

MANDATORY FINANCIAL SANCTION (SECTION 104)
H.R. 2194, THE COMPREHENSIVE IRAN SANCTIONS, ACCOUNTABILITY, AND DIVESTMENT ACT OF 2010

A critical component of the Comprehensive Iran Sanctions, Accountability, and Divestment Act is a tough new mandatory banking sanction. This measure takes aim squarely at Iran's powerful Revolutionary Guard Corps (IRGC), and attempts to choke it off from a principal source of revenue—international financial investment.

Section 104 of the Act has two principal parts:

(1) CORRESPONDENT BANKING. This provision applies pressure to key international financial partners of Iran, by making clear that these foreign banks must choose between continued business with Iran or continued access to the U.S. banking system. Under the Act, the Department of the Treasury would have to require American banks to prohibit or impose strict conditions on *correspondent* or *payable through accounts* of any foreign financial institutions working with key Iranian entities. This provision targets foreign banks that:

- A. Facilitate the Iranian government's efforts to acquire weapons of mass destruction (WMD) or to support international terrorism;
- B. Deal with Iranian companies sanctioned by the U.N. Security Council;
- C. Launder money to aid Iran's WMD programs, to support Iran's sponsorship of terrorism, or to support those sanctioned by the U.N. Security Council;
- D. Facilitate efforts by the Central Bank of Iran to aid Iran's WMD programs, to support Iran's sponsorship of terrorism, or to support those sanctioned by the U.N. Security Council; or
- E. Conduct significant business with Iran's Revolutionary Guard Corps, its front companies, or its affiliates, and other key Iranian financial institutions currently blacklisted by the U.S. Department of the Treasury.

Under the Act, U.S. banks maintaining *correspondent* or *payable through* accounts for foreign financial institutions will be required to take appropriate steps to ensure that they remain in full compliance with this law, which may include due diligence policies, procedures and controls.

(2) SUBSIDIARY PENALTIES. U.S. companies generally face severe civil and criminal penalties for doing business in Iran. This provision imposes similar penalties on U.S. banks if their foreign subsidiaries are doing any business with Iran's Revolutionary Guard Corps, its front companies, or affiliates. Thus, companies may be subjected to civil penalties of as much as either \$250,000 or an amount twice the value of the actual transaction. Criminal penalties may be as high as \$1 million per transaction and/or entail prison sentences of up to 20 years.