H.R. 4992, The United States Financial System Protection Act of 2016
SECTION-BY-SECTION SUMMARY

Section 1. Short title. This section provides that the short title of this Act is the 'United States Financial System Protection Act of 2016.'

Section 2. Findings, Sense Of Congress, And Statement Of Policy. This section finds that Iran is currently designated a jurisdiction of primary money laundering concern, that the prohibition on conducting "U-turn" transactions on behalf of Iranian banks remains in place, that Iran is blacklisted by the Financial Action Task Force—the global standard setting body for anti-money laundering and counter-terror financing—for its failure to address the risk of terrorist financing and the serious threat this poses to the integrity of the international financial system, as well as that corruption in Iran remains endemic—causing serious risks to U.S. and foreign businesses operating or seeking to operate in Iran.

This section also states that it is the sense of Congress that the entire financial sector of Iran, including Iran's Central Bank, private Iranian banks and branches, and subsidiaries of Iranian banks operating outside of Iran, poses illicit finance risks for the global financial system due to its proliferation, support for terrorism, and other illicit conduct.

This section clearly states that it shall be the policy of the United States to deny Iran the Government of Iran or an Iranian entity—including Iranian banks—access to U.S. dollars. This includes access through any offshore United States dollar clearing system, even those conducted or overseen by a foreign government or a foreign financial institution.

Section 3. Codification Of Regulations Relating To Transfers Of Funds Involving Iran; Clarification Of Application Of Regulations To Foreign Depository Institutions And Foreign Registered Brokers And Dealers. This section codifies the regulations that have been in place since November 2008 prohibiting "U-turn" transactions for Iran. This means that U.S. financial institutions cannot process transactions involving the transfer of funds from a foreign bank that pass through a U.S. financial institution and are then transferred out to a second foreign bank on behalf of any Iranian entity, state-owned or private. Transfers involving transactions for humanitarian purposes are permitted on a case-by-case basis. However, this section prevents the Administration from providing additional relief for Iran through the use of administrative procedures—such as issuing a general license—that would undermine the intent of the legislation.

This section also clarifies that prohibitions involving the use of the U.S. dollar on behalf of any Iranian entity through off-shore transactions are included in the codified regulations.

This section allows for the temporary suspension of the prohibitions on off-shore dollar clearing if Iran ceases its support for terrorism and terminates the codification of all prohibitions on "U-turn" transactions if Iran ceases its support for terrorism and ends its ballistic missile and other unconventional weapons programs.

Section 4. Certification Requirement for Removal of Designation of Iran as a Jurisdiction of Primary Money Laundering Concern. In November 2011, the United States designated the entire Iranian banking sector, including the country's central bank, as a "primary money-laundering concern." This section prohibits the President from removing the designation of Iran as a "primary money-laundering concern" until the President certifies that Iran is no longer supporting terrorism, pursuing weapons of mass destruction, and engaging in illicit financial activities. This includes any draft rule, as the current designation of Iran as a "primary money-laundering concern" is still a draft rule.