

MEMMO

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Pressure Mounts for Sanctions on Iran's Central Bank

The Senate voted 100-0 last week to impose sanctions on the Central Bank of Iran (CBI)—the key financial facilitator of Iran's nuclear weapons program and its support for terrorism. The Obama administration also recently imposed new measures to target Iran's petroleum and petrochemical sectors. Congress should quickly finalize CBI sanctions in the National Defense Authorization Act, and the administration should strictly implement these sanctions to dissuade Tehran from its nuclear weapons quest.

The Senate unanimously adopted sanctions to target the CBI and foreign banks that continue to work with the bank.

- In a vote of 100-0, the Senate adopted an amendment, authored by Sens. Robert Menendez (D-NJ) and Mark Kirk (R-IL), to the National Defense Authorization Act to sanction the CBI and bar foreign financial institutions that do business with it from operating in the United States.
- The CBI is the key financier for Iranian imports of material critical to its illicit nuclear and missile programs. Iran is extremely vulnerable to action against the CBI since the bank conducts the bulk of the country's international financial transactions.
- The CBI acts as an intermediary for Iranian banks that are under sanction for proliferation or terrorism. According to the Treasury Department, the CBI transferred billions of dollars in 2011 to multiple sanctioned Iranian banks.
- The CBI has also provided key support to Iran's Islamic Revolutionary Guard Corps and its economic conglomerate Khatem al-Anbiya. The "CBI was believed to have provided financing to the U.N.-sanctioned Khatem al-Anbiya Constructions Headquarters for defense-related projects," according to the Treasury Department.
- Iran also uses the CBI to receive payment for its oil exports from which it derives 80 percent of its hard currency. The Senate amendment seeks to reduce Iran's revenue from oil exports but ties implementation of sanctions to the availability of non-Iranian crude oil to prevent any impact on global oil markets or the global economy.



The Central Bank of Iran is the key remaining lifeline for Iran to the international financial system.

The administration has also imposed a series of important new measures targeting Iran.

- On Nov. 20, President Obama issued a new executive order authorizing sanctions against foreign companies providing goods, services or technology that could contribute to Iran's ability to

develop petroleum resources located in Iran. Numerous international companies provide critical material to Iran that allows it to maintain its energy exports and produce the associated revenue.

- The executive order also authorizes sanctions targeting sales of equipment and technology to Iran's petrochemical sector, which is responsible for 50 percent of Iran's non-oil export revenue. Iran retrofitted several petrochemical facilities to produce gasoline after U.S. sanctions last year forced most international suppliers out of the Iranian market.
- The Treasury Department issued a finding declaring Iran's financial sector—including the CBI—to be a jurisdiction of "primary money laundering concern" under provisions in the USA PATRIOT Act.
- As a result of Treasury's finding, U.S. financial institutions will be formally required to apply special due diligence to their foreign correspondent accounts to guard against Iran's use of these accounts to indirectly access the U.S. financial system.

The administration must strictly enforce these new measures along with previous sanctions if they are to have the desired impact.

- In announcing the new sanctions, the administration said it would lead an international effort to advise companies of the new measures and persuade them to exit Iran's petroleum and petrochemical sectors. The administration must sanction those companies that fail to heed the warning and continue business as usual.
- The administration also should sanction companies that have violated U.S. law by investing in Iran's energy sector and providing Tehran refined petroleum.
- While Iran's refined petroleum imports remain substantially lower than before the imposition of U.S. sanctions in July 2010, there has been a recent uptick in imports, with a 21 percent increase in October 2011 compared with the previous month.
- The Treasury Department must sanction any foreign bank that continues to provide significant financial services for sanctioned Iranian banks. According to the Treasury Department, "the CBI transfers funds to designated Iranian bank branches outside Iran via non-Iranian foreign banks." These non-Iranian foreign banks are in clear violation of U.S. law and must be sanctioned.

Congress must quickly move to final passage of the CBI sanctions and the administration must enforce these and other crippling sanctions.

- Time is running out to prevent Iran from obtaining sufficient quantities of higher enriched uranium to facilitate a quick breakout to produce a nuclear weapon. Together with like-minded nations, the United States must act quickly and with the full force of our remaining economic tools to prevent such a nightmare scenario.
- Congress must quickly finalize sanctions targeting the CBI included in the Senate's National Defense Authorization bill.
- The administration should take action against the CBI and enact penalties on foreign financial institutions that continue to conduct business with the bank. The president should immediately designate the CBI as a weapons proliferator or terror supporter under Executive Order 13224 or 13338.
- The United States must also continue working with like-minded nations to encourage them to cut ties with the CBI. Canada and the United Kingdom both recently prohibited transactions with the CBI and France is leading an effort within the EU to do the same.