

# **Royce-Engel – Nuclear Iran Prevention Act of 2013**

## ***Section-By-Section***

*Iran's march to nuclear weapons continues, making it the gravest threat facing the U.S. and our allies.*

**Summary:** House Foreign Affairs Chairman Royce and Ranking Member Engel are sponsoring bipartisan Iran sanctions legislation that will: broaden economic sanctions; target human rights violators; and increase oversight of the implementation and enforcement of current sanctions. This legislation tightens existing sanctions on Iran to adapt to a constantly evolving situation and further increases the price paid by the regime on a macroeconomic level. The bill states that it is the policy of the United States to prevent Iran from acquiring a nuclear weapons capability.

**Title I--Iran Human Rights and Terrorism Sanctions.** In general, this title includes stiffer penalties for human rights violators by: applying the financial sector sanctions in existing law to transactions involving human rights violators, persons transferring technologies to Iran that are likely to be used to commit human rights abuses, persons who engage in censorship or related activities against citizens of Iran, corrupt officials that confiscate humanitarian and other goods for their own benefit, and persons exporting sensitive technology to Iran. These provisions broaden and toughen U.S. action against repression of the Iranian people and others by the Iranian regime.

*Section 101. Designation of Iran's Islamic Revolutionary Guards Corps as a Foreign Terrorist Organization.* Section 101 requires the Secretary of State to make a determination as to whether the IRGC is a foreign terrorist organization. Assuming a positive determination, the President imposes additional sanctions. The IRGC is not only involved in Iran's WMD programs but it is also the key instrument through which the regime has suppressed the pro-democracy movement. Recent reports of IRGC involvement in terrorist operations from Southeast Asia to the Middle East underscores the threat.

*Section 102. Imposition of Sanctions on Certain Persons Responsible for or Complicit in Human Rights Abuses, Engaging in Censorship, or Engaging in the Diversion of Goods Intended for the People of Iran.* This section expands and updates current-law regarding Iranian human rights abusers. First, it expands the list of reportable offenses from human rights abuses to censorship and related activities, and the diversion of goods destined for the people of Iran by the government. Second, it expands the list of persons that the Administration must report on. The intent is to encourage the Administration to designate high-ranking Iranian government officials for all associated violations. Currently, the report is limited to human rights abusers only and a very narrow sample of the Iranian government.

*Section 103. Mandatory Sanctions With Respect to Financial Institutions that Engage in Certain Transactions on Behalf of Persons Involved in Human Rights Abuses or That Export Sensitive Technology to Iran.* Current law sanctions foreign financial institutions that conduct transactions that aid Iran's proliferation or support for terrorism. This provision adds transactions for human rights abusers to the list of sanctionable activities.

**Title II--Iran Economic Sanctions.** This legislation strengthens existing sanctions by authorizing the President to penalize foreign persons who engage in significant commercial trade with Iran. This would use the same model – targeting transactions through the Central Bank or a designated Iranian bank - that has successfully curtailed Iran's oil trade over the past year. If

used effectively, this could significantly impact Iran's trade. It is also an important step as there is a movement in European courts to "delist" some of the Iranian banks that have been targeted for being involved in proliferation.

Section 201. *Sanctions with Respect to Certain Transactions With Iran.* This provision is modeled on the current sanctions against the Central Bank of Iran in Sec. 1245 of the FY12 NDAA. It authorizes the President (pursuant to IEEPA) to sanction foreign persons conducting non-oil, international trade with Iran through the Central Bank of Iran, or other designated Iranian financial institutions, unless the host country's overall level of non-oil trade with Iran is significantly reducing over succeeding 180 day periods.

Section 202. *Imposition of Sanctions with Respect to Foreign Financial Institutions that Facilitate Financial Transactions on Behalf of Persons Owned or Controlled by Specially Designated Nationals.* This provision strengthens the FY13 NDAA to require the President to furnish a list of all entities owned or controlled by SDNs. The President is required to list those entities as SDNs and apply sanctions accordingly. The Iranians have tried to hide government-related assets through "privatizing" industries, retaining a controlling stake. This would expand the ability of sanctions to target the economic assets of regime actors.

Section 203. *Imposition of Sanctions with Respect to the Central Bank of Iran and Other Iranian Financial Institutions.* This provision expands and tightens the current sanctions against the Central Bank of Iran for oil purchases (Sec. 1245 of the FY12 NDAA). It amends current law by making any exemption for "significant reductions" for Iranian crude or *any Iranian-origin crude* contingent upon a reduction from the previous 180 day period rather than annualized. It also covers third party transfers of Iranian crude oil, and dramatically shortens the time period in which an exception is applicable. To date, every importer of Iranian oil has received an exemption from this sanction.

Section 204. *Sense of Congress Regarding the European Central Bank.* This provision calls on the Administration to work closely with our European allies to work toward ceasing Euro-denominated transactions, thereby denying the Iranian regime additional hard currency.

**Title III--Iran Strategy and Sanctions Implementation.** This title imposes new requirements for a comprehensive U.S. strategy and implementation.

Section 301. *Report on Iranian Nuclear and Economic Capabilities.* This provision requires reporting on both the Iranian nuclear timetable and how long until the Iranian government experiences a debilitating economic event.

Section 302. *National Strategy on Iran.* This provision requires that the Administration produce annually a national strategy on Iran highlighting Iranian capabilities and key vulnerabilities that the United States may exploit, providing the United States Government a roadmap as to how to effectively address the Iranian threat.

Section 303. *Government Accountability Office Report on Sanctions Enforcement.* This provision tasks GAO with providing annual assessments of the Administration's sanctions implementation.