Written Testimony
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House Committee on Foreign Affairs – "Preventing a Nuclear Iran"

INTRODUCTION

Chairman Royce, Ranking Member Engel, and distinguished members of the Committee, thank you for the opportunity to testify today on the Treasury Department's application of sanctions pressure as one part of the U.S. government's effort, coordinated with counterparts around the world, to counter the threat posed by Iran's nuclear and ballistic missile program. Our continued close collaboration with this Committee and your colleagues in Congress is essential to our success in addressing this threat.

As this Committee will appreciate, no issue is of greater concern or urgency than preventing Iran from obtaining a nuclear weapon. As the President recently warned, an Iran in possession of such a weapon would increase the risk of nuclear terrorism, undermine the global nonproliferation regime, trigger an arms race in the Middle East, and embolden a regime that has ruthlessly repressed its citizens.

That is why this Administration, from its first days in office, has tenaciously pursued a dual-track strategy that offers Iran a path to reclaim its place among the community of nations while making clear that we, along with our partners in the international community, would apply increasingly powerful and sophisticated sanctions on Iran if it continues to refuse to satisfy its international obligations with respect to its nuclear program. As we have repeatedly made clear, Tehran faces a choice: it can address the call of the international community to give up its nuclear ambitions and begin reintegrating itself diplomatically, economically and financially into the world community, or it can continue down its current path and face ever- growing isolation.

INCREASING PRESSURE ON IRAN

Since my last appearance before this Committee, the scope, intensity, and impact of U.S. sanctions on Iran have expanded through the enactment of legislation, the adoption of executive orders, and the energetic implementation and enforcement of the entire sanctions framework. These efforts have heightened the economic pressure and imposed a very significant strain on the Iranian regime.

Designating Iranian Banks and their Financial Partners

When I last appeared before the Committee, I described the Administration's extensive efforts to implement the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010

(CISADA). CISADA calls for the exclusion from the U.S. financial system any foreign financial institution that knowingly facilitates significant transactions or provides significant financial services for Iranian financial institutions designated in connection with Iran's nuclear or missile proliferation activity, or its support for international terrorism.

The mere fact that we have CISADA at our disposal has been sufficient to drive the overwhelming majority of banks away from business with Iran's designated banks, isolating those Iranian banks from the global financial system. To date we have employed this authority against two foreign banks, China's Bank of Kunlun and Iraq's Elaf Islamic Bank, for facilitating millions of dollars' worth of transactions for several designated Iranian banks. Were there any question about our willingness to apply CISADA sanctions, these actions clearly demonstrated that we will target sanctionable activity, wherever it may occur.

Targeting the Central Bank of Iran and Iran's Oil Revenues

Just over a year later, in December 2011, the President signed into law the National Defense Authorization Act for Fiscal Year 2012 (NDAA), which threatens CISADA-like consequences – that is, terminating or restricting correspondent account access to the U.S. – for foreign financial institutions that transact with the Central Bank of Iran (CBI) in a way not authorized by U.S. law. Significantly, the NDAA also marked a new phase in our sanctions campaign by targeting Iran's economic lifeblood: its oil exports.

The logic behind the measures in the NDAA is two-fold. First, it seeks to isolate the CBI from the international financial system – a step begun a month earlier when we designated the entire jurisdiction of Iran as a "primary money laundering concern" under Section 311 of the USA PATRIOT Act. These actions undercut the CBI's ability to facilitate the conduct of designated Iranian banks and to support Iran's illicit activities within Iran and abroad.

Second, because the CBI is the primary bank into which Iran receives oil payments, the NDAA intensifies economic pressure on the regime. To prevent Iran from benefiting from a spike in oil prices that might be caused by a rapid reduction of Iranian oil in the market, the NDAA was designed to encourage Iran's oil customers to undertake significant but incremental reductions in their Iranian oil imports, giving customers and alternative suppliers a measure of time to adjust and accommodate this reduction. This law – working in tandem with our efforts targeting Iran's access to the international financial system – has had an enormous impact on Iran's oil revenues.

Locking Up Iran's Oil Revenues

The impact of the NDAA was further enhanced by a powerful measure contained in the Iran Threat Reduction and Syria Human Rights Act of 2012 (TRA) that entered into effect on February 6, 2013. Under Section 504 of the TRA, any country that has received an NDAA "significant reduction" exception – meaning that its banks can pay Iran for its significantly reduced oil imports without risk of correspondent account sanctions – must now ensure that those revenues are used only to facilitate bilateral trade or humanitarian trade. Iranian oil-import revenue cannot be repatriated to Iran, transferred to a third country, or used to facilitate third-country trade, except for humanitarian purchases. This is a very powerful provision, as it effectively "locks up" Iranian revenues in the few countries that still buy Iranian oil and denies Iran the free use of its diminishing oil revenue.

Tightening the Sanctions Regime Through Executive Orders

To further enhance the pressure on Iran, the President in 2012 issued five executive orders targeting Iranian activity. I would like to highlight two in particular, that we have used to target Iran's efforts at sanctions evasion and to put further pressure on its energy exports.

In response to Iran's continued abuse of the financial sector, the President in February 2012 issued Executive Order (E.O.) 13599. Among other things, E.O. 13599 blocks all property of the Government of Iran, including the Central Bank of Iran, and allows us to impose sanctions on any person – Iranian or non-Iranian – who acts for or on behalf of the Iranian government, regardless of the type of activity. Under this executive order we imposed sanctions on a Greek businessman, Dmitris Cambis, and a group of front companies for using funds supplied by the Government of Iran to purchase oil tankers, and then disguising the origin of the Iranian oil transported on those vessels.

In July 2012, the President issued E.O. 13622, which enhances the NDAA by authorizing sanctions on foreign banks and persons that facilitate the activities of, or provide material support to, the National Iranian Oil Company (NIOC) or its energy-trading subsidiary, the Naftiran Intertrade Company (NICO), or that facilitate the acquisition – from any party – of Iranian petroleum, petroleum products, or petrochemicals. This authority also gives us the ability to target those who provide material support to the Central Bank of Iran or who sell gold to the Government of Iran. We have used this measure to important effect in our engagement with foreign partners, warning countries about the risk of undertaking this conduct and, we believe, deterring it.

Expanding Energy, Shipping, and Shipbuilding Sanctions

Last, I would like to discuss a new authority, the Iran Freedom and Counter-Proliferation Act of 2012 (IFCA), which was enacted in January 2013 and becomes fully effective on July 1, 2013. IFCA expands our existing sanctions by giving us new tools to target Iran's ports, energy, shipping, and shipbuilding sectors, as well as Iran's supply of certain metals and industrial materials. It also provides for additional sanctions on banks that transact with any designated Iranian entity, not just those designated for WMD proliferation, terrorism, or human rights abuses. To help ensure this new legislation has the greatest impact possible, we have conducted extensive outreach to foreign governments and companies to explain the ever-increasing risks that business, and financial transactions incident to that business, with Iran poses.

RECENT ADMINISTRATION ACTIONS

The pressure we have brought to bear on Iran is the result not only of the creation of additional authorities, but also the aggressive implementation of those authorities. Since the beginning of 2012, Treasury, in consultation with our interagency partners, particularly the Department of State, has imposed sanctions on 22 individuals and 54 entities, and has added almost 200 aircraft and ships to the sanctions list. I will briefly describe a few recent actions emblematic of our work to expose Iran's WMD proliferation activities, its sponsorship of international terrorism, its support to the brutal Assad regime, and its abuse of human rights.

WMD Proliferation

Disrupting and disabling Iran's WMD procurement networks and proliferation activities through the use of the counter-proliferation executive order, E.O. 13382, remains one of our primary objectives. Last week, for example, we designated an Iranian financial institution – the Iranian Venezuelan Bi-National Bank – as engaging in financial transactions on behalf of a previously designated Iranian bank. That brings to 28 the number of Iranian financial institutions that have been designated under either E.O. 13382 or the counter-terrorism executive order, E.O. 13224. Notably, each of these designated Iranian-linked financial institutions can trigger CISADA sanctions, meaning that any foreign financial institution that knowingly facilitates significant transactions for any of these 28 financial institutions risks losing its access to the U.S. financial system.

This action follows the designations of some fifteen entities in November and December of last year that targeted the international procurement operations of Iran's Atomic Energy Organization of Iran (AEOI), the Iran Centrifuge Technology Company (TESA), and Iran's uranium enrichment efforts. Actions taken under E.O. 13382 build upon the hundreds of Iran-related designations we have made under this authority over the past eight years.

Terrorism

As we focus on Iran's WMD programs, we remain mindful that Iran is still the world's foremost state sponsor of international terrorism, in particular through its Islamic Revolutionary Guard Corps-Qods Force (IRGC-QF). Iran continues to provide financial and military support to several terrorist organizations, including Lebanese Hizballah, which is responsible for the bombing last summer of a tourist bus in Burgas, Bulgaria.

In November 2012 we exposed a senior IRGC-QF officer and senior official of the Iraqi terrorist group Kata'ib Hizballah (KH), which is backed by the IRGC-QF and whose training has been coordinated with Lebanese Hizballah in Iran. KH is responsible for a rocket attack that killed two UN workers in Baghdad and for numerous other acts of violence in Iraq. Treasury also maintains vigilant watch over the activities of al-Qa'ida operatives working out of Iran in an effort to expose and isolate them. In October 2012, for example, we designated a key facilitator for al-Qa'ida, the latest in a series of actions exposing some half a dozen members of al-Qa'ida operating in Iran, under an agreement between Iran and al-Qa'ida.

Syria

Iran's financial, material and logistical support for the Assad regime's brutal campaign of violence against its own citizens also remains an area of intensive focus. Last year the President exposed the IRGC-QF for its support to the Syrian General Intelligence Directorate – a key instrument of Assad's repression – in the Annex to E.O. 13572, which targets those responsible for human rights abuses in Syria. We have also taken action under this authority against the IRGC-QF's commander Qasem Soleimani and his deputy, as well as the Iranian Ministry of Intelligence and Security, Iran's primary intelligence organization. As part of the effort to expose Iran's role in abetting Assad's atrocities, Treasury has also targeted Iran's national police, the Law Enforcement Forces, along with its chief Ismail Ahmadi Moghadam and his deputy, which have also aided the Syrian regime's crackdown.

Iran's support to the Assad regime also is clearly reflected in Hizballah's aid to the Assad regime. As we observed last year when we designated Hizballah and its leadership for providing support to the Government of Syria under E.O. 13582, Iran has long provided Hizballah with military, financial, and organizational assistance. Iran's IRGC-QF has led these efforts, working with Hizballah to train Syrian government forces and establish and equip a pro-Assad militia in Syria that has filled critical gaps in Syria's military.

We also continue to focus on Syria and Iran's ongoing proliferation activities. Last year, for instance, we sanctioned Iran's SAD Import Export Company under E.O. 13382 for acting on behalf of Iran's Defense Industries Organization, itself sanctioned under this authority, for shipping arms to the Syrian military and supplying goods for the production of mortars.

Human Rights

The people of Syria are only the latest to suffer from Iran's wanton disregard for human rights. Its own citizens, as we have witnessed for decades, continue to bear the brunt of the regime's abuses. Under E.O. 13553, Treasury and State have the authority to sanction Iranian officials who are responsible for or complicit in serious human rights abuses against the people of Iran on or after June 12, 2009. This executive order complements other authorities in CISADA, the TRA, and EO 13628 that target persons who transfer goods or technology likely to be used in serious human rights abuses or that have engaged in censorship activities against the people of Iran.

Under E.O. 13628, we recently sanctioned the Islamic Republic of Iran Broadcasting and its managing director, the Iranian Cyber Police, and nearly a dozen other entities and individuals for their involvement in abusing the human and democratic rights of Iran's citizens. We continue to keep close watch on events in Iran, especially as the upcoming presidential elections draw near, and will not hesitate to expose those who deny the Iranian people their democratic and human rights.

Sanctions Evasion

As Iran is turned away from reputable international financial institutions and partners, it increasingly relies on deception and concealment to evade international sanctions to meet its financial needs. We have worked tirelessly to expose those who aid these efforts. In May 2012 the President issued E.O. 13608, which allows us to target those who facilitate Iran's evasion of sanctions. And last month under our WMD proliferation authority E.O. 13382, the Administration exposed a major network run by Iranian businessman Babak Zanjani, including banks in Malaysia and Tajikistan, that helped move billions of dollars on behalf of the Iranian regime, including tens of millions of dollars to an IRGC company.

IMPACTS ON IRAN

The international sanctions regime – of which our sanctions are just one, albeit very important, part – has had a significant effect on key sectors of the Iranian economy, as well as on the Iranian economy as a whole. More importantly, these economic effects have had an impact on Iran's leadership. Perhaps the clearest evidence of this comes from the recent negotiating sessions in Almaty, Kazakhstan. During those meetings, the Iranian side sought sanctions relief in exchange for concessions on their nuclear program. They would not have done so had the impact of sanctions not affected their calculus.

Petroleum Sector Impacts

U.S. and EU sanctions on Iran's petroleum sector have been particularly powerful. Of the more than twenty countries that imported oil when the NDAA went into full effect on June 30, 2012, only a handful continue to do so today. Iran's crude oil and condensate exports have dropped by roughly 1.3 million barrels per day, or some 50%, between the enactment of the NDAA and early 2013. The EU's decision to ban the import of oil into Europe, effective in mid-2012, contributed in no small part to this fall. These lost sales cost Iran between $3 billion and $5 billion a month. Iran's petrochemical exports have also been hit, decreasing by at least 7.6 percent in 2012 from the previous year.

Shipping Sector Impacts

As our authorities have expanded to encompass Iran's petroleum sector, we have also used them to target Iran's ability to export its primary commodity. Under E.O. 13599, we sanctioned Iran's primary crude shipper, the National Iranian Tanker Company (NITC), over two dozen of its affiliates and over 60 of its vessels. Like the Islamic Republic of Iran Shipping Lines (IRISL), which our sanctions have largely driven out of business, NITC has sought to deceive the world maritime community, by changing the names of its vessels, turning off its transponders and engaging in ship-to-ship transfers to obscure the origin of Iranian oil. While these evasion efforts may work for a short while, they are not sustainable and are eventually detected, as last week's action against the Cambis network's Sambouk Shipping FZC clearly demonstrates.

Economic Impacts

As Iran finds it increasingly difficult to earn revenue from petroleum sales and to conduct international financial transactions, Iran's economy has been severely weakened. Iran's own economic mismanagement has only exacerbated these effects.

Take, for instance, the broadest measure of Iran's economic activity, its gross domestic product (GDP). Treasury assesses that in 2012 Iran's GDP fell by some 5 to 8 percent – the largest drop since 1988, the final year of the Iran-Iraq war, and the first contraction in twenty years. This decline has impacted the Government of Iran's budget, causing it to run in 2012 its largest deficit

in 14 years, which could amount to some 3 percent of GDP. We believe Iran's GDP will continue to shrink in 2013 in the face of reduced government and consumer spending and declining oil exports, as well as the ramping up of additional sanctions.
Iran's economic contraction is manifest in its recent budget bill, which projects almost 40 percent less oil revenue than did the previous year's budget law. To help make up the shortfall, Iran's parliament is currently considering tax increases of some 38 percent. And in March, Iran's Supreme Audit Court released figures showing that for the first nine months of the Iranian year only 53 percent of projected budget revenues had been realized.

We have also begun to see the impact of the bilateral trade restriction in Section 504 of the TRA, which went into effect in February. This measure has limited Iran's access to its foreign exchange reserves and impeded the Government of Iran's ability to support the rial. Supported by our extensive outreach efforts, this powerful provision is rendering Iran's reserves increasingly inaccessible.

Iran's currency also has been hit hard. At the beginning of 2012, one U.S. dollar purchased 16,000 rials in the open market. As of April 30 of this year, one dollar was worth about 36,000 rials. (See Chart 1, appended.) The open market value of the rial has lost over two-thirds of its value in the last two years.

Faced with a rapidly depreciating rial, in September 2012 the Central Bank of Iran established a Currency Trading Center (CTC) to allocate foreign exchange for certain preferred imports at a preferential rate of about 24,000 rials to the dollar. Apparently faced with dwindling supplies of hard currency, just a few weeks ago the CBI substantially limited the list of imported goods that qualified for the CTC's preferential rate.

Inflation, partly due to the volatility and depreciation of the rial, is another telling metric. As of April 20, 2013, the official Statistics Center of Iran twelve-month average inflation rate was approximately 30 percent, while the point-to-point inflation rate was nearly 39 percent. Independent analysis suggests the actual inflation rate is significantly higher.

These figures become increasingly stark when we compare Iran to its neighbors or similarly situated countries. Compared to groupings of countries in the Middle East and Africa, Iran's stock of foreign capital, as measured by the Bank of International Settlements, is down 57 percent for the two-year period ending December 2012, representing a reduction in lending of some $9.5 billion. This figure contrasts with a 13 percent increase in BIS banks' lending exposure to all developing countries. (See Chart 2, appended.) This shortage of capital is at least one reason why Iran's automobile sector is now encountering significant difficulties, manufacturing at some 50 percent of nominal capacity and facing substantially reduced exports.

<u>Claimed Impact on Humanitarian Trade</u>

There have been some reports of shortages of some medicines in Iran, and that some banks may be reluctant to process payments for the export of pharmaceuticals and other humanitarian goods to Iran. At the same time, however, we have also been told by major pharmaceutical companies that they are able to deliver their products to Iran and receive payment.

Regardless of this discrepancy, we take this issue very seriously. President Obama has made clear that we have nothing but respect for the people of Iran. The goal of our sanctions on Iran is to expose and impede the Iranian government's continued pursuit of its nuclear and ballistic missile programs, and to help persuade the Iranian leadership that its only viable choice is to come into compliance with its international obligations.

That is why it has been the longstanding policy of the United States to allow the export to Iran of humanitarian items, such as food, medicine, and medical devices. Our sanctions broadly authorize the sale and export to Iran of nearly all types of food and medicines, as well as basic medical supplies. No special permission is required to sell these humanitarian goods to Iran. And foreign financial institutions can facilitate these permissible humanitarian transactions, as long as the transaction does not involve a U.S.-designated entity, such as a bank sanctioned for supporting Iran's nuclear program.

To allay any concerns or misunderstandings, several months ago Treasury's Office of Foreign Assets Control (OFAC) published detailed guidance clarifying our long-standing policies regarding humanitarian assistance and related exports to the Iranian people. I encourage anyone concerned about this issue to read OFAC's guidance, which is appended to this testimony. Moreover, we and our colleagues in the State Department have met with governments, banks, and pharmaceutical exporters in Europe and Asia to ensure that they understand the reach and limits of our sanctions.

So let's be clear about this issue. Whatever shortages may exist, and whatever reluctance foreign banks may have to process transactions, the root cause is not our sanctions programs, it is the actions of the Iranian government.

This fact is perhaps best illustrated by a recent incident involving Iran's former Health Minister, Marzieh Vahid Dastjerdi. Late last year, Minister Dastjerdi publicly complained that the Iranian Central Bank had failed to provide the Health Ministry with the $2.4 billion in hard currency that had been budgeted for the Ministry's import of medicines and medical devices. Instead, the Central Bank made only $600 million – a quarter of the budgeted amount – available to the Ministry. Pointing out that short-changing the Health Ministry so drastically would threaten shortages of medicines and medical devices, the Health Minister objected. Instead of heeding her warnings, the Ahmadinejad government fired Minister Dastjerdi.

And to the extent that foreign banks may be reluctant to facilitate permissible transactions with Iran, that too is due to the actions of the Iranian government. It is by now well-established that Iranian banks have abused their access to the international financial system by deceiving their banking counterparties about the true nature of the transactions in which they engage by hiding transactions that facilitate Iran's nuclear and ballistic missile program among otherwise legitimate transactions. This has led many foreign banks to restrict, if not terminate entirely, their interactions with Iranian banks. It is thus entirely understandable that foreign banks that maintain relationships with Iranian banks may nonetheless be wary about facilitating otherwise permissible transactions.

NEXT STEPS

Despite our success in increasing pressure on Iran, we have yet to see the regime change its fundamental strategic calculus regarding its nuclear program. Nonetheless, the Administration remains convinced that sanctions pressure has an important role to play in helping to bring about a negotiated resolution. Accordingly, our commitment to the dual-track strategy – and to applying ever more effective and potent economic and financial pressure on Iran – has never been greater. We look forward to continuing to work with Congress on this endeavor.

Let me briefly share with you some thoughts on where we go from here.

Increasing Iran's Isolation

First, we will continue to identify ways to isolate Iran from the international financial system. We will do so by maintaining our aggressive campaign of applying sanctions against individuals and entities engaged in, or supporting, illicit Iranian activities and by engaging with the private sector and foreign governments to amplify the impact of these measures. As part of this effort we will also target Iran's attempts to evade international sanctions through the use of non-bank financial institutions, such as exchange houses and money services businesses. And we will explore new measures to expand our ability to target Iran's remaining links to the global financial sector.

In particular, we are looking carefully at actions that could increase pressure on the value of the rial. In that connection, we will continue to actively investigate any sale of gold to the Government of Iran, which can be used to prop up its currency and to compensate for the difficulty it faces in accessing its foreign reserves. We currently have authority under E.O. 13622 to target those who provide gold to the Iranian government and, as of July 1, IFCA will expand that authority to target for sanctions the sale of gold to or from *anyone* in Iran for any purpose.

Targeting Additional Sources of Revenue

Second, we will continue to target Iran's primary sources of export revenue. In addition to oil and petroleum products, Iran exports substantial volumes of petrochemicals. Current authorities allow us to target those who purchase or acquire these commodities, as well as the financial institutions that facilitate these transactions. We believe targeting these actors, as well as those on the supply side of the equation in Iran, may offer a meaningful opportunity to gain additional leverage.

Engaging with International Partners

Third, with State, we will maintain our robust engagement and outreach efforts to foreign governments and the private sector. Treasury regularly meets with foreign officials and financial institutions to explain our sanctions, to warn them of the risks of doing business with Iran, and to encourage them to take complementary steps. In response, we have seen jurisdictions and companies the world over respond positively to these overtures, multiplying the force of our sanctions many times over. As we have for CISADA and the NDAA, we have already begun to engage with foreign countries, banks, and businesses on the implications of IFCA, and will continue to do so as we move forward in our implementation of this important legislation.

Aggressive Enforcement

The Administration campaign to target Iran's proliferation networks, support for terrorism, sanctions evasion, abuse of human rights, and complicit financial institutions is without precedent. It will only continue and grow more robust as Iran's failure to meet its international obligations persists. As I believe we have amply demonstrated, we are relentless in pursuing those who facilitate Iran's illicit conduct or otherwise enable the regime. That will continue unabated.

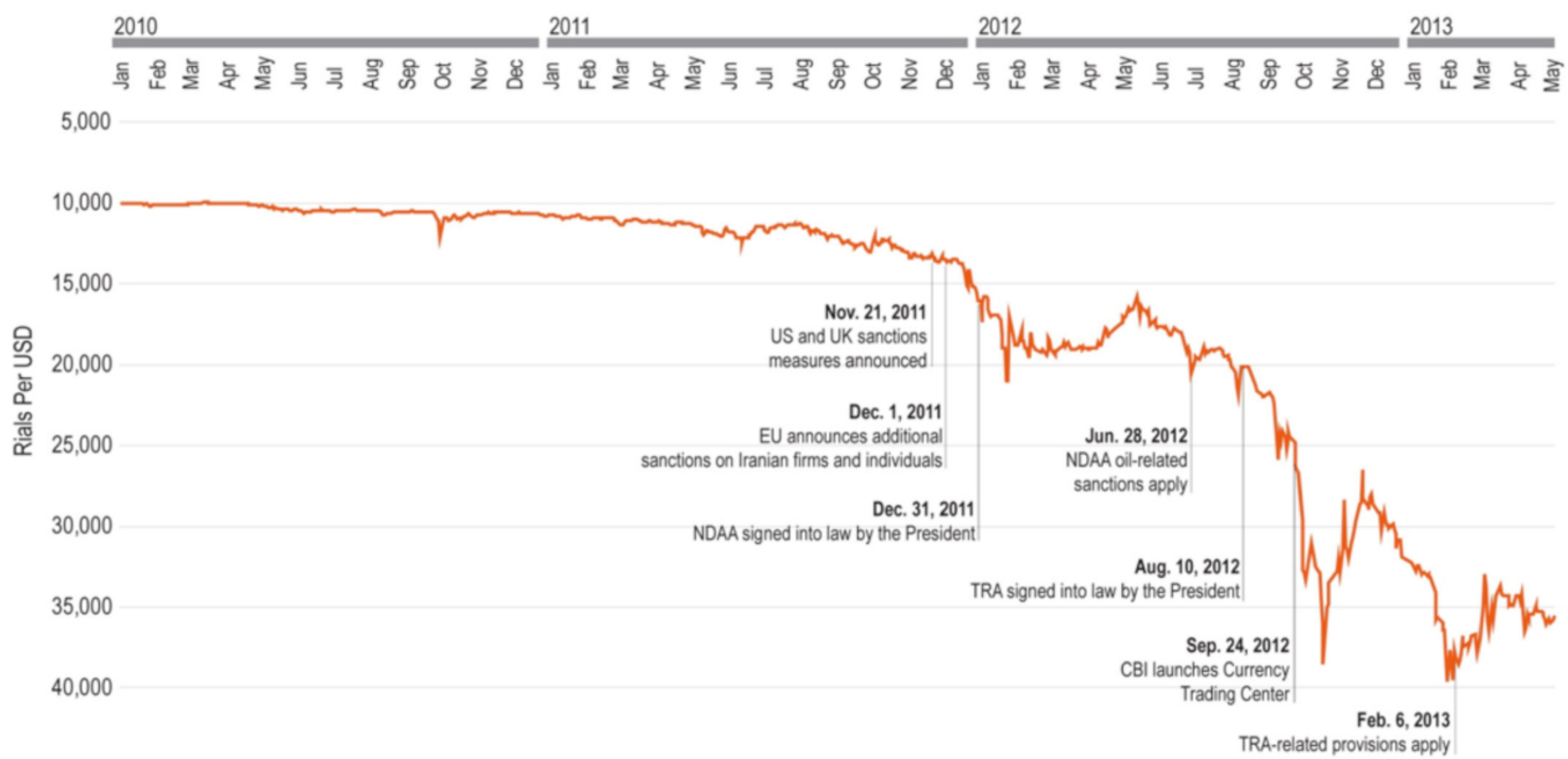
CONCLUSION

Despite our efforts to isolate and pressure Iran, we know there is far more to do.

As Secretary Lew has said, "We will exhaust all diplomatic and economic means we can." What remains to be seen, he noted, is whether this will "change the mind of the regime so that it [is] ready to, in a diplomatic process, give up the pursuit of nuclear weapons. That is the goal."

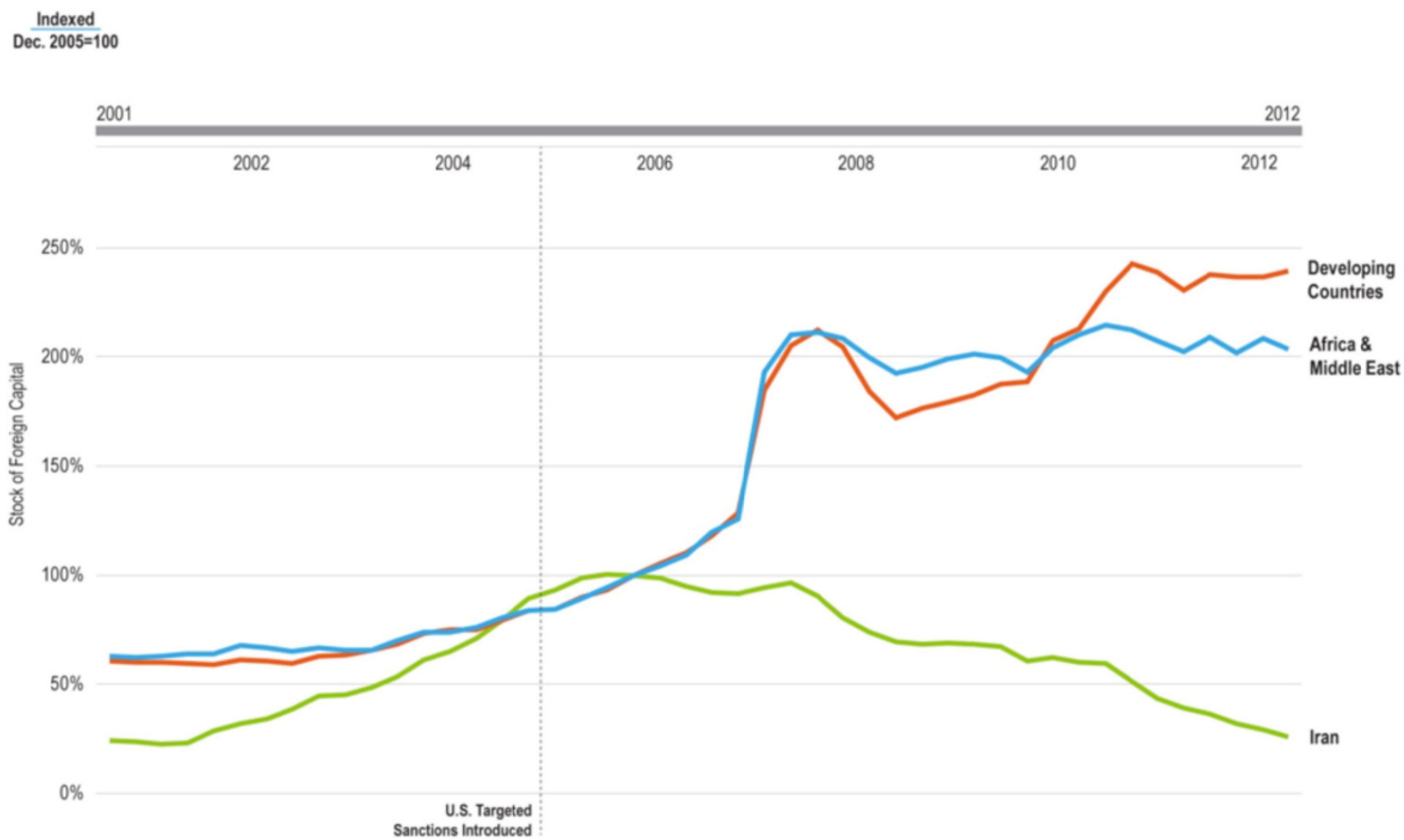
I know this Committee shares this objective, and I look forward to working with you and your colleagues in the Congress to advance our efforts to achieve it.

Currency Sharply Weaker Over Last Two Years



Source: Foreign Press

Foreign Capital Shuns Iran as Sanctions Bite



Source: Bank for International Settlements (BIS). Includes data provided by banks in 43 BIS reporting countries, which do not include China and Russia.
Note: Data through December 2012

DEPARTMENT OF THE TREASURY

OFAC

Office of Foreign Assets Control

Clarifying Guidance

Humanitarian Assistance and Related Exports to the Iranian People

This guidance is provided purely for informational purposes and does not have the force of law. The legal provisions of U.S. sanctions are set forth in applicable statutes and regulations, which are legally binding and govern the activities described in these guidelines.

Updated February 6, 2013

DEPARTMENT OF THE TREASURY

As the Government of Iran continues to ignore its international obligations, the U.N. Security Council and governments around the world, including the United States, have implemented a series of steadily tightening sanctions intended to impose consequences on Iran's leadership for their failure to adhere to their obligations and alter their dangerous course. These sanctions have had a tangible impact on the Government of Iran's ability to engage in illicit activities, making concrete the costs and isolation that the Government of Iran will continue to face so long as its leadership chooses to ignore their international obligations.

From the start, the United States and its international partners have worked to ensure that these sanctions do not prohibit the delivery of humanitarian assistance and exports of humanitarian goods to Iran. Accordingly, under U.S. law, the sale and export of nearly all types of food and medicine to Iran are broadly authorized, and require no specific license or special authorization from the Department of the Treasury's Office of Foreign Assets Control (OFAC) or any other agency of the U.S. government. The sale and export of basic medical supplies are likewise broadly authorized. Other types of humanitarian exports may be authorized pursuant to a specific license from OFAC. In such instances, where U.S. persons are either specifically or generally authorized to engage in humanitarian exports to Iran, financial institutions here and abroad are generally permitted under U.S. law to process all financial transactions necessary to facilitate the trade.

Part I of this document provides an overview of current policies with respect to humanitarian assistance and exports to the Iranian people – first, for U.S. persons and financial institutions, and second, for third-country financial institutions. Part II provides additional guidance for the public as to specific procedures for license applications and other relevant guidance.

I. OVERVIEW OF CURRENT U.S. POLICIES

For U.S. persons, including financial institutions:

U.S. persons, including financial institutions, are subject to a number of specific prohibitions regarding dealings with Iran. Nonetheless, OFAC administers U.S. laws and regulations in a way that allows Americans to continue their humanitarian support of the Iranian people without providing support to the Government of Iran. The U.S. Government's commitment to facilitating humanitarian engagement with the Iranian people is manifest in its longstanding policy to authorize exports or re-

OFAC Office of Foreign Assets Control

exports of humanitarian goods, such as agricultural commodities, medicine, and medical devices, to Iran. The following policies also demonstrate this commitment:

- Food items, medicines, and medical supplies. OFAC's general licenses allow for the export or re-export by U.S. persons of certain food items, medicines, and basic medical supplies for Iran without further specific authorization, subject to certain limitations. Financial transactions in support of trade in certain food, medicine, and medical devices from the U.S. (or from a foreign country), may also be conducted without specific OFAC authorization, subject to certain restrictions. For details on these aforementioned restrictions, please refer to section 561.201 of the Iranian Financial Sanctions Regulations, 31 C.F.R. Part 561 (IFSR), and section 560.532 of the Iranian Transactions and Sanctions Regulations, 31 C.F.R. Part 560 (ITSR). Donations to the Iranian people (but not the Government of Iran) of food and medicine intended to relieve suffering are exempt from sanctions.

- Transfers of personal remittances to Iran. U.S. sanctions regulations permit U.S. financial institutions to process noncommercial, personal remittances to Iran. These transactions may include a personal transfer of funds from the United States to Iran to assist a family member or friend, provided that the payment is processed through a third-country financial institution before reaching Iran, i.e., not a direct transfer from a U.S. bank to an Iranian bank, which is a prohibited transactions under current U.S. law.

- Favorable licensing policy for certain projects benefitting the people of Iran. OFAC also administers a favorable licensing policy for projects and activities in or related to Iran that are designed to directly benefit the Iranian people in the areas of democracy and human rights and academic and cultural exchange programs. This means that OFAC will interpret its regulations to allow such projects and activities to the greatest extent permitted by U.S. law.

- Expedited application process for certain activities benefitting the people of Iran. OFAC recently adopted an expedited application process for certain categories of U.S. persons, including entities receiving funds from the Department of State to engage in the proposed activity, the Broadcasting Board of Governors, and other appropriate agencies of the U.S. Government, seeking to engage in certain human rights, humanitarian, and democracy-related activities with respect to Iran.

- Disaster Assistance. At times of crisis and tragedy in Iran, the U.S. Government has implemented policies to facilitate expedited humanitarian assistance to Iran. For example, in December 2003, OFAC issued a temporary authorization that allowed U.S. persons to make donations to nongovernmental organizations to aid those affected by the Bam earthquake in Iran. In response to Iran's recent earthquakes of August 2012, OFAC issued a similar temporary authorization allowing U.S.-based non-governmental organizations to transfer funds related to earthquake relief efforts to or for the benefit of persons in Iran.

For third-country financial institutions:

U.S. policy does not prohibit the involvement of third-country financial institutions in the processing of funds transfers to or from Iran pertaining to authorized or exempt transactions, subject to certain exceptions. For example, OFAC's general license for the transfer of personal remittances broadly allows third-country banks to handle the transfer of funds to or from Iran, unless certain prohibited partners are involved, such as a financial institution designated under OFAC's WMD or counter-terrorism authorities. In addition, U.S. sanctions law contains explicit exceptions that allow foreign financial institutions to conduct or facilitate transactions for the sale of agricultural commodities, food, medicine, or medical devices to Iran without penalty, as long as the transaction does not involve a designated entity or otherwise proscribed conduct. **Third country institutions may contact OFAC's Compliance Office at 1-800-540-6322 to clarify sanctions concerns regarding humanitarian transactions with Iran.**

II. PROCEDURES FOR LICENSE APPLICATIONS AND OTHER CLARIFYING GUIDANCE

The guidance provided below is intended to assist U.S. persons seeking an OFAC license for humanitarian assistance and related export activities requiring specific license authorization. In addition, it provides guidance for those seeking to determine their eligibility to engage in activities already authorized by general license or that are exempt from sanctions. Further instructions on applying for a specific license from OFAC may be found on OFAC's FAQ page. Please note that there are no application fees.

- **Exportation or re-exportation of agricultural commodities, medicine, and medical devices to Iran:** As noted above, the exportation or re-exportation to Iran by U.S. persons of most food items, and certain medicine and basic medical supplies, are generally authorized and can occur without further specific authorization from OFAC. For the exportation or re-exportation to Iran of agricultural commodities, medicines, and medical devices that do not fall under the general authorizations, OFAC will consider specific license applications on a case-by-case basis. Anyone considering engaging in a transaction involving food, medicine or medical devices is advised to consult sections 560.530 and 560.532 of the Iranian Transactions and Sanctions Regulations, 31 C.F.R. Part 560 (the ITSR). [Guidance on how to apply for a TSRA license can be found here.]

Although OFAC regulates exports of agricultural commodities, medicines, and medical devices to Iran, Americans interested in exporting agricultural commodities, medicines, and medical devices to Iran should consult the Department of Commerce's Bureau of Industry and Security (BIS) to determine commodity classifications for exports in these categories, as only items classified as EAR99 under the Export Administration Regulations are eligible for such exportation.

- **Donations of humanitarian articles:** Donations of food and medicine by U.S. persons intended to relieve human suffering are exempt from the sanctions on trade between the United States and Iran, provided such donations are not to the Government of Iran, Iranian financial institutions, or any other person whose property and interests in property are blocked. [Additional information on food and medicine donations to Iran can be found here. Please note that donations of humanitarian articles are separate and distinct from the disaster assistance referenced above in Part I.]

- **Personal remittances:** For information on the transfer by U.S. persons of personal, noncommercial remittances to Iran, please refer to section 560.550 of the ITSR. Personal remittances to Iran may involve those Iranian financial institutions whose property and interests in property are blocked solely pursuant to the ITSR and are not owned or controlled by the Government of Iran. [Additional clarification is also provided on OFAC's FAQ page.]

- **Democracy and human rights in Iran and academic and cultural exchanges:** For U.S. persons, information on the specific licensing of projects and activities related to Iran designed to directly benefit the Iranian people in the areas of democracy and human rights in Iran, and academic and cultural exchanges, can be found at section 560.545 of the ITSR.

DEPARTMENT OF THE TREASURY

- **Statement of Licensing Procedure in Support of Human Rights-, Humanitarian-, and Democracy-Related Activities with Respect to Iran:** This statement contains procedures established pursuant to the Iran Threat Reduction and Syria Human Rights Act of 2012 (TRA), which was signed into law by the President on August 10, 2012. The guidelines of the procedure can be viewed here. [Additional clarification is provided on OFAC's FAQ page.]

Guidance for U.S. parent companies regarding foreign subsidiaries: Consistent with Section 218 of the TRA, Section 4 of Executive Order (E.O.) 13628 prohibits foreign entities owned or controlled by a United States person from knowingly engaging in any transaction prohibited by the ITSR, E.O. 13599, Section 5 of E.O. 13622, or Section 12 of E.O. 13628, and provides for civil penalties on the U.S. parent or controlling company for any such violations. However, foreign entities owned or controlled by U.S. companies may be eligible to engage in humanitarian assistance and exports to Iran. For further information, please refer to OFAC's FAQ page.

For further detailed information or guidance, please contact OFAC's hotline at 800-540-6322 or 202-622-2490.

OFAC Office of Foreign Assets Control