



(Original Signature of Member)

114TH CONGRESS
2D SESSION

H. R. 4992

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

IN THE HOUSE OF REPRESENTATIVES

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

A BILL

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

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

3 **SECTION 1. SHORT TITLE.**

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

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

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

1 (1) On November 8, 2011, the Department of
2 the Treasury identified the Islamic Republic of Iran
3 as a jurisdiction of primary money laundering con-
4 cern pursuant to section 5318A of title 31, United
5 States Code, including Iran's Central Bank, private
6 Iranian banks, branches, and subsidiaries of Iranian
7 banks operating outside of Iran as posing illicit fi-
8 nance risks for the global financial system.

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

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

1 ing and the serious threat this poses to the integrity
2 of the international financial system”.

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

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

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

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

22 (2) deny Iran access to United States dollars
23 through any offshore United States dollar clearing
24 system conducted or overseen by a foreign govern-
25 ment or a foreign financial institution for trans-

1 actions involving the Government of Iran or an Ira-
2 nian person.

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

9 (a) CODIFICATION OF REGULATIONS.—Section
10 560.516 of title 31, Code of Federal Regulations, as in
11 effect on January 1, 2016, shall apply with respect to
12 transfers of funds to or from Iran, or for the direct or
13 indirect benefit of an Iranian person or the Government
14 of Iran, for the period beginning on or after January 1,
15 2016, and ending on the date on which the President
16 makes the certification to appropriate congressional com-
17 mittees under section 401(a) of the Comprehensive Iran
18 Sanctions, Accountability, and Divestment Act of 2010
19 (22 U.S.C. 8551(a)).

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

23 (1) FOREIGN FINANCIAL INSTITUTIONS.—Sub-
24 section (a) of section 560.516 of title 31, Code of
25 Federal Regulations, as in effect on January 1,

1 2016, shall apply with respect to foreign financial
2 institutions to the same extent and in the same
3 manner as such subsection applies with respect to
4 United States depository institutions if the funds
5 that are to be transferred as described in such sub-
6 section are funds that are denominated in United
7 States dollars.

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

18 (3) SUSPENSION.—The President may suspend
19 the application of paragraph (1) with respect to a
20 foreign financial institution or the application of
21 paragraph (2) with respect to a foreign registered
22 broker or dealer in securities for a period not to ex-
23 ceed 60 days, and the President may renew the sus-
24 pension of the application of paragraph (1) or para-
25 graph (2), respectively, for additional periods of not

1 more than 60 days, on and after the date on which
2 the President certifies to the appropriate congressional
3 committees that during the preceding 60-day
4 period the Government of Iran is in compliance with
5 the criteria described in section 401(a)(1) of the
6 Comprehensive Iran Sanctions, Accountability, and
7 Divestment Act of 2010 (22 U.S.C. 8551(a)(1)).

8 (c) LICENSING RESTRICTIONS.—

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

16 (A) a United States depository institution
17 or United States registered broker or dealer in
18 securities—

19 (i) to conduct an offshore United
20 States dollar clearing system for trans-
21 actions involving or for the benefit of the
22 Government of Iran or an Iranian person,
23 including to process transfers of funds to
24 or from Iran under section 560.516 of title

1 31, Code of Federal Regulations, as in ef-
2 fect on January 1, 2016; or

3 (ii) to provide United States dollars
4 for any offshore United States dollar clear-
5 ing system conducted or overseen by a for-
6 eign government or a foreign financial in-
7 stitution for transactions involving or for
8 the benefit of the Government of Iran or
9 an Iranian person, including to process
10 transfers of funds to or from Iran under
11 section 560.516 of title 31, Code of Fed-
12 eral Regulations, as in effect on January
13 1, 2016; or

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

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

1 (ii) to provide United States dollars
2 for any offshore United States dollar clear-
3 ing system conducted or overseen by a for-
4 eign government or a foreign financial in-
5 stitution for transactions involving or for
6 the benefit of the Government of Iran or
7 an Iranian person, including to process
8 transfers of funds to or from Iran under
9 section 560.516 of title 31, Code of Fed-
10 eral Regulations, as in effect on January
11 1, 2016, and as applied under subsection
12 (b).

13 (2) EXCEPTION FOR HUMANITARIAN PUR-
14 POSES.—The President may, on a case-by case
15 basis, issue a license described in paragraph (1) to
16 authorize the activities described in clause (i) or (ii)
17 of paragraph (1)(A) or the activities described in
18 clause (i) or (ii) of paragraph (1)(B) if—

19 (A) such activities relate solely to—

20 (i) the provision of agricultural com-
21 modities, food, medicine, or medical devices
22 to Iran; or

23 (ii) the provision of humanitarian as-
24 sistance to the people of Iran; and

1 (B) the President submits to the appro-
2 priate congressional committees a copy of the li-
3 cense.

4 (d) DEFINITIONS.—In this section:

5 (1) APPROPRIATE CONGRESSIONAL COMMIT-
6 TEES.—The term “appropriate congressional com-
7 mittees” means—

8 (A) the Committee on Foreign Affairs and
9 the Committee on Financial Services of the
10 House of Representatives; and

11 (B) the Committee on Foreign Relations
12 and the Committee on Banking, Housing, and
13 Urban Affairs of the Senate.

14 (2) FOREIGN FINANCIAL INSTITUTION.—The
15 term “foreign financial institution” has the meaning
16 given such term in section 1010.605 of title 31,
17 Code of Federal Regulations, as in effect on January
18 1, 2016.

19 (3) IRAN.—The term “Iran” has the meaning
20 given the term in section 561.329 of title 31, Code
21 of Federal Regulations, as in effect on January 1,
22 2016.

23 (4) IRANIAN PERSON.—The term “Iranian per-
24 son” means a person or entity (as such terms are
25 defined in section 560.305 of title 31, Code of Fed-

1 eral Regulations, as in effect on January 1, 2016)
2 that—

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

6 (B) is a person in Iran.

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

9 (A) has the meaning given the term “funds
10 transfer” in section 1010.100 of title 31, Code
11 of Federal Regulations, as in effect on January
12 1, 2016; and

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

19 (6) UNITED STATES DEPOSITORY INSTITU-
20 TION.—The term “United States depository institu-
21 tion” has the meaning given such term in section
22 560.319 of title 31, Code of Federal Regulations, as
23 in effect on January 1, 2016.

24 (7) UNITED STATES REGISTERED BROKER OR
25 DEALER IN SECURITIES.—The term “United States

1 registered broker or dealers in securities” has the
2 meaning given such term in section 560.321 of title
3 31, Code of Federal Regulations, as in effect on
4 January 1, 2016.

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

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

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

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

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

6 (1) the Committee on Foreign Affairs and the
7 Committee on Financial Services of the House of
8 Representatives; and

9 (2) the Committee on Banking, Housing, and
10 Urban Affairs of the Senate.