

**Testimony of John E. Smith,
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on the Joint Comprehensive Plan of Action (JCPOA) Implementation Day
and Continuing Monitoring and Enforcement**

**United States House of Representatives Committee on Foreign Affairs
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Good morning, Chairman Royce, Ranking Member Engel, and distinguished members of the committee. Thank you for the invitation to appear before you today to discuss our actions on Implementation Day of the Joint Comprehensive Plan of Action (JCPOA) and our efforts to enforce our Iran-related sanctions going forward.

I'll be addressing the key steps that my office, the Treasury Department's Office of Foreign Assets Control (OFAC), took to fulfill the U.S. Government's sanctions commitments on Implementation Day of the JCPOA. And I'll address the many Iran-related sanctions authorities that remain in place and how we approach our responsibility to enforce those authorities.

The JCPOA is a strong deal that protects the national security of the United States and our partners and allies overseas. And Implementation Day was a significant milestone of the JCPOA. In exchange for Iran verifiably completing its key nuclear-related commitments under the

JCPOA, which closed off all of its pathways to a nuclear weapon and put in place robust monitoring and transparency measures going forward, we lifted nuclear-related sanctions on Iran. The JCPOA, as others have said, is based on verification, not trust. In fact, we took our steps on Implementation Day only after the International Atomic Energy Agency verified that Iran had completed its key commitments.

Furthermore, the deal gives us the necessary flexibility to respond to Iran if it fails to comply with its JCPOA commitments, including the ability to fully snap-back international and domestic sanctions. And as the agency tasked with implementing and enforcing U.S. economic sanctions, we are clear-eyed about the fact that Iran remains a State Sponsor of Terrorism and continues to engage in other destabilizing activities. We believe it is crucial to continue to implement and enforce the sanctions that remain.

On Implementation Day, the United States took actions with respect to sanctions in two key areas. The first, and most significant, was to effectuate the lifting of nuclear-related secondary sanctions, which are sanctions that are directed toward non-U.S. persons for activity wholly outside of U.S. jurisdiction. The sanctions that were lifted applied to Iran's banking, financial, insurance, energy, petrochemical, and automotive sectors; shipping and shipbuilding sectors and port operators; trade in gold and precious metals; trade in certain materials

and software; and associated services for each of these categories. In addition, OFAC removed more than 400 individuals and entities from the Specially Designated Nationals and Blocked Persons List (the “SDN List”), meaning that secondary sanctions no longer attach to significant transactions with, or the provision of material support to, those individuals and entities.

The second area concerns three relatively narrow exceptions to our primary embargo on Iran. On Implementation Day, OFAC issued: (1) a Statement of Licensing Policy establishing a favorable licensing policy with respect to exports or re-exports to Iran of commercial passenger aircraft and related parts and services to be used exclusively for commercial passenger aviation; (2) a general license authorizing the importation into the United States of Iranian-origin carpets and foodstuffs, including pistachios and caviar; and (3) a general license authorizing U.S.-owned or -controlled foreign entities to engage in activities involving Iran that are consistent with the JCPOA and applicable U.S. laws and regulations.

To give effect to U.S. commitments with respect to sanctions on Implementation Day, the President issued an Executive Order that revoked four Iran sanctions-related Executive orders and sections of a fifth, a series of waiver determinations and findings with respect to

relevant statutory sanctions issued by the State Department came into effect; and OFAC took the actions that I just outlined.

To assist the public in understanding all the sanctions modifications effective on Implementation Day, OFAC published on its website a summary of the actions taken, as well as hyperlinks to documents that explain in detail the contours of the sanctions lifting. These documents are: (1) a guidance document that describes in detail the lifting of nuclear-related sanctions under the JCPOA and the sanctions that remain; (2) a set of more than 85 frequently asked questions; (3) the texts of the Statement of Licensing Policy and two general licenses; and (4) information on the changes we made to the various sanctions lists administered by OFAC.

While we have fulfilled our Implementation Day commitments to lift the sanctions specified in the JCPOA, OFAC continues to administer a robust sanctions regime targeting Iran outside of the nuclear arena, and its troubling activities. Broadly, the U.S. primary embargo on Iran is still in place. This means that U.S. persons generally remain prohibited from engaging in transactions or dealings with Iran or Iranian entities, unless such activities are exempt from regulation or authorized by OFAC. Limited exceptions include longstanding general licenses that authorize U.S. persons to engage in certain activities involving Iran,

such as the export of agricultural products, medicine, and medical supplies to Iran, as well as certain items to facilitate Iranian persons' access to communications and the Internet. U.S. persons must also continue to block the assets of the Government of Iran and Iranian financial institutions. Furthermore, we have retained sanctions authorities targeting Iran's support for terrorism, its human rights abuses, its ballistic missile program, and its destabilizing activities in the region. And, we will continue to exercise these authorities to counter Iran's behavior, as we did on January 17, when OFAC designated eleven individuals and entities in connection with their support to Iran's ballistic missile program.

In addition, secondary sanctions continue to attach to the more than 200 Iran-related individuals and entities that remain on the SDN List, as well as any such persons we add to the SDN List in the future. This means that non-U.S. persons who conduct significant transactions with, or provide material support to, designated parties may face being cut off from the U.S. financial system. Further even after Implementation Day, secondary sanctions continue to attach to significant financial transactions, including those by foreign financial institutions with Iran's Islamic Revolutionary Guards Corps, or any individual or entity sanctioned in connection with Iran's support for international terrorism or its ballistic missile program.

Finally, of the more than 400 individuals and entities that were taken off the SDN List on Implementation Day, roughly 200 of those were placed on a new OFAC list – the E.O. 13599 list – to indicate that they remain blocked persons under U.S. law. These individuals and entities are those OFAC has previously identified as the Government of Iran or Iranian financial institutions. While secondary sanctions no longer apply to most transactions involving individuals and entities on the E.O. 13599 list, U.S. persons continue to have an obligation to block property in which such persons have an interest and are prohibited generally from dealing with them.

In addition to the sanctions that we have in place to counter Iran's destabilizing activities, we also have avenues to swiftly respond if Iran stops complying with its commitments under the JCPOA. The JCPOA contains a dispute resolution mechanism whereby any JCPOA participant can refer any instances of alleged non-compliance to the Joint Commission, which provides a multilateral forum for addressing issues that arise. If we are unable to address these issues, the United States has the ability to quickly re-impose all of the national and multilateral sanctions that are lifted. At the UN, we have established a snapback mechanism that provides the unilateral ability to re-impose UN sanctions that were in place on Iran prior to Implementation Day without

the worry of a veto by any member of the P-5. Finally, the United States has a range of options short of full snapback to respond to smaller breaches of the JCPOA, should we so choose.

As I said at the beginning of my testimony, the JCPOA is a strong deal that protects the national security of the United States and our partners and allies overseas. Iran has taken its nuclear-related steps, as verified by the International Atomic Energy Agency, and in turn, we have lifted nuclear-related sanctions pursuant to our commitments under the JCPOA. Treasury remains fully committed to using our existing sanctions authorities to address Iran's support for terrorism, its human rights abuses, its ballistic missile program, and its destabilizing activities in the region.

Thank you. I welcome your questions.