with Shiite Hezbollah leaders in Lebanon. It also sees Yemen as a battlefield in its proxy war with Saudi Arabia, a long-time competitor for regional hegemony.

Within this context, the Obama administration made a political commitment to provide Iran relief from "nuclear related" sanctions using waivers and regulatory authority. Yet many sanctions related to Iran's nuclear program are also related to Iran's other destabilizing activities—including its support for international terrorism, its ballistic missile program, and its conventional weapons programs.

U.S. sanctions are also aimed at preventing the Iranian banks that use money laundering and other illicit financial practices to support terrorism and Iran's other destabilizing activities from accessing the U.S. and global financial systems. These illicit financial practices are so pervasive in Iran that since November 2011 the entire country has been designated as a "Jurisdiction of Primary Money Laundering Concern" by the U.S. Treasury Department.

In announcing the nuclear agreement, President Obama stated, "American sanctions on Iran for its support of terrorism, its human rights abuses, its ballistic missile program, will continue to be fully enforced." However, there is nothing in U.S. law to prevent the administration from lifting sanctions on those involved in these destructive activities.

In fact, under the deal, the Obama administration agreed to lift sanctions on a significant number of specific individuals, companies, and banks, some of which are engaged in Iran's support for terrorism and its ballistic missile program.

In response, this legislation is designed to block the President from offering sanctions relief to an individual or bank until certifying that such entity has not conducted a significant transaction with a terrorist organization, the Islamic Revolutionary Guard

Corps, or in support of either Iran’s ballistic missile or its conventional weapons programs.

It also prohibits the administration from lifting Iran’s designation as a “Jurisdiction of Primary Money Laundering Concern” until it certifies that the Government of Iran is no longer supporting terrorism, pursuing weapons of mass destruction and their means of delivery, or engaging in illicit financial activities.

The bill applies the Congressional Review Act to provide Congress the ability to disapprove of Iran-related changes to the Code of Federal Regulations. Finally, it clarifies that Iran’s proxies—Hezbollah, Hamas, and the Palestinian Islamic Jihad—are included in the definition terrorist organizations for the purposes of financial sanctions against Iran.

HEARINGS

During the 114th Congress, the Committee has continued its active oversight regarding Iran, including multiple hearings related to the content of 3662, such as:

- January 27, 2015—Full Committee: “Iran Nuclear Negotiations After the Second Extension: Where Are They Going?” The Honorable Eric S. Edelman, Distinguished Fellow, Center for Strategic and Budgetary Assessments; Mr. John Hannah, Senior Fellow, Foundation for Defense of Democracies; Mr. Ray Takeyh, Senior Fellow for Middle Eastern Studies, Council on Foreign Relations; and The Honorable Robert Einhorn, Senior Fellow, Foreign Policy Program, The Brookings Institution.
- February 11, 2015—Subcommittee on Terrorism, Nonproliferation, and Trade: “State Sponsor of Terror: The Global Threat of Iran.” Frederick W. Kagan, Ph.D., Christopher DeMuth Chair and Director, Critical Threats Project, American Enterprise Institute; Mr. Ilan I. Berman, Vice President, American Foreign Policy Council; Mr. Tony Badran, Research Fellow, Foundation for Defense of Democracies; and Daniel L. Byman, Ph.D., Professor, Security Studies Program, Edmund A. Walsh School of Foreign Service, Georgetown University.
- February 26, 2015—Joint Hearing: Subcommittee on the Middle East and North Africa and Subcommittee on Africa, Global Health, Global Human Rights, and International Organizations: “The Shame of Iranian Human Rights.” Mr. Shayan Arya, Central Committee Member, Constitutionalist Party of Iran (Liberal Democrat); Mr. Mohsen Sazegara, President, Research Institute on Contemporary Iran; Mr. Anthony Vance, Director, U.S. Baha’i Office of Public Affairs.
- March 18, 2015—Joint Hearing: Subcommittee on the Middle East and North Africa and Subcommittee on the Western Hemisphere: “Iran and Hezbollah in the Western Hemisphere.” Mr. Joseph Humire, Author; Mr. Dardo López-Dolz (former Vice Minister of Interior of Peru); Mr. Scott Modell, Senior Advisor, The Rapidan Group; and Mr. Michael Shifter, President, Inter-American Dialogue.
- March 19, 2015—Full Committee: “Negotiations with Iran: Blocking or Paving Tehran’s Path to Nuclear Weapons?” The Honorable Antony J. Blinken, Deputy Secretary of State, U.S. Department of State; Mr. Adam J. Szubin, Acting Under Sec-

- retary, Office of Terrorism and Financial Intelligence, U.S. Department of the Treasury.
- March 24, 2015—Subcommittee on the Middle East and North Africa: “Iran’s Noncompliance with Its International Atomic Energy Agency Obligations.” Mr. William H. Tobey, Senior Fellow, Belfer Center for Science and International Affairs, John F. Kennedy School of Government, Harvard University; Ms. Rebeccah L. Heinrichs, Fellow, George C. Marshall Institute; Mr. David Albright, Founder and President, Institute for Science and International Security.
- April 22, 2015—Full Committee: “Nuclear Agreement with Iran: Can’t Trust, Can We Verify?” Mr. Charles Duelfer, Chairman, Omnis, Inc. (former Chairman, UN Special Commission on Iraq [UNSCOM]); The Honorable Stephen G. Rademaker, National Security Advisor, Bipartisan Policy Center (former Assistant Secretary, Bureau of Arms Control & Bureau of International Security and Nonproliferation, U.S. Department of State.); Mr. David Albright, Founder and President, Institute for Science and International Security.
- June 2, 2015—Full Committee: “Americans Detained in Iran.” Mr. Ali Rezaian (brother of Jason Rezaian); Mrs. Naghmeh Abedini (wife of Saeed Abedini); Ms. Sarah Hekmati (sister of Amir Hekmati); Mr. Daniel Levinson (son of Robert Levinson).
- June 10, 2015—Joint Hearing: Committee on Foreign Affairs, Subcommittee on the Middle East and North Africa and Committee on Armed Services, Subcommittee on Strategic Forces: “Iran’s Enduring Ballistic Missile Threat.” Lieutenant General Michael T. Flynn, USA, Retired (former Director, Defense Intelligence Agency); The Honorable Robert Joseph, Ph.D., Senior Scholar, National Institute for Public Policy (former Under Secretary of State for Arms Control and International Security); David A. Cooper, Ph.D., James V. Forrestal Professor and Chair of the Department of National Security Affairs, U.S. Naval War College; Anthony H. Cordesman, Ph.D., Arleigh A. Burke Chair in Strategy, Center for Strategic and International Studies.
- June 16, 2015—Full Committee: “Advancing United States’ Interests at the United Nations.” The Honorable Samantha Power, U.S. Permanent Representative, United States Mission to the United Nations, U.S. Department of State.
- June 17, 2015—Subcommittee on the Middle East and North Africa: “The Iran, North Korea, and Syria Nonproliferation Act: State Department’s Non-Compliance.” Mr. Thomas Melito, Director, International Affairs and Trade, Government Accountability Office.
- July 9, 2015—Full Committee: “Implications of a Nuclear Agreement with Iran (Part I).” The Honorable Stephen G. Rademaker, Foreign Policy Project Advisor, Bipartisan Policy Center (former Assistant Secretary, Bureau of Arms Control & Bureau of International Security and Nonproliferation, U.S. Department of State); Michael Doran, Ph.D., Senior Fellow, Hudson Institute; Michael Makovsky, Ph.D., Chief Executive Officer, JINSA Germunder Center Iran Task Force; Kenneth M. Pollack, Ph.D., Senior Fellow, Center for Middle East Policy, The Brookings Institution.

- July 14, 2015—Full Committee: “Implications of a Nuclear Agreement with Iran (Part II).” The Honorable Joseph I. Lieberman, Co-Chair, Iran Task Force, Foundation for the Defense of Democracies (former United States Senator); General Michael V. Hayden, USAF, Retired, Principal, Chertoff Group (former Director, Central Intelligence Agency); The Honorable R. Nicholas Burns, Roy and Barbara Goodman Family Professor of Diplomacy and International Relations, Belfer Center for Science and International Affairs, John F. Kennedy School of Government, Harvard University (former Under Secretary for Political Affairs, U.S. Department of State); Ray Takeyh, Ph.D., Senior Fellow, Council on Foreign Relations.
- July 23, 2015—Full Committee: “Implications of a Nuclear Agreement with Iran (Part III).” The Honorable Robert Joseph, Ph.D., Senior Scholar, National Institute for Public Policy (former Under Secretary of State for Arms Control and International Security); Mr. Mark Dubowitz, Executive Director, Foundation for the Defense of Democracies; Mr. Ilan Goldenberg, Senior Fellow and Director, Middle East Security Program, Center for a New American Security.
- July 28, 2015—Full Committee: “Iran Nuclear Agreement: The Administration’s Case.” The Honorable John F. Kerry, Secretary of State, U.S. Department of State; The Honorable Jacob Lew, Secretary of the Treasury, U.S. Department of the Treasury; The Honorable Ernest Moniz, Secretary of Energy, U.S. Department of Energy.
- July 28, 2015—Joint Hearing: Subcommittee on Asia and the Pacific, Subcommittee on Terrorism, Nonproliferation, and Trade, and Subcommittee on the Middle East and North Africa: “The Iran-North Korea Strategic Alliance.” Mr. Ilan Berman, Vice President, American Foreign Policy Council; Ms. Claudia Rosett, Journalist-in-Residence, Foundation for Defense of Democracies; Larry Niksch, Ph.D., Senior Associate, Center for Strategic and International Studies; Jim Walsh, Ph.D., Research Associate, Security Studies Program, Massachusetts Institute of Technology.
- September 9, 2015—Full Committee: “Implications of a Nuclear Agreement with Iran (Part IV).” General Chuck Wald, USAF, Retired (former Deputy Commander, U.S. European Command; Admiral William Fallon, USN, Retired (former Commander, U.S. Central Command); Vice Admiral John Bird, USN, Retired (former Commander, U.S. Seventh Fleet); Mr. Leon Wieseltier, Isaiah Berlin Senior Fellow in Culture and Policy, Foreign Policy and Governance Studies, The Brookings Institution.
- September 17, 2015—Subcommittee on the Middle East and North Africa: “Major Beneficiaries of the Iran Deal: IRGC and Hezbollah.” Emanuele Ottolenghi, Ph.D., Senior Fellow, Foundation for Defense of Democracies; Matthew Levitt, Ph.D., Fromer-Wexler Fellow, Director, Stein Program on Counterterrorism and Intelligence, Washington Institute for Near East Policy; Suzanne Maloney, Ph.D., Interim Deputy Director, Center for Middle East Policy, The Brookings Institution.
- December 2, 2015—Full Committee: “Iran’s Islamic Revolutionary Guard Corps: Fueling Middle East Turmoil.” Mr. Ali Alfoneh,

Senior Fellow, Foundation for Defense of Democracies; Mr. Scott Modell, Managing Director, The Rapidan Group; Mr. Daniel Benjamin, Norman E. McCulloch Jr. Director, The John Sloan Dickey Center for International Understanding, Dartmouth College (former Ambassador-at-Large and Coordinator for Counterterrorism, U.S. Department of State).

PERFORMANCE GOALS AND OBJECTIVES

This bill blocks the administration from offering sanctions relief to any entity—a bank, business, or individual—included in the nuclear deal until the President certifies that they have not done business with a terrorist organization, Iran’s Islamic Revolutionary Guard Corps, or in support of either Iran’s ballistic missile or its conventional weapons programs. Performance goals associated with these objectives include, but are not limited to, the certification and delisting of persons or financial institutions includes no person or financial institution involved in Iran’s support for terrorism or ballistic missile development.

COMMITTEE CONSIDERATION

On January 7, 2015, the Foreign Affairs Committee marked up H.R. 3662 in open session, pursuant to notice. After debate, the bill was ordered reported favorably to the House by voice vote, a reporting quorum being present.

COMMITTEE OVERSIGHT FINDINGS

In compliance with clause 3(c)(1) of rule XIII of rules of the House of Representatives, the Committee reports that findings and recommendations of the Committee, based on oversight activities under clause 2(b)(1) of House Rule X, are incorporated in the descriptive portions of this report, particularly in the “Background and Purpose of Legislation” and “Section-by-Section Analysis” sections.

NEW BUDGET AUTHORITY, TAX EXPENDITURES, AND FEDERAL MANDATES

In compliance with clause 3(c)(2) of House Rule XIII and the Unfunded Mandates Reform Act (P.L. 104–4), the Committee adopts as its own the estimate of new budget authority, entitlement authority, tax expenditure or revenues, and Federal mandates contained in the cost estimate prepared by the Director of the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

U.S. CONGRESS,
 CONGRESSIONAL BUDGET OFFICE,
 Washington, DC, January 8, 2016.

Hon. EDWARD R. ROYCE, *Chairman,*
Committee on Foreign Affairs,
House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 3662, the Iran Terror Finance Transparency Act.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Pamela Greene, who can be reached at 226–2680.

Sincerely,

KEITH HALL.

Enclosure

cc: Honorable Eliot L. Engel
 Ranking Member

H.R. 3662—Iran Terror Finance Transparency Act.

As ordered reported by the House Committee on Foreign Affairs on January 7, 2016

SUMMARY

H.R. 3662 would amend current law to provide more congressional oversight over U.S. economic and trade sanctions. The bill would prohibit the President from removing certain sanctions unless specific certifications are provided to the Congress. In addition, H.R. 3662 would subject any changes to Iranian sanctions to the Congressional Review Act, which allows the Congress to review and disapprove of new agency rules.

Specifically, H.R. 3662 would require the administration to make certain certifications before it could remove sanctioned Iranian entities from U.S. lists of specially designated nationals and blocked persons and would expand the prohibited list of organizations under other sanctions. As a result of those requirements, CBO estimates that implementing H.R. 3662 would increase administrative costs of the Treasury Department by less than \$500,000 annually, subject to the availability of appropriations.

In addition, because of its possible effect on the removal of sanctions on Iran, H.R. 3662 could increase both revenues and associated direct spending. If the bill's requirement of Presidential certification had no effect on sanctions, there would be no budgetary effect. If, on the other hand, enacting the bill effectively nullified the Joint Comprehensive Plan of Action (JCPOA) related to Iran's nuclear activities, certain sanctions would continue in effect, and additional revenues (relative to CBO's baseline) from penalties for violations of those sanctions would amount to about \$220 million over the 2016–2025 period, CBO estimates. Most of those receipts would be spent, so direct spending also would increase, but by less than the revenues. On net, deficits over the 2016–2025 period would be reduced. However, CBO has no basis for a specific esti-

mate of those budgetary effects because it has no basis for projecting how the legislation might affect the timing of the possible waiver of sanctions under the JCPOA.

Because enacting the legislation could affect direct spending and revenues, pay-as-you-go procedures apply. CBO estimates that enacting H.R. 3662 would not increase net direct spending by more than \$5 billion and would not increase on-budget deficits in any of the four consecutive 10-year periods beginning in 2026.

BASIS OF ESTIMATE

On July 14, 2015, the JCPOA was agreed to by a number of parties, including negotiators from the United States and Iran. That agreement provides, in part, that under certain conditions Iran will receive relief from certain nuclear-related sanctions imposed by the United States. The United States currently imposes penalties for civil and criminal violations of some sanctions that would be waived under that agreement; collections of those amounts are recorded in the Federal budget as additional revenues. Some of the penalties from violating those sanctions are deposited into the United States Victims of State Sponsored Terrorism Fund and can be spent without further appropriation action.

Before the JCPOA is implemented, a number of actions must be taken, including verification by the International Atomic Energy Agency that Iran has taken certain steps related to its nuclear activities. In order to account for uncertainty surrounding the full implementation of the JCPOA, CBO assumes for its baseline that there is a 50-percent chance that, under current law, the JCPOA will be implemented and the sanctions related to Iran's nuclear program will be waived, most likely starting in the first half of calendar year 2016. That assumption is consistent with how CBO would treat the possibility of an agency implementing a notice of proposed rulemaking.

CBO has no basis for assessing whether and to what extent H.R. 3662 would slow the implementation of the JCPOA or whether the potential delay in the lifting of sanctions would entirely stop the implementation of the JCPOA. Hence, CBO has no basis for providing a specific estimate of the increases in revenues and direct spending that could occur under the legislation.

If H.R. 3662 delayed or halted the waiver of sanctions under the JCPOA, CBO expects that the revenues from collections of civil and criminal penalties would increase relative to baseline revenues for existing sanctions because penalties related to those sanctions would continue to be assessed and collected during that time. Also, CBO expects that some additional revenues might be received from penalties for activities associated with the expanded list of organizations with which transactions are prohibited.

In the event that the JCPOA was not implemented as a result of this legislation, CBO estimates that revenues from civil and criminal penalties would increase relative to the baseline, which incorporates a 50-percent chance that the related sanctions are waived, by roughly \$220 million over the 2016–2025 period. In that case, the associated direct spending would also increase by a smaller amount. In total, any net increase in revenues would exceed any direct spending effects over the 2016–2025 period.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 3662 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would not affect the budgets of state, local, or tribal governments.

ESTIMATE PREPARED BY

Federal Costs: Matthew Pickford
Federal Revenues: Pamela Greene
Impact on State, Local, and Tribal Governments: Jon Sperl
Impact on the Private Sector: Logan Smith

ESTIMATE APPROVED BY:

H. Samuel Papenfuss
Deputy Assistant Director for Budget Analysis

DIRECTED RULE MAKING

Pursuant to clause 3(c) of House Rule XIII, as modified by section 3(i) of H. Res. 5 during the 114th Congress, the Committee notes that H.R. 3662 contains no directed rule-making provisions.

NON-DUPLICATION OF FEDERAL PROGRAMS

Pursuant to clause 3(c) of House Rule XIII, as modified by section 3(g)(2) of H. Res. 5 during the 114th Congress, the Committee states that no provision of this bill establishes or reauthorizes a program of the Federal Government known to be duplicative of another Federal program, a program that was included in any report from the Government Accountability Office to Congress pursuant to section 21 of Public Law 111-139, or a program related to a program identified in the most recent Catalog of Federal Domestic Assistance.

CONGRESSIONAL ACCOUNTABILITY ACT

H.R. 3662 does not apply to terms and conditions of employment or to access to public services or accommodations within the legislative branch.

NEW ADVISORY COMMITTEES

H.R. 3662 does not establish or authorize any new advisory committees.

EARMARK IDENTIFICATION

H.R. 3662 contains no congressional earmarks, limited tax benefits, or limited tariff benefits as described in clauses 9(e), 9(f), and 9(g) of House Rule XXI.

CONSTITUTIONAL AUTHORITY STATEMENT

Pursuant to clause 3(d)(1) of rule XIII of the Rules of the House of Representatives, the Committee finds the authority for this legislation in article I, section 8 of the Constitution.

SECTION-BY-SECTION ANALYSIS

Section 1. Short Title.

This section provides that the short title of this Act is the “Iran Terror Finance Transparency Act.”

Section 2. Certification Requirement for Removal of Foreign Financial Institutions, Including Iranian Financial Institutions, from the List of Specially Designated Nationals and Blocked Persons.

As part of the Iran nuclear agreement’s “Joint Comprehensive Plan of Action,” the administration has committed to lifting sanctions against a number of foreign financial institutions. This section prohibits the President from lifting sanctions against these financial institutions until the President certifies to the appropriate congressional committees that the bank or financial institution has not conducted a significant transaction for, or on behalf of, Iran’s Revolutionary Guard Corps, a foreign terrorist organization, or anyone sanctioned in connection with Iran’s weapons of mass destruction and ballistic missile programs.

Section 3. Certification Requirement for Removal of Certain Foreign Persons from the List of Specially Designated Nationals and Blocked Persons.

As part of the Joint Comprehensive Plan of Action, the administration has committed to lifting sanctions against a number of persons and entities. This section prohibits the President from lifting sanctions against these persons or entities until the President certifies to the appropriate congressional committees that they have not conducted a significant transaction for, or provided material support to, a foreign terrorist organization, or anyone sanctioned in connection with Iran’s weapons of mass destruction and ballistic missile programs.

Section 4. Certification Requirement for Removal of Designation of Iran as a Jurisdiction of Primary Money Laundering Concern.

In November 2011, the United States designated the entire Iranian banking sector, including the country’s central bank, as a “primary money laundering concern.” This provision prohibits the President from removing the designation of Iran as a primary money laundering concern until the President certifies that Iran is no longer supporting terrorism, or pursuing weapons of mass destruction or illicit financial activities.

Section 5. Applicability of Congressional Review of Certain Agency Rulemaking related to Iran.

This provision allows the Congress to disapprove of any alterations to regulations governing Iran sanctions, and requires comprehensive reporting on licenses issued by the U.S. for activities in Iran.

Section 6. Prohibitions and Conditions with Respect to Certain Accounts Held by Foreign Financial Institutions.

This provision adds Hezbollah, Hamas, and Palestinian Islamic Jihad to the third-party financial sanctions contained in the Comprehensive Iran Sanctions, Accountability, and Divestment Act of

2010, explicitly sanctioning anyone doing business with these organizations.

Section 7. Definitions.

This section provides definitions of several key terms used throughout.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (new matter is printed in italics and existing law in which no change is proposed is shown in roman):

**COMPREHENSIVE IRAN SANCTIONS, ACCOUNTABILITY,
AND DIVESTMENT ACT OF 2010**

* * * * *

TITLE I—SANCTIONS

* * * * *

SEC. 104. MANDATORY SANCTIONS WITH RESPECT TO FINANCIAL INSTITUTIONS THAT ENGAGE IN CERTAIN TRANSACTIONS.

- (a) FINDINGS.—Congress makes the following findings:
 - (1) The Financial Action Task Force is an intergovernmental body whose purpose is to develop and promote national and international policies to combat money laundering and terrorist financing.
 - (2) Thirty-three countries, plus the European Commission and the Cooperation Council for the Arab States of the Gulf, belong to the Financial Action Task Force. The member countries of the Financial Action Task Force include the United States, Canada, most countries in western Europe, Russia, the People’s Republic of China, Japan, South Korea, Argentina, and Brazil.
 - (3) In 2008 the Financial Action Task Force extended its mandate to include addressing “new and emerging threats such as proliferation financing”, meaning the financing of the proliferation of weapons of mass destruction, and published “guidance papers” for members to assist them in implementing various United Nations Security Council resolutions dealing with weapons of mass destruction, including United Nations Security Council Resolutions 1737 (2006) and 1803 (2008), which deal specifically with proliferation by Iran.
 - (4) The Financial Action Task Force has repeatedly called on members—
 - (A) to advise financial institutions in their jurisdictions to give special attention to business relationships and transactions with Iran, including Iranian companies and financial institutions;

(B) to apply effective countermeasures to protect their financial sectors from risks relating to money laundering and financing of terrorism that emanate from Iran;

(C) to protect against correspondent relationships being used by Iran and Iranian companies and financial institutions to bypass or evade countermeasures and risk-mitigation practices; and

(D) to take into account risks relating to money laundering and financing of terrorism when considering requests by Iranian financial institutions to open branches and subsidiaries in their jurisdictions.

(5) At a February 2010 meeting of the Financial Action Task Force, the Task Force called on members to apply countermeasures “to protect the international financial system from the ongoing and substantial money laundering and terrorist financing (ML/TF) risks” emanating from Iran.

(b) SENSE OF CONGRESS REGARDING THE IMPOSITION OF SANCTIONS ON THE CENTRAL BANK OF IRAN.—Congress—

(1) acknowledges the efforts of the United Nations Security Council to impose limitations on transactions involving Iranian financial institutions, including the Central Bank of Iran; and

(2) urges the President, in the strongest terms, to consider immediately using the authority of the President to impose sanctions on the Central Bank of Iran and any other Iranian financial institution engaged in proliferation activities or support of terrorist groups.

(c) PROHIBITIONS AND CONDITIONS WITH RESPECT TO CERTAIN ACCOUNTS HELD BY FOREIGN FINANCIAL INSTITUTIONS.—

(1) IN GENERAL.—Not later than 90 days after the date of the enactment of this Act, the Secretary of the Treasury shall prescribe regulations to prohibit, or impose strict conditions on, the opening or maintaining in the United States of a correspondent account or a payable-through account by a foreign financial institution that the Secretary finds knowingly engages in an activity described in paragraph (2).

(2) ACTIVITIES DESCRIBED.—A foreign financial institution engages in an activity described in this paragraph if the foreign financial institution—

(A) facilitates the efforts of the Government of Iran (including efforts of Iran’s Revolutionary Guard Corps or any of its agents or affiliates)—

(i) to acquire or develop weapons of mass destruction or delivery systems for weapons of mass destruction; or

(ii) to provide support for organizations designated as foreign terrorist organizations under section 219(a) of the Immigration and Nationality Act (8 U.S.C. 1189(a)) or support for acts of international terrorism (as defined in section 14 of the Iran Sanctions Act of 1996 (Public Law 104–172; 50 U.S.C. 1701 note)), *including Hezbollah, Hamas, the Palestinian Islamic Jihad, and any affiliates or successors thereof*;

(B) facilitates the activities of—

(i) a person subject to financial sanctions pursuant to United Nations Security Council Resolution 1737

(2006), 1747 (2007), 1803 (2008), or 1929 (2010), or any other resolution that is agreed to by the Security Council and imposes sanctions with respect to Iran; or

(ii) a person acting on behalf of or at the direction of, or owned or controlled by, a person described in clause (i);

(C) engages in money laundering to carry out an activity described in subparagraph (A) or (B);

(D) facilitates efforts by the Central Bank of Iran or any other Iranian financial institution to carry out an activity described in subparagraph (A) or (B); or

(E) facilitates a significant transaction or transactions or provides significant financial services for—

(i) Iran's Revolutionary Guard Corps or any of its agents or affiliates whose property or interests in property are blocked pursuant to the International Emergency Economic Powers Act (50 U.S.C. 1701 et seq.); or

(ii) a person whose property or interests in property are blocked pursuant to that Act in connection with—

(I) Iran's proliferation of weapons of mass destruction or delivery systems for weapons of mass destruction; or

(II) Iran's support for international terrorism.

(3) PENALTIES.—The penalties provided for in subsections (b) and (c) of section 206 of the International Emergency Economic Powers Act (50 U.S.C. 1705) shall apply to a person that violates, attempts to violate, conspires to violate, or causes a violation of regulations prescribed under paragraph (1) of this subsection to the same extent that such penalties apply to a person that commits an unlawful act described in section 206(a) of that Act.

(4) DETERMINATIONS REGARDING NIOC AND NITC.—

(A) DETERMINATIONS.—For purposes of paragraph (2)(E), the Secretary of the Treasury shall, not later than 45 days after the date of the enactment of the Iran Threat Reduction and Syria Human Rights Act of 2012—

(i) determine whether the NIOC or the NITC is an agent or affiliate of Iran's Revolutionary Guard Corps; and

(ii) submit to the appropriate congressional committees a report on the determinations made under clause (i), together with the reasons for those determinations.

(B) FORM OF REPORT.—A report submitted under subparagraph (A)(ii) shall be submitted in unclassified form but may contain a classified annex.

(C) APPLICABILITY WITH RESPECT TO PETROLEUM TRANSACTIONS.—

(i) APPLICATION OF SANCTIONS.—Except as provided in clause (ii), if the Secretary of the Treasury determines that the NIOC or the NITC is a person described in clause (i) or (ii) of paragraph (2)(E), the regulations prescribed under paragraph (1) shall apply

with respect to a significant transaction or transactions or significant financial services knowingly facilitated or provided by a foreign financial institution for the NIOC or the NITC, as applicable, for the purchase of petroleum or petroleum products from Iran, only if a determination of the President under section 1245(d)(4)(B) of the National Defense Authorization Act for Fiscal Year 2012 (22 U.S.C. 8513a(d)(4)(B)) that there is a sufficient supply of petroleum and petroleum products produced in countries other than Iran to permit purchasers of petroleum and petroleum products from Iran to reduce significantly their purchases from Iran is in effect at the time of the transaction or the provision of the service.

(ii) EXCEPTION FOR CERTAIN COUNTRIES.—If the Secretary of the Treasury determines that the NIOC or the NITC is a person described in clause (i) or (ii) of paragraph (2)(E), the regulations prescribed under paragraph (1) shall not apply to a significant transaction or transactions or significant financial services knowingly facilitated or provided by a foreign financial institution for the NIOC or the NITC, as applicable, for the purchase of petroleum or petroleum products from Iran if an exception under paragraph (4)(D) of section 1245(d) of the National Defense Authorization Act for Fiscal Year 2012 (22 U.S.C. 8513a(d)) applies to the country with primary jurisdiction over the foreign financial institution at the time of the transaction or the provision of the service.

(iii) RULE OF CONSTRUCTION.—The exceptions in clauses (i) and (ii) shall not be construed to limit the authority of the Secretary of the Treasury to impose sanctions pursuant to the regulations prescribed under paragraph (1) for an activity described in paragraph (2) to the extent the activity would meet the criteria described in that paragraph in the absence of the involvement of the NIOC or the NITC.

(D) DEFINITIONS.—In this paragraph:

(i) NIOC.—The term “NIOC” means the National Iranian Oil Company.

(ii) NITC.—The term “NITC” means the National Iranian Tanker Company.

(d) PENALTIES FOR DOMESTIC FINANCIAL INSTITUTIONS FOR ACTIONS OF PERSONS OWNED OR CONTROLLED BY SUCH FINANCIAL INSTITUTIONS.—

(1) IN GENERAL.—Not later than 90 days after the date of the enactment of this Act, the Secretary of the Treasury shall prescribe regulations to prohibit any person owned or controlled by a domestic financial institution from knowingly engaging in a transaction or transactions with or benefitting Iran’s Revolutionary Guard Corps or any of its agents or affiliates whose property or interests in property are blocked pursuant to the International Emergency Economic Powers Act (50 U.S.C. 1701 et seq.).

(2) PENALTIES.—The penalties provided for in section 206(b) of the International Emergency Economic Powers Act (50 U.S.C. 1705(b)) shall apply to a domestic financial institution to the same extent that such penalties apply to a person that commits an unlawful act described in section 206(a) of that Act if—

(A) a person owned or controlled by the domestic financial institution violates, attempts to violate, conspires to violate, or causes a violation of regulations prescribed under paragraph (1) of this subsection; and

(B) the domestic financial institution knew or should have known that the person violated, attempted to violate, conspired to violate, or caused a violation of such regulations.

(e) REQUIREMENTS FOR FINANCIAL INSTITUTIONS MAINTAINING ACCOUNTS FOR FOREIGN FINANCIAL INSTITUTIONS.—

(1) IN GENERAL.—The Secretary of the Treasury shall prescribe regulations to require a domestic financial institution maintaining a correspondent account or payable-through account in the United States for a foreign financial institution to do one or more of the following:

(A) Perform an audit of activities described in subsection (c)(2) that may be carried out by the foreign financial institution.

(B) Report to the Department of the Treasury with respect to transactions or other financial services provided with respect to any such activity.

(C) Certify, to the best of the knowledge of the domestic financial institution, that the foreign financial institution is not knowingly engaging in any such activity.

(D) Establish due diligence policies, procedures, and controls, such as the due diligence policies, procedures, and controls described in section 5318(i) of title 31, United States Code, reasonably designed to detect whether the Secretary of the Treasury has found the foreign financial institution to knowingly engage in any such activity.

(2) PENALTIES.—The penalties provided for in sections 5321(a) and 5322 of title 31, United States Code, shall apply to a person that violates a regulation prescribed under paragraph (1) of this subsection, in the same manner and to the same extent as such penalties would apply to any person that is otherwise subject to such section 5321(a) or 5322.

(f) WAIVER.—The Secretary of the Treasury may waive the application of a prohibition or condition imposed with respect to a foreign financial institution pursuant to subsection (c) or section 104A or the imposition of a penalty under subsection (d) with respect to a domestic financial institution on and after the date that is 30 days after the Secretary—

(1) determines that such a waiver is necessary to the national interest of the United States; and

(2) submits to the appropriate congressional committees a report describing the reasons for the determination.

(g) PROCEDURES FOR JUDICIAL REVIEW OF CLASSIFIED INFORMATION.—

(1) IN GENERAL.—If a finding under paragraph (1) or (4) of subsection (c) or section 104A, a prohibition, condition, or penalty imposed as a result of any such finding, or a penalty imposed under subsection (d), is based on classified information (as defined in section 1(a) of the Classified Information Procedures Act (18 U.S.C. App.)) and a court reviews the finding or the imposition of the prohibition, condition, or penalty, the Secretary of the Treasury may submit such information to the court ex parte and in camera.

(2) RULE OF CONSTRUCTION.—Nothing in this subsection shall be construed to confer or imply any right to judicial review of any finding under paragraph (1) or (4) of subsection (c) or section 104A, any prohibition, condition, or penalty imposed as a result of any such finding, or any penalty imposed under subsection (d).

(h) CONSULTATIONS IN IMPLEMENTATION OF REGULATIONS.—In implementing this section and the regulations prescribed under this section, the Secretary of the Treasury—

(1) shall consult with the Secretary of State; and

(2) may, in the sole discretion of the Secretary of the Treasury, consult with such other agencies and departments and such other interested parties as the Secretary considers appropriate.

(i) DEFINITIONS.—

(1) IN GENERAL.—In this section:

(A) ACCOUNT; CORRESPONDENT ACCOUNT; PAYABLE-THROUGH ACCOUNT.—The terms “account”, “correspondent account”, and “payable-through account” have the meanings given those terms in section 5318A of title 31, United States Code.

(B) AGENT.—The term “agent” includes an entity established by a person for purposes of conducting transactions on behalf of the person in order to conceal the identity of the person.

(C) FINANCIAL INSTITUTION.—The term “financial institution” means a financial institution specified in subparagraph (A), (B), (C), (D), (E), (F), (G), (H), (I), (J), (M), or (Y) of section 5312(a)(2) of title 31, United States Code.

(D) FOREIGN FINANCIAL INSTITUTION; DOMESTIC FINANCIAL INSTITUTION.—The terms “foreign financial institution” and “domestic financial institution” shall have the meanings of those terms as determined by the Secretary of the Treasury.

(E) MONEY LAUNDERING.—The term “money laundering” means the movement of illicit cash or cash equivalent proceeds into, out of, or through a country, or into, out of, or through a financial institution.

(2) OTHER DEFINITIONS.—The Secretary of the Treasury may further define the terms used in this section in the regulations prescribed under this section.

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ADDITIONAL VIEWS

The House Committee on Foreign Affairs has compiled an enviable record of bipartisan legislation and oversight, especially with regard to security matters. The Committee embodies the spirit that “politics should end at the water’s edge.”

So I am disappointed that the Committee has approved H.R. 3662 on a purely partisan vote. The bill was drafted and introduced without consultation with or input from Democrats on the Committee or in the House.

In crafting legislation and conducting oversight in this Committee, I have made clear my views on the rogue regime in Iran. We were wrong to allow Iran to continue enriching during the talks that resulted in the JCPOA. This past September, I voted against the nuclear deal and I continue to believe the agreement is deeply flawed. I view the Iranian regime for what it is—the world’s leading state sponsor of terrorism and a destabilizing force across the Middle East.

But Congress had an opportunity to vote on the deal, and we lost. There weren’t enough votes to override a veto or even send a resolution of disapproval to the President. And the agreement now has gone into effect.

Now, I think that we have to work together on bipartisan legislation that will hold Iran’s feet to the fire on its nuclear program, and hold the regime accountable for its support of terrorism and other nefarious activities. And also to help our ally Israel with her legitimate security needs.

Unfortunately, the provisions of the bill would not accomplish its stated purpose of strengthening oversight of the Joint Comprehensive Plan of Action for Iran’s nuclear program. Instead, this is yet another attempt to undermine the deal, rather than to ensure Iran lives up to its word. So I don’t think it serves any purpose to take up a partisan bill like this that has the effect of killing the deal and leaving us with no clear path forward.

Fundamentally, the bill would impose conditions on carrying out the U.S. commitment under the JCPOA that could never be met. No President could ever certify that a person has never engaged in sanctionable activity, particularly the activity for which the person was sanctioned in the first place. But without such a certification, none of the persons specified in the JCPOA could be removed from our sanctions list.

Therefore, I oppose the bill. There is no shortage of good ideas of how to achieve our goals, and I am confident we can craft an effective bill and enact it with bipartisan support.

ELIOT L. ENGEL.

DISSENTING VIEWS

H.R. 3662 is unfortunately yet another example of unproductive partisan politics to undermine what is now established U.S. policy. This bill does not offer measures to strengthen our foreign policy towards Iran. Instead of approaching this issue in a bipartisan manner to propose effective sanctions that communicate U.S. security policy, H.R. 3662 is a political move that threatens to overturn an agreement that has already gone into effect. Instead, we should be working together across the aisle to develop measures that will improve our national security and strengthen our leverage with Iran and other countries trying to build up their nuclear arsenals. H.R. 3662 is a political gesture, not a bill designed to make us any safer.

WILLIAM KEATING.

I want to thank Chairman Royce, Ranking Member Engel, and my distinguished colleagues on the House Foreign Affairs Committee for all of the good work that we have done over the last year, which was typically done in a bipartisan fashion, respecting the order and process of our committee system. I share the feelings of many of my colleagues, including Ranking Member Engel, that H.R. 3662 stands out as an exception to our bipartisan efforts. Unfortunately, the bill was not drafted in the Foreign Affairs Committee, and no Democrats were consulted during the drafting of the bill. It faces a certain veto by the President. I had hoped that we could start 2016 by building on the bipartisanship that we achieved in passing the omnibus bill that will fund the needs of the American people. However, the lack of bipartisanship on H.R. 3662 has resulted in a bill that I and many of my Member colleagues are unable to support.

While I supported the Joint Comprehensive Plan of Action (JCPOA), I appreciate that many Members have reservations about the United States signing the JCPOA with Iran. I think we all agree Iran is the world's leading state sponsor of terrorism and a destabilizing force across the Middle East. As Ranking Member Engel noted, Congress had an opportunity to vote on the plan, and there weren't enough votes to override a veto or even send a resolution of disapproval to the President. The JCPOA is now being implemented and represents the best chance for a long-term resolution that effectively addresses our nuclear proliferation concerns. I stand ready to work with my colleagues on bipartisan legislation that will hold the Iranian regime accountable for its nuclear program, its support of terrorism, and other nefarious activities. As this process moves forward, it is important to reaffirm strong support for our ally, Israel, and its legitimate security needs.

ALAN S. LOWENTHAL.