

114TH CONGRESS
2D SESSION

H. R. 4992

To codify regulations relating to transfers of funds involving Iran, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

APRIL 19, 2016

Mr. ROYCE introduced the following bill; which was referred to the Committee on Financial Services

A BILL

To codify regulations relating to transfers of funds involving Iran, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “United States Finan-
5 cial System Protection Act of 2016”.

6 **SEC. 2. FINDINGS, SENSE OF CONGRESS, AND STATEMENT**
7 **OF POLICY.**

8 (a) FINDINGS.—Congress finds the following:

9 (1) On November 8, 2011, the Department of
10 the Treasury identified the Islamic Republic of Iran

1 as a jurisdiction of primary money laundering con-
2 cern pursuant to section 5318A of title 31, United
3 States Code, including Iran’s Central Bank, private
4 Iranian banks, branches, and subsidiaries of Iranian
5 banks operating outside of Iran as posing illicit fi-
6 nance risks for the global financial system.

7 (2) On November 6, 2008, the Department of
8 the Treasury announced that it was revoking the
9 “U-turn” license for Iran, stating that “as a mem-
10 ber of the Financial Action Task Force (FATF), the
11 United States today fulfilled its obligation to
12 strengthen measures to protect the financial sector
13 from the risks posed to the international financial
14 system by Iran”.

15 (3) On February 19, 2016, the Financial Ac-
16 tion Task Force (FATF), the global standard set-
17 ting body for anti-money laundering and combating
18 the financing of terrorism which has determined that
19 Iran is a “non-cooperating country or territory” in
20 the fight against money laundering and terror fi-
21 nancing since 2008, stated that, “the FATF re-
22 mains particularly and exceptionally concerned about
23 Iran’s failure to address the risk of terrorist financ-
24 ing and the serious threat this poses to the integrity
25 of the international financial system”.

1 (4) United States and foreign businesses oper-
2 ating or seeking to operate in Iran run significant
3 risks, as corruption in Iran is endemic, with Trans-
4 parency International ranking Iran 130 out of 168
5 countries.

6 (b) SENSE OF CONGRESS.—It is the sense of Con-
7 gress that the entire financial sector of Iran, including
8 Iran’s Central Bank, private Iranian banks and branches,
9 and subsidiaries of Iranian banks operating outside of
10 Iran, poses illicit finance risks for the global financial sys-
11 tem due to its proliferation, support for terrorism, and
12 other illicit conduct.

13 (c) STATEMENT OF POLICY.—It shall be the policy
14 of the United States to—

15 (1) deny Iran access to funds denominated in
16 United States dollars, including through any off-
17 shore United States dollar clearing system for trans-
18 actions involving the Government of Iran or an Ira-
19 nian person; and

20 (2) deny Iran access to United States dollars
21 through any offshore United States dollar clearing
22 system conducted or overseen by a foreign govern-
23 ment or a foreign financial institution for trans-
24 actions involving the Government of Iran or an Ira-
25 nian person.

1 **SEC. 3. CODIFICATION OF REGULATIONS RELATING TO**
2 **TRANSFERS OF FUNDS INVOLVING IRAN;**
3 **CLARIFICATION OF APPLICATION OF REGU-**
4 **LATIONS TO FOREIGN DEPOSITORY INSTITU-**
5 **TIONS AND FOREIGN REGISTERED BROKERS**
6 **AND DEALERS.**

7 (a) CODIFICATION OF REGULATIONS.—Section
8 560.516 of title 31, Code of Federal Regulations, as in
9 effect on January 1, 2016, shall apply with respect to
10 transfers of funds to or from Iran, or for the direct or
11 indirect benefit of an Iranian person or the Government
12 of Iran, for the period beginning on or after January 1,
13 2016, and ending on the date on which the President
14 makes the certification to the appropriate congressional
15 committees under section 401(a) of the Comprehensive
16 Iran Sanctions, Accountability, and Divestment Act of
17 2010 (22 U.S.C. 8551(a)).

18 (b) CLARIFICATION OF APPLICATION OF REGULA-
19 TIONS TO FOREIGN FINANCIAL INSTITUTIONS AND FOR-
20 EIGN REGISTERED BROKERS AND DEALERS.—

21 (1) FOREIGN FINANCIAL INSTITUTIONS.—Sub-
22 section (a) of section 560.516 of title 31, Code of
23 Federal Regulations, as in effect on January 1,
24 2016, shall apply with respect to foreign financial
25 institutions to the same extent and in the same
26 manner as such subsection applies with respect to

1 United States depository institutions if the funds
2 that are to be transferred as described in such sub-
3 section are funds that are denominated in United
4 States dollars.

5 (2) FOREIGN REGISTERED BROKERS AND DEAL-
6 ERS.—Subsection (b) of section 560.516 of title 31,
7 Code of Federal Regulations, as in effect on January
8 1, 2016, shall apply with respect to foreign reg-
9 istered brokers or dealers in securities to the same
10 extent and in the same manner as such subsection
11 applies with respect to United States registered bro-
12 kers or dealers in securities if the funds that are to
13 be transferred as described in such subsection are
14 funds that are denominated in United States dollars.

15 (3) SUSPENSION.—The President may suspend
16 the application of paragraph (1) with respect to a
17 foreign financial institution or the application of
18 paragraph (2) with respect to a foreign registered
19 broker or dealer in securities for a period not to ex-
20 ceed 60 days, and the President may renew the sus-
21 pension of the application of paragraph (1) or para-
22 graph (2), respectively, for additional periods of not
23 more than 60 days, on and after the date on which
24 the President certifies to the appropriate congres-
25 sional committees that during the preceding 60-day

1 period the Government of Iran is in compliance with
2 the criteria described in section 401(a)(1) of the
3 Comprehensive Iran Sanctions, Accountability, and
4 Divestment Act of 2010 (22 U.S.C. 8551(a)(1)).

5 (c) LICENSING RESTRICTIONS.—

6 (1) IN GENERAL.—Except as provided in para-
7 graph (2), the President may not issue any license
8 under the International Emergency Economic Pow-
9 ers Act (50 U.S.C. 1701 et seq.) or provide other
10 guidance, including executive actions, rules, regula-
11 tions, frequently asked questions, written commu-
12 nications, or any other commitments, that permits—

13 (A) a United States depository institution
14 or United States registered broker or dealer in
15 securities—

16 (i) to conduct an offshore United
17 States dollar clearing system for trans-
18 actions involving or for the benefit of the
19 Government of Iran or an Iranian person,
20 including to process transfers of funds to
21 or from Iran under section 560.516 of title
22 31, Code of Federal Regulations, as in ef-
23 fect on January 1, 2016; or

24 (ii) to provide United States dollars
25 for any offshore United States dollar clear-

1 ing system conducted or overseen by a for-
2 eign government or a foreign financial in-
3 stitution for transactions involving or for
4 the benefit of the Government of Iran or
5 an Iranian person, including to process
6 transfers of funds to or from Iran under
7 section 560.516 of title 31, Code of Fed-
8 eral Regulations, as in effect on January
9 1, 2016; or

10 (B) a foreign financial institution or for-
11 eign registered broker or dealer in securities—

12 (i) to conduct an offshore United
13 States dollar clearing system for trans-
14 actions involving or for the benefit of the
15 Government of Iran or an Iranian person,
16 including to process transfers of funds to
17 or from Iran under section 560.516 of title
18 31, Code of Federal Regulations, as in ef-
19 fect on January 1, 2016, and as applied
20 under subsection (b); or

21 (ii) to provide United States dollars
22 for any offshore United States dollar clear-
23 ing system conducted or overseen by a for-
24 eign government or a foreign financial in-
25 stitution for transactions involving or for

1 the benefit of the Government of Iran or
2 an Iranian person, including to process
3 transfers of funds to or from Iran under
4 section 560.516 of title 31, Code of Fed-
5 eral Regulations, as in effect on January
6 1, 2016, and as applied under subsection
7 (b).

8 (2) EXCEPTION FOR HUMANITARIAN PUR-
9 POSES.—The President may, on a case-by-case
10 basis, issue a license described in paragraph (1) to
11 authorize the activities described in clause (i) or (ii)
12 of paragraph (1)(A) or the activities described in
13 clause (i) or (ii) of paragraph (1)(B) if—

14 (A) such activities relate solely to—

15 (i) the provision of agricultural com-
16 modities, food, medicine, or medical devices
17 to Iran; or

18 (ii) the provision of humanitarian as-
19 sistance to the people of Iran; and

20 (B) the President submits to the appro-
21 priate congressional committees a copy of the li-
22 cense.

23 (d) DEFINITIONS.—In this section:

1 (1) APPROPRIATE CONGRESSIONAL COMMIT-
2 TEES.—The term “appropriate congressional com-
3 mittees” means—

4 (A) the Committee on Foreign Affairs and
5 the Committee on Financial Services of the
6 House of Representatives; and

7 (B) the Committee on Foreign Relations
8 and the Committee on Banking, Housing, and
9 Urban Affairs of the Senate.

10 (2) FOREIGN FINANCIAL INSTITUTION.—The
11 term “foreign financial institution” has the meaning
12 given such term in section 1010.605 of title 31,
13 Code of Federal Regulations, as in effect on January
14 1, 2016.

15 (3) IRAN.—The term “Iran” has the meaning
16 given the term in section 561.329 of title 31, Code
17 of Federal Regulations, as in effect on January 1,
18 2016.

19 (4) IRANIAN PERSON.—The term “Iranian per-
20 son” means a person or entity (as such terms are
21 defined in section 560.305 of title 31, Code of Fed-
22 eral Regulations, as in effect on January 1, 2016)
23 that—

1 (A) is organized under the laws of Iran or
2 any jurisdiction within Iran (including foreign
3 branches); or

4 (B) is a person in Iran.

5 (5) TRANSFER OF FUNDS.—The term “transfer
6 of funds”—

7 (A) has the meaning given the term “funds
8 transfer” in section 1010.100 of title 31, Code
9 of Federal Regulations, as in effect on January
10 1, 2016; and

11 (B) includes a transfer of funds or other
12 property for the benefit of an Iranian financial
13 institution that is made between accounts of the
14 same financial institution even if that Iranian
15 financial institution is not the direct recipient
16 of the transfer.

17 (6) UNITED STATES DEPOSITORY INSTITU-
18 TION.—The term “United States depository institu-
19 tion” has the meaning given such term in section
20 560.319 of title 31, Code of Federal Regulations, as
21 in effect on January 1, 2016.

22 (7) UNITED STATES REGISTERED BROKER OR
23 DEALER IN SECURITIES.—The term “United States
24 registered broker or dealers in securities” has the
25 meaning given such term in section 560.321 of title

1 31, Code of Federal Regulations, as in effect on
2 January 1, 2016.

3 **SEC. 4. CERTIFICATION REQUIREMENT FOR REMOVAL OF**
4 **DESIGNATION OF IRAN AS A JURISDICTION**
5 **OF PRIMARY MONEY LAUNDERING CONCERN.**

6 (a) IN GENERAL.—The President may not rescind a
7 preliminary draft rule or final rule (as in effect on the
8 day before the date of the enactment of this Act) that pro-
9 vides for the designation of Iran as a jurisdiction of pri-
10 mary money laundering concern pursuant to section
11 5318A of title 31, United States Code, unless the Presi-
12 dent submits to the appropriate congressional committees
13 a certification described in subsection (b) with respect to
14 Iran.

15 (b) CERTIFICATION.—The President may rescind a
16 preliminary draft rule or final rule described in subsection
17 (a) if the President submits to the appropriate congres-
18 sional committees a certification that the Government of
19 Iran is no longer engaged in support for terrorism, pursuit
20 of weapons of mass destruction, and any illicit and decep-
21 tive financial activities.

22 (c) FORM.—The certification described in subsection
23 (b) shall be submitted in unclassified form, but may con-
24 tain a classified annex.

1 (d) DEFINITION.—In this section, the term “appro-
2 priate congressional committees” means—

3 (1) the Committee on Foreign Affairs and the
4 Committee on Financial Services of the House of
5 Representatives; and

6 (2) the Committee on Banking, Housing, and
7 Urban Affairs of the Senate.

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