

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

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

### ***Amendment in the Nature of a Substitute***

*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. In the event that the Secretary determines that the IRGC is not a foreign terrorist organization, the legislation mandates that sanctions currently in place against FTOs shall be applied to the Quds Force. This is instrumental in ensuring that the IRGC is not only held to account, but that the Quds Force does not escape scrutiny.

*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.** In general, this title of the bill strengthens existing sanctions by requiring that countries currently purchasing crude oil from Iran reduce their imports by a total of 1,000,000 barrels per day within a year's timeframe. By taking 1,000,000 barrels per day of crude oil off of the market within a year, the Iranian regime would continue to lose the long-term funding that it requires to pay for its nuclear program, ballistic missiles, and sponsorship of terrorism.

This title would also authorize 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. Additionally, it would expand a list of sectors of the Iranian economy effectively blacklisted, and provide the President the tools to add additional sectors of strategic importance to the government of Iran. If used effectively, both of these 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. Finally, this title would work to limit Iran's access to overseas foreign currency reserves and impose additional shipping sanctions to limit the ability of the regime to engage in international commerce.

*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 designate all entities owned or controlled by SDNs as such and requiring the President to 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). A year after enactment requires that the remaining countries purchasing Iranian oil to have reduced their purchases by 1 million barrels per day or risk losing their ability to obtain “significantly reducing exemptions.” This requirement is predicated on a Presidential finding that there is sufficient supply in world energy markets to allow for such a reduction. The section amends current law to ensure third party transfers of Iranian crude oil are covered when the State Department is considering “significant reduction” exemptions. 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.

*Section 205. Imposition of Sanctions with Respect to Certain Transactions in Foreign Currencies.* This section seeks to prohibit the conversion and repatriation of Iran's overseas foreign currency reserves. The bill authorizes the President to impose sanctions on any foreign bank involved in facilitating transactions in foreign currencies over which it does not have primary jurisdiction on behalf the Central Bank of Iran or another designated Iranian bank. The objective is to further enable the Administration to render Iran's foreign exchange reserves overseas inaccessible.

*Section 206. Imposition of Sanctions With Respect to Ports, Special Economic Zones, Free Economic Zones, and Strategic Sectors of Iran.* This section would expand the sector-based framework for the blacklisting of entire portions of the Iranian economy as adopted in the FY13 NDAA. These include the automotive and mining sectors of Iran. It also requires that the President determine whether the construction and engineering sectors of the economy of strategic importance to Iran, and blacklist them if they are. It adds free economic zones and special economic zones alongside ports on the list of prohibited areas. Finally, it would also give the Administration the ability to add additional sectors that the President deems are of "strategic importance." Combined, this is a critical step in targeting sectors of the Iranian economy that either support the Iranian elites or are relevant to their ongoing efforts to acquire a nuclear weapons capability.

*Section 207. Repeal of Exemptions Under Sanctions Provisions of National Defense Authorization Act for Fiscal Year 2013.* During the FY13 NDAA process, a procedural issue led to the exclusion of the "importation of goods" as an applicable sanction with respect to the most important aspects of that sanctions effort. As a result, the FY 13 NDAA sanctions that will go into effect on July 1<sup>st</sup> have been weakened by this exclusion. This provision seeks to correct that anomaly.

*Section 208. Prohibition on the Transfer and Retransfer of Vessels.* This section amends the shipping sanctions with the Iran Sanctions Act to prohibit the transfer and retransfer of vessels to the Government of Iran for the purposes of crude oil transportation. Thus, it further restricts the ability of the Government of Iran to acquire ships for its sanctioned fleets.

*Section 209. Imposition of Sanctions With Respect to Vessels Involved in Vessel-to-Vessel Transfers of Iranian Crude Oil or Other Sanctioned Imports and Exports.* This provision builds upon the sanctions in Sec. 208 in rendering sanctionable ship-to-ship transfers of crude oil transported from Iran.

*Section 210. Conditions for Entry and Operation of Vessels.* Under this section, all Iranian vessels that are re-registered by another government and non-Iranian vessels operating on behalf of Iran (e.g. under contract) would be targeted. If a registry allows an Iranian-owned or operated vessel to be registered, then all vessels under that country's registry are denied access to the U.S.

**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.

Section 304, Section 305, and Section 306. *Reporting Consolidation, Amendments to Definitions, and Implementation.* These sections contain minor amendments to existing law, provide the Administration the authority to consolidate disparate reporting requirements, and effectively implement the legislation.

*Prepared by Committee staff*