

# RISKS OF DOING BUSINESS WITH IRAN

## EXECUTIVE SUMMARY

JUNE 2018

“[Iran’s] objective is to ensure that no legitimate company or government knows that they are being used to achieve Iran’s illicit aims. ... To those in the private sector, I urge you to also take additional steps to ensure Iran and its proxies are not exploiting your companies to support their nefarious activities. You may think your clients and counter parties are legitimate, but they may be in fact part of the Iranian regime’s deceptive schemes to fund terrorism and human rights abuses.” – Under Secretary of the Treasury for Terrorism and Financial Intelligence Sigal Mandelker, June 5, 2018<sup>1</sup>

Conducting business with the Islamic Republic of Iran continues to entail profound risk, especially following the reinstatement of all U.S. sanctions suspended in accordance with the 2015 nuclear deal formally known as the Joint Comprehensive Plan of Action (JCPOA). After the U.S. announced its withdrawal from the JCPOA and its reinstatement of sanctions, major multinational corporations such as Total, General Electric, Maersk-Moller, and Siemens have announced they will be winding down their business in Iran.

Even before the reinstatement of sanctions, the risks of doing business in Iran were substantial, because of pervasive corruption, legal risk, systemic human rights violations, and persistent support for foreign terrorist organizations. In May, the U.S. Treasury’s Office of Foreign Assets Control (OFAC) designated the governor of the Central Bank of Iran (CBI) for covertly funneling millions of dollars to Hezbollah on behalf of the Islamic Revolutionary Guard Corps’ Quds Force. The involvement of the central bank governor in money laundering and illicit finance illustrates the extreme degree to which Iran’s entire financial system has been compromised.

The purpose of this resource guide is to provide extensive information about the many different kinds of risk that foreign financial institutions face in Iran. The information is instructive for policymakers and the national security community, as well. The guide brings together independent rankings of the Iranian business environment, statements of senior U.S. officials, information about U.S. sanctions, reports from human rights monitoring organizations, major media coverage, and other credible sources. Readers may consult original material directly by following the links included in the guide’s footnotes.

Although Iran seeks to dispel its reputation as a hub of illicit finance, it has taken very little but cosmetic measures to cease its malign activities. The Financial Action Task Force (FATF) placed Iran on its “blacklist” in 2008, but suspended mandatory countermeasures in 2016, when Tehran agreed to fulfill the requirements of an Action Plan

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1. Sigal Mandelker, “Iran’s Deceptive Financial Practices,” *Foundation for Defense of Democracies*, June 5, 2018. ([http://www.defenddemocracy.org/content/uploads/documents/Iran\\_Financial\\_Practices\\_Transcript.pdf](http://www.defenddemocracy.org/content/uploads/documents/Iran_Financial_Practices_Transcript.pdf))

to deal with pervasive money laundering and terror finance. In February, FATF noted that again, Iran had failed to meet the terms of its Action Plan, but agreed to review Iran's status at the organization's June 2018 meeting. However, the statement by Iran's Supreme Leader on June 20, declaring his opposition to joining international conventions to counter money laundering and terror financing, signals Iran's unwillingness to comply with international standards. Ayatollah Ali Khamenei has final say on all state matters.<sup>2</sup>

Iran has taken a number of measures designed to address FATF's concerns, yet insists on carving out exceptions that would serve as a pretext for illicit actions. For example, Iran has sought to determine its own definition of terrorism, so that funding for Hezbollah, Hamas, and other Iranian clients would remain permissible.

Corruption and illicit finance are integral means for the Iranian government to maintain its hold on power and pursue its interests abroad. Extensive study is necessary to understand the myriad ways in which involvement with Iranian entities may compromise foreign financial businesses transacting with Iran. FDD hopes that this resource guide will provide an indispensable starting point for all those with an interest in this key issue.

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2. "Iran's top leader opposes joining anti-money-laundering body," *Associated Press*, June 20, 2018. ([https://www.washingtonpost.com/world/middle\\_east/irans-top-leader-opposes-joining-anti-money-laundering-body/2018/06/20/1a97bf00-747b-11e8-bda1-18e53a448a14\\_story.html?utm\\_term=.290a983f9719](https://www.washingtonpost.com/world/middle_east/irans-top-leader-opposes-joining-anti-money-laundering-body/2018/06/20/1a97bf00-747b-11e8-bda1-18e53a448a14_story.html?utm_term=.290a983f9719))

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*Note: FDD’s Center on Sanctions and Illicit Finance provides in-depth research on a wide variety of issues associated with risk and financial integrity. Additional guidance should be sought from legal counsel and certified auditors.*

### IRAN AS A STATE SPONSOR OF TERRORISM

#### Donald Trump, President

- “The Iranian regime is the leading state sponsor of terror. It exports dangerous missiles, fuels conflicts across the Middle East, and supports terrorist proxies and militias such as Hezbollah, Hamas, the Taliban, and al Qaeda. Over the years, Iran and its proxies have bombed American embassies and military installations, murdered hundreds of American service members, and kidnapped, imprisoned, and tortured American citizens. The Iranian regime has funded its long reign of chaos and terror by plundering the wealth of its own people.”<sup>3</sup>
- “It just seems that, no matter where you go, especially in the Middle East, Iran is behind it, wherever there’s trouble -- Yemen, Syria. No matter where you have it, Iran is behind it. And now, unfortunately Russia is getting more and more involved. But Iran seems to be behind everything where there’s a problem, and you just have to take a look. You look at what’s happening, you look at the fighters -- Iran is always there. And we’re not going to allow certain things to happen that are happening.”<sup>4</sup>
- “The Iranian regime supports terrorism and exports violence, bloodshed, and chaos across the Middle East. That is why we must put an end to Iran’s continued aggression and nuclear ambitions.”<sup>5</sup>
- “Rather than use its resources to improve Iranian lives, its oil profits go to fund Hezbollah and other terrorists that kill innocent Muslims and attack their peaceful Arab and Israeli neighbors.”<sup>6</sup>
- “The execution of our strategy begins with the long-overdue step of imposing tough sanctions on Iran’s Islamic Revolutionary Guard Corps. The Revolutionary Guard is the Iranian Supreme Leader’s corrupt personal terror force and militia. It has hijacked large portions of Iran’s economy and seized massive religious endowments to fund war and terror abroad. This includes arming the Syrian dictator, supplying proxies and partners with missiles and weapons to attack civilians in the region, and even plotting to bomb a popular restaurant right here in Washington, D.C. I am authorizing the Treasury Department to further sanction the entire Islamic Revolutionary Guard Corps for its support for terrorism and to apply sanctions to its officials, agents, and affiliates. I urge our allies to join us in taking strong actions to curb Iran’s continued dangerous and destabilizing behavior, including thorough sanctions outside the Iran Deal that target the regime’s ballistic missile program, in support for terrorism, and all of its destructive activities, of which there are many.”<sup>7</sup>

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3. President Donald Trump, “Remarks by President Trump on the Joint Comprehensive Plan of Action,” May 8, 2018. (<https://www.whitehouse.gov/briefings-statements/remarks-president-trump-joint-comprehensive-plan-action/>)

4. The White House, “Remarks by President Trump and President Macron of France in Joint Press Conference,” April 24, 2018. (<https://www.whitehouse.gov/briefings-statements/remarks-president-trump-president-macron-france-joint-press-conference/>)

5. President Donald Trump, “Remarks by President Trump Before Meeting with Senior Military Leaders,” October 6, 2017. (<https://www.whitehouse.gov/briefings-statements/remarks-president-trump-meeting-senior-military-leaders/>)

6. President Donald Trump, “Remarks to the 72nd Session of the United Nations General Assembly,” September 17, 2017. (<https://usun.state.gov/remarks/7983>)

7. President Donald Trump, “Remarks by President Trump on Iran Strategy,” October 13, 2017. (<https://www.whitehouse.gov/the-press-office/2017/10/13/remarks-president-trump-iran-strategy>)

## Rex Tillerson, then-Secretary of State

- “I’d like to address Iran’s alarming and ongoing provocations that export terror and violence, destabilizing more than one country at a time.
- “Iran is the world’s leading state sponsor of terrorism and is responsible for intensifying multiple conflicts and undermining U.S. interests in countries such as Syria, Yemen, Iraq, and Lebanon, and continuing to support attacks against Israel.
- “An unchecked Iran has the potential to travel the same path as North Korea, and take the world along with it. The United States is keen to avoid a second piece of evidence that strategic patience is a failed approach.
- “A comprehensive Iran policy requires that we address all of the threats posed by Iran, and it is clear there are many.
- “Iran continues to support the brutal Assad regime in Syria, prolonging a conflict that has killed approximately half a million Syrians and displaced millions more. Iran supports the Assad regime, even as it commits atrocities against its own people, including with chemical weapons. Iran provides arms, financing, and training, and funnels foreign fighters into Syria. It has also sent members of the Iran Revolutionary Guard to take part in direct combat operations.
- “In Iraq, Iran provides support to some Iraqi militant groups, primarily through the Quds Force, which has been undermining security in Iraq for years.
- “Iran maintains a longstanding hostility towards Israel, providing weapons, training, and funding to Hamas and other Palestinian terrorist organizations.
- “In Yemen, Iran continues to support the Houthis’ attempted overthrow of the government by providing military equipment, funding, and training, thus threatening Saudi Arabia’s southern border. Interdictions by Emirati forces in Yemen and coalition forces in the Arabian Sea have revealed a complex Iranian network to arm and equip the Houthis.
- “Iranian naval vessels continue to undermine freedom of navigation in the Persian Gulf by harassing U.S. naval vessels that are operating lawfully.
- “Iran has conducted cyber-attacks against the United States and our Gulf partners.
- “Iran has been behind terrorist attacks throughout the rest of the world, including a plot to kill Adel al-Jubeir, who was then the Saudi ambassador to the United States.
- “Whether it be assassination attempts, support of weapons of mass destruction, deploying destabilizing militias, Iran spends its treasure and time disrupting peace.
- “The evidence is clear. Iran’s provocative actions threaten the United States, the region, and the world.”<sup>8</sup>

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8. U.S. Department of State, Public Statement, “Secretary of State Rex Tillerson Press Availability,” April 19, 2017. (<https://www.state.gov/secretary/remarks/2017/04/270341.htm>)

## Gen. James Mattis, Secretary of Defense

- “Everywhere you look if there is trouble in the region, you find Iran.”<sup>9</sup>
- “At the time when I spoke about Iran I was a commander of US central command and that [Iran] was the primary exporter of terrorism, frankly, it was the primary state sponsor of terrorism and it continues that kind of behavior today.”<sup>10</sup>
- “Iranian malign influence in the region is growing.”<sup>11</sup>

## Steven Mnuchin, Treasury Secretary

- “The IRGC has played a central role to Iran becoming the world’s foremost state sponsor of terror. Iran’s pursuit of power comes at the cost of regional stability, and Treasury will continue using its authorities to disrupt the IRGC’s destructive activities,” said Treasury Secretary Steven T. Mnuchin. “We are designating the IRGC for providing support to the IRGC-QF, the key Iranian entity enabling Syrian President Bashar al-Assad’s relentless campaign of brutal violence against his own people, as well as the lethal activities of Hizballah, Hamas, and other terrorist groups. We urge the private sector to recognize that the IRGC permeates much of the Iranian economy, and those who transact with IRGC-controlled companies do so at great risk.”<sup>12</sup>
- “We urge the private sector to recognize that the IRGC permeates much of the Iranian economy, and those who transact with IRGC-controlled companies do so at great risk.”<sup>13</sup>
- “It is appalling, but not surprising, that Iran’s senior-most banking official would conspire with the IRGC-QF to facilitate funding of terror groups like Hizballah, and it undermines any credibility he could claim in protecting the integrity of the institution as a central bank governor. The United States will not permit Iran’s increasingly brazen abuse of the international financial system.”<sup>14</sup>

## Nikki Haley, U.S. Ambassador to the United Nations

- “Hizballah is a terrorist organization. In its own words, it is dedicated to the destruction of Israel. It has the blood of hundreds of Americans and thousands of others on its hands. Together with its Iranian patron, Hizballah seeks to cause destruction throughout the Middle East.”<sup>15</sup>

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9. “U.S. Defense Chief Mattis: Wherever There’s Trouble in the Middle East, You Find Iran,” *Haaretz* (Israel), April 19, 2017. (<http://www.haaretz.com/middle-east-news/iran/1.784394>)

10. Alistair Smout, “U.S. Defense Secretary Mattis says Iran Continues to Sponsor Terrorism,” *Reuters*, March 31, 2017. (<http://www.reuters.com/article/us-usa-mattis-britain-iran/u-s-defense-secretary-mattis-says-iran-continues-to-sponsor-terrorism-idUSKBN1721H7>)

11. James Mattis, “Advance Policy Questions for James N. Mattis Nominee to be Secretary of Defense,” *Testimony before Senate Armed Services Committee*, January 12, 2017. ([https://www.armed-services.senate.gov/download/mattis-apq-responses\\_01-12-17](https://www.armed-services.senate.gov/download/mattis-apq-responses_01-12-17))

12. U.S. Department of the Treasury, Press Release, “Treasury Designates the IRGC under Terrorism Authority and Targets IRGC and Military Supporters under Counter-Proliferation Authority,” October 13, 2017. (<https://www.treasury.gov/press-center/press-releases/Pages/sm0177.aspx>)

13. U.S. Department of the Treasury, Press Release, “Treasury Designates the IRGC under Terrorism Authority and Targets IRGC and Military Supporters under Counter-Proliferation Authority,” October 13, 2017. (<https://www.treasury.gov/press-center/press-releases/Pages/sm0177.aspx>)

14. U.S. Department of the Treasury, Press Release, “Treasury Targets Iran’s Central Bank Governor and an Iraqi Bank Moving Millions of Dollars for IRGC-Qods Force,” May 15, 2018. (<https://home.treasury.gov/index.php/news/press-releases/sm0385>)

15. United States Mission to the United Nations, Press Release, “Remarks at a UN Security Council Open Debate on the Middle East,” July 25, 2017. (<https://usun.state.gov/remarks/7909>)

- “It’s long past time for the international community to hold Iran to the same standard that all countries who actually value peace and security are held to.”<sup>16</sup>

**Lt. Gen. H.R. McMaster, then-National Security Advisor**

- The message would be, “don’t do business with the IRGC; don’t enrich the IRGC; don’t enable their murderous campaign; don’t enable their threat to our friends in the region and to – especially Israel but also Saudi Arabia and others.”
- “... It’s in everyone’s interest to really work hard on business intelligence to understand who are the beneficial owners of these companies who were you know, opening up checkbooks and do business with in Iran.
- “... What we’ll want to do is take an approach that is analogous to President Trump’s approach to Cuba where he said, “We’re not going to do business with GAESA ... We’re not going to enrich the Castro regime and allow them to tighten their autocratic grip on the Cuban people and continue to choke them and deny them the freedom and liberty that they deserve. ... We will do business with actually legitimate – a legitimate Cuban private sector you know, such as it is and but maybe we can incentivize and emerge in – but we cannot afford to do business with the IRGC. And because all of us, the world, will pay for it later.”<sup>17</sup>

**Nathan Sales, Coordinator for Counterterrorism, Department of State**

- “Countering Iran and its proxies is a top priority for the US administration. Our approach marks a dramatic break from the past. We are addressing the totality of Iran’s threat. In October we designated the IRGC as a Specially Designated Global Terrorist (SDGT). In addition to its terrorism and military adventurism, the IRGC has deeply penetrated the Iranian economy, so any business in Iran linked to the IRGC is now at risk. Here today I am announcing that we are designating Harakat al-Sabarin in Gaza, another Iranian proxy, as a SDGT.”<sup>18</sup>

**Mike Pompeo, Secretary of State, former Director of Central Intelligence Agency**

*As CIA director:*

- “In Iran, we face an adversary on the march. Unlike ISIS and its mirage of a caliphate, the Islamic Republic of Iran is a powerful nation-state that remains the world’s largest state-sponsor of terrorism. Its strength and influence have increased notably in recent years, especially when you look at what’s happening in Syria, Yemen, and Iraq. Tehran clearly aspires to be the hegemonic power in the region. And though we’re currently focused on destroying ISIS, Iran presents our biggest Mideast challenge over the long term.”<sup>19</sup>
- “Imagine you’re a European CEO, or board of directors or a lender; the intelligence community struggles mightily to figure out which companies are controlled by the IRGC or the Quds Force. It is a difficult, complex, intelligence

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 16. United States Mission to the United Nations, Press Release, “Ambassador Haley on the Latest Iranian Behavior,” August 31, 2017. (<https://usun.state.gov/remarks/7950>)

17. H.R. McMaster, “FDD’s National Security Summit,” *Foundation for Defense of Democracies*, October 19, 2017. (<http://www.defenddemocracy.org/events/fdds-national-security-summit/>)

18. Nathan Sales, “Remarks at Strategic Assessment for Israel 11<sup>th</sup> Annual Conference,” *Remarks at the Institute for National Security Studies*, January 31, 2018. (<http://www.inss.org.il/amb-nathan-sales-state-department-coordinator-counterterrorism/>)

19. Central Intelligence Agency, Press Release, “Remarks as Prepared for delivery by CIA Director Mike Pompeo at INSA Leadership Dinner,” July 11, 2017. (<https://www.cia.gov/news-information/speeches-testimony/2017-speeches-testimony/director-pompeo-delivers-remarks-at-insa.html>)

undertaking to sort out which entities are controlled by the Quds Force, which ones have shareholders. It is intentionally opaque, but as much as 20 percent of the Iranian economy is controlled by them. Imagine that you're a businessperson deciding whether it was appropriate to take that risk or not, whether the return was there for your company. I think we can make it even more difficult, and I think in order to push back against all these non-nuclear activities—put aside the nuclear issues in the deal—to push back against these non-nuclear activities I think is something the president is intent on doing.”<sup>20</sup>

*As Secretary of State:*

- “The JCPOA permitted the Iranian regime to use the money from the JCPOA to boost the economic fortunes of a struggling people, but the regime’s leaders refused to do so. Instead, the government spent its newfound treasure fueling proxy wars across the Middle East and lining the pockets of the Islamic Revolutionary Guard Corps, Hizballah, Hamas, and the Houthis.
- “Remember: Iran advanced its march across the Middle East during the JCPOA. Qasem Soleimani has been playing with house money that has become blood money. Wealth created by the West has fueled his campaigns.
- “Today, the Iranian Quds Force conducts covert assassination operations in the heart of Europe.”<sup>21</sup>

#### **Dan Coats, Director of National Intelligence**

- “Iran continues to be the foremost state sponsor of terrorism and, with its primary terrorism partner, Lebanese Hizballah, will pose a continuing threat to US interests and partners worldwide. The Syrian, Iraqi, and Yemeni conflicts will continue to aggravate the rising Sunni-Shia sectarian conflict, threatening regional stability.”<sup>22</sup>

#### **Sigal Mandelker, Under Secretary of the Treasury for Terrorism and Financial Intelligence**

- “On the day of the President’s speech, OFAC designated the IRGC for support to terrorism under Executive Order 13224, consistent with section 105 of the Countering America’s Adversaries Through Sanctions Act passed in August. The President also authorized us to take additional action against the IRGC’s officials, agents, and affiliates later this month.
- “The IRGC designation, which was announced along with additional sanctions on four entities connected to the IRGC or previously designated defense-related entities, further increases the pressure on the IRGC.
- “It also highlights the nefarious nature of the organization. Beyond being a proliferator of weapons and a supplier of militants and military equipment – actions for which it has been previously sanctioned by the United States – the IRGC has helped make Iran the world’s leading state sponsors of terrorism.
- “The IRGC provides the organizational structure that allows them to export their militant extremism across the globe. It has been the Iranian regime’s main weapon in pursuit of its radical goals and is a lifeline for Hizballah, the Syrian regime, the Houthis in Yemen, Shia militant groups in Iraq, and others.

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20. CIA Director Mike Pompeo, “FDD’s National Security Summit,” *Foundation for Defense of Democracies*, October 19, 2017. (<http://www.defenddemocracy.org/events/fdds-national-security-summit/>)

21. Secretary of State Mike Pompeo, “After the Deal: A New Iran Strategy,” *Heritage Foundation*, May 21, 2018. (<https://www.state.gov/secretary/remarks/2018/05/282301.htm>)

22. Dan Coats, “World Wide Threats,” *Testimony before the Senate Select Committee on Intelligence*, May 11, 2017. (<https://www.intelligence.senate.gov/sites/default/files/documents/os-coats-051117.pdf>)



- “The IRGC’s control over large portions of the Iranian economy furthers its ability to support these groups and enrich its members.
- “In order to deny the IRGC the resources and financing it needs to spread instability, we must and we have been engaging our allies and partners, including those in the private sector. We have consistently raised concerns regarding the IRGC’s malign behavior, the IRGC’s level of involvement in the Iranian economy, and its lack of transparency. We have pointed out that the IRGC continues to be an integral part of the Iranian economy, including in the energy, construction, mining, and defense sectors.
- “And as we have urged the private sector to recognize that the IRGC permeates much of the Iranian economy, we have told them that those who transact with IRGC-controlled entities do so at their own risk.
- “Our fight against Iran’s malign activities extends beyond the IRGC. We will continue to aggressively target other organs of state power in Iran that foment instability and support terrorism.”<sup>23</sup>

### **Justin Siberell, then-Acting State Department Coordinator for Terrorism**

- “While ISIS continued to receive most of the headlines and remains a top focus for U.S. and international CT efforts, Iran remained the foremost state sponsor of terrorism globally. As explained in the report, Iran continues to provide support to Hizballah, Palestinian terrorist groups in Gaza, and various groups in Syria, Iraq, and throughout the Middle East.”<sup>24</sup>

#### IRAN’S ROLE IN SYRIA

### **Nikki Haley, U.S. Ambassador to the United Nations**

- “While Assad bears the largest responsibility for his own brutality, his allies in Russia and Iran also bear heavy burdens. Russia and Iran enable Assad’s abductions, torture, extrajudicial killings, airstrikes, barrel bombs, and chemical weapons attacks.”<sup>25</sup>
- “Iran is showing its true colors. Iran must decide whether it wants to be a member of the community of nations that can be expected to take its international obligations seriously or whether it wants to be the leader of a jihadist terrorist movement. It cannot be both.”<sup>26</sup>

### **Dan Coats, Director of National Intelligence**

“The Islamic Republic of Iran remains an enduring threat to US national interests ... We assess that the regime will maintain its momentum on the battlefield ... The continuation of the Syrian conflict will worsen already disastrous conditions for Syrians and regional states ... Iran’s involvement in these conflicts, including sending hundreds of its

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 23. U.S. Department of the Treasury, Press Release, “Treasury Under Secretary for Terrorism and Financial Intelligence Sigal Mandelker Speech on Iran Strategy,” October 16, 2017. (<https://www.treasury.gov/press-center/press-releases/Pages/sm0181.aspx>)

24. U.S. Department of State, Special Briefing, “Acting Coordinator for Counterterrorism Justin Siberell on the Release of Country Reports on Terrorism 2016,” July 19, 2017. (<https://www.state.gov/r/pa/prs/ps/2017/07/272694.htm>)

25. United States Mission to the United Nations, “Statement from Ambassador Nikki Haley on Atrocities Committed by the Assad Regime in Syria,” May 15, 2017. (<https://usun.state.gov/remarks/7797>)

26. “U.S. says Iran shows ‘true colors’ by restoring Hamas ties,” *Reuters*, August 31, 2017. (<https://www.reuters.com/article/us-palestinians-hamas-iran-usa/u-s-says-iran-shows-true-colors-by-restoring-hamas-ties-idUSKCN1BB2OI>)

own forces plus arming, financing and training thousands of Iraqi, Afghan, and Pakistani Shia fighters to support the Assad regime, has aggravated sectarianism and increased tensions with other regional states.”<sup>27</sup>

### **Stuart Jones, Acting Assistant Secretary of State for Near Eastern Affairs**

- “The United States is on record, has stated many times, that we are appalled by the atrocities that have been carried out by the Syrian regime. And these atrocities have been carried out seemingly with the unconditional support from Russia and Iran.”<sup>28</sup>

IRAN AND THE U.S.

### **Donald Trump, President**

- “In a few moments, I will sign a presidential memorandum to begin reinstating U.S. nuclear sanctions on the Iranian regime. We will be instituting the highest level of economic sanction. Any nation that helps Iran in its quest for nuclear weapons could also be strongly sanctioned by the United States.”<sup>29</sup>
- “President Donald J. Trump and his Administration are redoubling efforts to bring home all Americans unjustly detained abroad. The United States condemns hostage takers and nations that continue to take hostages and detain our citizens without just cause or due process. For nearly forty years, Iran has used detentions and hostage taking as a tool of state policy, a practice that continues to this day with the recent sentencing of Xiyue Wang to ten years in prison. Iran is responsible for the care and well-being of every United States citizen in its custody. President Trump urges Iran to return Robert Levinson home, who has been held for over 10 years, and demands Iran release Siamak and Baquer Namazi, who were taken during the Obama administration, along with all other American citizens unjustly detained by Iran. President Trump is prepared to impose new and serious consequences on Iran unless all unjustly imprisoned American citizens are released and returned.”<sup>30</sup>

### **Mike Pompeo, Secretary of State and former Director of Central Intelligence Agency**

*As Director of Central Intelligence Agency:*

- “The Iranians are professionals at cheating, and so while I think we have a very sound inspection regime ... I worry about the fact of ‘the thing that we do not know, we do not know.’ And so you have my commitment that I will continue to improve and enhance our capacity to understand that and do everything I can to diminish the risk that, in fact, we are missing something.”<sup>31</sup>

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27. Dan Coats, “World Wide Threats,” *Testimony before the Senate Select Committee on Intelligence*, May 11, 2017. (<https://www.intelligence.senate.gov/sites/default/files/documents/os-coats-051117.pdf>)

28. U.S. Department of State, Bureau for International Narcotics and Law Enforcement Affairs, Press Release, “Briefing by Acting Assistant Secretary for Near Eastern Affairs Stuart Jones on Syria,” May 15, 2017. (<https://www.state.gov/r/pa/prs/ps/2017/05/270865.htm>)

29. President Donald Trump, “Remarks by President Trump on the Joint Comprehensive Plan of Action,” May 8, 2018. (<https://www.whitehouse.gov/briefings-statements/remarks-president-trump-joint-comprehensive-plan-action/>)

30. President Donald Trump, “Statement on American Citizens Unjustly Detained in Iran,” July 21, 2017. (<https://www.whitehouse.gov/the-press-office/2017/07/21/statement-american-citizens-unjustly-detained-iran>)

31. Mike Pompeo, “Hearing on the Nomination of Rep. Mike Pompeo, R-Kansas., to be CIA Director,” *Testimony before Senate Select Committee on Intelligence*, January 12, 2017. (<https://www.bgov.com/core/news/#!/articles/OJQ6NZ3PWT1C>)

## Dan Coats, Director of National Intelligence

- “The Islamic Republic of Iran remains an enduring threat to US national interests because of Iranian support to anti-US terrorist groups and militants, the Assad regime, Houthi rebels in Yemen, and because of Iran’s development of advanced military capabilities.”<sup>32</sup>

## Admiral Kurt W. Tidd, Commander U.S. Southern Command

- “China, Russia, and Iran seek to expand their influence and challenge the international order and democratic principles of transparency, good governance, and rule of law abroad—and much closer to home. As a continuing state sponsor of terrorism, Iranian involvement in the Western Hemisphere is always a matter of concern. With the easing of economic sanctions, Iran may be seeking to rebuild its relationships in the region. Tehran uses cooperative technological, economic, and diplomatic interests as the centerpiece of its regional diplomacy. Although on the surface it portrays its actions as innocuous, Iran could exploit its cultural centers to build networks, which could be leveraged to extend its influence and advance its interests. Broadly speaking, some of this outreach is concerning, especially to those of us who care about advancing human rights and promoting regional peace and stability. Keep in mind there’s no Chinese, Russian, or Iranian equivalent of a Leahy Law, no comparable conditions on security assistance, no independent domestic media that carefully scrutinizes their activities. Their arms sales aren’t tied to international protocols or human rights vetting. Their loans don’t come with requirements to follow strict environmental or anti-corruption standards, or even clear terms and conditions for repayment. Their unscrupulous business practices and disregard for rule of law facilitates corruption, reduces trust in governments, and poses challenges to the norms and values that have brought prosperity and security for millions of people across our hemisphere.”<sup>33</sup>

## CORRUPTION AND LEGAL RISK

### SUMMARY

Iran consistently ranks as one of the most corrupt countries in the world. This problem is compounded by a notoriously opaque legal system that contains significant carve-outs for governmental discretion (under the pretext of “national security”) and the business empires of the Islamic Revolutionary Guard Corps (IRGC) and the supreme leader. Iran has severely inadequate property and intellectual property rights, and a legal system that fails to provide protection for foreign companies. Many companies pay bribes to access markets or to avoid legal troubles, which exposes companies to penalties under the Foreign Corrupt Practice Act or other international anti-bribery statutes.<sup>34</sup>

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32. Dan Coats, “World Wide Threats,” *Testimony before the Senate Select Committee on Intelligence*, May 11, 2017. (<https://www.intelligence.senate.gov/sites/default/files/documents/os-coats-051117.pdf>)

33. Kurt Tidd, “Posture Statement of Admiral Kurt T. Tidd,” *Testimony before Senate Armed Services Committee*, April 6, 2017. ([https://www.armed-services.senate.gov/imo/media/doc/Tidd\\_04-06-17.pdf](https://www.armed-services.senate.gov/imo/media/doc/Tidd_04-06-17.pdf))

34. Jonathan Schanzer and Amir Toumaj, “Opinion: Why Boeing shouldn’t do business with Iran,” *MarketWatch*, July 12, 2016. (<https://www.marketwatch.com/story/why-boeing-shouldnt-do-business-with-iran-2016-07-12>)

## Rankings

- Iran was ranked 130 out of 180 on the Corruption Perception Index (CPI) in 2017,<sup>35</sup> published by Transparency International, an international non-governmental organization based in Germany. The CPI is an annual ranking of countries “by their perceived levels of corruption, as determined by expert assessments and opinion surveys.”<sup>36</sup>
- The Executive Opinion Survey, which surveyed 14,375 business executives in over 148 economies, identified the most problematic factors in doing business with Iran as 1) access to financing, 2) inefficient government bureaucracy, 3) policy instability, 4) inadequate supply of infrastructure, 5) inflation, 6) corruption, 7) restrictive labor regulations, 8) foreign currency regulations, and 9) tax rates.<sup>37</sup>
- Iran was ranked 99 out of 128 on the International Property Rights Index 2017, produced annually by Americans for Tax Reform’s Property Rights Alliance. The Index scores and ranks countries worldwide based on three factors: the state of the country’s legal and political environment, physical property rights, and intellectual property rights.<sup>38</sup>
- Iran was ranked 155 out of 180 on the 2017 Index of Economic Freedom from the Heritage Foundation, which assesses global economic freedom by assessing each country’s rule of law, government size, regulatory efficiency, and open markets.<sup>39</sup>
- Iran is still ranked “Not Free” – the lowest ranking – by Freedom House. “Freedom in the World” analyzes the electoral process, political pluralism and participation, the functioning of the government, freedom of expression and of belief, associational and organizational rights, the rule of law, and personal autonomy and individual rights.<sup>40</sup>
- Iran was ranked 169 out of 200 for Business Bribery Risk by the TRACE Matrix in 2017.<sup>41</sup> TRACE measures a country’s score across four dimensions: business interactions with the government, anti-bribery laws and enforcement, government and civil service transparency, and capacity for civil society oversight.

## Key Points

- Companies doing business with Iran have a high risk of doing business with the IRGC (which remains under U.S. sanctions for proliferation and terrorism) because “the IRGC’s role in the Iranian economy is constitutionally mandated,” explains Iran analyst Ali Alfoneh.<sup>42</sup> “The IRGC interprets its operational freedom so broadly that it accepts no constitutional restrictions,” he continues.

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35. Janusz Soltani, “To Invest or Not to Invest.” *Janusz Soltani*, April 4, 2018. (<https://januzsoltani.wordpress.com/2018/04/04/to-invest-or-not-to-invest/>)

36. “Corruption Perceptions Index 2016,” *Transparency International*, January 25, 2017. (<https://www.transparency.org/country/#IRN>)

37. Azer Ahmadbay, “Iran’s Competitiveness Index and FATF demands,” *AzerNews* (Azerbaijan), December 6, 2017. (<https://www.azernews.az/region/123541.html>)

38. “Iran,” *The International Property Rights Index 2017*, accessed November 13, 2017. (<https://www.internationalpropertyrightsindex.org/country/iran>)

39. “Iran,” 2017 Index of Economic Freedom, *The Heritage Foundation*, accessed May 23, 2017. (<http://www.heritage.org/index/country/iran>)

40. “Iran,” *Freedom House*, accessed May 23, 2017. (<https://freedomhouse.org/country/iran>)

41. “The TRACE Matrix - The Global Business Bribery Risk Index for Compliance Professionals,” *Trace: Anti-Bribery Compliance Solutions*, accessed May 23, 2017. (<https://www.traceinternational.org/trace-matrix>)

42. Ali Alfoneh, “How Intertwined Are the Revolutionary Guards in Iran’s Economy?” *American Enterprise Institute*, October 2007. (<https://www.aei.org/publication/how-intertwined-are-the-revolutionary-guards-in-irans-economy/>)

- Business conglomerates under the control of Supreme Leader Ali Khamenei – including the Execution of the Order of Imam Khomeini (EIKO) and the Reza Holy Precinct, which oversees the Imam Reza Shrine in Mashhad – control significant holdings in the Iranian economy.<sup>43</sup> These holdings enrich Khamenei and his allies, who fund a variety of illicit activities including crackdown on the Iranian people and supporting terrorism.
- Iran set a precedent for not complying with international rulings after it failed to comply with the court ruling in the 1979 case *United States Diplomatic and Consular Staff in Tehran (United States of America v. Iran)*. In that case, the International Court of Justice ruled that Iran had to release the Americans held hostage in Tehran and pay reparations.<sup>44</sup>
- Foreign companies contracting with the Iranian government have no practical legal recourse in arbitration disputes. Watson Farley & Williams, an international law firm, in a January 2016 briefing on Foreign Investment Promotion in Iran, stated: Under the Freedom of Information and Protection of Privacy Act, “claims relating to public and state property and contracts with Iranian authorities must be considered in accordance with the Iranian constitution and the Iranian Civil Procedure Code requires the approval of the Parliament in order to be able to refer such claims to arbitration. This makes it virtually impossible to agree on arbitration in such matters.”<sup>45</sup>
- Companies that deal in Iran have a history of needing to pay bribes, such as French oil company Total S.A., which paid for access to Iran’s oil fields and then paid fines to the international community on top of that.<sup>46</sup> Halliburton and Statoil, a Norwegian oil company, bribed Iranian officials for drilling rights and preferential access to oil and gas contracts, which cost the companies financially and reputationally.<sup>47</sup>
- Reuters reported in January 2016: “Iran’s shadow economy has been a breeding ground for corruption and nepotism, and foreign companies will be wary of approaches by local ‘fixers’ who would pay bribes on their behalf. Under that scenario, the investor would be at fault under extra-territorial legislation such as the UK Bribery Act.”<sup>48</sup>
- Iran’s business climate offers preferential treatment to politically connected individuals. Foreign businesses may have to compete against politically connected insiders who receive much more favorable treatment from banks and other institutions.<sup>49</sup>

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 43. Babak Dehghanpisheh and Steve Stecklow, “Special Report: Khamenei’s conglomerate thrived as sanctions squeezed Iran,” *Reuters*, November 12, 2013. (<http://www.reuters.com/article/us-iran-setad-companies-specialreport-idUSBRE9AB0NW20131112>); Khamenei’s conglomerates have signed several deals with South Korean, Italian, Danish, and Chinese firms following the lifting of sanctions. See: “Factbox: Post-sanctions deals with Iranian firms linked to Khamenei,” *Reuters*, January 19, 2017. (<http://www.reuters.com/article/us-iran-deals-khamenei-factbox-idUSKBN15328Z>)

44. Summary of Judgement, *United States Diplomatic and Consular Staff in Tehran (United States of America v. Iran)*, International Court of Justice, December 15, 1979. (<http://www.icj-cij.org/en/case/64>)

45. “Foreign Investment Promotion in Iran,” *Watson Farley & Williams*, January 2016. (<http://www.wfw.com/wp-content/uploads/2016/01/WFW-IranInvestments-Jan2016.pdf>)

46. Richard L. Cassin, “Total SA pays \$398 million to settle U.S. bribe charges,” *The FCPA Blog*, May 29, 2013. (<http://www.fcpablog.com/blog/2013/5/29/total-sa-pays-398-million-to-settle-us-bribe-charges.html>)

47. Jonathan Schanzer and Amir Toumaj, “Why Boeing shouldn’t do business with Iran,” *Market Watch*, July 12, 2016. (<http://www.marketwatch.com/story/why-boeing-shouldnt-do-business-with-iran-2016-07-12>)

48. Sam Wilkin, “Red tape, political risks could stall investment in Iran,” *Reuters*, January 20, 2016. (<http://www.reuters.com/article/us-iran-nuclear-investment-idUSKCN0UY1S8>)

49. “Corruption in the Billions of the Director of the Jihadi [Organization] And His Second Wife in the Ministry of Education,” *IranWire*, October 21, 2016. (<https://iranwire.com/fa/features/18964>)

## SUMMARY

Companies transacting in Iran risk contravening existing sanctions regimes designed to prevent Iran from funding terrorism not to mention the nuclear related sanctions that the United States is in the process of re-imposing. An overall lack of Iranian transparency presents compliance risks to companies and financial institutions doing business in Iran. Iran has been labeled a jurisdiction of high risk by the Financial Action Task Force (FATF) due to its permissive money-laundering laws and lax protections against terror financing. In addition, Iran is designated pursuant to section 311 of the USA PATRIOT Act as a jurisdiction of primary money-laundering concern.

Iran openly funds terrorist organizations, such as Hezbollah and Hamas. In a country where an estimated 20 to 40 percent of the economy is run by the still-sanctioned IRGC, through front and shell companies as well as through licit enterprises, foreign companies run a severe risk of inadvertently fueling terrorism through business deals that may at first appear legitimate.

**Key Points**

- On February 28, 2018, after Iran failed once again to meet the deadline for completing its reform action plan, the FATF kept Iran on its Public Statement, commonly known as the “black list.” The FATF said in its report: “Iran will remain on the FATF Public Statement until the full Action Plan has been completed. Until Iran implements the measures required to address the deficiencies identified in the Action Plan, the FATF will remain concerned with the terrorist financing risk emanating from Iran and the threat this poses to the international financial system.” FATF called on its members and urged all jurisdictions to continue to advise their financial institutions to apply enhanced due diligence to business relationships and transactions with natural and legal persons from Iran, consistent with FATF Recommendation 19.<sup>50</sup> This followed two years of Iran committing, but failing to complete, its action plan.
- FATF is an intergovernmental body that sets standards and promotes implementation of measures to combat global money laundering and terror financing. It also assesses the effective implementation of anti-money laundering and counterterrorist financing laws and regulations adopted by member countries. In the case of Iran, far from effectively implementing apparently new anti-terrorism laws (even while some have not been passed), Iran still boasts its support for terrorist organizations, including Hamas and Hezbollah.<sup>51</sup>
- The International Monetary Fund (IMF), in a 2018 report, called for “timely passage of the AML and CFT amendments to bring them fully in line with international standards and ratification of the UN Convention for the Suppression of the Financing of Terrorism. Iran has not passed its CFT convention law. Beyond the action plan, enhancing the effectiveness of the AML/CFT system – including completing the national risk assessment (NRA), improving transparency of corporate beneficial ownership, enhancing the system of asset declaration for senior public officials and measures to identify domestic politically exposed persons, and moving to risk-based AML/CFT supervision of financial institutions – is necessary to counter corruption, tax evasion, and

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50. Financial Action Task Force, Public Statement, “Public Statement – 23 February 2018,” February 23, 2018. (<http://www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/documents/public-statement-february-2016.html>)

51. Toby Dershowitz and Saeed Ghasseminejad, “Will Iran wordsmith its way off our terrorism list? It certainly is trying,” *The Hill*, July 25, 2016. (<http://www.defenddemocracy.org/media-hit/toby-dershowitz-will-iran-wordsmith-its-way-off-our-terrorism-list-it-certainly-is-trying/>)

terrorism financing, and facilitate improved correspondent banking relationships (CBRs) and re-integration into the global financial system.<sup>52</sup>

- On June 20, 2018, Iran's Supreme Leader told Parliament that he opposed passage of legislation that would support Iran's signing international anti-money laundering and terror finance conventions.<sup>53</sup> This followed a hotly debated discussion in Parliament about the conventions, which Iran is required to formally support as part of its FATF Action Plan.
- In a speech on April 10, 2018, U.S. Under Secretary of the Treasury for Terrorism and Financial Intelligence Sigal Mandelker said, "There continue to be ongoing risks with doing business there because the Iranians have not reformed their system."<sup>54</sup>
- Under Secretary Mandelker also remarked in a June 5, 2018, speech that Iran's "objective is to ensure that no legitimate company or government knows that they are being used to achieve Iran's illicit aims."
- The Basel Institute on Governance ranked Iran's AML and CFT protections as the worst in the world in 2016, and again in 2017.<sup>55</sup>
- Sturgeon Capital, a London-based hedge fund, estimates that only 10 percent of companies on the Tehran Stock Exchange (TSE) are "sanctions-compliant," meaning that they are not exposed to entities that were previously, or remain, sanctioned.<sup>56</sup>
- Iran has previously used backdoor channels to circumvent sanctions, some of which went undetected for a long period of time. For example, in 2016, Iranian-Turkish businessman Reza Zarrab, along with Mehmet Hakan Atilla, deputy general manager of the Turkish-government-controlled Halkbank, Turkey's second-largest state bank, "blew a billion-dollar hole in the Iran sanctions regime," according to Acting U.S. Attorney Joon Kim, by smuggling Iranian oil proceeds and supplying currency and gold to the Iranian government and other Iranian entities.<sup>57</sup> Zarrab, who plead guilty, revealed the elaborate scheme he used to engage in money laundering with the full participation of Iranian government officials.<sup>58</sup>

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52. International Money Fund, "IMF Country Report No. 18/93," March 2018. (<https://www.imf.org/en/Publications/CR/Issues/2018/03/29/Islamic-Republic-of-Iran-2018-Article-IV-Consultation-Press-Release-Staff-Report-and-45767>)

53. "Iran's top leader opposes joining anti-money-laundering body," *Associated Press*, June 20, 2018. ([https://www.washingtonpost.com/world/middle\\_east/irans-top-leader-opposes-joining-anti-money-laundering-body/2018/06/20/1a97bf00-747b-11e8-bda1-18e53a448a14\\_story.html?utm\\_term=.290a983f9719](https://www.washingtonpost.com/world/middle_east/irans-top-leader-opposes-joining-anti-money-laundering-body/2018/06/20/1a97bf00-747b-11e8-bda1-18e53a448a14_story.html?utm_term=.290a983f9719))

54. Benjamin Weinthal, "German Company Involved In Syrian Chemical Attacks Defies U.S. Warnings," *The Jerusalem Post* (Israel), April 11, 2018. (<http://www.jpost.com/Middle-East/German-company-involved-in-Syrian-chemical-attacks-defies-US-warnings-549486>)

55. "Basel AML Index 2016," *Basel Institute on Governance*, July 27, 2016. ([https://index.baselgovernance.org/sites/index/documents/Basel\\_AML\\_Index\\_Report\\_2016.pdf](https://index.baselgovernance.org/sites/index/documents/Basel_AML_Index_Report_2016.pdf)); "Basel AML Index 2017," *Basel Institute on Governance*, September 11, 2017. ([https://index.baselgovernance.org/sites/index/documents/Basel\\_AML\\_Index\\_Report\\_2017.pdf](https://index.baselgovernance.org/sites/index/documents/Basel_AML_Index_Report_2017.pdf))

56. "Basel AML Index 2017," *Basel Institute on Governance*, September 11, 2017. ([https://index.baselgovernance.org/sites/index/documents/Basel\\_AML\\_Index\\_Report\\_2017.pdf](https://index.baselgovernance.org/sites/index/documents/Basel_AML_Index_Report_2017.pdf))

57. U.S. Attorney's Office, Southern District of New York, Press Release, "Turkish Banker Convicted Of Conspiring To Evade U.S. Sanctions Against Iran And Other Offenses," January 3, 2018. (<https://www.justice.gov/usao-sdny/pr/turkish-banker-convicted-conspiring-evade-us-sanctions-against-iran-and-other-offenses>)

58. U.S. Department of Justice, Press Release, "Turkish National Arrested for Conspiring to Evade U.S. Sanctions Against Iran, Money Laundering and Bank Fraud," March 21, 2016. (<https://www.justice.gov/opa/pr/turkish-national-arrested-conspiring-evade-us-sanctions-against-iran-money-laundering-and>)

- Ownership structures of legal entities in Iran are opaque.<sup>59</sup>
- Iran's history of supporting terrorism and "allowing security services to involve themselves in the financial system" complicates due diligence processes, according to former U.S. officials.<sup>60</sup>

### Control and Influence by Sanctioned Entities

- According to an interview with Entekhab, an online magazine published in Iran, an unnamed spokesman for the IRGC revealed: "The IRGC owns 812 registered corporations in Iran. These same companies have signed 1,700 deals for projects with the government. Furthermore, the IRGC owns numerous corporations in every economic sector including banking, transportation, as well as oil and gas. The IRGC also owns automobile manufacturers and construction contractors. In addition, the IRGC is responsible for a third of GDP output in Iran."<sup>61</sup>
- Experts estimate that the IRGC controls between 20 and 40 percent of Iran's formal economy.<sup>62</sup> The IRGC remains subject to U.S. and EU sanctions. A 2016 estimate noted the IRGC's "assets could exceed \$100 billion in an economy with a gross domestic product as large as about \$400 billion."<sup>63</sup>
- The IRGC maintains control of significant assets and companies in a range of sectors across the Iranian economy, including energy, construction and engineering, transportation, and financial services, among others.<sup>64</sup>
- While there are 17 private banks in Iran (as of 2014), many of these banks retain ties to the IRGC and the Iranian government through their ownership structures.<sup>65</sup>
- The costs to foreign companies of transacting with sanctioned companies can be significant. In addition to billions in dollars forfeited and millions of dollars in fines,<sup>66</sup> companies experience stock price falls. For example,

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 59. Ladane Nasser, Samuel Potter, and Golnar Motevalli, "What Investors Need to Know About Entering Iran's Stock Market," *Bloomberg*, January 17, 2016. (<http://www.bloomberg.com/news/articles/2016-01-17/what-investors-need-to-know-about-entering-iran-s-stock-market>)

60. International Monetary Fund, "IMF Country Report No. 17/62: Islamic Republic Of Iran," February 2017, page 23. (<http://www.imf.org/~media/Files/Publications/CR/2017/cr1762.ashx>)

61. Janusz Soltani, "To Invest or Not To Invest" *Janusz Soltani*, April 4, 2018. (<https://januszsoltani.wordpress.com/2018/04/04/to-invest-or-not-to-invest/>)

62. Greg Bruno, Jayshree Bajoria, and Jonathan Masters, "Iran's Revolutionary Guard," *Council on Foreign Relations*, June 14, 2013. (<http://www.cfr.org/iran/irans-revolutionary-guards/p14324>); Emanuele Ottolenghi and Saeed Ghasseminejad, "Who Really Controls Iran's Economy?" *The National Interest*, May 20, 2015. (<http://nationalinterest.org/feature/who-really-controls-irans-economy-12925>); Frederic Wehrey, Jerrold D. Green, Brian Nichiporuk, Alireza Nader, Lydia Hansell, Rasool Nafisi, and S. R. Bohandy, "The Rise of the Pasdaran: Assessing the Domestic Roles of Iran's Islamic Revolutionary Guards Corps," *The RAND Corporation*, 2009. ([http://www.rand.org/content/dam/rand/pubs/monographs/2008/RAND\\_MG821.pdf](http://www.rand.org/content/dam/rand/pubs/monographs/2008/RAND_MG821.pdf)); Mark Gregory, "Expanding Business Empire of Iran's Revolutionary Guards," *BBC News* (UK), July 26, 2010. (<http://www.bbc.com/news/world-middle-east-10743580>)

63. Najmeh Bozorgmehr, "Iranian banks give Guard the cold shoulder," *Financial Times* (UK), September 18, 2016. (<https://www.ft.com/content/1eb9e41a-7b16-11e6-ae24-f193b105145e>)

64. Emanuele Ottolenghi, Saeed Ghasseminejad, Annie Fixler, and Amir Toumaj, "How the Nuclear Deal Enriches Iran's Revolutionary Guard Corps," *Foundation for Defense of Democracies*, October 2016. ([http://www.defenddemocracy.org/content/uploads/documents/IRGC\\_Report.pdf](http://www.defenddemocracy.org/content/uploads/documents/IRGC_Report.pdf))

65. Bijan Khajehpour, "Can Iran's private banks make a difference?" *Al-Monitor*, January 3, 2014, posted at ([https://lawfare.s3-us-west-2.amazonaws.com/staging/2016/Partially%20Unwinding%20Sanctions\\_Moarefy\\_Lawfare.pdf](https://lawfare.s3-us-west-2.amazonaws.com/staging/2016/Partially%20Unwinding%20Sanctions_Moarefy_Lawfare.pdf))

66. Nate Raymond, "BNP Paribas sentenced in \$8.9 billion accord over sanctions violations," *Reuters*, May 1, 2015. (<http://www.reuters.com/article/us-bnp-paribas-settlement-sentencing-idUSKBN0NM41K20150501>)



Standard Chartered stock declined by nearly four percent after it was revealed that the bank transacted with sanctioned persons.<sup>67</sup>

### Politically Exposed Persons

- State-linked religious conglomerates known as *bonyads* control a significant stake of Iran's GDP.<sup>68</sup> According to Kenneth Katzman of the Congressional Research Service, the *bonyads* may account for as much as 40 percent of Iran's total GDP.<sup>69</sup>
- While nominally foundations and charities, *bonyads* are owned by clerics and government officials and often answer only to Iran's supreme leader, Ayatollah Ali Khamenei. These entities are not answerable to government supervision.<sup>70</sup>
- These organizations acquired much of their assets through the confiscation of property and assets after the 1979 revolution.

## CURRENT SANCTIONS ON IRAN

On May 8, 2018, President Trump announced that the United States was withdrawing from the Joint Comprehensive Plan of Action (JCPOA) and would begin reinstating all U.S. sanctions suspended under the JCPOA. Companies looking to conduct business transactions with Iran now face elevated levels of sanctions violation risk. Secretary of State Mike Pompeo explained in a speech two weeks later that “sanctions are back in place.”<sup>71</sup>

On that date, OFAC revoked specific licenses issued in connection with the statement of licensing policy relating to the export or re-export of commercial passenger aircraft and related parts and services.<sup>72</sup> For example, this action required Boeing to end its contract with Iran Air.

Certain other OFAC withdrawals and issuances of licenses to conduct business with Iran do not have explicit dates for implementation.

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67. Richard Partington, “Standard Chartered Falls on Report of Iranian Sanctions Breach,” *Bloomberg*, September 21, 2015. (<http://www.bloomberg.com/news/articles/2015-09-21/standard-chartered-falls-on-report-of-iranian-sanctions-breach>)

68. Afshin Molavi, *The Soul of Iran: A Nation's Struggle for Freedom*, (W.W. Norton, New York, NY, 2002.) page 176. (<https://books.google.com/books?id=qq3lN06cxKYC&lpg=PP1&pg=PP1#v=onepage&q=bonyads&f=false>)

69. Janusz Soltani, “To Invest or Not To Invest,” *Janusz Soltani*, April 4, 2018. (<https://januzsoltani.wordpress.com/2018/04/04/to-invest-or-not-to-invest/>)

70. Andrew Higgins, “Inside Iran's Holy Money Machine,” *The Wall Street Journal*, June 2, 2007. (<https://www.wsj.com/articles/SB118072271215621679>); Kenneth Katzman, “Iran's State-Linked Conglomerates,” *Congressional Research Service*, October 17, 2016. (<http://www.fas.org/sgp/crs/mideast/IN10597.pdf>)

71. Secretary of State Mike Pompeo, “After the Deal: A New Iran Strategy,” *U.S. Department of State*, May 21, 2018. (<https://www.state.gov/secretary/remarks/2018/05/282301.htm>)

72. U.S. Department of the Treasury, “Frequently Asked Questions Regarding the Re-Imposition of Sanctions Pursuant to the May 8, 2018 National Security Presidential Memorandum Relating to the Joint Comprehensive Plan of Action (JCPOA),” May 8, 2018. ([https://www.treasury.gov/resource-center/sanctions/Programs/Documents/jcpoa\\_winddown\\_faqs.pdf](https://www.treasury.gov/resource-center/sanctions/Programs/Documents/jcpoa_winddown_faqs.pdf))

## OFAC Measures

- “Revocation of General License H, which authorizes U.S.-owned or -controlled foreign entities to engage in limited business involving Iran;
- “Issuance of a wind-down license authorizing U.S.-owned or -controlled foreign entities to wind-down business involving Iran that had been authorized under General License H;
- “Revocation of General License I, which authorizes U.S. persons to enter into contingent contracts for the export or re-export to Iran of commercial passenger aircraft and related parts and services;
- “Issuance of a wind-down license authorizing U.S. -owned or -controlled foreign entities to wind-down activities involving Iran that had been authorized under General License I;
- “Amendment of Iran Transactions and Sanctions Regulations to replace the authorization for the import of Iranian carpets and foodstuffs and related financial transactions with authorizations for winding down those activities.”<sup>73</sup>

According to guidelines issued by the U.S. Treasury Department, sanctions will be reinstated over 90-day and 180-day periods.<sup>74</sup> Providing goods and services to Iran after this period “may result in the imposition of U.S. sanctions.”<sup>75</sup> (Excerpts from U.S. Treasury’s FAQs)

## 90-Day Period

“After the 90-day period ends on August 6, 2018, the U.S. government will re-impose the following sanctions that were lifted pursuant to the JCPOA, including sanctions on associated services related to the activities below:

- i. “Sanctions on the purchase or acquisition of U.S. dollar banknotes by the Government of Iran;
- ii. “Sanctions on Iran’s trade in gold or precious metals;
- iii. “Sanctions on the direct or indirect sale, supply, or transfer to or from Iran of graphite, raw, or semi-finished metals such as aluminum and steel, coal, and software for integrating industrial processes;
- iv. “Sanctions on significant transactions related to the purchase or sale of Iranian rials, or the maintenance of significant funds or accounts outside the territory of Iran denominated in the Iranian rial;
- v. “Sanctions on the purchase, subscription to, or facilitation of the issuance of Iranian sovereign debt; and
- vi. “Sanctions on Iran’s automotive sector.

“In addition, following the 90-day wind-down period that ends on August 6, 2018, the U.S. government will revoke the following JCPOA-related authorizations under U.S. primary sanctions regarding Iran:

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73. “Iran Sanctions Re-Imposition Timeline,” *Financial Integrity Network*, June 5, 2018. ([http://www.financialintegritynetwork.net/uploads/8/7/8/0/87802750/2018.06.05\\_-\\_policyalert\\_-\\_irantimeline.pdf](http://www.financialintegritynetwork.net/uploads/8/7/8/0/87802750/2018.06.05_-_policyalert_-_irantimeline.pdf))

74. U.S. Department of the Treasury, “Frequently Asked Questions Regarding the Re-Imposition of Sanctions Pursuant to the May 8, 2018 National Security Presidential Memorandum Relating to the Joint Comprehensive Plan of Action (JCPOA),” May 8, 2018. ([https://www.treasury.gov/resource-center/sanctions/Programs/Documents/jcpoa\\_winddown\\_faqs.pdf](https://www.treasury.gov/resource-center/sanctions/Programs/Documents/jcpoa_winddown_faqs.pdf))

75. U.S. Department of the Treasury, “Frequently Asked Questions Regarding the Re-Imposition of Sanctions Pursuant to the May 8, 2018 National Security Presidential Memorandum Relating to the Joint Comprehensive Plan of Action (JCPOA),” May 8, 2018. ([https://www.treasury.gov/resource-center/sanctions/Programs/Documents/jcpoa\\_winddown\\_faqs.pdf](https://www.treasury.gov/resource-center/sanctions/Programs/Documents/jcpoa_winddown_faqs.pdf))

- i. “The importation into the United States of Iranian-origin carpets and foodstuffs and certain related financial transactions pursuant to general licenses under the Iranian Transactions and Sanctions Regulations, 31 C.F.R. part 560 (ITSR);
- ii. “Activities undertaken pursuant to specific licenses issued in connection with the Statement of Licensing Policy for Activities Related to the Export or Re-export to Iran of Commercial Passenger Aircraft and Related Parts and Services (JCPOA SLP);
- iii. “Activities undertaken pursuant to General License I relating to contingent contracts for activities eligible for authorization under the JCPOA SLP.”<sup>76</sup>

### **180-Day Period**

“Following the 180-day wind-down period ending on November 4, 2018, the U.S. government will re-impose the following sanctions that were lifted pursuant to the JCPOA, including sanctions on associated services related to the activities below:

- i. “Sanctions on Iran’s port operators, and shipping and shipbuilding sectors, including on the Islamic Republic of Iran Shipping Lines (IRISL), South Shipping Line Iran, or their affiliates;
- ii. “Sanctions on petroleum-related transactions with, among others, the National Iranian Oil Company (NIOC), Naftiran Intertrade Company (NICO), and National Iranian Tanker Company (NITC), including the purchase of petroleum, petroleum products, or petrochemical products from Iran;
- iii. “Sanctions on transactions by foreign financial institutions with the Central Bank of Iran and designated Iranian financial institutions under Section 1245 of the National Defense Authorization Act for Fiscal Year 2012 (NDAA);
- iv. “Sanctions on the provision of specialized financial messaging services to the Central Bank of Iran and Iranian financial institutions described in Section 104(c)(2)(E)(ii) of the Comprehensive Iran Sanctions and Divestment Act of 2010 (CISADA);
- v. “Sanctions on the provision of underwriting services, insurance, or reinsurance;
- vi. “Sanctions on Iran’s energy sector.”<sup>77</sup>

### **Further Revocations and Sanctions**

- On November 5, 2018, the day following the conclusion of the 180-day period, the following OFAC measures will take effect:
- “Revocation of the license authorizing the wind-down of activities that had been authorized under General License H, which authorized U.S.-owned or – controlled foreign entities to engage in limited business involving Iran;

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 76. U.S. Department of the Treasury, “Frequently Asked Questions Regarding the Re-Imposition of Sanctions Pursuant to the May 8, 2018 National Security Presidential Memorandum Relating to the Joint Comprehensive Plan of Action (JCPOA),” May 8, 2018. ([https://www.treasury.gov/resource-center/sanctions/Programs/Documents/jcpoa\\_winddown\\_faqs.pdf](https://www.treasury.gov/resource-center/sanctions/Programs/Documents/jcpoa_winddown_faqs.pdf))

77. U.S. Department of the Treasury, “Frequently Asked Questions Regarding the Re-Imposition of Sanctions Pursuant to the May 8, 2018 National Security Presidential Memorandum Relating to the Joint Comprehensive Plan of Action (JCPOA),” May 8, 2018. ([https://www.treasury.gov/resource-center/sanctions/Programs/Documents/jcpoa\\_winddown\\_faqs.pdf](https://www.treasury.gov/resource-center/sanctions/Programs/Documents/jcpoa_winddown_faqs.pdf))

- “Re-listing, as appropriate, of persons who were removed from the Specially Designated Nationals (SDN) list of January 16, 2016;
- “Secondary sanctions on re-listed persons, depending on the authority under which they are listed;
- “Transfer of persons from the Executive Order 13599 list to the SDN list;
- “Secondary sanctions on most persons moved from the Executive Order 13599 list to the SDN list;”<sup>78</sup>

### Other Key Points

- Following the 180-day wind-down period, the U.S. will implement sanctions against countries that do not “significantly” reduce their oil imports from Iran. Countries that do significantly reduce their imports qualify for sanctions waivers.<sup>79</sup>
- American law authorizes the president to impose sanctions on SWIFT and its directors if it refuses to disconnect designated Iranian banks. The president could use his executive powers to put on the sanctions list board members and senior officials at the ECB, European Investment Bank and national central banks. <sup>80</sup>Under the Iran Threat Reduction and Syria Human Rights Act of 2012, the president is authorized to impose sanctions on any financial messaging service that provide services to Iran’s central bank and Iranian banks designated for terrorism or proliferation concerns. In addition to sanctioning SWIFT, the president could use this authority to sanction Europe’s Target2 messaging system.
- In addition to the re-imposition of pre-JCPOA sanctions, companies considering investing in Iran must account for potential changes to existing laws and regulations on sanctions, auditing requirements, and compliance standards regarding transactions with Iran. For example, the House and Senate each passed versions of the Hizballah International Financing Prevention Amendments Act, which would add additional auditing standards and enhanced due diligence for foreign persons doing business with Iran to ensure their transactions do not benefit Hezbollah.<sup>81</sup>
- Under Secretary of the Treasury for Terrorism and Financial Intelligence Sigal Mandelker warned private businesses to be very cautious to avoid exploitation by Iran. Mandelker said, “[T]o those in the private sector, I urge you to take additional steps to ensure Iran and its proxies are not exploiting your companies to support their nefarious activities. You may think your clients and counter parties are legitimate, but they may be in fact part of the Iranian regime’s deceptive schemes to fund terrorism and human rights abuses.”<sup>82</sup>
- With a stated policy of “maximum pressure” toward the Islamic Republic, companies should expect the Trump administration will continue to expand sanctions beyond those that existed prior to the JCPOA. Such sanctions

78. “Iran Sanctions Re-Imposition Timeline,” *Financial Integrity Network*, June 5, 2018. ([http://www.financialintegritynetwork.net/uploads/8/7/8/0/87802750/2018.06.05\\_-\\_policyalert\\_-\\_irantimeline.pdf](http://www.financialintegritynetwork.net/uploads/8/7/8/0/87802750/2018.06.05_-_policyalert_-_irantimeline.pdf))

79. “How Financial Institutions Should Prepare for the Re-Imposition of Sanctions on Iran,” *Financial Integrity Network*, May 10, 2018. ([http://www.financialintegritynetwork.net/uploads/8/7/8/0/87802750/2018.05.10\\_-\\_client\\_alert\\_-\\_iran.pdf](http://www.financialintegritynetwork.net/uploads/8/7/8/0/87802750/2018.05.10_-_client_alert_-_iran.pdf))

80. Mark Dubowitz and Richard Goldberg, “Iran, Get Ready for the Battle Rial,” *The Wall Street Journal*, May 21, 2018. (<https://www.wsj.com/articles/iran-get-ready-for-the-battle-rial-1526941983>)

81. Hizballah International Financing Prevention Amendments Act of 2017, S. 1595, 115<sup>th</sup> Congress (2017). (<https://www.congress.gov/bill/115th-congress/senate-bill/1595>); Hizballah International Financing Prevention Amendments Act of 2017, H.R. 3329, 115<sup>th</sup> Congress (2017). (<https://www.congress.gov/bill/115th-congress/house-bill/3329>)

82. Sigal Mandelker, “Iran’s Deceptive Financial Practices,” *Foundation for Defense of Democracies*, June 5, 2018. ([http://www.defenddemocracy.org/content/uploads/documents/Iran\\_Financial\\_Practices\\_Transcript.pdf](http://www.defenddemocracy.org/content/uploads/documents/Iran_Financial_Practices_Transcript.pdf))

could designate additional sectors of the Iranian economy and/or target firms in which the IRGC maintains minority ownership stakes.

- Two Treasury Department designations in the last 12 months should be a warning to all businesses considering interactions with the Iranian financial sector. On May 10, 2018, Treasury imposed sanctions on a UAE-based money exchange based on evidence that it colluded with the Central Bank of Iran to launder money to the IRGC-Quds Force (IRGC-QF). On May 15, 2018, Treasury designated the governor of the Central Bank of Iran based on evidence he funneled money to the IRGC-QF “to enrich and support the violent and radical agenda of Hizballah,” according to Treasury Secretary Mnuchin.

### Currently Enforced Executive Orders

- Iranian entities remain on the Specially Designated National (SDN) list (blocking the property of, and prohibiting transactions with, designated persons) for a range of illicit activities. Treasury’s guidance after President Trump’s decision to withdraw from the nuclear deal also stated that Treasury will re-list persons removed from the SDN list pursuant to the JCPOA.
- New designations may also be added under the following executive orders:
- Executive Order 13694 – blocking the property of certain persons engaging in significant malicious cyber-enabled activities.
- Executive Order 13224 – blocking the property of those who commit or support terrorism.
- Executive Orders 13553, 13628, and 13606 – blocking the property of those who commit human rights abuses against the citizens of Iran, transfer technology to Iran that may be used to commit human rights abuses, or engage in censorship and monitoring of dissidents.
- Executive Order 13382 – blocking the property of those who engage in proliferation of weapons of mass destruction and their delivery vehicles (including ballistic missiles).
- Executive Orders 13572 and 13582 – blocking the property of those who commit human rights abuses in Syria or support the Assad regime.
- Executive Order 13611 – blocking the property of those who threaten the peace, stability, and security of Yemen.
- Executive Order 13438 – blocking the property of those who threaten the stability of Iraq.
- Executive Order 13441 – blocking the property of those who undermine democratic institutions in Lebanon.

### Currently Enforced Sanctions

As the US has withdrawn from the JCPOA, Treasury has issued guidance that by November 2018, those sanctions that were suspended will be re-imposed. In addition, the following sanctions are unaffected by the JCPOA and remain in force.

- **Primary U.S. Sanctions:** According to the U.S. Treasury Department, “The U.S. domestic trade embargo on Iran remains in place. With limited exceptions, U.S. persons are broadly prohibited from engaging in any transactions or dealings with Iran or its government. Additionally, U.S. persons are prohibited from doing business with the government of Iran and Iranian financial institutions and their property and interests remain blocked under

Executive Order 13599 and section 560.211 of the [Iran Transactions and Sanctions Regulations].”<sup>83</sup> U.S. primary sanctions apply to non-U.S. branches of U.S. financial institutions.<sup>84</sup>

- Non-U.S. persons must remain aware of these primary sanctions for a number of reasons:<sup>85</sup>
  - U.S. jurisdiction is broad and U.S. regulators not only at Treasury, but also at the Department of Justice, the Securities and Exchange Commission, state prosecutors, and various New York authorities may use this broad jurisdiction to target transactions that may not at a prima facie level appear to involve U.S. persons.
  - It is prohibited for any foreign person to cause a U.S. person to violate sanctions regulations.
  - It is prohibited for foreign subsidiaries of U.S. companies to involve the U.S. parent company in any Iran-related business. There must be a firewall between the U.S. parent and the foreign subsidiary when it comes to any component of the transaction with Iran.
- **Dollar Transactions:** U-turn transactions remain prohibited, and therefore U.S.-dollar clearing remains off-limits for non-U.S. banks. Foreign financial institutions may process transactions denominated in dollars, provided the transactions do not directly or indirectly involve the U.S. financial system or any U.S. person.<sup>86</sup>
- **Special Measures under USA PATRIOT Act, Section 311:** Iran was designated under Section 311 of the USA PATRIOT Act as a jurisdiction of money-laundering concern in 2011. U.S. financial institutions are prohibited from opening or maintaining a correspondent account on behalf of a foreign banking institution if the correspondent account involves Iran.<sup>87</sup>
- **Secondary Sanctions:** Iran also remains subject to secondary sanctions. The list below is illustrative (and non-exhaustive) of these measures. This is particularly relevant for foreign financial institutions.
  - **The Iran Freedom and Counterproliferation Act of 2012** (passed as part of the FY2013 National Defense Authorization Act) §1244(c)(1): Permits the imposition of secondary sanctions against persons who knowingly provide significant financial, material, or other support to Iranian persons on the SDN list (including Iranian financial institutions designated in connection with proliferation of WMDs or delivery systems; terrorism; or human rights abuses), among others.
  - **Comprehensive Iran Sanctions Accountability and Divestment Act of 2010** §104(c)(2)(E)(ii)(I): Applies with respect to foreign financial institutions knowingly providing support to persons that facilitate a significant transaction for individuals or entities blocked in connection with Iran’s proliferation of WMD or their means of delivery.
  - **Comprehensive Iran Sanctions Accountability and Divestment Act of 2010** §104(c)(2)(E)(i): Prohibits opening or maintaining U.S. correspondent or payable-through accounts for foreign financial institutions found to have knowingly facilitated a transaction or provided financial services to the Iran Revolutionary

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83. U.S. Department of the Treasury, “Frequently Asked Questions Relating to the Lifting of Certain U.S. Sanctions Under the Joint Comprehensive Plan of Action (JCPOA) on Implementation Day,” December 15, 2016. ([https://www.treasury.gov/resource-center/sanctions/Programs/Documents/jcpoa\\_faqs.pdf](https://www.treasury.gov/resource-center/sanctions/Programs/Documents/jcpoa_faqs.pdf))

84. International Monetary Fund, “IMF Country Report No. 17/62: Islamic Republic Of Iran,” February 2017, page 4. (<http://www.imf.org/~media/Files/Publications/CR/2017/cr1762.ashx>)

85. “FIN Policy Alert: Post-Implementation Day Risks of Doing Business in Iran,” *Financial Integrity Network*, accessed May 25, 2017. ([http://www.financialintegritynetwork.net/uploads/8/7/8/0/87802750/fin\\_iran\\_post-implementation\\_day\\_policy\\_alert.pdf](http://www.financialintegritynetwork.net/uploads/8/7/8/0/87802750/fin_iran_post-implementation_day_policy_alert.pdf))

86. International Monetary Fund, “IMF Country Report No. 17/63: Islamic Republic Of Iran,” February 2017. (<http://www.imf.org/~media/Files/Publications/CR/2017/cr1763.ashx>)

87. U.S. Department of the Treasury, Press Release, “Fact Sheet: New Sanctions on Iran,” November 21, 2011. (<https://www.treasury.gov/press-center/press-releases/Pages/tg1367.aspx>)

Guard Corps, its agents or affiliates, or any other person designated in connection with proliferation of WMDs or delivery systems or support for terrorism.

- **Countering America's Adversaries Through Sanctions Act of 2017:** Authorizes additional sanctions against Iran's ballistic missile program and conventional arms imports and exports; authorizes additional sanctions on Iranian human rights violators; requires the president to sanction the IRGC under Executive Order 13224 for supporting terrorism.
- So-called "shadow SDNs" pose significant risks. Under U.S. law, entities that are owned or controlled 50 percent or more by designated persons are considered themselves to be designated persons, whether or not they have been specifically included on the SDN list by name. The opaque ownership structures of many Iranian entities and the use of shell and front companies hinders the due diligence processes necessary to ensure a foreign person is not transacting with a shadow SDN.<sup>88</sup> Moreover, Congress has asked Treasury to lower the threshold to 25 percent, thereby signaling even greater risk.

### Remaining Sanctions on the IRGC

The United States has designated the IRGC and its elite arm, the IRGC-Quds Force, under several authorities. Individual IRGC commanders have been designated under other authorities.

- The United States designated the IRGC under Executive Order 13382 for supporting Iran's ballistic missile and nuclear programs and under Executive Orders 13553 and 13606 for human rights abuses more than a decade ago.<sup>89</sup> In October 2017, the United States designated the IRGC in its entirety under Executive Order 13224 for supporting terrorism, pursuant to the Countering America's Adversaries Through Sanctions Act of 2017.<sup>90</sup>
- The United States designated the IRGC-Quds Force under Executive Order 13224 for providing material support to the Taliban, Hezbollah, Hamas, Palestinian Islamic Jihad, and the Popular Front for the Liberation of Palestine-General Command (PFLP-GC) in October 2007.<sup>91</sup> The U.S. also designated the Quds Force under Executive Order 13572 for serving as a conduit for Iranian support for the Assad regime and the Syrian General Intelligence Directorate.<sup>92</sup>
- The Comprehensive Iran Sanctions Accountability and Divestment Act of 2010 Section 104(c) authorizes sanctions on any foreign financial institution facilitating significant transactions or providing financial services to the IRGC or any of its affiliates.
- The Iran Threat Reduction and Syria Human Rights Act of 2012 authorizes sanctions on non-U.S. persons who provide goods, services, or technical support to the IRGC.

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88. "FIN Policy Alert: Post-Implementation Day Risks of Doing Business in Iran," *Financial Integrity Network*, accessed May 25, 2017. ([http://www.financialintegritynetwork.net/uploads/8/7/8/0/87802750/fin\\_iran\\_post-implementation\\_day\\_policy\\_alert.pdf](http://www.financialintegritynetwork.net/uploads/8/7/8/0/87802750/fin_iran_post-implementation_day_policy_alert.pdf))

89. U.S. Department of the Treasury, Press Release, "Fact Sheet: Designation of Iranian Entities and Individuals for Proliferation Activities and Support for Terrorism," October 25, 2007. (<https://www.treasury.gov/press-center/press-releases/Pages/hp644.aspx>); U.S. Department of the Treasury, Press Release, "Treasury Sanctions Iranian Security Forces for Human Rights Abuses," June 9, 2011.

90. U.S. Department of the Treasury, Press Release, "Treasury Designates the IRGC under Terrorism Authority and Targets IRGC and Military Supporters under Counter-Proliferation Authority," October 13, 2017. (<https://www.treasury.gov/press-center/press-releases/Pages/sm0177.aspx>)

91. U.S. Department of the Treasury, Press Release, "Fact Sheet: Designation of Iranian Entities and Individuals for Proliferation Activities and Support for Terrorism," October 25, 2007. (<https://www.treasury.gov/press-center/press-releases/Pages/hp644.aspx>)

92. U.S. Department of the Treasury, Press Release, "Fact Sheet: Designation of Iranian Entities and Individuals for Proliferation Activities and Support for Terrorism," October 25, 2007. (<https://www.treasury.gov/press-center/press-releases/Pages/hp644.aspx>)

## Iran Maintained on Financial Action Task Force (FATF) Blacklist

- At a meeting in February 2018, the Financial Action Task Force decided to keep Iran on its Public Statement, also known as the “blacklist,” and called upon its members and all jurisdictions to apply enhanced due diligence measures proportionate to the risks arising from Iran. Furthermore, FATF highlighted Iran’s failure to address the majority of its AML/CFT action plan requirements and, for the first time, publically provided a list of Iran’s major deficiencies in its AML/CFT regime.<sup>93</sup> FATF is the international organization that sets standards and promotes effective implementation of legal, regulatory, and operational measures for combating money laundering, terrorist financing, and other related threats to the integrity of the international financial system.
- Iran’s action plan expired on January 31, 2018, without Iran completing it. The deadline had been extended several times prior to this. During its January 2018 plenary, FATF agreed to extend suspension of mandatory countermeasures. It will revisit Iran’s status on the blacklist at its next plenary meeting in Paris, in June 2018. In addition to malign activities themselves, Iran has failed to pass the technical items on its action plan, including adopting UN conventions on terror financing and organized crime.
- By way of background, Iran has been on the FATF “blacklist” since 2008. In 2016, it agreed to undergo an action plan aimed at addressing its significant AML/CFT problems. For the past two years, FATF suspended mandatory countermeasures and has been clear that Iran must complete its plan before FATF would consider removing it from its blacklist and before countermeasures could be lifted.
- FATF has stated repeatedly that it will remain concerned with the terrorist financing risk emanating from Iran and the threat this poses to the international financial system. FATF called on its members and urged all jurisdictions to continue to advise their financial institutions to apply enhanced due diligence to business relationships and transactions with Iranians. FATF urged Iran to fully address its AML/CFT deficiencies, in particular those related to terrorist financing.<sup>94</sup>
- Iran’s place on the blacklist is shared only with one other country: North Korea.<sup>95</sup>

## RISKS OF DEALING WITH IRAN’S CENTRAL BANK AND CENTRAL BANKER

Companies considering transacting with Iran face additional risk following the May 15, 2018 designation by the U.S. Treasury Department of Valiollah Seif. Seif, the governor of Iran’s Central Bank, was designated as a Specially Designated Global Terrorist (SDGT) pursuant to Executive Order 13224.<sup>96</sup>

In designating Seif, Secretary Mnuchin said: “It is appalling, but not surprising, that Iran’s senior-most banking official would conspire with the IRGC-QF to facilitate funding of terror groups like Hizballah, and it undermines

93. U.S. Department of the Treasury, FinCEN, “Advisory on the FATF-Identified Jurisdictions with AML/CFT Deficiencies,” April 27, 2018. (<https://www.fincen.gov/sites/default/files/advisory/2018-04-27/FinCEN%20FATF%20Advisory%20FIN-2018-A002%20%28508%29.pdf>)

94. Financial Action Task Force, Public Statement, “Public Statement – 23 June 2017,” June 23, 2017. (<http://www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/documents/public-statement-june-2017.html>)

95. Financial Action Task Force, Public Statement, “Public Statement – 19 February 2016,” February 19, 2016. (<http://www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/documents/public-statement-february-2016.html>)

96. U.S. Department of the Treasury, Press Release, “Treasury Targets Iran’s Central Bank Governor and an Iraqi Bank Moving Millions of Dollars for IRGC-Qods Force,” May 15, 2018. (<https://home.treasury.gov/index.php/news/press-releases/sm0385>)



any credibility he could claim in protecting the integrity of the institution as a central bank governor. ... The United States will not permit Iran's increasingly brazen abuse of the international financial system."<sup>97</sup>

Seif and Ali Tarzali, the assistant director of international development at the Central Bank of Iran, were designated for working with the IRGC-QF to channel millions of dollars, using foreign currency networks, to fund IRGC-QF and Hezbollah activities abroad.<sup>98</sup> As such, they "are subject to secondary sanctions pursuant to the Iranian Financial Sanctions Regulations (IFSR)."<sup>99</sup> Even non-U.S. persons are subject to U.S. Treasury sanctions if they engage in impermissible activities.<sup>100</sup>

The risks to those who transact business with Iran's Central Bank will increase over time. The Treasury Department said that as of August 7, 2018, the U.S. "will re-impose sanctions that extend to certain transactions with the Central Bank of Iran, including sanctions on the purchase or acquisition of U.S. dollars banknotes by the Government of Iran. Furthermore, on November 5, 2018, additional sanctions will be re-imposed on persons knowingly engaging in certain significant transactions with the Central Bank of Iran."<sup>101</sup> Treasury will revoke waivers and licenses "that were previously authorized."<sup>102</sup>

The following two case studies further demonstrate Seif's role, as well as the role of the Central Bank of Iran, in activities that pose risks to the international financial system.

### **Currency Exchange Network Used to Fund IRGC-QF**

On May 10, 2018, the U.S. Treasury Department designated six Iranian individuals and three Iranian entities, pursuant to Executive Order 13224, for acting on the behalf of the Islamic Revolutionary Guard Corps-Quds Force (IRGC-QF).<sup>103</sup>

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<sup>97</sup>. U.S. Department of the Treasury, Press Release, "Treasury Targets Iran's Central Bank Governor and an Iraqi Bank Moving Millions of Dollars for IRGC-Qods Force," May 15, 2018. (<https://home.treasury.gov/index.php/news/press-releases/sm0385>)

<sup>98</sup>. U.S. Department of the Treasury, Press Release, "Treasury Targets Iran's Central Bank Governor and an Iraqi Bank Moving Millions of Dollars for IRGC-Qods Force," May 15, 2018. (<https://home.treasury.gov/index.php/news/press-releases/sm0385>)

<sup>99</sup>. U.S. Department of the Treasury, Press Release, "Treasury Targets Iran's Central Bank Governor and an Iraqi Bank Moving Millions of Dollars for IRGC-Qods Force," May 15, 2018. (<https://home.treasury.gov/index.php/news/press-releases/sm0385>)

<sup>100</sup>. Josh Lederman, "The U.S. Intensifies Pressure on Iran by Imposing Sanctions on Its Central Bank Chief," *Time*, May 16, 2018. (<http://time.com/5278762/iran-us-sanctions-central-bank-chief/>)

<sup>101</sup>. U.S. Department of the Treasury, Press Release, "Treasury Targets Iran's Central Bank Governor and an Iraqi Bank Moving Millions of Dollars for IRGC-Qods Force," May 15, 2018. (<https://home.treasury.gov/index.php/news/press-releases/sm0385>)

<sup>102</sup>. U.S. Department of the Treasury, "Frequently Asked Questions Regarding the Re-Imposition of Sanctions Pursuant to the May 8, 2018 National Security Presidential Memorandum Relating to the Joint Comprehensive Plan of Action (JCPOA)," May 8, 2018. ([https://www.treasury.gov/resource-center/sanctions/Programs/Documents/jcpoa\\_winddown\\_faqs.pdf](https://www.treasury.gov/resource-center/sanctions/Programs/Documents/jcpoa_winddown_faqs.pdf))

<sup>103</sup>. U.S. Department of the Treasury, Press Release, "United States and United Arab Emirates Disrupt Large Scale Currency Exchange Network Transferring Millions of Dollars to the IRGC-QF," May 10, 2018. (<https://home.treasury.gov/news/press-releases/sm0383>)

Americans are prohibited from engaging in transactions with all designated individuals and entities.<sup>104</sup> Furthermore, any foreign financial institution or individual that provides support to them are subject to sanctions that remove their access to the U.S. financial system and restrict their property access and interests under U.S. jurisdiction.<sup>105</sup>

The Treasury Department's Office of Foreign Assets Control announced that it had cooperated with the United Arab Emirates (UAE) to disrupt a currency exchange network in Iran and the UAE that transferred millions of dollars in U.S. dollar-denominated bulk cash to the IRGC-QF.<sup>106</sup> All nine individuals and entities were also sanctioned by the UAE.<sup>107</sup>

OFAC implicated Iran's Central Bank in the network, saying it "supported the network's currency conversion and enabled its access to funds that it held in its foreign bank accounts."<sup>108</sup> Treasury Secretary Steven Mnuchin said that "the Iranian regime and its Central Bank have abused access to entities in the UAE to acquire U.S. dollars to fund the IRGC-QF's malign activities, including to fund and arm its regional proxy groups, by concealing the purpose for which the U.S. dollars were acquired." Mnuchin also warned other countries to "be vigilant against Iran's efforts to exploit their financial intuitions to exchange currency and fund the nefarious actors of the IRGC-QF and the world's largest state sponsor of terror."<sup>109</sup>

### ***IRGC Counterfeiting Scheme Exposes Attempt to Circumvent EU Laws***

On November 20, 2017, U.S. Department of Treasury announced the designation of an IRGC-Quds Force counterfeiting network.<sup>110</sup> The network sought to circumvent European export restrictions and produce counterfeit Yemeni money.<sup>111</sup> Iran has for many years supported Houthi militants in Yemen.<sup>112</sup>

Treasury Secretary Steven Mnuchin emphasized the seriousness of the charges, stating, "counterfeiting strikes at the heart of the international financial system."<sup>113</sup> A 2013 FATF study concluded "[s]till today, currency counterfeiting

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**104.** Lesley Wroughton, "U.S., UAE crack down on network for smuggling funds to elite Iran group," *Reuters*, May 10, 2018. (<https://www.reuters.com/article/us-iran-nuclear-usa-sanctions/u-s-uae-crack-down-on-network-for-smuggling-funds-to-elite-iran-group-idUSKBN1IB2I3>)

**105.** Lesley Wroughton, "U.S., UAE crack down on network for smuggling funds to elite Iran group," *Reuters*, May 10, 2018. (<https://www.reuters.com/article/us-iran-nuclear-usa-sanctions/u-s-uae-crack-down-on-network-for-smuggling-funds-to-elite-iran-group-idUSKBN1IB2I3>)

**106.** U.S. Department of the Treasury, Press Release, "United States and United Arab Emirates Disrupt Large Scale Currency Exchange Network Transferring Millions of Dollars to the IRGC-QF," May 10, 2018. (<https://home.treasury.gov/news/press-releases/sm0383>)

**107.** Lesley Wroughton, "U.S., UAE crack down on network for smuggling funds to elite Iran group," *Reuters*, May 10, 2018. (<https://www.reuters.com/article/us-iran-nuclear-usa-sanctions/u-s-uae-crack-down-on-network-for-smuggling-funds-to-elite-iran-group-idUSKBN1IB2I3>)

**108.** U.S. Department of the Treasury, Press Release, "United States and United Arab Emirates Disrupt Large Scale Currency Exchange Network Transferring Millions of Dollars to the IRGC-QF," May 10, 2018. (<https://home.treasury.gov/news/press-releases/sm0383>)

**109.** U.S. Department of the Treasury, Press Release, "United States and United Arab Emirates Disrupt Large Scale Currency Exchange Network Transferring Millions of Dollars to the IRGC-QF," May 10, 2018. (<https://home.treasury.gov/news/press-releases/sm0383>)

**110.** U.S. Department of the Treasury, Press Release, "Treasury Designates Large-Scale IRGC-QF Counterfeiting Ring," November 20, 2017. (<https://www.treasury.gov/press-center/press-releases/Pages/sm0219.aspx>)

**111.** U.S. Department of the Treasury, Press Release, "Treasury Designates Large-Scale IRGC-QF Counterfeiting Ring," November 20, 2017. (<https://www.treasury.gov/press-center/press-releases/Pages/sm0219.aspx>)

**112.** Amir Toumaj, "US designates Qods Force counterfeit cash operation," *FDD's Long War Journal*, November 21, 2017. (<http://www.defenddemocracy.org/media-hit/amir-toumaj-us-designates-qods-force-counterfeit-cash-operation/>)

**113.** U.S. Department of the Treasury, Press Release, "Treasury Designates Large-Scale IRGC-QF Counterfeiting Ring," November 20, 2017. (<https://www.treasury.gov/press-center/press-releases/Pages/sm0219.aspx>)

presents a threat to national economies. It is not so much the financial damage, which in fact is quite low compared to other forms of criminal activity, but the impact it has on the ‘trustworthiness’ of the currency.”<sup>114</sup>

Under Secretary for Terrorism and Financial Intelligence Sigal Mandelker said counterfeiting by the IRGC “underscores our grave concerns ... about their behavior and the IRGC’s involvement in the international financial system.”<sup>115</sup> She also said that “it is nothing short of appalling that elements of the government of Iran would risk destabilizing the currency of a neighboring country,”<sup>116</sup> and the “scheme exposes how far elements of Iran are willing to undermine the laws of Iran’s European partners by actively circumventing European export controls.”<sup>117</sup> These designations serve as another “major red flag about the great risk involved in doing business with potentially IRGC-controlled companies,” Mandelker said.<sup>118</sup>

## ECONOMIC, CREDIT AND BANKING, INVESTING, AND OPERATIONAL RISK

### SUMMARY

Economic risk includes macroeconomic conditions such as exchange rates, government regulation, or political instability. The Basel II Committee defines operational risk as “the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events.”<sup>119</sup> Iran’s economy struggles under burdens ranging from an opaque monetary policy to extensive governmental intervention in the market. The stock market is often manipulated, and institutional practices are sub-optimal for foreign investment, due to noncompetitive markets and unsound banking practices.

### Rankings and Ratings

- There are currently no rating agencies such as Moody’s or Standard & Poor’s in Iran.<sup>120</sup>
- The last time that Iran received a rating from Moody’s and from Fitch, it was rated as “junk,” with scores of B2 and B, respectively.<sup>121</sup>

114. Financial Action Task Force, “Money Laundering and terrorist financing related to counterfeiting of currency,” June 2013. (<http://www.fatf-gafi.org/media/fatf/documents/reports/money-laundering-terrorist-financing-related-to-counterfeit-currency.pdf>)

115. Ian Talley, “U.S. Treasury Sanctions ‘Large-Scale’ Iran Counterfeiting Ring,” *The Wall Street Journal*, November 20, 2017. (<https://www.wsj.com/articles/u-s-treasury-sanctions-large-scale-iran-counterfeiting-ring-1511201419>)

116. Ian Talley, “U.S. Treasury Sanctions ‘Large-Scale’ Iran Counterfeiting Ring,” *The Wall Street Journal*, November 20, 2017. (<https://www.wsj.com/articles/u-s-treasury-sanctions-large-scale-iran-counterfeiting-ring-1511201419>)

117. Ian Talley, “U.S. Treasury Sanctions ‘Large-Scale’ Iran Counterfeiting Ring,” *The Wall Street Journal*, November 20, 2017. (<https://www.wsj.com/articles/u-s-treasury-sanctions-large-scale-iran-counterfeiting-ring-1511201419>)

118. Ian Talley, “U.S. Treasury Sanctions ‘Large-Scale’ Iran Counterfeiting Ring,” *The Wall Street Journal*, November 20, 2017. (<https://www.wsj.com/articles/u-s-treasury-sanctions-large-scale-iran-counterfeiting-ring-1511201419>)

119. “Operational Risk,” *Basel Committee on Banking Supervision*, May 31, 2001, page 2. (<https://www.bis.org/publ/bcbsca07.pdf>)

120. Navid Kalhor, “How Iran plans to cover its budget deficit,” *Al-Monitor*, March 8, 2016. (<http://www.al-monitor.com/pulse/originals/2016/03/iran-debt-market-expansion-budget-deficit-islamic-tbills.html>)

121. Marc Jones, “Sanctions scars and oil slump point to low Iran credit rating,” *Reuters*, January 28, 2016. (<http://uk.reuters.com/article/uk-iran-ratings-idUKKCN0V61CF>)

- Iran was rated 124 out of 190 on the 2018 World Bank “Doing Business report” due to poor marks in the following categories: access to credit, protecting minority investors, governance, and resolving insolvency, among others.<sup>122</sup>
- Iran was ranked 134 out of 138 for “Labor Market Efficiency” on the World Economic Forum’s Global Competitiveness Index for 2016-2017, with a specific rank of 124 for cooperation in labor-employer relations, 123 for flexibility of wage determination, and 78 for hiring and firing practices.<sup>123</sup>
- Iran was ranked 131 out of 138 for “Financial Market Development” on the World Economic Forum’s Global Competitiveness Index for 2016-2017, with a specific rank of 122 for soundness of banks, 128 for regulation of securities exchanges, 124 for ease of access to loans, and 110 for venture capital availability.<sup>124</sup>
- Iran was ranked 112 out of 138 for “Private Institutions” on the World Economic Forum’s Global Competitiveness Index for 2016-2017, with a specific rank of 85 for ethical behavior of firms, 116 for strength of auditing and reporting standards, 117 for protection of minority shareholders’ interests, and 117 for strength of investor protection.<sup>125</sup>
- Iran was ranked 178 out of 180 on Monetary Freedom, 175 out of 180 on Investment Freedom, and 173 out of 180 on Financial Freedom in the 2017 Index of Economic Freedom from the Heritage Foundation.<sup>126</sup> On the overall Economic Freedom category, Iran was ranked 155 out of 180. The index notes: “The private sector is largely marginalized by the restrictive regulatory environment and government inefficiency and mismanagement. Modest efforts to enhance the business climate have occasionally been undone to maintain the status quo. The repressive climate stifles innovation.”<sup>127</sup>
- Iran scored 163 out of 180 on Property Rights, 145 out of 180 on Government Integrity, and 111 out of 180 on Judicial Effectiveness in the 2017 Index of Economic Freedom from the Heritage Foundation.<sup>128</sup> These three metrics relate to the rule of law and legal protection. The ratings indicate that property ownership is weakly protected and the court system is highly inefficient.<sup>129</sup>
- Iran was rated 6 out of 6 in the 2017 OECD Country Risk,<sup>130</sup> composed of transfer and convertibility risk (i.e. the risk a government imposes capital or exchange controls that prevent an entity from converting local currency

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 122. World Bank, “Doing Business 2018,” accessed June 18, 2018. (<http://russian.doingbusiness.org/~media/WBG/DoingBusiness/Documents/Annual-Reports/English/DB2018-Full-Report.pdf>)

123. World Economic Forum, “Global Competitiveness Index 2016-2017 edition: Iran, Islamic Rep.,” September 28, 2016. ([http://www3.weforum.org/docs/GCR2016-2017/05FullReport/TheGlobalCompetitivenessReport2016-2017\\_FINAL.pdf](http://www3.weforum.org/docs/GCR2016-2017/05FullReport/TheGlobalCompetitivenessReport2016-2017_FINAL.pdf))

124. World Economic Forum, “Global Competitiveness Index 2016-2017 edition: Iran, Islamic Rep.,” September 28, 2016. ([http://www3.weforum.org/docs/GCR2016-2017/05FullReport/TheGlobalCompetitivenessReport2016-2017\\_FINAL.pdf](http://www3.weforum.org/docs/GCR2016-2017/05FullReport/TheGlobalCompetitivenessReport2016-2017_FINAL.pdf))

125. World Economic Forum, “Global Competitiveness Index 2016-2017 edition: Iran, Islamic Rep.,” September 28, 2016. ([http://www3.weforum.org/docs/GCR2016-2017/05FullReport/TheGlobalCompetitivenessReport2016-2017\\_FINAL.pdf](http://www3.weforum.org/docs/GCR2016-2017/05FullReport/TheGlobalCompetitivenessReport2016-2017_FINAL.pdf))

126. “2017 Index of Economic Freedom: Iran,” *The Heritage Foundation*, accessed May 24, 2017. (<http://www.heritage.org/index/country/iran>)

127. “2017 Index of Economic Freedom: Business Freedom,” *The Heritage Foundation*, accessed May 24, 2017. (<http://www.heritage.org/index/business-freedom>)

128. “2017 Index of Economic Freedom: Iran,” *The Heritage Foundation*, accessed May 24, 2017. (<http://www.heritage.org/index/country/iran>);

129. “2017 Index of Economic Freedom: Property Rights,” *The Heritage Foundation*, accessed May 24, 2017. (<http://www.heritage.org/index/property-rights>)

130. Organisation for Economic Co-operation and Development, “Country Risk Classifications of the Participants to the Arrangement on Officially Supported Export Credits,” January 27, 2017. (<http://www.oecd.org/tad/xcred/cre-crc-current-english.pdf>)

into foreign currency and/or transferring funds to creditors located outside the country) and cases of *force majeure* (e.g. war, expropriation, revolution, civil disturbance, floods, and earthquakes).

- Iran is rated D4 (the highest risk level) by Euler Hermes, a credit insurance company.<sup>131</sup>
- Iran is rated Tier 5 (the most risky) by Euromoney Country Risk, reflecting a high level of risk measured across economic and political indicators.<sup>132</sup>

## Key Metrics

### *Political Risk*

- Iran's Central Bank is not independent from the government. Rather, government bodies dominate the decision-making structures of the central bank.<sup>133</sup>
- "Political and geopolitical risk would probably be one of the higher risks of Iran," according to a Moody's analyst.<sup>134</sup>

### *Banking System and Liquidity*

- Banking capital remains low while the stock of non-performing loans remains high, according to IMF studies.<sup>135</sup>
- To provide credit to the private sector, Iran needs to take steps addressing the "high levels of nonperforming loans, bolstering bank capital, restructuring weak institutions, dealing with unlicensed financial institutions, and strengthening risk management systems and bank supervision," according to the IMF's First Deputy Managing Director David Lipton.<sup>136</sup>
- The *Economist Intelligence Unit* found that Iran's banking sector has a weak asset base, and both non-performing loans and political intervention undermine regular operations.<sup>137</sup>
- Iranian banking experts recognize the challenges of Iran's current financial system. Morteza Bina, a senior risk manager at the Middle East Bank in Tehran, noted in January 2016 that Iran had not made the necessary reforms to keep up with international standards.<sup>138</sup>

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131. "Iran: At a Tipping Point," *Euler Hermes*, accessed May 30, 2018. (<http://www.eulerhermes.com/economic-research/country-reports/Pages/Iran.aspx>); An explanation of the methodology is available at "Euler Hermes Country and Sector Risk Methodology Summary," *Euler Hermes*, accessed May 24, 2017. (<http://www.eulerhermes.com/economic-research/about-economic-research/Pages/methodologies.aspx>)

132. "World Risk Average," *Euromoney*, accessed May 30, 2018. (<http://www.euromoneycountryrisk.com/#supertop>)

133. Navid Kalhor, "Why Iran's banking shake-up won't be enough," *Al-Monitor*, October 14, 2016. (<http://www.al-monitor.com/pulse/originals/2016/10/iran-central-bank-reform-bill-shakeup.html>)

134. Marc Jones, "Sanctions scars and oil slump point to low Iran credit rating," *Reuters*, January 28, 2016. (<http://uk.reuters.com/article/uk-iran-ratings-idUKKCN0V61CF>)

135. International Monetary Fund, "Iran: Concluding Statement of an IMF Staff Visit," October 3, 2016. (<http://www.imf.org/en/News/Articles/2016/10/03/MS100316-Iran-Concluding-Statement-of-an-IMF-Staff-Visit>)

136. David Lipton, "Iran — Achieving its Potential in the Global Economy," *Speech before the Central Bank of Iran*, May 17, 2017. (<http://www.imf.org/en/News/Articles/2015/09/28/04/53/sp051716>)

137. "Iran," *The Economist Intelligence Unit*, May 12, 2017. (<http://country.eiu.com/article.aspx?articleid=1585452942&Country=Iran&topic=Risk&subtopic=Credit+risk&subsubtopic=Overview>)

138. Najmeh Bozorgmehr, "Iran's 'outdated' banks hamper efforts to rejoin global economy," *Financial Times* (UK), January 19, 2016. (<http://www.ft.com/intl/cms/s/0/39ebfc92-b4a0-11e5-b147-e5e5bba42e51.html#axzz4BYx6d358>)

- Iran suffers from “corruption and illiquidity of banks, and banks’ inability to follow modern standards for financial disclosure, taxation, capital requirements and due diligence,” according to former U.S. State Department and Treasury officials.<sup>139</sup>
- Central Bank of Iran has had difficulty reining in unlicensed credit and finance institutions; these institutions regularly attract deposits because they violate interest rate caps on financial deposits. An estimated 15-20 percent (as of February 2015) of Iran’s money supply is deposited in these institutions, according to the central bank governor, exposing the Iranian economy to potential bubbles and financial instability.<sup>140</sup>
- Until 2016, Iran did not use the International Financial Reporting Standards (IFRS). As a result, banks’ stock prices were overvalued.<sup>141</sup>
- Estimates indicate that upwards of 30 percent of bank loans are non-performing, and recapitalizing these banks would require 15-20 percent of GDP.<sup>142</sup>
- Iranian banks do not meet the requirements of the Basel III accords regarding application of necessary accounting standards, risk-management practices, and capital and liquidity coverage.<sup>143</sup>
- IMF experts state that there is an “urgent need” for banking sector reforms, including better supervision of distressed banks.<sup>144</sup>
- An IMF country report from February 2017 found that the Iranian banking system is “fragile.”<sup>145</sup>

### **Exchange Rate**

- Iran has a “dual exchange rate” policy, with an “official rate” and an open market rate. The gap has narrowed since the nuclear deal, but the dual rates remain, fueling corruption.<sup>146</sup> According to FDD’s Richard Goldberg and Saeed Ghasseminejad, “Tehran operates two exchange rates — one official and one for the street.” Based on their analysis, “on average, the difference between the two rates on [April 9, 2018] stood at more than 21,000 rial, as compared to the 6,000 rial spread reported in early December 2017. When the spread rises, it amplifies

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**139.** Elizabeth Rosenberg and Richard Nephew, “Iran’s broken financial system,” *Politico*, June 6, 2016. (<http://www.politico.com/agenda/story/2016/06/iran-broken-financial-system-000139>)

**140.** Alireza Ramezani, “Why Iran’s central bank can’t control money markets,” *Al-Monitor*, October 10, 2016. (<https://www.middleeastobserver.org/2016/10/11/column-why-iran-central-bank-cant-control-money-markets/>)

**141.** Patrick Clawson, “Iran’s Economy Post-Nuclear Deal: A Misleading IMF Scorecard,” *The Washington Institute for Near East Policy*, March 10, 2017. ([http://info.washingtoninstitute.org/acton/ct/19961/s-026b-1703/Bct/l-0083/l-0083:196e/ct0\\_0/1?sid=TV2%3Aa1UqO7R0b](http://info.washingtoninstitute.org/acton/ct/19961/s-026b-1703/Bct/l-0083/l-0083:196e/ct0_0/1?sid=TV2%3Aa1UqO7R0b))

**142.** Patrick Clawson, “Iran’s Economy Post-Nuclear Deal: A Misleading IMF Scorecard,” *The Washington Institute for Near East Policy*, March 10, 2017. ([http://info.washingtoninstitute.org/acton/ct/19961/s-026b-1703/Bct/l-0083/l-0083:196e/ct0\\_0/1?sid=TV2%3Aa1UqO7R0b](http://info.washingtoninstitute.org/acton/ct/19961/s-026b-1703/Bct/l-0083/l-0083:196e/ct0_0/1?sid=TV2%3Aa1UqO7R0b))

**143.** Patrick Clawson, “Iran’s Economy Post-Nuclear Deal: A Misleading IMF Scorecard,” *The Washington Institute for Near East Policy*, March 10, 2017. ([http://info.washingtoninstitute.org/acton/ct/19961/s-026b-1703/Bct/l-0083/l-0083:196e/ct0\\_0/1?sid=TV2%3Aa1UqO7R0b](http://info.washingtoninstitute.org/acton/ct/19961/s-026b-1703/Bct/l-0083/l-0083:196e/ct0_0/1?sid=TV2%3Aa1UqO7R0b))

**144.** International Monetary Fund, Press Release, “IMF Executive Board Concludes 2016 Article IV Consultation with the Islamic Republic of Iran,” February 27, 2017. (<http://www.imf.org/en/News/Articles/2017/02/27/PR1765-IMF-Executive-Board-Concludes-2016-Article-IV-Consultation-with-the-Islamic-Republic-of-Iran>)

**145.** International Monetary Fund, “IMF Country Report No. 17/62: Islamic Republic Of Iran,” February 2017, page 12. (<https://www.imf.org/en/Publications/CR/Issues/2017/02/27/Islamic-Republic-of-Iran-2016-Article-IV-Consultation-Press-Release-Staff-Report-and-44707>)

**146.** Dominic Dudley, “Iran Postpones Unification Of Official And Open Market Exchange Rates,” *Forbes*, February 20, 2017. (<https://www.forbes.com/sites/dominicdudley/2017/02/20/iran-parallel-exchange-rates/#16724d182082>)

risk and uncertainty for rial traders while inviting corruption from corrupt officials who can sell dollars at the higher market rate and buy them at the lower official one.”<sup>147</sup>

- The Central Bank of Iran determines the exchange rate for the rial. Exchange rates are typically set by treasuries rather than central banks because this exposes the central bank to political pressure.<sup>148</sup>
- Non-bank financial institutions are not under the authority of the central bank, but rather are controlled by revolutionary and clerical institutions. The central bank, therefore, has little information about the size of these institutions and their interest rates, and therefore about the overall money supply.<sup>149</sup>

## IRAN AS A NATIONAL SECURITY RISK

### SUMMARY

In the wake of the Iranian Revolution in 1979, 52 American diplomats were held hostage in Tehran for 444 days. Ever since, Iran has repeatedly posed a threat to American interests, values, and lives around the globe. For example, the 1983 Beirut embassy bombing, funded by Iran, killed more than 60 people, including 17 Americans. The same year, Iran ordered an attack on the Marine barracks in Lebanon, which killed 241 Americans working as peacekeepers, and a simultaneous attack that killed 58 French peacekeeping personnel.

Since then, the Islamic Republic has added to its portfolio of terrorism and regional destabilization activities by acquiring partners and proxies throughout the Middle East and selectively deploying them to fight for the Islamic Republic. Evidenced by the regime’s ongoing military involvement in Syria and Yemen and by its consistent saber-rattling towards the United States itself, Iran poses a grave threat to American and partnered interests and lives to this day.

Iran was designated as a State Sponsor of Terrorism by the U.S. State Department in 1984, and remains listed today.<sup>150</sup>

### Key Points

- Based on available open-source reporting, between July 2015 – when it agreed to the JCPOA nuclear deal – until February 2017, Iran launched up to 23 ballistic missiles in defiance of UN resolutions that contain prohibitions on missile testing.<sup>151</sup> Former UN Secretary General Ban-Ki Moon said that Iran’s March 2016 missiles tests “are not consistent with the constructive spirit” of the JCPOA.<sup>152</sup>

147. Richard Goldberg and Saeed Ghasseminejad, “Iran’s Currency is in Free-Fall-Time for the U.S. to Exploit it,” *The Hill*, April 11, 2018. (<http://thehill.com/opinion/national-security/382670-irans-currency-is-in-free-fall-time-for-the-us-to-exploit-it>)

148. Navid Kalhor, “Why Iran’s banking shake-up won’t be enough,” *Al-Monitor*, October 14, 2016. (<http://www.al-monitor.com/pulse/originals/2016/10/iran-central-bank-reform-bill-shakeup.html>)

149. Patrick Clawson, “Iran’s Economy Post-Nuclear Deal: A Misleading IMF Scorecard,” *The Washington Institute for Near East Policy*, March 10, 2017. ([http://info.washingtoninstitute.org/acton/ct/19961/s-026b-1703/Bct/l-0083/l-0083:196e/ct0\\_0/1?sid=TV2%3Aa1UqO7R0b](http://info.washingtoninstitute.org/acton/ct/19961/s-026b-1703/Bct/l-0083/l-0083:196e/ct0_0/1?sid=TV2%3Aa1UqO7R0b))

150. U.S. Department of State, Bureau of Counterterrorism and Countering Violent Extremism, “Chapter 3: State Sponsors of Terrorism Overview,” *Country Reports on Terrorism 2014*, June 2015. (<http://www.state.gov/j/ct/rls/crt/2014/239410.htm>)

151. Behnam Ben Taleblu, “Iranian Ballistic Missile Tests Since the Nuclear Deal-2.0,” *Foundation for Defense of Democracies*, January 25, 2018. (<http://www.defenddemocracy.org/media-hit/behnam-ben-taleblu-iranian-ballistic-missile-tests-since-the-nuclear-deal-20/>)

152. Quoted in: Michelle Nichols, “Iran missile tests ‘not consistent’ with nuclear deal spirit: U.N. report,” *Reuters*, July 7, 2016. (<http://www.reuters.com/article/us-iran-missiles-un-idUSKCN0ZN2JV>)

- Iran possesses ballistic missiles that can target the entire Middle East,<sup>153</sup> including the main U.S. military installations in the region. It is also developing an advanced cruise missile capability (likely through reverse engineering) that can reach the heart of central Europe.<sup>154</sup> Iran also reportedly received some long-range missiles from North Korea.<sup>155</sup> Given its conventional military weakness, these are useful investments for Iran to make to develop its military and bolster its deterrence.<sup>156</sup>
- According to missile expert Anthony H. Cordesman, “Iran presently fields the largest ballistic missile arsenal in the Middle East.”<sup>157</sup> Moreover, according to former Director of National Intelligence (DNI) James Clapper, “Iran’s ballistic missiles are inherently capable of delivering weapons of mass destruction.”<sup>158</sup> While not every missile that Iran has produced or procured can carry a nuclear payload, or meet the criterion laid out by the Missile Technology Control Regime (MTCR) to be considered “nuclear capable,” that does not mitigate Tehran’s missile threat.<sup>159</sup>
- Although some analysts have derided Iran’s missiles as lacking “military utility” due to their poor accuracy, post-nuclear deal developments are amending this conventional wisdom.<sup>160</sup> Iran is improving the accuracy of an entire class of its short-range ballistic missiles (SRBMs).<sup>161</sup> In October 2015, Iran tested what it claimed was a precision-guided, medium-range ballistic missile (MRBM) dubbed the Emad, which reportedly “has a functioning maneuvering reentry vehicle (MARV).”<sup>162</sup> Should present trends continue – and missile experts

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 153. See inventory in: Michael Eisenstadt, “The Role of Missiles in Iran’s Strategy,” *The Washington Institute for Near East Policy*, November 2016. (<http://www.washingtoninstitute.org/uploads/Documents/pubs/ResearchNote39-Eisenstadt.pdf>)

154. Behnam Ben Taleblu and Patrick Megahan, “Iran Fires Cruise Missile Through Sanctions Loophole,” *Foundation for Defense of Democracies*, March 11, 2015. (<http://www.defenddemocracy.org/media-hit/behnam-ben-taleblu-iran-fires-cruise-missile-through-sanctions-loophole/>)

155. Uzi Rubin, “The Global Reach of Iran’s Missiles,” *Institute for National Security Studies* (Israel), November 2006. ([http://www.inss.org.il/he/wp-content/uploads/sites/2/systemfiles/\(FILE\)1188302022.pdf](http://www.inss.org.il/he/wp-content/uploads/sites/2/systemfiles/(FILE)1188302022.pdf)); Larry Nicksch, “The Iran-North Korea Strategic Relationship,” *Testimony before the House Foreign Affairs Committee*, July 28 2015. (<http://docs.house.gov/meetings/FA/FA18/20150728/103824/HHRG-114-FA18-Wstate-NickschL-20150728.pdf>)

156. Anthony H. Cordesman, “Iran, Missiles, and Nuclear Weapons,” *Center for Strategic & International Studies*, December 9, 2015. (<https://www.csis.org/analysis/iran-missiles-and-nuclear-weapons>)

157. Noted in: Michael Elleman, “Could Iran deliver a bomb? Four basics about Iran’s ballistic missiles,” *Iran Primer*, January 11, 2011. (<http://iranprimer.usip.org/blog/2011/jan/21/could-iran-deliver-bomb-four-basics-about-iran%E2%80%99s-ballistic-missiles>)

158. James R. Clapper, “Statement for the Record: Worldwide Threat Assessment of the U.S. Intelligence Community,” *Testimony before Senate Armed Services Committee*, February 9, 2016, page 8. ([https://www.armed-services.senate.gov/imo/media/doc/Clapper\\_02-09-16.pdf](https://www.armed-services.senate.gov/imo/media/doc/Clapper_02-09-16.pdf))

159. Behnam Ben Taleblu, “Iranian Ballistic Missile Tests Since the Nuclear Deal,” *Foundation for Defense of Democracies*, February 9, 2017. ([http://www.defenddemocracy.org/content/uploads/documents/20917\\_Behnam\\_Ballistic\\_Missile.pdf](http://www.defenddemocracy.org/content/uploads/documents/20917_Behnam_Ballistic_Missile.pdf)). For the standard metric used by the MTCR, see: Kelsey Davenport, “The Missile Technology Control Regime at a Glance,” *Arms Control Association*, August 2016. (<https://www.armscontrol.org/factsheets/mtrcr>)

160. Behnam Ben Taleblu, “Missing The Point on Iran’s Ballistic Missiles,” *War on the Rocks*, April 28, 2017. (<https://warontherocks.com/2017/04/missing-the-point-on-irans-ballistic-missiles/>); For the lack of “military utility” argument, see: William Luers, Thomas Pickering, and Greg Thielmann, “Dealing With Iran’s Ballistic Missile Program,” *The National Interest*, February 8, 2016. (<http://nationalinterest.org/feature/dealing-irans-ballistic-missile-program-15140?page=show>)

161. This is the Fateh-110 class SRBMs, of which the Hormuz, Fateh-313, and Zulfiqar are now part. For more on this claim, see: Bilal Y. Saab and Michael Elleman, “Precision Fire: A Strategic Assessment of Iran’s Conventional Missile Program,” *Atlantic Council*, September 2016. ([http://www.atlanticcouncil.org/images/publications/Precision\\_Fire\\_web\\_0907.pdf](http://www.atlanticcouncil.org/images/publications/Precision_Fire_web_0907.pdf)); Also, see: Behnam Ben Taleblu, “Assessing the Latest Iranian Ballistic Missile: The Zulfiqar,” *FDD’s Military Edge*, September 29, 2016. (<http://www.defenddemocracy.org/media-hit/behnam-ben-taleblu-assessing-the-latest-iranian-ballistic-missile-the-zulfiqar/>)

162. Anthony Cordesman, “Iran, Missiles, and Nuclear Weapons,” *Center for Strategic & International Studies*, December 9, 2015. (<https://www.csis.org/analysis/iran-missiles-and-nuclear-weapons>); Tamir Eshel, “Could Tehran’s EMAD Missile Outsmart Israel’s Arrow 3?” *Defense Update*, October 12, 2015. ([http://defense-update.com/20151012\\_emad\\_missile.html](http://defense-update.com/20151012_emad_missile.html))



believe this to be the case – then Tehran will, according to experts, be able to “plan limited attacks to achieve strategic objectives.”<sup>163</sup>

- Iran’s state media reported on July 27, 2017 that the country has successfully launched its most advanced satellite-carrying rocket into space. The State Department called the launch “provocative.”<sup>164</sup>
- Iran is a party to neither the Missile Technology Control Regime (MTCR) nor the Hague Code of Conduct against Ballistic Missile Proliferation (HCOC). MTCR is “aimed at preventing proliferation of unmanned delivery systems capable of delivering weapons of mass destruction.”<sup>165</sup> HCOC is “aimed at bolstering efforts to curb ballistic missile proliferation.”<sup>166</sup> Iran has long avoided entering into treaties that prohibit or limit its ballistic missile capacities.<sup>167</sup>
- Iran’s role in Syria’s chemical weapons program have been reported since at least 2005.<sup>168</sup> In 2017, weeks after Syrian President Assad was accused of using chemical weapons on his own people, the U.S. government provided evidence of this. Syria has used chemical weapons 198 times between 2012 and March 2018, with eight of these attacks taking place in 2018.<sup>169</sup>
- The U.S. Treasury designated a senior Iranian defense official in May 2017 for organizing “the sale and delivery of explosives and other materiel for Syria’s Scientific Studies and Research Center (SSRC) on behalf of DIO.”<sup>170</sup> DIO (Defense Industries Organization) is an affiliate of Iran’s Ministry of Defense. The SSRC was already sanctioned by the Treasury Department in 2005,<sup>171</sup> and in April 2017, Treasury designated over 200 of its employees who “worked in support of SSRC’s chemical weapons program.”<sup>172</sup>
- The IRGC operates as a parallel, ideologically driven military in Iran. The goal of the IRGC is to export the Iranian revolution. The unusual relationship between Iran’s traditional military and the IRGC makes containing Iran’s military adventurism through formal legal and negotiating channels difficult, so long as the IRGC continues to operate in accord with its founding maxims.<sup>173</sup>

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**163.** Noted by (among many): Bilal Y. Saab and Michael Elleman, “Precision Fire: A Strategic Assessment of Iran’s Conventional Missile Program,” *Atlantic Council*, September 2016. ([http://www.atlanticcouncil.org/images/publications/Precision\\_Fire\\_web\\_0907.pdf](http://www.atlanticcouncil.org/images/publications/Precision_Fire_web_0907.pdf))

**164.** Amir Vahdat and Adam Schreck, “Iran claims launch of satellite-carrying rocket into space,” *Associated Press*, July 27, 2017. (<https://www.apnews.com/3f7ab7ad638649618e859e55aa0e7120>)

**165.** Missile Technology Control Regime Website, accessed May 24, 2017. (<http://mtcr.info/>)

**166.** “Hague Code of Conduct Against Ballistic Missile Proliferation (HCOC),” *Nuclear Threat Initiative*, February 1, 2017. (<http://www.nti.org/learn/treaties-and-regimes/hague-code-conduct-against-ballistic-missile-proliferation-hcoc/>)

**167.** For an understanding of the Iranian ballistic missile program, see: Behnam Ben Taleblu, “Don’t Forget About Iran’s Ballistic Missiles,” *War on the Rocks*, August 25, 2014. (<http://warontherocks.com/2014/08/dont-forget-irans-ballistic-missiles/>)

**168.** Robin Hughes, “Iran aids Syria’s CW programme,” *Jane’s*, October 24, 2005. ([https://web.archive.org/web/20081013133511/http://www.janes.com/defence/news/jdw/jdw051024\\_3\\_n.shtml](https://web.archive.org/web/20081013133511/http://www.janes.com/defence/news/jdw/jdw051024_3_n.shtml))

**169.** “SAMS Strongly Condemns Use Of Internationally-Prohibited Weaponry On Besieged Civilians,” *Syrian American Medical Society*, March 8, 2018. ([https://www.sams-usa.net/press\\_release/sams-strongly-condemns-use-internationally-prohibited-weaponry-besieged-civilians/](https://www.sams-usa.net/press_release/sams-strongly-condemns-use-internationally-prohibited-weaponry-besieged-civilians/))

**170.** U.S. Department of the Treasury, Press Release, “Treasury Sanctions Iranian Defense Officials and a China-Based Network for Supporting Iran’s Ballistic Missile Program,” May 17, 2017. (<https://www.treasury.gov/press-center/press-releases/Pages/sm0088.aspx>)

**171.** “Scientific Studies and Research Center,” *Nuclear Threat Initiative*, March 1, 2011. (<http://www.nti.org/learn/facilities/478/>)

**172.** Quoted in: Annie Fixler and Behnam Ben Taleblu, “New Iran Sanctions Expose Illicit Networks,” *Foundation for Defense of Democracies*, May 19, 2017. (<http://www.defenddemocracy.org/media-hit/annie-fixler-new-iran-sanctions-expose-illicit-networks/>)

**173.** Emanuele Ottolenghi, Saeed Ghasseminejad, Annie Fixler and Amir Toumaj, “How the Nuclear Deal Enriches Iran’s Revolutionary Guard Corps,” *Foundation for Defense of Democracies*, October 2016. ([http://www.defenddemocracy.org/content/uploads/documents/IRGC\\_Report.pdf](http://www.defenddemocracy.org/content/uploads/documents/IRGC_Report.pdf))

- The government of Iran has been targeted by the U.S. Treasury Department for ties to al-Qaeda.<sup>174</sup> Despite sectarian enmity, the Islamic Republic has a long history of working with al-Qaeda, permitting its personnel to use Iranian territory.<sup>175</sup>
- According to Hamas' representative in Iran, as of February 2017, "In terms of financial and political support – and even military support – Iran's [financial] offerings have not stopped ... What we want is for Iran to keep Palestine as one of its priorities. Indeed, Iran's support for the Palestinian cause is ongoing."<sup>176</sup>
- Throughout the region, Iran engages in asymmetric warfare. This provides Tehran a cost-effective way to destabilize other governments and support regional pro-Iran organizations in the process of exporting the revolution. Iran provided anti-tank missiles to Hezbollah in the mid-2000s, which were the main killers of Israeli troops during the 2006 war in Lebanon.<sup>177</sup> During the U.S. military occupation of Iraq, Iran's IRGC supplied the most deadly improvised explosive devices to Shiite militias, which then used them to target American soldiers.<sup>178</sup>
- Iran has been involved by proxy in nearly every Middle Eastern conflict over the past decade. It has repeatedly sown discord through support for resistance groups like the Houthis in Yemen and the Taliban in Afghanistan, and for major state actors such as Hamas in the Gaza Strip and Hezbollah in Lebanon.<sup>179</sup> Under Secretary of the Treasury for Terrorism and Financial Intelligence Sigal Mandelker estimated that "Iran provides upwards of \$700 million a year to Hezbollah."<sup>180</sup>
- In 2012, former Iranian President Ali-Akbar Hashemi Rafsanjani said, "We must possess Syria. If the chain from Lebanon to here is cut, bad things will happen."<sup>181</sup> Iran's involvement in Syria's larger fight against the Islamic State in Iraq can best be understood not through the lens of fighting a vicious terrorist organization, but rather as a means to advance the aims of its Islamic revolution.<sup>182</sup>

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 174. U.S. Department of the Treasury, Press Release, "Treasury Designates Iranian Ministry of Intelligence and Security for Human Rights Abuses and Support for Terrorism," February 16, 2012. (<https://www.treasury.gov/press-center/press-releases/Pages/tg1424.aspx>)

175. Thomas Joscelyn, "Treasury designates 3 senior al Qaeda members in Iran," *FDD's Long War Journal*, July 20, 2016. (<http://www.longwarjournal.org/archives/2016/07/treasury-designates-three-senior-al-qaeda-members-in-iran.php>)

176. Adnan Abu Amer (Translated by Mohammad Khalil), "Hamas insists ties with Iran strong, despite regional polarization," *Al-Monitor*, February 9, 2017. (<https://theiranproject.com/blog/2017/02/13/hamas-insists-ties-iran-strong-despite-regional-polarization/>)

177. Patrick Megahan and Behnam Ben Taleblu, "Putting Iran's Arms Proliferation Back in Business," *FDD's Military Edge*, August 5, 2015. (<https://militaryedge.org/analysis-articles/putting-irans-arms-proliferation-business/>); Steven Erlanger and Richard A. Oppel Jr., "A Disciplined Hezbollah Surprises Israel With Its Training, Tactics and Weapons," *The New York Times*, August 7, 2006. (<http://www.nytimes.com/2006/08/07/world/middleeast/07hezbollah.html>)

178. Michael R. Gordon, "Deadliest Bomb in Iraq Is Made by Iran, U.S. Says," *The New York Times*, February 10, 2007. (<http://www.nytimes.com/2007/02/10/world/middleeast/10weapons.html>); Michael R. Gordon and Andrew W. Lehren, "Leaked Reports Detail Iran's Aid for Iraqi Militias," *The New York Times*, October 22, 2010. (<http://www.nytimes.com/2010/10/23/world/middleeast/23iran.html?pagewanted=all&r=0>)

179. Kenneth Katzman, "Iran's Foreign and Defense Policies," *Congressional Research Service*, April 6, 2017. (<https://www.fas.org/sgp/crs/mideast/R44017.pdf>)

180. Sigal Mandelker, "Iran's Deceptive Financial Practices," *Foundation for Defense of Democracies*, June 5, 2018. ([http://www.defenddemocracy.org/content/uploads/documents/Iran\\_Financial\\_Practices\\_Transcript.pdf](http://www.defenddemocracy.org/content/uploads/documents/Iran_Financial_Practices_Transcript.pdf))

181. Hashemi Rafsanjani, quoted in: Ali Alfoneh, "Iran's Strategy in Syria," *Foundation for Defense of Democracies*, September 19, 2013. (<http://www.defenddemocracy.org/media-hit/irans-strategy-in-syria/>)

182. Behnam Ben Taleblu, "Enemy of Convenience: Iran's Fight Against Daesh," *FRIDE*, December 2015. ([http://fride.org/download/PB213\\_Iran\\_fight\\_against\\_Daesh.pdf](http://fride.org/download/PB213_Iran_fight_against_Daesh.pdf))

- Iran-backed fighters were heavily involved in the fight for Aleppo, indicating the extent of the Iranian government's involvement in supporting the Assad regime.<sup>183</sup>
- Iran has trained, armed, and equipped both Arab and non-Arab militiamen to fight in Syria to defend the Assad regime.<sup>184</sup>
- Iran and Russia have collaborated to sustain the Assad regime in Syria. In so doing, the Islamic Republic has permitted Russian warplanes to be stationed in Iran.<sup>185</sup> Iranian officials have been more explicit about their cooperation with Russia in the Syrian theater. Both Iranian President Hassan Rouhani and Defense Minister General Hossein Dehqan have spoken with Russian officials in the aftermath of an April 2017 U.S. cruise missile strike on a Syrian airbase.<sup>186</sup> There have also been high-level visits between the two countries.<sup>187</sup>
- According to open-source estimates, there have been at least four intercepted arms shipments by Tehran to the Houthi rebels in Yemen since 2015.<sup>188</sup> These arms shipments violate multiple UNSCR resolutions.<sup>189</sup> Iran has also reportedly amended its arms smuggling methods, using overland routes via Oman and other jurisdictions to keep the conflict in Yemen raging.<sup>190</sup> The arm shipments include sophisticated surface-to-air missiles and other advanced air-defense technology that threaten U.S. allies in the region.<sup>191</sup>

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**183.** “Thousands of Iran-backed fighters converge on Aleppo amid deadly Syria airstrikes,” *Fox News*, September 26, 2016. (<http://www.foxnews.com/world/2016/09/26/thousands-iran-backed-fighters-converge-on-aleppo-amid-deadly-syria-airstrikes.html>)

**184.** Ramin Mostaghim and Nabih Bulos, “Members of this Afghan minority flee to Iran to escape persecution — and get sent to fight in Syria,” *Los Angeles Times*, August 18, 2016. (<http://www.latimes.com/world/middleeast/la-fg-syria-hazara-20160810-snap-htmlstory.html>); Babak Dehghanpisheh, “Iran recruits Pakistani Shi’ites for combat in Syria,” *Reuters*, December 10, 2015. (<https://www.reuters.com/article/us-mideast-crisis-syria-pakistan-iran/iran-recruits-pakistani-shiites-for-combat-in-syria-idUSKBN0TT22S20151210>); Phillip Smyth, “Iran-backed Iraqi militias are pouring into Syria,” *The Washington Institute for Near East Policy*, October 2, 2015. (<http://www.businessinsider.com/iran-backed-iraqi-militias-are-pouring-into-syria-2015-10>)

**185.** Behnam Ben Taleblu and Amir Toumaj, “Russian warplanes to reportedly use Iranian air base for refueling,” *FDD’s Long War Journal*, August 18, 2016. (<http://www.longwarjournal.org/archives/2016/08/russian-warplane-to-reportedly-use-iranian-air-base-for-refueling.php>); Behnam Ben Taleblu, “Shifting sands in air base drama between Tehran and Moscow,” *FDD’s Long War Journal*, August 26, 2016. (<http://www.longwarjournal.org/archives/2016/08/shifting-sands-in-air-base-drama-between-tehran-and-moscow.php>)

**186.** “Iran defense chief discusses US raid with Russia, Syria counterparts,” *Press TV* (Iran), April 11, 2017. (<http://www.presstv.com/Detail/2017/04/11/517673/Iran-Russia-Syria-Hossein-Dehqan-Sergei-Shoigu-Fahd-Jassem-alFreij-terrorism>); “Putin and Rouhani, in phone call, condemn U.S. aggression in Syria: Kremlin,” *Reuters*, April 9, 2017. (<http://www.reuters.com/article/us-mideast-crisis-syria-iran-russia-idUSKBN17B0KV>)

**187.** “Iran Quds chief visited Russia despite U.N. travel ban: Iran official,” *Reuters*, August 7, 2015. (<https://www.reuters.com/article/us-russia-iran-soleimani/iran-quds-chief-visited-russia-despite-u-n-travel-ban-iran-official-idUSKCN0QC1KM20150807>); Gabrielle Tétrault-Farber, “Russia, Iran ink economic deals as Rouhani visits Moscow,” *Agence France Presse* (France), March 28, 2017. (<https://www.yahoo.com/news/putin-meet-irans-rouhani-moscow-073427164.html>)

**188.** Nicole Salter, “Oman Needs to Prevent Iranian Weapons Shipments to Houthis,” *Foundation for Defense of Democracies*, March 12, 2018. (<http://www.defenddemocracy.org/media-hit/nicole-salter-oman-needs-to-prevent-iranian-weapons-shipments-to-houthis/>)

**189.** Jerrica Goodson, Simon Chin, and Valerie Lincy, “Iranian Arms Shipments to Yemen Violate U.N. Resolutions,” *Iran Watch*, November 3, 2016. (<http://www.iranwatch.org/our-publications/policy-briefs/iranian-arms-shipments-yemen-violate-un-resolutions>)

**190.** Yara Bayoumy and Phil Stewart, “Exclusive: Iran steps up weapons supply to Yemen’s Houthis via Oman – officials,” *Reuters*, October 20, 2016. (<http://www.reuters.com/article/us-yemen-security-iran/exclusive-iran-steps-up-weapons-supply-to-yemens-houthis-via-oman-officials-idUSKCN12K0CX>); Behnam Ben Taleblu and Patrick Megahan, “Iran’s Maritime Mirage,” *The Cipher Brief*, January 3, 2017. (<https://www.thecipherbrief.com/article/exclusive/middle-east/irans-maritime-mirage-power-projection-through-conventional-means>)

**191.** Michael Knights and Farzin Nadimi, “Iran’s Support to Houthi Air Defenses in Yemen,” *The Washington Institute for Near East Policy*, June 7, 2018. (<http://www.washingtoninstitute.org/policy-analysis/view/irans-support-to-houthi-air-defenses-in-yemen>)

- CENTCOM Commander Joseph Votel believes that Iran was involved in the Houthi rebels' missile launches at U.S. warships in Yemen in October 2016.<sup>192</sup>
- In August 2016, then-Secretary of State John Kerry cited Iran's destabilizing role in the region. "The threat potentially posed by the shipment of missiles and other sophisticated weapons into Yemen from Iran extends well beyond Yemen and is not a threat just to Saudi Arabia," he said.<sup>193</sup>

## HUMAN RIGHTS RISKS

### SUMMARY

Since President Hassan Rouhani's first election in 2013, Iran's human rights violations have intensified, despite the claim that Rouhani is a reformer. These abuses can be broadly categorized as legal abuses and civil rights abuses. Legal abuses include widespread torture, sham trials (particularly against dissidents or human rights advocates), and the abundant use of the death penalty. Civil abuses include the widespread subjugation of women, the oppression of religious minorities, and the restriction of free press and assembly. These problems have been highlighted by a series of arrests of dual-nationals, their trials marked by opacity and harsh sentences. Iran's willingness to take foreign hostages and use them to compromise their company's confidential information through computer hacking increases risks for all foreign companies with employees in Iran.

### Key Points

- The Iranian regime lends support to Ansar-e-Hezbollah, an organization which has been linked to acid attacks against women in the city of Iсфаهان.<sup>194</sup>
- Iran subjects its prisoners to electric shock, sexual and physical assault, and have permanent wards for political prisoners. Several employees of the Evin prison in Tehran have been designated by the U.S. Treasury for human right abuses.<sup>195</sup>
- The March 2017 report of the then-UN special rapporteur on the situation of human rights in the Islamic Republic of Iran, Asma Jahangir, stated:
  - "... information ... did not reveal any notable improvement in the situation of human rights in the country. The situation relating to independence of judges and lawyers, freedom of expression and use of arbitrary detention continues to be a matter of serious concern. ... some measures are under way, but their implementation and effectiveness is yet to be assessed."<sup>196</sup>

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 192. Kristina Wong, "US general suspects Iran in Yemen missile launches," *The Hill*, October 19, 2016. (<http://thehill.com/policy/defense/301801-us-general-suspects-iran-playing-a-role-in-missile-launches-against-us-ships#.WAeuiBaBJ7c.twitter>)

193. John Kerry, quoted in: "Iran arms shipments to Yemen 'cannot continue': Kerry," *Agence France Presse* (France), August 25, 2016. (<https://2009-2017.state.gov/secretary/remarks/2016/08/261273.htm>)

194. Under Secretary of the Treasury for Terrorism and Financial Intelligence Sigal Mandelker, "Iran's Deceptive Financial Practices," *Foundation for Defense of Democracies*, June 5, 2018. (<http://www.defenddemocracy.org/events/irans-deceptive-financial-practices/>)

195. Under Secretary of the Treasury for Terrorism and Financial Intelligence Sigal Mandelker, "Iran's Deceptive Financial Practices," *Foundation for Defense of Democracies*, June 5, 2018. (<http://www.defenddemocracy.org/events/irans-deceptive-financial-practices/>)

196. United Nations Human Rights Council, "Report of the Special Rapporteur on the situation of human rights in the Islamic Republic of Iran," A/HRC/34/65, March 17, 2017, page 3. ([http://www.ohchr.org/EN/HRBodies/HRC/RegularSessions/Session34/Documents/A\\_HRC\\_34\\_65\\_AEV.docx](http://www.ohchr.org/EN/HRBodies/HRC/RegularSessions/Session34/Documents/A_HRC_34_65_AEV.docx))

- “Human rights organizations tracking executions in the Islamic Republic of Iran estimate that at least 530 executions took place in 2016. As in previous years, the majority of those executions were not for the ‘most serious’ drug-related offences.”<sup>197</sup> No country in the world other than China executed more people that year.
- “... concern regarding reports alleging that drug offenders are often deprived of basic due process and fair trial rights, including long periods of incommunicado and pretrial detention, lack of adequate access to a lawyer and/or proper defense, beatings and coerced confessions, which are later used in revolutionary courts to secure their death sentences ... the recently amended Criminal Procedure Code, which mandates the Supreme Court to review all death sentences, including those for drug-related offences, does not seem to have led to any significant change in this respect.”<sup>198</sup>
- “... continued practice of public executions, which has already been documented by the previous mandate holder and the Secretary-General in several reports. Reportedly, some executions are carried out in public places in the presence of children; however, this has been denied by the [Iranian] Government. Some non-governmental sources stated that most of the public executions are attended by large crowds, which include children. This shows that the serious concerns expressed by the Committee on the Rights of the Child about the impact on children of those executions have so far been disregarded.”<sup>199</sup>
- “... numerous reports about the use of torture and other cruel, inhuman or degrading treatment or punishment. These include amputations, blinding and flogging as forms of punishment, physical and mental torture or ill-treatment to coerce confessions (mostly during pretrial detention), prolonged periods of solitary confinement and denial of access to proper and necessary medical treatment for detainees. Rights groups documented at least two amputations, one blinding and several floggings in 2016.”<sup>200</sup>
- “As highlighted in previous reports, the [Iranian] Government rejects the notion that amputations and floggings amount to torture and maintains that they are effective deterrents to criminal activity. The Government reported that 4,332 complaints alleging human rights violations had been submitted in the past four years, including regarding torture and ill-treatment and that ‘only a small percentage’ warranted action. No specific information was provided regarding prosecutions or convictions of individuals alleged to be involved in the torture or ill-treatment of detainees.”<sup>201</sup>
- “The legal profession in the Islamic Republic of Iran is not independent. The Law on the Qualifications of Attorneys, enacted in 1997, gives the judiciary the authority to vet and exclude candidates from holding

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**197.** United Nations Human Rights Council, “Report of the Special Rapporteur on the situation of human rights in the Islamic Republic of Iran,” A/HRC/34/65, March 17, 2017, page 4. ([http://www.ohchr.org/EN/HRBodies/HRC/RegularSessions/Session34/Documents/A\\_HRC\\_34\\_65\\_AEV.docx](http://www.ohchr.org/EN/HRBodies/HRC/RegularSessions/Session34/Documents/A_HRC_34_65_AEV.docx))

**198.** United Nations Human Rights Council, “Report of the Special Rapporteur on the situation of human rights in the Islamic Republic of Iran,” A/HRC/34/65, March 17, 2017, page 4. ([http://www.ohchr.org/EN/HRBodies/HRC/RegularSessions/Session34/Documents/A\\_HRC\\_34\\_65\\_AEV.docx](http://www.ohchr.org/EN/HRBodies/HRC/RegularSessions/Session34/Documents/A_HRC_34_65_AEV.docx))

**199.** United Nations Human Rights Council, “Report of the Special Rapporteur on the situation of human rights in the Islamic Republic of Iran,” A/HRC/34/65, March 17, 2017, page 4. ([http://www.ohchr.org/EN/HRBodies/HRC/RegularSessions/Session34/Documents/A\\_HRC\\_34\\_65\\_AEV.docx](http://www.ohchr.org/EN/HRBodies/HRC/RegularSessions/Session34/Documents/A_HRC_34_65_AEV.docx))

**200.** United Nations Human Rights Council, “Report of the Special Rapporteur on the situation of human rights in the Islamic Republic of Iran,” A/HRC/34/65, March 17, 2017, pages 6-7. ([http://www.ohchr.org/EN/HRBodies/HRC/RegularSessions/Session34/Documents/A\\_HRC\\_34\\_65\\_AEV.docx](http://www.ohchr.org/EN/HRBodies/HRC/RegularSessions/Session34/Documents/A_HRC_34_65_AEV.docx))

**201.** United Nations Human Rights Council, “Report of the Special Rapporteur on the situation of human rights in the Islamic Republic of Iran,” A/HRC/34/65, March 17, 2017, pages 6-7. ([http://www.ohchr.org/EN/HRBodies/HRC/RegularSessions/Session34/Documents/A\\_HRC\\_34\\_65\\_AEV.docx](http://www.ohchr.org/EN/HRBodies/HRC/RegularSessions/Session34/Documents/A_HRC_34_65_AEV.docx))

positions in the bar association. Reportedly, dozens of prominent lawyers have been rejected from contesting elections to the Board of Directors of the bar association by the Supreme Disciplinary Court of Judges.”<sup>202</sup>

- “... in many instances, the right of anyone who is arrested to be promptly informed about the charges against him or her is not respected... individuals may be arrested without being shown a warrant. Several cases in which individuals and/or their families were not provided with information regarding the reasons and circumstances for their arrest or their whereabouts were reported to her during the reporting period. Often, those who are called in for interrogation have no idea of the identity of the persons who initiated the investigation against them.”<sup>203</sup>
- “... the restrictions imposed on the freedom of association and assembly of workers and labour activists who are often not allowed to establish independent unions. Although the Government has allowed an increasing number of peaceful gatherings by workers protesting unpaid wages and other conditions, arrest and detention of labour union leaders and activists are not uncommon.”<sup>204</sup>
- “... no progress has yet been made towards the ratification of the Convention on the Elimination of Discrimination against Women and the elimination of legal provisions that discriminate against women in various areas. It is particularly disturbing that blatantly discriminatory provisions such as those contained in the Islamic Penal Code and which stipulate that the value of a woman’s life is equal to half that of a man’s remain in force in the country. Of concern also is the possible adoption of new discriminatory legal provisions against women.”<sup>205</sup>
- “... continuing systematic discrimination, harassment and targeting of adherents to the Baha’i faith ... discrimination against the Baha’i community is legally sanctioned owing to the fact that the faith is not recognized in the Constitution and the absence of other legal protections for adherents of the faith.”<sup>206</sup>
- “... the Special Rapporteur has been contacted by a large number of Iranians both outside and inside the country. She is extremely disturbed by the level of fear of those who have communicated with her. She notes that interlocutors living outside the country expressed fear, mainly of possible reprisals against their family members living in the Islamic Republic of Iran.”<sup>207</sup>
- “The harassment and widespread arrest and detention of persons exercising their right to freedom of opinion and expression or carrying out activities as human rights defenders demonstrate that the authorities

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**202.** United Nations Human Rights Council, “Report of the Special Rapporteur on the situation of human rights in the Islamic Republic of Iran,” A/HRC/34/65, March 17, 2017, page 8. ([http://www.ohchr.org/EN/HRBodies/HRC/RegularSessions/Session34/Documents/A\\_HRC\\_34\\_65\\_AEV.docx](http://www.ohchr.org/EN/HRBodies/HRC/RegularSessions/Session34/Documents/A_HRC_34_65_AEV.docx))

**203.** United Nations Human Rights Council, “Report of the Special Rapporteur on the situation of human rights in the Islamic Republic of Iran,” A/HRC/34/65, March 17, 2017, page 9. ([http://www.ohchr.org/EN/HRBodies/HRC/RegularSessions/Session34/Documents/A\\_HRC\\_34\\_65\\_AEV.docx](http://www.ohchr.org/EN/HRBodies/HRC/RegularSessions/Session34/Documents/A_HRC_34_65_AEV.docx))

**204.** United Nations Human Rights Council, “Report of the Special Rapporteur on the situation of human rights in the Islamic Republic of Iran,” A/HRC/34/65, March 17, 2017, page 13. ([http://www.ohchr.org/EN/HRBodies/HRC/RegularSessions/Session34/Documents/A\\_HRC\\_34\\_65\\_AEV.docx](http://www.ohchr.org/EN/HRBodies/HRC/RegularSessions/Session34/Documents/A_HRC_34_65_AEV.docx))

**205.** United Nations Human Rights Council, “Report of the Special Rapporteur on the situation of human rights in the Islamic Republic of Iran,” A/HRC/34/65, March 17, 2017, page 14. ([http://www.ohchr.org/EN/HRBodies/HRC/RegularSessions/Session34/Documents/A\\_HRC\\_34\\_65\\_AEV.docx](http://www.ohchr.org/EN/HRBodies/HRC/RegularSessions/Session34/Documents/A_HRC_34_65_AEV.docx))

**206.** United Nations Human Rights Council, “Report of the Special Rapporteur on the situation of human rights in the Islamic Republic of Iran,” A/HRC/34/65, March 17, 2017, page 16. ([http://www.ohchr.org/EN/HRBodies/HRC/RegularSessions/Session34/Documents/A\\_HRC\\_34\\_65\\_AEV.docx](http://www.ohchr.org/EN/HRBodies/HRC/RegularSessions/Session34/Documents/A_HRC_34_65_AEV.docx))

**207.** United Nations Human Rights Council, “Report of the Special Rapporteur on the situation of human rights in the Islamic Republic of Iran,” A/HRC/34/65, March 17, 2017, page 17. ([http://www.ohchr.org/EN/HRBodies/HRC/RegularSessions/Session34/Documents/A\\_HRC\\_34\\_65\\_AEV.docx](http://www.ohchr.org/EN/HRBodies/HRC/RegularSessions/Session34/Documents/A_HRC_34_65_AEV.docx))

continue to exert a high level of control over citizens and severely limit the democratic space. The Special Rapporteur recalls that freedom of opinion and freedom of expression are indispensable conditions for the full development of the person. They are essential for any society and they constitute the foundation stone for every free and democratic society. The Government has a responsibility to ensure that human rights defenders do not face prosecution for promoting and advancing human rights in the country.”<sup>208</sup>

### **Kidnapping of Dual Nationals**

- **U.S. State Department Travel Warning, August 22, 2016:** “Iranian authorities continue to unjustly detain and imprison U.S. citizens, particularly Iranian-Americans, including students, journalists, business travelers, and academics, on charges including espionage and posing a threat to national security. Iranian authorities have also prevented the departure, in some cases for months, of a number of Iranian-American citizens who traveled to Iran for personal or professional reasons. U.S. citizens traveling to Iran should very carefully weigh the risks of travel and consider postponing their travel. U.S. citizens residing in Iran should closely follow media reports, monitor local conditions, and evaluate the risks of remaining in the country.”<sup>209</sup> Iranian media suggested in October 2016 that the Iranian government is seeking to obtain “many billions of dollars” in ransom payments for U.S. dual citizens it has arrested.<sup>210</sup>

### **Kidnapped Dual Nationals**

- Abbas Edalat, an Iranian British academic and antiwar activist based in London, has been detained in Iran since April 15, 2018, after being arrested by the Islamic Revolutionary Guard Corps (IRGC).<sup>211</sup>
- Morad Tahbaz, an Iranian-American businessman, was detained with at least nine environmentalists from the Iranian wildlife charity, the Persian Heritage Wildlife Foundation (PHWF), in January 2018 on alleged espionage charges.<sup>212</sup>
- An Appeals Court upheld a five-year prison sentence issued against Iranian-Canadian dual citizen Abdolrasoul Dorri Esfahani, a member of Iran’s nuclear-deal negotiations team, on October 8, 2017. The initial sentence, issued against Esfahani by Judge Abolqasem Salavati of Branch 15 of the Revolutionary Court in May 2017, was for espionage charges, including “collaborating with the British secret service.”<sup>213</sup> These are presumed to be trumped-up charges, like most other cases.
- Nazanin Zaghari-Ratcliffe, a British-Iranian, was sentenced in September 2016 to five years in prison, and the passport of her 2-year-old daughter was revoked. The trial was conducted in secret and with no public

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**208.** United Nations Human Rights Council, “Report of the Special Rapporteur on the situation of human rights in the Islamic Republic of Iran,” A/HRC/34/65, March 17, 2017, page 18. ([http://www.ohchr.org/EN/HRBodies/HRC/RegularSessions/Session34/Documents/A\\_HRC\\_34\\_65\\_AEV.docx](http://www.ohchr.org/EN/HRBodies/HRC/RegularSessions/Session34/Documents/A_HRC_34_65_AEV.docx))

**209.** U.S. Department of State, Bureau of Consular Affairs, “Iran Travel Warning,” August 22, 2016. (<https://ae.usembassy.gov/sm-8222016/>)

**210.** “Iran seeking ‘many billions of dollars’ in ransom to free US hostages,” *Fox News*, October 19, 2016. (<http://www.foxnews.com/politics/2016/10/19/iran-seeking-many-billions-dollars-in-ransom-to-free-us-hostages.html#>)

**211.** “Iran Detains Another Iranian British Citizen, Computer Scientist and Antiwar Activist Abbas Edalat,” *Center for Human Rights in Iran*, April 25, 2018. (<https://www.iranhumanrights.org/2018/04/iran-detains-another-iranian-british-citizen-computer-scientist-and-antiwar-activist-abbas-edalat/>)

**212.** “Who are the Dual Nationals Imprisoned in Iran?” *Center for Human Rights in Iran*, May 14, 2018. (<https://www.iranhumanrights.org/2018/05/here-are-the-dual-nationals-imprisoned-in-iran/>)

**213.** “Who are the Dual Nationals Imprisoned in Iran?” *Center for Human Rights in Iran*, May 14, 2018. (<https://www.iranhumanrights.org/2018/05/here-are-the-dual-nationals-imprisoned-in-iran/>)

disclosure of specific charges.<sup>214</sup> Additional charges were brought against Nazanin in 2017 that could result in 16 more years of imprisonment, should she be convicted. Her daughter's passport was reinstated in May 2017, but she remains in the country.<sup>215</sup> Nazanin is currently facing a new trial in Iran. Her alleged crime: "spreading propaganda against the state."<sup>216</sup> Her husband said that she was told by Judge Abolghassem Salavati to expect another conviction.<sup>217</sup>

- U.S. resident and dual Iranian-Lebanese citizen Nizar Zakka in September 2016 was sentenced to a 10-year jail term in a secret verdict over spying allegations held before a closed court. Zakka received a formal invitation from the Iranian government to attend a conference in Iran, but was taken hostage during that visit. Zakka had worked on projects funded by the State Department.<sup>218</sup> Zakka's prison sentence was upheld in an Iranian court in August 2017 and was charged \$4.2 million in fines for espionage. Iran has tried to force Zakka to sign a document entirely in Farsi, and withheld outside medical care for an illness developed since his imprisonment.<sup>219</sup>
- Robin Shahini, a dual American-Iranian citizen from San Diego, was visiting family in Iran in July 2016 when he was detained without charges. He was sentenced to 18 years in a secret trial for "collaboration with a hostile government." In April 2017, the regime released him on bail.<sup>220</sup>
- Iranian-American art dealer Karan Vafadari and his wife, Afarin Niasari, have been detained in Evin Prison without counsel since July 2016, ostensibly for organizing mixed-gender parties for foreign diplomats and for serving alcohol. Vafadari is Zoroastrian, a persecuted minority.<sup>221</sup> In January 2018, Vafadari was sentenced to 27 years in prison, and his wife Neyssari was sentenced to 16 years in prison, by Revolutionary Court judge Abolghassem Salavati. Vafadari said in a letter to the Center for Human Rights in Iran that he and his wife had been sentenced under a little-known Iranian law that targets dual nationals. Vafadari was also fined \$243,000.<sup>222</sup>
- Ahmadreza Jalali, a Swedish-Iranian physician, was arrested in April 2016 after "being officially invited [to Iran] by Tehran University," and was charged with "collaborating with enemy states,"<sup>223</sup> a trumped-up allegation the regime often uses against political opponents.

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214. Asa Fitch, "Iran Sentences Iranian-British Charity Worker to Five Years in Prison," *The Wall Street Journal*, September 9, 2016. (<http://www.wsj.com/articles/iran-sentences-iranian-british-charity-worker-to-five-years-in-prison-1473444047>)

215. "British woman jailed in Iran faces 16 more years in prison as fresh charges brought," *The Independent* (UK), October 10, 2017. (<http://www.independent.co.uk/news/world/middle-east/nazanin-zaghari-ratcliffe-british-woman-iran-jail-tehran-revolutionary-guard-prison-a7991741.html>)

216. Saeed Khemali Dehghan, "Nazanin Zaghari-Ratcliffe 'told to expect another conviction,'" *The Guardian* (UK) May 21, 2018. (<https://www.theguardian.com/news/2018/may/21/nazanin-zaghari-ratcliffe-told-to-expect-another-conviction>)

217. Saeed Khemali Dehghan, "Nazanin Zaghari-Ratcliffe 'told to expect another conviction,'" *The Guardian* (UK), May 21, 2018. (<https://www.theguardian.com/news/2018/may/21/nazanin-zaghari-ratcliffe-told-to-expect-another-conviction>)

218. "Iran sentences US resident to 10 years in jail over spying claims," *The Guardian*, September 20, 2016. (<https://www.theguardian.com/world/2016/sep/20/iran-sentences-us-resident-to-10-years-in-jail-after-spying-claims>)

219. "Evin Prison Director Accused of Denying Outside Medical Care For Imprisoned US Resident Nizar Zakka," *Center for Human Rights in Iran*, September 9, 2017. (<https://www.iranhumanrights.org/2017/09/evin-prison-director-accused-of-denying-outside-medical-care-for-imprisoned-us-resident-nizar-zakka/>)

220. "Robin Shahini, American held in Iran, released on bail, activists say," *Associated Press*, April 3, 2017. (<http://www.cbsnews.com/news/robin-shahini-american-held-in-iran-released-on-bail-activists-say/>)

221. "Sister Breaks the Silence Over Iranian-American and Wife Held for Three Months Without Charge or Counsel," *Center for Human Rights in Iran*, December 2, 2016. (<https://www.iranhumanrights.org/2016/12/karan-vafadari-afarin-neyssari-arrest/>)

222. "Iran reportedly imprisons U.S. dual national art dealer," *CBS News*, January 31, 2018. (<https://www.cbsnews.com/news/iran-us-dual-national-karan-vafadari-zoroastrian-wife-evin-prison-group-says/>)

223. "Iranian-Swedish Disaster Medicine Expert Held in Iran Jail for Nine Months, on Hunger Strike Since Dec. 25," *Center for Human Rights in Iran*, January 12, 2017. (<https://www.iranhumanrights.org/2017/01/ahmadreza-jalali-iranian-swedish-disaster-relief-expert/>)



- Iranian-Austrian dual citizen Kamran Ghaderi, the CEO of an Austrian IT management and consulting company, was arrested at Tehran's Imam Khomeini Airport on January 2, 2016. Ghaderi was subsequently sentenced to 10 years in prison after confessing, under coercion, to “conducting espionage for enemy states.”<sup>224</sup>
- Dual U.S.-Iranian citizens Siamak Namazi, arrested in October 2015, and his 80-year-old father Bacquer, arrested in February 2016, are serving 10-year sentences for “cooperating with the hostile government of America.”<sup>225</sup> (Case study on Siamak and Bacquer Namazi included below.)
- Roya Saberi Negad Nobakht, a British-Iranian, was arrested in 2013, and received a 20-year sentence in 2014 for Facebook posts criticizing the regime. The sentence was reduced to seven years after a retrial.<sup>226</sup>
- Kamal Foroughi, a British-Iranian, was arrested in 2011 and received an eight-year sentence in 2013 on charges of espionage and possessing alcohol in his home.<sup>227</sup>
- Saeed Malekpour, a Canadian permanent resident born and raised in Iran, was arrested in 2008 on trumped-up charges of managing a pornographic website, and is currently serving a life sentence.<sup>228</sup>
- Robert Levinson, a retired FBI agent working freelance on a CIA operation, disappeared on Kish Island in 2007 and is believed to have been taken hostage by the IRGC. The U.S. government has repeatedly raised his disappearance with Iran. Washington has been unable to learn of his whereabouts or gain his release.<sup>229</sup>

### **Kidnapped of U.S. Citizens**

- Xiyue Wang, a Chinese-born U.S. citizen and graduate student at Princeton University, was arrested in the summer of 2016 and given a 10-year prison sentence on spying charges on July 17, 2017. He is the first non-dual Iranian citizen to be targeted by the regime.<sup>230</sup>

### **Select Iranian Prisoners of Conscience**

Iranian prisoners of conscience continue to languish in Iranian prisons. The following are highlights of notable cases in the past three years:

- In May 2016, a 16-year sentence was handed down for Narges Mohammadi, a human rights activist who advocated for the end of the death penalty in Iran. She was accused of “gathering and conspiring with the aim

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 224. “Who are the Dual Nationals Imprisoned in Iran?” *Center for Human Rights in Iran*, May 14, 2018. (<https://www.iranhumanrights.org/2018/05/here-are-the-dual-nationals-imprisoned-in-iran/>)

225. “Iran sentences Iranian-American, his father each to 10 years,” *The Washington Post*, October 18, 2016. ([https://www.washingtonpost.com/world/iranian-american-businessman-and-his-father-sentenced-to-prison-in-iran/2016/10/18/dffc1102-9565-11e6-9b7c-57290af48a49\\_story.html?utm\\_term=.e5883d5c83a1](https://www.washingtonpost.com/world/iranian-american-businessman-and-his-father-sentenced-to-prison-in-iran/2016/10/18/dffc1102-9565-11e6-9b7c-57290af48a49_story.html?utm_term=.e5883d5c83a1))

226. Chris Green, “Roya Nobakht: British woman imprisoned in Iran over anti-government Facebook comments is ‘being physically tortured’, say campaigners,” *The Independent* (UK), July 15, 2015. (<http://www.independent.co.uk/news/world/middle-east/roya-nobakht-british-woman-imprisoned-in-iran-over-anti-government-facebook-comments-being-10391450.html>)

227. Saeed Kamali Dehghan, “Briton, 76, has been in Iranian jail for 4 years on spying charges,” *The Guardian* (UK), October 14, 2015. (<https://www.theguardian.com/uk-news/2015/oct/14/briton-kamal-foroughi-76-iran-jail-spying-charges>)

228. Olivia Ward, “Saeed Malekpour: the prisoner left behind in Iran,” *The Star* (Canada), April 11, 2016. (<https://www.thestar.com/news/world/2016/04/11/saeed-malekpour-the-prisoner-left-behind-in-iran.html>)

229. Brian Ross and Lee Ferran, “Robert Levinson: The American, Former FBI Agent, ‘Left Behind’ in Iranian Prisoner Release,” *ABC News*, January 16, 2016. (<http://abcnews.go.com/International/robert-levinson-american-fbi-agent-left-iranian-prisoner/story?id=36332930>)

230. Krishnadev Calamur, “The Princeton Student Sentenced to 10 Years in Prison in Iran,” *The Atlantic*, July 17, 2017. (<https://www.theatlantic.com/news/archive/2017/07/iran-xiyue-wang/533868/>)

of committing crimes against national security,” “propaganda against the state,” and “forming and managing an illegal group.”<sup>231</sup>

- Zeinab Sekaanvand Lokran, 22, has received a death sentence for allegedly stabbing to death her abusive husband when she was 17. She has recanted her confession. Police refused to help when she reported the beatings; instead they tortured her when she was in their custody.<sup>232</sup>
- Ahmad Montazeri was tried without a lawyer in October 2016 for releasing tapes in which his father criticized the Iranian government’s 1988 massacre of political prisoners. He received a 21-year sentence.<sup>233</sup>
- Iranian journalist Sadra Mohaghegh was arrested in September 2016 for contact with “anti-revolutionary media outlets.” Mohaghegh was the editor of the social affairs section of a reform-focused newspaper.<sup>234</sup>
- Yashar Soltani, the editor of *Memari News*, was charged in September 2016 with disclosing classified material, though the material he revealed, which showed administrative corruption, was not marked as classified.<sup>235</sup>
- Mohammed Ali Taheri began a five-year sentence in 2018. Taheri, who is the founder and leader of a spiritual group called *Erfan-ei-Halgheh*, was charged with founding a cult.<sup>236</sup>
- Golrokh Ebrahimi Iraee, an Iranian writer and human rights activist, was arrested in September 2016 for writing a piece that mentioned a young woman burning a Koran. She and her husband were tortured and had no access to a lawyer. They face long jail terms for “insulting Islamic sanctities” and “spreading propaganda against the system.”<sup>237</sup>
- Ismail Abdi was the Secretary General of Iran’s Teacher’s Trade Association. He has been detained since June 27, 2015 for “organizing and participating in illegal gatherings.”<sup>238</sup> He may receive as much as a 16-year sentence if he is also sentenced for charges from 2011.<sup>239</sup>

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231. Saeed Kamali Dehghan, “UN condemns 16-year jail sentence for Iranian activist Narges Mohammadi,” *The Guardian* (UK), May 24, 2016. (<https://www.theguardian.com/global-development/2016/may/24/narges-mohammadi-iranian-activist-un-condemns-10-year-jail-sentence>); Thomas Erdbrink, “Iranian Women’s Rights Activist Is Given 16-Year Sentence,” *The New York Times*, September 28, 2016. (<https://www.nytimes.com/2016/09/29/world/asia/narges-mohammadi-iran-sentencing.html>)

232. Maanvi Singh, “Iran Plans To Hang Child Bride Charged With Killing Her Husband,” *NPR*, October 14, 2016. (<http://www.npr.org/sections/goatsandsoda/2016/10/14/497964594/iran-plans-to-hang-child-bride-charged-with-killing-her-husband>)

233. “Shocking Montazeri Sentence Reveals a Prosecution Lacking Legal or Moral Legitimacy,” *Center for Human Rights in Iran*, November 28, 2016. (<https://www.iranhumanrights.org/2016/11/shocking-montazeri-sentence/>)

234. Saeed Kamali Dehghan, “Concerns raised over arrest of Iranian journalist Sadra Mohaghegh,” *The Guardian* (UK), September 29, 2016. (<https://www.theguardian.com/world/iran-blog/2016/sep/29/concerns-arrest-iranian-journalist-sadra-mohaghegh>)

235. “Detained Editor Who Exposed Corruption Slapped with Additional Charge,” *Center for Human Rights in Iran*, September 28, 2016. (<https://www.iranhumanrights.org/2016/09/yashar-soltani/>)

236. “Eight prisoners of conscience in Iran – among them human rights defenders, activists, artists and teachers – have gone on hunger strike to protest against their imprisonment. Their health is deteriorating fast – join us to call for their immediate and unconditional release,” *Amnesty International*, November 15, 2016. (<https://www.amnesty.org/en/latest/campaigns/2016/11/free-eight-prisoners-of-conscience-in-iran/>)

237. “Iranian writer given long jail term for story about stoning,” *BBC News* (UK), October 6, 2016. (<http://www.bbc.com/news/world-middle-east-37575193>)

238. “Amnesty highlights plight of imprisoned trade unionist in Iran,” *National Council of Resistance of Iran*, April 20, 2016. (<https://irannewsupdate.com/news/human-rights/2703-iranian-trade-unionist-faces-sixteen-years-in-jail.html>)

239. “Amnesty highlights plight of imprisoned trade unionist in Iran,” *National Council of Resistance of Iran*, April 20, 2016. (<https://irannewsupdate.com/news/human-rights/2703-iranian-trade-unionist-faces-sixteen-years-in-jail.html>)

- Pressure from the IRGC in cases against activists often means that activists receive the maximum possible punishment, and are not allowed to present a defense.<sup>240</sup>

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**240.** “Iran’s Revolutionary Guards Push Harsh Prison Sentences for Activists,” *Center for Human Rights in Iran*, October 3, 2016. (<https://www.iranhumanrights.org/2016/10/4-civil-activists-in-tehran-sentenced-to-18-years/>)

## Case Study: Siamak and Bacquer Namazi

Iranian-born American citizen Siamak Namazi enjoyed a successful career. He was named a World Economic Forum Young Global Leader, served as a scholar at the Woodrow Wilson International Center for Scholars in Washington, DC, worked for Atieh Bahar, a Tehran-based business consulting firm that encourages foreign investment in Iran, and, more recently, was the head of strategic planning for Crescent Petroleum, an oil company based in the United Arab Emirates, where he lived.<sup>241</sup>

During a visit at his family's home in Tehran on October 15, 2015, Namazi was arrested and sent to Evin Prison, where he was "denied access to his lawyer and visits by family members," according to the Center for Human Rights in Iran.<sup>242</sup>

Namazi was arrested without being told of the charges against him. According to *The New Yorker*, "His mother's home was ransacked." Moreover, his computer was confiscated and "has since been used by an intelligence wing of the Revolutionary Guard to launch cyber-attacks against his contacts." Journalist Robin Wright, who covered Namazi's imprisonment, was among the victims of the cyber attacks, a list that also includes officials in the State Department.<sup>243</sup>

Reuters called Namazi's plight a "chilling message to investors" who might consider doing business in Iran.<sup>244</sup>

## AVIATION RISKS

### SUMMARY

The aviation sector highlights the risks associated with Iran. In 2016, Boeing and Airbus received U.S. approval to sell planes to Iran Air, which was designated in 2011 by the U.S. Treasury Department for "providing material support and services to the Islamic Revolutionary Guard Corps (IRGC) and Ministry of Defense and Armed Forces Logistics (MODAFL)." Despite being delisted as part of the Iran deal, there is evidence that they have continued these activities after the signing of the Iran nuclear deal.

When the U.S. pulled out of the Iran deal on May 8, 2018, OFAC revoked specific licenses issued in connection with the statement of licensing policy relating to the export or re-export of commercial passenger aircraft and related parts and services.<sup>245</sup> This action required Boeing to end its contract with Iran Air.

241. "An American Arrested in Iran," *The Atlantic*, October 30, 2015. (<https://www.theatlantic.com/international/archive/2015/10/iran-us-siamak-namazi/413305/>)

242. "Imprisoned Iranian-American Siamak Namazi Held Incommunicado without Access to Lawyer," *International Campaign for Human Rights in Iran*, February 23, 2016. (<https://www.iranhumanrights.org/2016/02/siamak-namazi/>)

243. "An American Hostage in Iran—Again," *The New Yorker*, October 30, 2015. (<https://www.newyorker.com/news/news-desk/an-american-hostage-in-iran-again>)

244. "U.S.-Iranian businessman's jailing sends chilling message to investors," *Reuters*, February 9, 2016. (<http://www.reuters.com/article/us-iran-economy-businessman-idUSKCN0V11VI>)

245. U.S. Department of the Treasury, "Frequently Asked Questions Regarding the Re-Imposition of Sanctions Pursuant to the May 8, 2018 National Security Presidential Memorandum Relating to the Joint Comprehensive Plan of Action (JCPOA)," May 8, 2018. ([https://www.treasury.gov/resource-center/sanctions/Programs/Documents/jcpoa\\_winddown\\_faqs.pdf](https://www.treasury.gov/resource-center/sanctions/Programs/Documents/jcpoa_winddown_faqs.pdf))

Still, it is useful to understand that aircraft sales to Iran carry significant economic and security risks.<sup>246</sup> Financing and associated contracts have been difficult because of the myriad known liabilities. Iranian airlines have consistently been used to support terrorism, including resupplying the Assad regime in Syria with troops and equipment.

Should others seek to contract with the company, there is concern that Iran Air may re-sell the aircraft to other Iranian airlines, which may include four still under sanctions. These four airlines remain sanctioned because they are “willing and knowing facilitators of acts of terrorism,” according to FDD Senior Fellow Emanuele Ottolenghi. Indeed, these deals could make aircraft manufacturers unwittingly complicit in Iran’s support for atrocities and war crimes in Syria and for Hezbollah’s terror activities.<sup>247</sup>

## Key Points

- The IRGC has coerced foreign aviation firms in the past. In 2004, it forced an Austrian-Turkish company out of managing the Imam Khomeini International Airport due to what it called “security concerns.”<sup>248</sup> It is widely regarded that this action was taken for business reasons, to ensure that the IRGC got to manage the airport.<sup>249</sup>
- Iran Air was sanctioned in 2011, with the Treasury Department noting that the airline had ferried weapons to the Assad regime in Syria. When sanctions were lifted under the JCPOA, there was no evidence that Iran Air had changed its behavior.<sup>250</sup>
- The Treasury Department’s OFAC issued a warning on June 6, 2018 to airports that they may face consequences if they allow sanctioned Iranian airlines to land at their airports. According to OFAC, potentially sanctionable activities also include procuring airplane parts and equipment, conducting ticketing or marketing sales with airlines, and making freight agreements with airlines, among others.<sup>251</sup>
- Iran Air may shift some of its plane purchases – if it secures them – to Mahan Air, which is still under U.S. sanctions.<sup>252</sup>
- Iran Air and Mahan Air flights reportedly support Bashar al-Assad’s military activities in Syria.<sup>253</sup> Iran Air and Mahan Air continue to fly from Iran to Syria, often from IRGC bases in Iran to military bases in Syria, under the guise of civilian flights, at times turning their transponders off to conceal their route. Other Iranian commercial

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246. Emanuele Ottolenghi, “The Iran Deal Rewards Airlines that Served as IRGC Terror Fronts,” *Foundation for Defense of Democracies*, August 13, 2015. (<http://www.defenddemocracy.org/media-hit/emanuele-ottolenghi-the-iran-deal-rewards-airlines-that-served-as-irgc-terror-fronts/>)

247. Bill Coffin, “Is the Iranian airline industry still filled with bandits?” *Compliance Week*, October 14, 2016. (<http://www.defenddemocracy.org/media-hit/emanuele-ottolenghi-is-the-iranian-airline-industry-still-filled-with-bandits>)

248. Jonathan Schanzer and Amir Toumaj, “Why Boeing shouldn’t do business with Iran,” *MarketWatch*, July 12, 2016. (<http://www.defenddemocracy.org/media-hit/schanzer-jonathan-opinion-why-boeing-shouldnt-do-business-with-iran/>)

249. Julian Borger and Robert Tait, “The financial power of the Revolutionary Guards,” *The Guardian* (UK), February 15, 2010. (<https://www.theguardian.com/world/2010/feb/15/financial-power-revolutionary-guard>)

250. “The Iran Deal Rewards Airlines that Served as IRGC Terror Fronts,” *Foundation for Defense of Democracies*, August 13, 2015. (<http://www.defenddemocracy.org/media-hit/emanuele-ottolenghi-the-iran-deal-rewards-airlines-that-served-as-irgc-terror-fronts/>)

251. “OFAC warns airports about dealing with Iranian carriers,” *Ch-aviation*, June 7, 2018. (<https://www.ch-aviation.com/portal/news/67891-ofac-warns-airports-about-dealing-with-iranian-carriers>)

252. Emanuele Ottolenghi, “Boeing Should Think Twice Before Iran Sale,” *Forbes*, August 23, 2016. (<https://www.forbes.com/sites/realspin/2016/08/23/boeing-should-think-twice-before-iran-sale/#4bd1f53239b5>)

253. Emanuele Ottolenghi, “Increasing the Effectiveness of Non-Nuclear Sanctions Against Iran,” *Testimony before Committee the House Financial Services Monetary Policy and Trade, and Terrorism and Illicit Finance Subcommittee*, April 4, 2017. (<http://www.defenddemocracy.org/testimony/increasing-the-effectiveness-of-non-nuclear-sanctions-against-iran1>)

airlines such as Caspian Air, Mirage Air, and Pouya Air have also made flights from Iran to Syria, carrying fighters and material for the Assad regime.<sup>254</sup>

- There have been more than 920 flights from Tehran to Damascus since the Iran deal's Implementation Day on January 16, 2016, and 120 have been Iran Air flights.<sup>255</sup> These Iran Air flights apparently cannot be purchased on Iran Air's website or through travel agencies.<sup>256</sup> Iran Air's website does not include Damascus among its destinations from Tehran's international airport, although that is where the flights usually originate.<sup>257</sup> Iran Air flights to Damascus sometimes make unscheduled stopovers in Abadan, an IRGC logistical hub.<sup>258</sup>

## STATEMENTS BY IRANIAN OFFICIALS ON FATF COMPLIANCE

### SUMMARY

Iran's global economic isolation, and its inclusion on the Financial Action Task Force's (FATF) "blacklist," reflects its history of supporting international terrorism and its robust money-laundering activities. Removal from the blacklist would be one, though not the only, step in helping Iran reengage with the global financial system. FATF delisting Iran from its blacklist would improve the Iranian economy, but Iranian leaders have resisted many necessary FATF-required reforms because they believe their adoption would force transparency in their opaque financial system and would impair their ability to fund proxies designated as terrorist organizations.

- Iran regards this proxy network – constituting dozens of militias from Afghanistan, Pakistan, Iraq, Syria, and Lebanon – to be strategically vital to the Islamic Republic's revolution abroad.<sup>259</sup> Government officials, particularly those close to the supreme leader, say that the adoption of these FATF provisions would pose an existential threat and is tantamount to abandoning the revolution itself.
- Since June 2016, Iranian officials have taken Iran's case to world capitals, asserting they deserve to be reintegrated into the global financial system, and blame the U.S., in particular, of thwarting their reintegration. Yet, many

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254. Under Secretary of the Treasury for Terrorism and Financial Intelligence Sigal Mandelker, "Iran's Deceptive Financial Practices," *Foundation for Defense of Democracies*, June 5, 2018. (<http://www.defenddemocracy.org/events/irans-deceptive-financial-practices/>)

255. Emanuele Ottolenghi, "Increasing the Effectiveness of Non-Nuclear Sanctions Against Iran," *Testimony before the House Financial Services Monetary Policy and Trade, and Terrorism and Illicit Finance Subcommittees*, April 4, 2017. (<http://www.defenddemocracy.org/testimony/increasing-the-effectiveness-of-non-nuclear-sanctions-against-iran1>); Emanuele Ottolenghi, "The Iranian Express," *The Weekly Standard*, July 21, 2017. (<https://www.weeklystandard.com/emanuele-ottolenghi/the-iranian-express>)

256. Emanuele Ottolenghi, "Increasing the Effectiveness of Non-Nuclear Sanctions Against Iran," *Testimony before the House Financial Services Monetary Policy and Trade, and Terrorism and Illicit Finance Subcommittees*, April 4, 2017. (<http://www.defenddemocracy.org/testimony/increasing-the-effectiveness-of-non-nuclear-sanctions-against-iran1>)

257. Emanuele Ottolenghi, "Increasing the Effectiveness of Non-Nuclear Sanctions Against Iran," *Testimony before the House Financial Services Monetary Policy and Trade, and Terrorism and Illicit Finance Subcommittees*, April 4, 2017. (<http://www.defenddemocracy.org/testimony/increasing-the-effectiveness-of-non-nuclear-sanctions-against-iran1>)

258. Emanuele Ottolenghi, "Increasing the Effectiveness of Non-Nuclear Sanctions Against Iran," *Testimony before the House Financial Services Monetary Policy and Trade, and Terrorism and Illicit Finance Subcommittees*, April 4, 2017. (<http://www.defenddemocracy.org/testimony/increasing-the-effectiveness-of-non-nuclear-sanctions-against-iran1>)

259. Max Peck, "Doubling Down on Damascus," *Foundation for Defense of Democracies*, January 2016. (<http://www.defenddemocracy.org/media-hit/max-peck-doubling-down-on-damascus-irans-military-surge-to-save-the-assad-regime/>); Amir Toumaj, "Array of pro-Syrian government forces advances in Aleppo," *FDD's Long War Journal*, December 9, 2016. (<http://www.longwarjournal.org/archives/2016/12/array-of-pro-syrian-government-forces-advance-in-aleppo.php>)

Iranian officials have been vocal inside Iran about their determination not to comply with key components of FATF's anti- money laundering and anti-terrorism standards. And where they have complied with technical requirements, the underlying malign behavior – terrorism, defiance of international norms, and systemic corruption – has not ceased.

- The Supreme National Security Council in Iran has placed conditions on the country's interactions with FATF, but they have not been divulged. The possibility that Iran could be acting in bad faith is a serious concern. To the extent that it has cooperated with FATF to establish an Action Plan should be seen as gamesmanship intended to access a broader market while maintaining support for terrorist organizations rather than genuine reform.

### Select quotes from Iranian leadership on FATF

#### Ali Akbar Velayati, Senior Foreign Policy Adviser to Supreme Leader Ayatollah Ali Khamenei

- “This agreement [FATF], is not in the country's expediency. Because he who can continue resistance will be victorious. So if anyone does not stand against these sanctions and shows weakness, he will lose and the other side will be victorious.”<sup>260</sup>
- “Our fighters, whether inside Iran, in the region, in Palestine, Lebanon and in total – the chain of resistance will not abandon resistance for the excuse of these sanctions.”<sup>261</sup>
- “The essence of the Islamic revolution is resistance. As long as resistance continues, the Islamic Republic of Iran's success will continue. Anytime we are tired of resistance, therefore, victory will cease. Experience shows that the Iranian people and those who obey Iran including Iraq, Syria, Lebanon, Palestine, etc. will not be tired of resistance.”<sup>262</sup>
- “The goal of international organizations is to deprive the Islamic Republic of Iran from financial capabilities and international economic credit, which is a type of sanction, and limiting the Islamic Republic of Iran and economic activists. We must not obey them.”<sup>263</sup>
- “We must fight this type of sanctions and limitation, not obey them and move toward them.”<sup>264</sup>

#### Ali Tayyebnia, Iranian Economy Minister

- “We will not allow any international body to access our intelligence. We will not accept definitions and examples of terrorism from any authority except the UN Security Council ... and we will not recognize international sanctions on revolutionary individuals and institutions within Iranian territory.”<sup>265</sup>

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260. “(FATF is not in the country's expediency/we must not obey the enemy's plans),” *Fars News Agency* (Iran), July 4, 2016. (<http://www.farsnews.com/newstext.php?nn=13950614001034>)

261. “(FATF is not in the country's expediency/we must not obey the enemy's plans),” *Fars News Agency* (Iran), July 4, 2016. (<http://www.farsnews.com/newstext.php?nn=13950614001034>)

262. “(FATF is not in the country's expediency/we must not obey the enemy's plans),” *Fars News Agency* (Iran), July 4, 2016. (<http://www.farsnews.com/newstext.php?nn=13950614001034>)

263. “(FATF is not in the country's expediency/we must not obey the enemy's plans),” *Fars News Agency* (Iran), July 4, 2016. (<http://www.farsnews.com/newstext.php?nn=13950614001034>)

264. “(FATF is not in the country's expediency/we must not obey the enemy's plans),” *Fars News Agency* (Iran), July 4, 2016. (<http://www.farsnews.com/newstext.php?nn=13950614001034>)

265. “Iran sets conditions for joining terror finance taskforce,” *Middle East Online* (UK), September 27, 2016. (<http://www.middle-east-online.com/english/?id=78917>)

- “These sanctions have nothing to do with FATF, even though we do not accept these restrictions and won’t comply with them and we never give the information about them [Iranian institutions] to foreigners.”<sup>266</sup>
- Iran will “conditionally implement” the Action Plan “according to the constitution.”<sup>267</sup>
- “Countries have chosen a level for combating money laundering, and for this reason our cooperation with FATF is at the level that we exit sanctions.”<sup>268</sup>

### **Brigadier General Hossein Salami, Deputy Commander of IRGC**

- “As for the IRGC, FATF will not affect it in any way, not even a little, because the IRGC is a legal institution and is in full compliance with the legal criteria of Iran. It is a stable, strong and mighty institution, and has already found ways to tolerate the hostility of the largest enemies. It has experience and knows how to conduct itself.”<sup>269</sup>
- “I am confident that this FATF treaty and convention is a tool by which to monitor our financial turnover and a lever with which to influence us ... This issue will absolutely have no impact on the activities of the IRGC because the IRGC is a legal and strong institution and has the conditions [necessary] to combat the great powers and has established its influence far away.”<sup>270</sup>

### **Ayatollah Sadeq Larijani, head of Iran’s Judiciary**

- “When they ask the foreign minister of America, why do you violate your commitments under the JCPOA, they say we have acted on our commitments and even gone further than they require. However, Iranians must do certain things, such as ceasing their support for terrorists and halting their missile activities. However, what they mean by terrorists are resistance groups like Hezbollah of Lebanon and Hamas in Palestine, which have stood against the violations and crimes of the Zionist regime.”<sup>271</sup>

### **Hossein Naghavi Hosseini, Spokesman for the Majlis National Security and Foreign Affairs Committee**

- “Iran will be faced with a kind of self-imposed sanction” if it implements its FATF obligations.<sup>272</sup>

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 266. Saheb Sadeghi, “Financial watchdog worries Iranian hard-liners,” *Al-Monitor*, September 28, 2016. (<https://english.shabtabnews.com/2016/09/29/financial-watchdog-worries-iranian-hard-liners/amp/>)

267. “Iran News Round Up,” *American Enterprise Institute*, September 7, 2016. (<https://www.criticalthreats.org/briefs/iran-news-round-up/iran-news-round-up-september-7-2016>)

268. “اجازه نمی‌دهیم کسی اجازه نمی‌دهیم نام گروه‌های مقاومت را در کنار تروریست‌ها قرار دهد/هیچ گونه اشراف اطلاعاتی را نخواهیم پذیرفت (We will not permit anyone to put the names of resistance groups next to terrorists),” *Young Journalists Club* (Iran), September 27, 2016. (<http://www.yjc.ir/fa/news/5796129/-به-هیچ-کسی-اجازه-نمی‌دهیم-نام-گروه‌های-مقاومت-را-در-کنار-تروریست‌ها-قرار-دهد-هیچ-گونه-اشراف-اطلاعاتی-را-نخواهیم-پذیرفت>)

269. Yigal Carmon and A. Savyon, “Khamenei Glorifies IRGC But Does Not Rule Out Adopting Financial Action Task Force (FATF) Standards, Which Harms IRGC, Regarded In The West As A Terror Organization,” *Middle East Media Research Institute*, September 26, 2016. (<http://www.memri.org/report/en/0/0/0/0/0/9472.htm>)

270. Yigal Carmon and A. Savyon, “Khamenei Glorifies IRGC But Does Not Rule Out Adopting Financial Action Task Force (FATF) Standards, Which Harms IRGC, Regarded In The West As A Terror Organization,” *Middle East Media Research Institute*, September 26, 2016. (<http://www.memri.org/report/en/0/0/0/0/0/9472.htm>)

271. “جنگلی از موشک در تونل‌ها و اماکن خاص برای دشمن آماده کرده‌ایم” (We have created a jungle of missiles in tunnels and special places for the enemy),” *Fars News Agency* (Iran), September 23, 2016. (<http://www.farsnews.com/newstext.php?nn=13950701001078>)

272. Under Secretary of the Treasury for Terrorism and Financial Intelligence Sigal Mandelker, “Iran’s Deceptive Financial Practices,” *Foundation for Defense of Democracies*, June 5, 2018. (<http://www.defenddemocracy.org/events/irans-deceptive-financial-practices/>)



### **Alaeddin Boroujerdi, Chairman of Iran's Parliament National Security and Foreign Policy Commission**

- “The US, the Zionist regime and Saudi Arabia and many other countries are after imposing more limitations on the Islamic Republic of Iran through FATF-related regulations.”<sup>273</sup>
- “We support liberation movements all over the world based on our Constitution and believe that there is a fundamental difference between terrorist groups like ISIL, which were created and broadly funded by US and its allies, and political bodies which are defending the territorial integrity of their country.”

### **Farhad Fallahati, Iranian Parliamentarian**

- “Unfortunately, we do not have a common definition of money laundering with FATE, and until this common definition is attained, we will have a complex path ahead ... Should FATF not misguide the [path of] the system's Revolution, then it appears to be a favorable thing.”<sup>274</sup>

### **Ahmad Salek, Iranian Parliamentarian**

- “The goal of agreements like FATF is to restrain, humiliate, and weaken the Islamic Republic of Iran and the Islamic Revolution ... The JCPOA was for controlling the nuclear industry. Where are our centrifuges and where has our enrichment reached today? FATF is for controlling [our] financial affairs and the transfer and movement of money of the Islamic Republic of Iran in order to prevent the supporting of the oppressed ... What has the Supreme Council for Combating Money Laundering done since [13]86? 25 billion illicit commodities exist in this country, my main question [thus] is exactly what effect will FATF have for the nation of Iran which is plagued with unemployment and economic problems, other than influence? The 10th parliament is a revolutionary parliament and will not permit [the imposition of] influence on the country.”<sup>275</sup>

### **Mohammad-Hossein Nejad, Iranian Parliamentarian**

- “We must see what information FATF wants from Iran, and if it wants this information from the [whole] world. In the articles of this agreement some of [our] military institutions are subject to sanctions. What is more important for us, the IRGC or working with American banks? FATF wants more than the creation of transparency with the Islamic Republic of Iran. It is an illustration of influence.”<sup>276</sup>

### **Mohammad Javad Jamali, member of the presiding board of parliament's National Security and Foreign Policy Commission**

- “If the [FATF] deal is implemented, the security of the Islamic establishment will be threatened.”<sup>277</sup>

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273. “Parliament to set conditions for passing CFT bill,” *Mehr News Agency* (Iran), May 26, 2018. (<https://en.mehrnews.com/news/134349/Parliament-to-set-conditions-for-passing-CFT-bill>)

274. “طیبنیا: نمی‌گذاریم اشراف اطلاعاتی به وجود آید” (Tayebnia: We will not permit an intelligence presence to be created), *Fars News Agency* (Iran), September 27, 2016. (<http://www.farsnews.com/newstext.php?nn=13950706000507>)

275. “... طیبنیا: نمی‌گذاریم اشراف اطلاعاتی به وجود آید/ سالک: FATF Will Have No Effect Other Than Influence/ Boniadi: We Cannot Create A Wall Around The Country),” *Fars News Agency* (Iran), September 27, 2016. (<http://www.farsnews.com/printable.php?nn=13950706000507>)

276. “تسا-ماجرب-رپوس-و-ذوفن-قاصم FATF (FATF is an illustration of infiltration and a super JCPOA),” *Mehr News Agency* (Iran), September 28, 2016. (<http://www.mehrnews.com/news/3778450/FATF-تسا-ماجرب-رپوس-و-ذوفن-قاصم>)

277. “FATF Deal against Iran's National Security: MP,” *Iran Front Page* (Iran), September 6, 2016. (<http://ifpnews.com/news/business/money-finances/2016/09/fatf-deal-irans-national-security-mp/>)

### **Gholamreza Kateb, member of the Iranian parliament's Leadership Board**

- “Under no circumstances should our national interest be distorted... Americans and Westerners have established this [FATF] system to hurt the forces of resistance to support terrorist groups including DAESH (ISIS). According to the constitution, Iran is obligated to have support for resistance forces under any circumstances. Therefore the Islamic Republic of Iran will not accept any contract or agreement that causes harm to resistance groups such as Lebanese Hezbollah.”<sup>278</sup>

### **Seyyed Javad Abtahi, member of Iranian parliament's Education and Research Commission**

- “This contract is a new financial capitulation ... There is no reason for us to become the agent of sanctioning legal institutions and persons of our country ... Joining this convention can pave the way for the erosion of the independence, security, and authority of the system of the Islamic Republic of Iran ... Compartmentalized documents from the country must not be accessible to the enemies of the Islamic Republic of Iran... With such conventions, the enemies aim to do damage to the forces of resistance, such as Lebanese Hezbollah.”<sup>279</sup>

### **Abbas Araghchi, Iranian Deputy Foreign Minister**

- After discussing FATE, “We will not submit our security and national interests before anybody, and we will not sacrifice Hezbollah for anything.”<sup>280</sup>

### **Hujjat al-Islam Ahad Azadikhah, Spokesman for Iran's Cultural Commission**

- “If, for example, we were to earn something by accepting the FATE, this should have occurred through the Joint Comprehensive Plan of Action (JCPOA), not because of the government's efforts and the diplomacy of the diplomats. The United States has withdrawn from the JCPOA very easily and the JCPOA has remain unfulfilled. Therefore, the spent time to accept the FATF would be futile and fruitless.”<sup>281</sup>
- “With the acceptance of this agreement, major European companies won't travel to our country to invest in Iran and international banks won't be able to provide their services to the Islamic Republic. Certainly, if there were any positive developments with this agreement, we could accept some of the materials in the convention, but this is not possible.”<sup>282</sup>

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278. “The parliament opposes any agreement that endangers national security)” *Tasnim News Agency* (Iran), September 16, 2016. (<https://www.tasnimnews.com/fa/news/1395/06/26/1187774/-/تنها-هک-بقفوت-ره-اب-سلجمتسا-فلاخم-دزادنسب-رطخ-هیار-ماطن>)

279. “FATF reduces the country's security)” *Tasnim News Agency* (Iran), September 16, 2016. (<https://www.tasnimnews.com/fa/news/1395/06/26/1187771/fatf-دهد-یم-شهاک-ار-روشک-تننبا-بضر>)

280. “Araghchi: We will not sacrifice Hezbollah for anything)” *Radio Farda*, July 12, 2016. (<https://www.radiofarda.com/a/o2-iran-hezbollah-relation/27853137.html>)

281. “Through a deceptive appearance, the enemies want to limit the Islamic Revolution through the FATF,” *Shia World News* (Iran), June 15, 2018. (<http://en.pressshia.com/44146/through-a-deceptive-appearance-the-enemies-want-to-limit-the-islamic-revolution-through-the-fatf/>)

282. “Through a deceptive appearance, the enemies want to limit the Islamic Revolution through the FATF,” *Shia World News* (Iran), June 15, 2018. (<http://en.pressshia.com/44146/through-a-deceptive-appearance-the-enemies-want-to-limit-the-islamic-revolution-through-the-fatf/>)

### **Ahmad Jannati, head of the Guardian Council**

- “I do not understand... how they [government officials] could sign this document named FATF ... This document was brought to me and I saw it in its entirety and [even] saw its English translation. [I concluded that] under the guise of combatting money laundering, they want to give our financial and banking information to the enemy and they want us to sanction ourselves. This is a version of self-sanctioning. This agreement means the sanctioning of individuals and institutions that the enemy disagrees with. The enemy wants to sanction the IRGC and revolutionary institutions, people who sacrificed their own lives to protect the nation for eight years [during the 1980-1988 Iran-Iraq War] ... Khatam al-Anbiya Construction Headquarters, which has done lots of services, most of which our people aren't aware of, they want to sanction.”<sup>283</sup>

### **Mehdi Taghavi, Iranian economics professor**

- “We should not worry about terrorism and its definition in the West. According to FATF policy, it is in its negotiations with countries that individuals and organizations are listed as terrorists. During such negotiations, Iran will have the opportunity to convince the body to accept its own definition of terrorism to ensure its security.”<sup>284</sup>

### **Valliollah Seif, Governor of the Central Bank of Iran**

- “No Iranian entity will have financial restrictions put on them,”<sup>285</sup> and the Central Bank of Iran will be the only entity determining AML and CFT infractions.<sup>286</sup>

### **Seyyed Hassan Hosseini Shahroudi, Iranian Parliamentarian**

- “After our full compliance with the directives of the so-called international organization, we expected to see the other sides fulfill their commitments under the Joint Comprehensive Plan of Action (JCPOA). But now with the renewal of our sanctions under FATE, it seems that they are just exerting more pressure on Iran to obtain more concessions.”<sup>287</sup>

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283. “آیت‌الله جنتی در مخالفت با FATF: جلوی این کار گرفته می‌شود و امضای خود را پس می‌گیرند.” *ANA* (Iran), September 10, 2016. (<http://www.ana.ir/news/139759>)

284. Saheb Sadeghi, “Financial watchdog worries Iranian hard-liners,” *Al-Monitor*, September 28, 2016. (<https://english.shabtabnews.com/2016/09/29/financial-watchdog-worries-iranian-hard-liners/amp/>)

285. “Anti-money-laundering agreement sparks fight between Iranian factions,” *BNE Intellinews*, September 13, 2016. (<http://www.intellinews.com/anti-money-laundering-agreement-sparks-fight-between-iranian-factions-105935/>)

286. “CBI to protect clients' banking info in FATF exchange,” *Press TV* (Iran), July 6, 2016. (<http://www.presstv.ir/Detail/2016/07/06/473823/Iran-protects-banking-info>)

287. “West Using FATF to Get More Concessions from Iran,” *IFP News*, June 27, 2017. (<http://ifpnews.com/exclusive/west-using-fatf-get-concessions-iran/>)

## STATEMENTS BY HEZBOLLAH AND HAMAS OFFICIALS AFFIRMING IRAN'S SUPPORT OF THEIR ACTIVITIES

### Yehiyeh Sinwar, Gaza Chief of Hamas

- “Today, the relationship with Iran is excellent, or very excellent.”<sup>288</sup>
- Sinwar confirmed that Iran is the “largest backer financially and militarily” to Hamas.<sup>289</sup>
- “Hamas is ‘developing our military strength in order to liberate Palestine.’”<sup>290</sup>
- “The Iranian military support to Hamas and al-Qassam is strategic.” He also said it had “become fantastic and returned to its former era.”<sup>291</sup>

### Hassan Nasrallah, Secretary General of Lebanese Hezbollah

- “The budget of Hezbollah, its salaries, its expenses, its food, its drink, its weapons, and its missiles come from the Islamic Republic of Iran ... No law will be able to prevent this money from reaching us.”<sup>292</sup> Referring to the U.S. law that imposes sanctions on banks that knowingly do business with Hezbollah, Nasrallah said: “As long as Iran has money, we will have money. Can one be more transparent than that? The money allocated for us reaches us directly, not through banks.”<sup>293</sup>

### Abdallah Safieddine, Hezbollah's Representative in Iran

- Safieddine has told a reporter that the supreme leader's foundations directly fund Hezbollah.<sup>294</sup>

### Mousa Abu Marzouk, Vice Chairman of Hamas

- Mousa Abu Marzouk, a Hamas official identified by Brookings as the deputy leader of Hamas,<sup>295</sup> told London-based Arabic TV satellite channel al-Hiwar that Hamas' relationship with the Islamic Republic is “excellent” – adding that Iran responds positively to the group's requests which are often denied by other countries. “At a time

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288. “New Hamas Leader Says It Is Getting Aid again From Iran,” *U.S. News & World Report*, August 28, 2017. (<https://www.usnews.com/news/world/articles/2017-08-28/new-hamas-leader-says-relations-with-iran-have-been-restored>)

289. “New Hamas Leader Says It Is Getting Aid again From Iran,” *U.S. News & World Report*, August 28, 2017. (<https://www.usnews.com/news/world/articles/2017-08-28/new-hamas-leader-says-relations-with-iran-have-been-restored>)

290. “Hamas leader in Gaza: Ties with Iran now ‘fantastic’; we’re preparing battle for Palestine,” *The Times of Israel*, August 28, 2017. (<https://www.timesofisrael.com/hamas-leader-in-gaza-ties-with-iran-now-fantastic-were-preparing-battle-for-palestine/>)

291. “Hamas leader in Gaza: Ties with Iran now ‘fantastic’; we’re preparing battle for Palestine,” *The Times of Israel*, August 28, 2017. (<https://www.timesofisrael.com/hamas-leader-in-gaza-ties-with-iran-now-fantastic-were-preparing-battle-for-palestine/>)

292. “Hassan Nasrallah: Hizbullah's Money and Missiles Reach Us Directly from Iran, No Law Will Prevent This,” *Middle East Media Research Institute*, June 24, 2016. (<https://www.memri.org/tv/hassan-nasrallah-hizbullahs-money-and-missiles-reach-us-directly-iran-no-law-will-prevent/transcript>)

293. “Hassan Nasrallah: Hizbullah's Money and Missiles Reach Us Directly from Iran, No Law Will Prevent This,” *Middle East Media Research Institute*, June 24, 2016. (<https://www.memri.org/tv/hassan-nasrallah-hizbullahs-money-and-missiles-reach-us-directly-iran-no-law-will-prevent/transcript>)

294. Amall Saad-Ghorayeb, “Hezbollah's Iran Money Trail: It's Complicated,” *Al-Akhbar* (Lebanon), July 31, 2012. . (<https://english.al-akhbar.com/node/10553>)

295. Beverley Milton-Edwards, “Head Hunting for Hamas,” *Brookings*, October 12, 2016. (<https://www.brookings.edu/blog/markaz/2016/10/12/head-hunting-for-hamas/>)

when all resources for Hamas are limited, no one has the right to criticize Hamas.”<sup>296</sup> This comes after a senior Hamas delegation visited Tehran and met with top Iranian leaders in October 2018.<sup>297</sup>

- Abu Marzouk praised Iran for the first time since Hamas left the Syrian capital of Damascus. He said, “The support offered by Iran to the Palestinian resistance — be it in logistics, training or funds — is unmatched and beyond the capabilities of other countries. Iran’s support and backing to the resistance and the Palestinian cause is clear, explicit and equal to the stance of Arab, Muslim and free peoples of the world who back and support the resistance.”<sup>298</sup>

## WHAT KEY FIGURES ARE SAYING ABOUT THE RISKS OF DOING BUSINESS WITH IRAN

### SUMMARY

U.S. lawmakers, senior executive branch officials, and high-level international figures continue to articulate the concerns over doing business with Iran. For reasons ranging from the Islamist regime’s disturbance of the international order to concerns over companies accidentally facilitating Iranian-sponsored terrorism, a widespread and bipartisan consensus has emerged encouraging the private sector to exercise extreme caution.

### **Sigal Mandelker, Under Secretary of the Treasury for Terrorism and Financial Intelligence**

- “We continue to see Iran’s abuse of the international financial system. We continue to see Iran use deceptive tactics, including front and shell companies to export markets in numerous countries to fund its nefarious activities. Iran’s deceitful tactics include forging documents, obfuscating data, and hiding illicit activities under official cover of government entities, among many others.”<sup>299</sup>
- “In our engagements, both here in the United States and abroad, we have made clear that companies doing business in Iran face substantial risks. And those risks are even greater as we re-impose nuclear-related sanctions. We will hold those doing prohibitive business in Iran to account.”<sup>300</sup>
- “Having described example after example of the deceptive ways Iran has exploited the international financial system and flouted the laws of countries around the world, I cannot emphasize enough the importance of maintaining a high level of alert to Iran’s deceptive practices. The Iranian regime will deceive your companies, undermine the integrity of your financial systems, put your institutions at risk of our powerful sanctions and why? All to fund terrorism, human rights abuses, and terrorist groups like Hezbollah, Hamas and the Houthis.”<sup>301</sup>

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**296.** Ahmad Majidyar, “Hamas official says relations with Tehran improved to pre-Syrian crisis level,” *Middle East Institute*, March 20, 2018. (<http://www.mei.edu/content/io/hamas-official-says-relations-tehran-improved-pre-syrian-crisis-level>)

**297.** Ahmad Majidyar, “Hamas official says relations with Tehran improved to pre-Syrian crisis level,” *Middle East Institute*, March 20, 2018. (<http://www.mei.edu/content/io/hamas-official-says-relations-tehran-improved-pre-syrian-crisis-level>)

**298.** Hazem Balousha, “Why Hamas resumed ties with Iran,” *Al-Monitor*, June 29, 2016. (<http://www.openam.org/node/8518?language=en>)

**299.** Under Secretary of the Treasury for Terrorism and Financial Intelligence Sigal Mandelker, “Iran’s Deceptive Financial Practices,” *Foundation for Defense of Democracies*, June 5, 2018. (<http://www.defenddemocracy.org/events/irans-deceptive-financial-practices/>)

**300.** Under Secretary of the Treasury for Terrorism and Financial Intelligence Sigal Mandelker, “Iran’s Deceptive Financial Practices,” *Foundation for Defense of Democracies*, June 5, 2018. (<http://www.defenddemocracy.org/events/irans-deceptive-financial-practices/>)

**301.** Under Secretary of the Treasury for Terrorism and Financial Intelligence Sigal Mandelker, “Iran’s Deceptive Financial Practices,” *Foundation for Defense of Democracies*, June 5, 2018. (<http://www.defenddemocracy.org/events/irans-deceptive-financial-practices/>)

## **Adam Szubin, then-Acting Under Secretary for Terrorism and Financial Intelligence**

- “You cannot do business with IRGC companies. If you do, and you’re doing so knowingly, you are risking the most draconian sanctions in our toolkit, and that governs not just U.S. persons but actors all around the world.”<sup>302</sup>
- “Some foreign companies have indicated they do not want to take on any business in Iran, despite the sanctions lifting. And a number of large international banks have said that the risks are too large.
- “In some instances, these concerns center on business conditions in Iran: on corruption, lack of transparency, or Iran’s designation as a high-risk jurisdiction by the Financial Action Task Force, or FATF, the world’s standard-setting body for anti-money laundering and counterterrorist financing. In others, the concerns focus on Iran’s malign activities outside the nuclear arena, and the resulting non-nuclear sanctions that remain...
- “These are all real concerns. And it’s up to Iran to address them – by modernizing its economy, increasing transparency, and moderating its conduct.
- “If Iran wants more business, Iran needs to address these problems head on. As President Obama said in April: ‘Iran has to understand what every country in the world understands, which is businesses want to go where they feel safe, where they don’t see massive controversy, where they can be confident that transactions are going to operate normally.’
- “Iran has begun to internalize that its problems stem from more than just U.S. sanctions. Just a few hours ago, the FATF recognized Iran’s adoption of an Action Plan to address its strategic anti-money laundering and counterterrorist financing deficiencies. But Iran remains on the FATF blacklist, and for good reason – it has a lot more work to do. As the FATF stated, until Iran fully implements its Action Plan, ‘the FATF will remain concerned with the terrorist financing risk emanating from Iran and the threat this poses to the international financial system’ – and will continue to call for enhanced due diligence on transactions involving persons from Iran.”<sup>303</sup>
- “Companies going into Iran need to take care. They need to conduct the due diligence necessary to ensure that their Iranian counterparts are not affiliated with designated individuals or organizations, such as the Islamic Revolutionary Guards Corps (‘IRGC’) or its network of companies. ... More than 200 Iran-linked firms and individuals will remain sanctioned because of their ties to terrorism, human rights abuses, or other activities outside the scope of the deal.”<sup>304</sup>

## **Stuart Levey, Chief Legal Officer, HSBC Holdings, and former Under Secretary of the Treasury for Terrorism and Financial Intelligence**

- “On the one hand, Washington is continuing to prohibit American banks and companies from doing Iran-related business. In February, FATF reaffirmed its prior concerns about the ‘serious threat’ Iran poses to

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302. Jenna Lihits, “Top Treasury Official: Business with Iran’s Revolutionary Guard Corps Risks ‘Most Draconian Sanctions Available,’” *The Weekly Standard*, October 21, 2016. (<http://www.weeklystandard.com/top-treasury-official-business-with-irans-revolutionary-guard-corps-risks-most-draconian-sanctions-available/article/2005025>)

303. Acting Treasury Under Secretary for Terrorism and Financial Intelligence Adam Szubin, “Remarks by Acting Under Secretary Adam J. Szubin Truman Project Global Conference 2016,” *U.S. Department of the Treasury*, June 24, 2016. (<https://www.treasury.gov/press-center/press-releases/Pages/jl0500.aspx>)

304. Acting Treasury Under Secretary for Terrorism and Financial Intelligence Adam Szubin, “Remarks By Acting Under Secretary for Terrorism and Financial Intelligence Adam Szubin at the Atlantic Council and The Iran Project Symposium,” *U.S. Department of the Treasury*, December 17, 2015. (<https://www.treasury.gov/press-center/press-releases/Pages/jl0304.aspx>)

the international financial system, urging countries to apply effective countermeasures. The U.S. Treasury Department's designation of Iran, including its central bank and financial institutions, as a primary money-laundering concern also still stands. As part of that designation, Treasury determined that 'the international financial system [is] increasingly vulnerable to the risk that otherwise responsible financial institutions will unwittingly participate in Iran's illicit activities.'<sup>305</sup>

- "Our decisions will be driven by the financial-crime risks and the underlying conduct. For these reasons, HSBC has no intention of doing any new business involving Iran. Governments can lift sanctions, but the private sector is still responsible for managing its own risk and no doubt will be held accountable if it falls short."<sup>306</sup>
- "No one has claimed that Iran has ceased to engage in much of the same conduct for which it was sanctioned, including actively supporting terrorism and building and testing ballistic missiles. But now Washington is pushing non-U.S. banks to do what it is still illegal for American banks to do. This is a very odd position for the U.S. government to be taking."<sup>307</sup>
- "Washington has warned repeatedly that the Islamic Revolutionary Guard Corps controls broad swaths of the Iranian economy. The IRGC remains sanctioned by both the U.S. and the EU because of the central role it plays in Iran's illicit conduct. When the U.S., EU, and U.N. removed sanctions from several hundred Iranian banks and companies, there were no assurances that the conduct of those banks and companies had changed."<sup>308</sup>

**Juan C. Zarate, Chairman and Co-Founder, Financial Integrity Network, and former Deputy Assistant to the President and Deputy National Security Advisor for Combating Terrorism**

- "In 2011, the U.S. identified Iran as a state of primary money laundering concern pursuant to Section 311 of the USA PATRIOT Act. The FATF first raised concerns over Iran's lack of a comprehensive anti-money laundering/ countering the financing of terrorism (AML/CFT) framework in 2007, and it still urges Iran to meaningfully address AML/CFT deficiencies and will consider urging stronger countermeasures later this year. OFAC also has made it clear that activity inconsistent with a wide range of Executive Orders imposing sanctions on Iran (including for providing support to terrorism, undermining the stability of Yemen, and other behaviors) could still subject U.S. and non-U.S. persons to sanctions. Now, the Iranian government has indicated that it will begin to target 'financial corruption,' and has sentenced Iranian billionaire Babak Zanjani, who helped the regime evade oil-related sanctions, and two others to death for corruption. Attention on the issue of corruption will now grow, as Iran attempts to do business with the world. Any companies looking to do business in Iran must be acutely aware of serious financial integrity risks beyond those posed by remaining sanctions."<sup>309</sup>
- "The risks are real for the international business and banking communities, given the nature of the regime, the opacity of its economy, its continued dangerous and threatening activities, and remaining sanctions ... As

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305. Stuart Levey, "Kerry's Peculiar Message About Iran for European Banks," *The Wall Street Journal*, May 12, 2016. (<http://www.wsj.com/articles/kerrys-peculiar-message-about-iran-for-european-banks-1463093348>)

306. Stuart Levey, "Kerry's Peculiar Message About Iran for European Banks," *The Wall Street Journal*, May 12, 2016. (<http://www.wsj.com/articles/kerrys-peculiar-message-about-iran-for-european-banks-1463093348>)

307. Stuart Levey, "Kerry's Peculiar Message About Iran for European Banks," *The Wall Street Journal*, May 12, 2016. (<http://www.wsj.com/articles/kerrys-peculiar-message-about-iran-for-european-banks-1463093348>)

308. Stuart Levey, "Kerry's Peculiar Message About Iran for European Banks," *The Wall Street Journal*, May 12, 2016. (<http://www.wsj.com/articles/kerrys-peculiar-message-about-iran-for-european-banks-1463093348>)

309. Juan C. Zarate, "Terrorism, Missiles and Corruption: The Risks of Economic Engagement with Iran," *Testimony before the House Committee on Foreign Affairs*, May 12, 2016. (<http://docs.house.gov/meetings/FA/FA00/20160512/104912/HHRG-114-FA00-Wstate-ZarateJ-20160512.pdf>)

a result of the IRGC's control of the economy that has grown over time, together with sanctions relief, the risk of regime control over the economy will grow. In addition, the reality and risks of Iranian sanctions evasion, money laundering, the lack of transparency, and other financial crimes – the subject of international concern and U.S. regulatory action against Iran under the USA PATRIOT Act Section 311 – will increase, not decrease over time.”<sup>310</sup>

- “The Central Bank of Iran (CBI) itself has been designated in part because of broader sanctions evasion facilitation on behalf of the Iranian banking system. Treasury issued a finding in November 2011, under Section 311 of the USA PATRIOT Act that Iran, as well as its entire financial sector including the CBI, is a ‘jurisdiction of primary money laundering concern.’ Treasury cited Iran’s ‘support for terrorism,’ ‘pursuit of weapons of mass destruction,’ including its financing of nuclear and ballistic missile programs, and the use of ‘deceptive financial practices to facilitate illicit conduct and evade sanctions.’ The country’s entire financial system posed ‘illicit finance risks for the global financial system.’ Those concerns persist and are not alleviated by the JCPOA or any Iranian nuclear commitments or actions.”<sup>311</sup>
- “As Iran attempts to reintegrate into the world economy, many challenges remain for companies considering doing business in the Islamic Republic, with Iranian counterparties, or supporting customers operating in Iran. Dealing with the spectrum of risk – financial crime, regulatory, reputational, and policy – in the Islamic Republic will require that U.S., European, Asian, Middle Eastern, and other firms clearly understand the patchwork of sanctions that will remain in place on the country, as well as many of the systemic issues, such as corruption, impacting various Iranian business sectors. Companies must also factor the risk that sanctions may ‘snap back’ in the medium or long term into their business decisions. The risks are amplified by Iran’s long history of sanctions evasion, illicit finance and corruption, and opaque financial and commercial practices.”<sup>312</sup>

**Senators Richard Blumenthal (D-CT), Ron Wyden (D-OR), Michael Bennet (D-CO), Chuck Schumer (D-NY), Cory Booker (D-NJ), Bob Casey (D-PA), Mark Warner (D-VA), Bob Menendez (D-NJ)**

- “International financial institutions should not embolden Iran’s illegal activities that threaten the national security of the U.S. and our allies, particularly our major strategic partner Israel – the target of much of Iran’s terrorist financing in the region ... Iran continues to support a swath of terrorist activities by funding its terrorist proxies and partners, including Hezbollah, Hamas, and the Assad regime. As long as Iran continues to fund these terrorist entities, the U.S. must work to strengthen enforcement actions against Iran, including strengthening international sanctions enforcement against individuals and entities involved in terrorist financing. As the U.S. Department of the Treasury represents the United States at FATF, we urge you to address these concerns with FATF and prevent any further attempts to reintegrate Iran into the international banking system, until Iran eliminates its entrenched practice of financing terrorism.”<sup>313</sup>

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310. Juan C. Zarate, “Understanding the Role of Sanctions Under the Iran Deal,” *Testimony before the Senate Committee on Banking, Housing, and Urban Affairs*, May 24, 2016. ([https://www.banking.senate.gov/imo/media/doc/052416\\_Zarate%20Testimony.pdf](https://www.banking.senate.gov/imo/media/doc/052416_Zarate%20Testimony.pdf))

311. Juan C. Zarate, “Terrorism, Missiles and Corruption: The Risks of Economic Engagement with Iran,” *Testimony before the House Committee on Foreign Affairs*, May 12, 2016. (<http://docs.house.gov/meetings/FA/FA00/20160512/104912/HHRG-114-FA00-Wstate-ZarateJ-20160512.pdf>)

312. Juan C. Zarate, “Terrorism, Missiles and Corruption: The Risks of Economic Engagement with Iran,” *Testimony before the House Committee on Foreign Affairs*, May 12, 2016. (<http://docs.house.gov/meetings/FA/FA00/20160512/104912/HHRG-114-FA00-Wstate-ZarateJ-20160512.pdf>)

313. Office of Sen. Robert Menendez (D-NJ), Press Release, “Menendez and Democratic Colleagues Call on Treasury Department to Hold Iran Accountable for Terrorist Funding,” June 30, 2016. (<https://www.menendez.senate.gov/news-and-events/press/menendez-and-democratic-colleagues-call-on-treasury-department-to-hold-iran-accountable-for-terrorist-funding>)



## Representative Steny Hoyer (D-MD), House Democratic Whip

- “While I commend the Financial Action Task Force (FATF) for maintaining Iran on its blacklist, I am angered that FATF suspended its call for countermeasures against it. This sends mixed messages, the effect of which may be seen as a victory for Iran’s mullahs. Global financial entities have resisted doing business in Iran not because - as the mullahs claim - of a U.S. conspiracy, but because Iran, by FATF’s own conclusion, remains a state funder of terror and other illicit activities whose financial system is an integral part of its doing so.
- “I am alarmed by actions of FATF or other bodies that give Iran’s leaders any reason to believe that their country can reintegrate into the international banking system without changing their dangerous behavior, including ceasing funding of Hezbollah and other terrorist entities, as well as threatening Israel and our other regional allies. Iran can’t have it both ways - wanting to be treated like a normal member of the international community while continuing to act as a pariah, sponsoring terror and fueling instability in its region. Iran must be held fully accountable for its actions and be judged not on future hopes but on past experience.”<sup>314</sup>

## Representative Eliot Engel (D-NY)

- “While Iran has rightly been kept on the FATF blacklist, I am deeply concerned about what appears to be a major policy shift by the Task Force. Iran has not shown any real intention to cut off their support for their major terrorist proxies, including Hezbollah, Hamas, and Palestinian Islamic Jihad. Until Iran does so, financial institutions around the globe should be wary of transactions with Iran. Congress will certainly be watching. We have not forgotten that Iran continues to be the biggest state sponsor of terrorism in the world. Global financial institutions should not enable Iran’s dangerous behavior.”<sup>315</sup>
- “For example, we keep hearing that because Iran hasn’t yet realized the anticipated windfall from sanctions relief, the Administration is going around the world trying to drum up business for Iran. Now, in my experience, when something sounds like a political attack, it’s usually because it is. I don’t think we should be making any concessions to Iran beyond the scope of what’s in the deal. But it’s perfectly reasonable for the United States to clarify for businesses what kind of transactions are now in bounds and what remains against the law.
- “In my view, at the end of the day, if businesses continue to shy away from investing in Iran, Iran’s leaders have no one to blame but themselves. After all, with its history of corruption, money laundering, support for terrorism, human-rights abuses, and an illegal ballistic missiles program, Iran doesn’t exactly seem like a smart bet for investing. That’s why the Financial Action Task Force, FATF, continues to designate Iran as a high-risk jurisdiction.”<sup>316</sup>
- “At the end of the day, if Iran’s leaders are unhappy with the reluctance of the global business community to play ball, they have no one to blame but themselves. If Iran wants to shed its pariah status, it needs to abandon the activities that led us to isolation the first place. Stop supporting terrorism. Stop suppressing the human rights of the Iranian people. Stop building ballistic missiles.
- “So when we see ballistic missiles with the words ‘Israel must be wiped out’ etched on the side in Hebrew from the Iranians; when tens of millions of dollars go to Hamas to rebuild its network of terror tunnels; when

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314. Office of Rep. Steny Hoyer (D-MD), Press Release, “Hoyer Statement on the Financial Action Task Force’s Decision on Iran,” June 27, 2016. (<http://www.democraticwhip.gov/content/hoyer-statement-financial-action-task-forces-decision-iran>)

315. Office of Rep. Eliot Engel (D-NY), Press Release, “Engel Statement on Troubling FATF Decision on Iran,” June 26, 2016. (<https://democrats-foreignaffairs.house.gov/news/press-releases/engel-statement-troubling-fatf-decision-iran>)

316. Office of Rep. Eliot Engel (D-NY), Press Release, “Engel Remarks on Iran Nuclear Deal Oversight,” May 25, 2016. (<https://engel.house.gov/latest-news1/engel-remarks-on-iran-nuclear-deal-oversight1/>)

thousands of rockets end up in Hezbollah's hands; when Iran continues to prop up the Assad regime, Shia militias in Iraq, and Houthi fighters in Yemen; when we intercept ship after ship carrying ... Iranian weapons, we need to consider whether we're putting those existing authorities to their best use."<sup>317</sup>

### **Representative Albio Sires (D-NJ)**

- “While the Financial Action Task Force (FATF) has rightfully continued to blacklist Iran, I am concerned about their decision to suspend countermeasures for an entire year. Iran has merely passed legislation creating a framework to tackle money laundering and not shown any tangible efforts to implement such laws. Most troubling, the legislation creates a carve-out for ‘foreign fighters.’ This stipulation shows that Iran is not at all serious about preventing money from being laundered to violent and extremist groups. Let us not forget that Iran continues to be the world’s foremost sponsor of terrorism. I urge the Administration and all our allies across the globe to continue their vigilance in thwarting Iran’s efforts to export terrorism and harm innocent civilians.”<sup>318</sup>

### **Senators Richard Blumenthal (D-CT), Robert P. Casey, Jr. (D-PA), Christopher Coons (D-DE), Ron Wyden (D-OR)**

- “Iran has proven it remains staunchly committed to funding terrorism, fueling violence and instability. Iran continues to fund terrorist proxies through loopholes in its terrorist financing laws, flaunting support for groups like Hezbollah and Hamas who are responsible for maiming and murdering Americans and our allies and partners. Further, Iran has only strengthened its support for terrorism in Syria in the last year – supplying money, weapons, and troops to the brutal conflict that has killed and displaced tens of millions of people. Iran has wasted and abused the year it was given to improve its act. It remains a threat to our national security, as well as the safety and integrity of the international financial system.”<sup>319</sup>

### **Representative Ed Royce (R-CA), Chairman of the House Foreign Affairs Committee**

- “Money laundering and terror finance in Iran are not the result of inadequate laws or lax enforcement. Support for terrorism-and the money-laundering that it requires-is central to the Iranian regime’s destabilizing foreign policy. The State Department has designated Iran as a State Sponsor of Terrorism since 1984. The Treasury Department has also labeled Iran as “primary money laundering concern” since 2011-a recognition that any financial transaction with an Iranian bank or entity risks supporting the regime’s illicit activity.
- Ensuring the Financial Action Task Force maintains its designation of Iran as a “high-risk and non-cooperative jurisdiction” and re-imposes counter-measures will help protect the national security of the United States and the integrity of the international financial system. It will also send a powerful message to the brave Iranians who took to the streets earlier this month. Money laundering- is a key element of the endemic corruption that the regime uses to enrich itself and support terrorism abroad.”<sup>320</sup>

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317. Office of Rep. Eliot Engel (D-NY), Press Release, “Engel Remarks on the Risks of Economic Engagement with Iran,” May 12, 2016. (<https://democrats-foreignaffairs.house.gov/news/press-releases/engel-remarks-economic-engagement-iran>)

318. Office of Rep. Albio Sires (D-NJ), Press Release, “Congressman Sires Statement on the Financial Action Task Force’s Decision on Iran,” June 30, 2016. (<http://sires.house.gov/media-center/press-releases/congressman-sires-statement-on-the-financial-action-task-force-s>)

319. Office of Senator Richard Blumenthal (D-CT), Letter to Secretary Steven Mnuchin, July 25, 2017. (<https://www.blumenthal.senate.gov/imo/media/doc/2017.07.25%20FATF%20Letter%20to%20Treasury.pdf>)

320. Edward Royce, “Financial Action Task Force Letter,” *House Committee on Foreign Affairs*, January 25, 2018. (<https://foreignaffairs.house.gov/wp-content/uploads/2018/01/1-25-18-Financial-Action-Task-Force-letter.pdf>)