

From: **Omri Ceren** <omric@theisraelproject.org>

Date: Tue, Apr 5, 2016 at 10:02 AM

Subject: Explainer: How the Obama admin's mechanism for giving Iran dollar access will likely work

To:

The Obama administration has been clear about all the ways it's not going to allow Iran to dollarize transactions: no clearing dollars through New York, no transactions between U.S. and Iranian banks, no financing relationships, etc. On Sunday the President again declared that Iran will not be allowed to get access to dollars through U.S. banks [a].

But the administration has been much less clear about what mechanism it **will use** to allow Iran to dollarize transactions. It took weeks of work by journalists and analysts to get a sense of what the White House is setting up, until the AP locked it down last Thursday [b].

The administration's goal: to have Iranian companies converting from rials to a foreign currency go through the dollar. That would reassure foreign banks they're allowed to do business with Iran and insulate the transactions because the dollar is a relatively stable currency.

The administration's problem: in a world with no sanctions, an Iranian company buying from a Swiss company could use a U.S. bank to directly convert rials to dollars: rials --> dollars --> francs. But that's not this world. Letting Iran access U.S. banks or letting the rial touch the dollar are terrible ideas for a range of reasons, and so the U.S. has prohibited those activities for years. Treasury officials specifically namechecked those restrictions when they told Congress last summer that the nuclear deal will not give Iran access to the dollar [c][d].

The administration's solution: to provide general licenses that grease a handoff + chain system. U.S. banks will provide dollars to non-U.S. clearing facilities (the handoff) then those facilities will sit one step away from any rial conversion (the chain). So instead of rials --> dollars --> francs the chain would be something like rials --> euros --> dollars --> francs, with the dollar clearing part happening offshore and not via a U.S. bank.

Eric Lorber - a senior advisor at the Foundation for Defense of Democracies (FDD) and a former OFAC lawyer - described how that would work [e]:

[A] Swiss automobile manufacturer selling cars to Iran would have a European bank receive payment from an Iranian company in rials. The bank would then exchange those rials with euros and then swap the euros for dollars at the offshore clearing facility. The bank would subsequently exchange those dollars for Swiss francs and transmit those francs to the Swiss automobile manufacturer. The general license would likely shield U.S. banks from liability for providing dollars to the offshore clearing facility.

The trick means that U.S. banks won't be directly involved and that the dollar will not directly touch the rial. The administration will use those restrictions to argue that it's not providing Iran access to the U.S. financial system.

But of course, the scheme does in fact provide Iran access to the U.S. financial system - just indirect access. Yes, U.S. banks won't be directly involved in the conversion, but they'll be one step out, supplying the offshore facilities with the dollars being transacted. Yes, the dollar will not directly touch the rial, but it will be one step out, a bit further down the chain. So the transactions will be dollarized even if they won't be dollar denominated (and if you go back through recent transcripts you'll see administration officials, including the President, choosing their words carefully on this issue - which is exactly why they're being criticized for playing word games, hiding the ball, etc.

The result - again per Lorber: "while the administration will argue it is keeping its promise to prevent Iran from accessing the U.S. financial system, this dollar clearing mechanism will give the Islamic republic many of the benefits such access would provide."

Omri.

[redacted- telephone number]

[a] <http://thehill.com/policy/national-security/274954-obama-iran-has-followed-letter-but-not-spirit-of-nuke-deal>

[b]

http://hosted.ap.org/dynamic/stories/U/US_UNITED_STATES_IRAN?SITE=AP&SECTION=HOME&TEMPLATE=DEFAULT

[c] <http://www.foreign.senate.gov/imo/media/doc/07-23-15%20Lew%20Testimony.pdf>

[d] <http://www.banking.senate.gov/public/index.cfm/2015/9/nomination-hearing>

[e] <http://www.defenddemocracy.org/media-hit/eric-b-lorber-treasury-prepares-to-take-dollarized-transactions-with-iran-offshore>

[f] <http://www.defenddemocracy.org/media-hit/dont-politicize-sanctions/>

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From: **Omri Ceren** <omric@theisraelproject.org>

Date: Mon, Apr 4, 2016 at 8:48 AM

Subject: **BREAKING + TRANSCRIPTS: Lawmakers investigating administration Iran deal testimony -- "trying to determine whether this was intentional deception... or new levels of disturbing acquiescence"**

To:

Last week reporters confirmed that the Obama administration has reversed itself on a number of commitments made to Congress during last summer's push to get support for the Iran deal. Specifically the AP confirmed that the administration intends to give Iran indirect access the U.S. financial system and Reuters confirmed that Washington is no longer labeling Iranian missile launches a "violation" of the U.N. ban [a][b].

White House, State Department, and Treasury officials testified to Congress last summer that exactly the opposite would happen. Last Friday Bloomberg View published a roundup how lawmakers are reacting. It noted that these were not the first two bait-and-switches the administration has pulled, and catalogued statements of opposition from both parties in both chambers. I sent around the article last night with a bunch of links and background, so let me know if you didn't get it.

Now this morning lawmakers are sharpening the question into: did the administration deliberately mislead lawmakers last summer or is the deal still open so that the Iranians have been extracting more concessions since then? The full story from the Washington Free Beacon is pasted below, but the key quote comes from Rep. Pompeo:

"When multiple officials — including Secretary Kerry, Secretary Lew, and Ambassador Mull — testify in front of Members of Congress, we are inclined to believe them," Rep. Mike Pompeo (R., Kan.) told the Washington Free Beacon. "However, the gap between their promises on the Iran nuclear deal and today's scary reality continues to widen. We are now trying to determine whether this was intentional deception on the part of the administration or new levels of disturbing acquiescence to the Iranians"

Now the transcripts. In case you're reporting out this story, this is some of the testimony Pompeo was probably referencing:

Sec. Lew testimony on Iran being "denied access to the world's largest financial and commercial market" due to the dollarization prohibition:

LEW: But a number of key sanctions will remain in place... Iranian banks will not be able to clear U.S. dollars through New York, hold correspondent account relationships with U.S. financial institutions, or enter into financing arrangements with U.S. banks. Iran, in other words, will continue to be denied access to the world's largest financial and commercial market. The JCPOA makes only minor allowances to this broad prohibition. (SFRC, July 23, [c])

Amb. Mull testimony on ballistic missile launches being a "violation":

THE CHAIRMAN: There is some weird language in the UNSCR that this refers to. It says "they're called upon." Out of curiosity, after the implementation if they launch these types of missiles, is it or is it not in violation of the agreement?

AMB MULL. It is not in violation of the JCPOA. It is a violation of Security Council resolutions.

THE CHAIRMAN: So the called-upon language from your perspective makes it clear that going forward it will continue to be a violation?

AMB MULL. The calls-upon language, it would violate that part of the U.N. Security Council resolution... (SFRC, Dec 17, [d @ 34:55])

There's other problematic testimony floating around on both of these issues, as well as on other bait-and-switches such as IAEA access to military sites, which the Agency was refused when it tried to enter the Parchin base where Iran conducted tests related to nuclear warheads.

On non-nuclear relief and dollarization, Treasury Undersecretary Szubin testified to Senate Banking that "no Iranian banks can access the US financial system; not to open an account, not to purchase a security, and not even to execute a dollarized transaction where a split second's worth of business is done in a New York clearing bank" [e]. On missiles, Sec. Kerry somewhat notoriously insisted to Sen. Menendez that old language banning Iranian ballistic missile launches had been imported unchanged into the new UNSCR [f]. On IAEA access to military sites, Sec. Kerry told HFAC that failure to provide access would put Iran "in material breach of the agreement and the sanctions will snap back" [g]. Etc.

Omri.

[redacted- telephone number]

[a]

http://hosted.ap.org/dynamic/stories/U/US_UNITED_STATES_IRAN?SITE=AP&SECTION=HOME&TEMPLATE=DEFAULT

[b] <http://uk.reuters.com/article/uk-iran-missiles-exclusive-idUKKCN0WV2HD>

[c] <http://www.foreign.senate.gov/imo/media/doc/07-23-15%20Lew%20Testimony.pdf>

[d] <http://www.c-span.org/video/?402200-1/hearing-iran-nuclear-agreement-implementation&start=3615>

[e] <http://www.banking.senate.gov/public/index.cfm/2015/9/nomination-hearing>

[f] <http://www.foreign.senate.gov/hearings/072315>

[g] <http://www.c-span.org/video/?327359-1/secretaries-kerry-moniz-lew-testimony-iran-nuclear-agreement>

Congress Investigating Obama Admin Deception on Iran Nuke Deal

Sources: Admin misled lawmakers about terms of deal

Adam Kredo

April 4, 2016 5:00 am

Congress is investigating whether the Obama administration misled lawmakers last summer about the extent of concessions granted to Iran under the nuclear deal, as well as if administration officials have been quietly rewriting the deal's terms in the aftermath of the agreement, according to sources and a formal notice sent to the State Department.

The concerns come after statements from top officials last week suggesting that Iran is set to receive greater weapons and sanctions relief, moves that the administration had promised Congress would never take place as White House officials promoted the deal last summer.

"When multiple officials—including Secretary Kerry, Secretary Lew, and Ambassador Mull—testify in front of Members of Congress, we are inclined to believe them," Rep. Mike Pompeo (R., Kan.) told the Washington Free Beacon.

"However, the gap between their promises on the Iran nuclear deal and today's scary reality continues to widen. We are now trying to determine whether this was intentional deception on the part of the administration or new levels of disturbing acquiescence to the Iranians," Pompeo said.

Congress is believed to be investigating what insiders described to the Free Beacon as a range of areas in which administration officials may have understated the breadth of concessions made to the Islamic Republic when trying to persuade lawmakers to sign off on the final deal.

Multiple disputes have surfaced in the last week.

In one dispute, congressional leaders are concerned that the administration no longer considers recent Iranian ballistic missile tests a "violation" of United Nations Security Council Resolution 2231, which codifies the nuclear deal.

Top administration officials including Secretary of State John Kerry vowed to Congress that Iran would be legally prohibited from carrying out ballistic missile tests under the resolution.

Samantha Power, the U.S. ambassador to the U.N., shifted course last week, refusing to call recent Iranian launches a "violation" in a letter she signed criticizing those launches.

A second dispute centers around recent statements from Treasury Department officials suggesting that the administration is now set to grant Iran non-nuclear sanctions relief, including indirect access to the U.S. financial system, weeks after top Iranian officials began demanding this type of sanctions relief.

Top administration figures, including Treasury Secretary Jack Lew, had promised Congress that years-old restrictions barring Iran from accessing the U.S. financial system in any way would remain in place even after the nuclear deal.

But new concerns have raised alarm bells among lawmakers, who fear that the administration will ease longstanding restrictions on Iran.

Kerry "and other administration officials assured the American people and Congress that UNSCR 2231 still allowed the U.S. to respond to dangerous actions, like these, from the Iranians," Reps. Pompeo, Peter Roskam (R., Ill.), and Lee Zeldin (R., N.Y.) wrote in a letter last week to the State Department.

"While many lawmakers, ourselves included, are certain that Iran's latest tests violate UNSCR 2231, your decision to cease labeling the launches a violation is alarming," they wrote. "We are troubled by reports that the administration is stifling voices within its ranks for stronger action against Iran—putting the JCPOA and political legacy above the safety and security of the American people."

The United States backed down in recent days from its claim that the ballistic missile tests violate the deal. The United States now says that they are "inconsistent with" promises made by Iran while the deal was being negotiated.

"This seeming American refusal to name these Iranian tests as violation is in direct conflict the administration's earlier commitments," the lawmakers wrote.

As the nuclear deal was being negotiated, Kerry informed Congress that, under the deal, Iran would be "restrained from any ... work on missiles." Other administration officials at the time made also clear that such tests "would violate" the agreement.

The administration has recalibrated its stance in recent days in the wake of several recent ballistic missile tests by Iran. Officials are no longer claiming that these tests violate the deal.

"In opposition to this testimony, administration officials have recently told the press that UNSCR 22231 was 'drafted/structured in a way to appeal to Iran's sensitivities,'" the lawmakers write.

Mark Dubowitz, executive director for the Foundation For Defense of Democracies (FDD), told the Free Beacon that the administration is redefining the terms of the nuclear deal.

"The Obama administration is involved in yet another sleight of hand on sanctions relief as well as the status of U.N. missile sanctions," Dubowitz sai. "This is very familiar to those who tracked the Iran nuclear talks and recall the many ways in which broken commitments were justified and redlines were abandoned."

Iranian allies on the U.N. Security Council, mainly Russia, have defended the missile tests, arguing that resolution 2231 has only "called upon" Iran to refrain from these tests.

Russian Ambassador Vitaly Churkin recently stated that the newest U.N. resolution governing the nuclear agreement only suggests that Iran stop test firing missiles.

"A call is different from a ban so legally you cannot violate a call, you can comply with a call or you can ignore the call, but you cannot violate a call," Churkin was quoted as saying. "The legal distinction is there."

Congressional critics have dismissed the argument and are pressing on the Obama administration to stand up to Iran's defenders.

"The Kremlin's absurd legal argument after Iran's March tests that 'legally you cannot violate a call' would essentially allow the Iranian regime to do anything it wants to further develop its ballistic missile program," the lawmakers wrote in their letter.

"Russia's refusal to punish Iran, combined with its veto and China's veto on the Security Council, will continue to prevent any real international effort to respond to Iranian infractions."

Meanwhile, Iranian officials have said in recent days that they are preparing to expand the country's ballistic missile program.

"We have always said we will continue with developing our defense capacity and the defense equipment has nothing to do with chemical weapons," Iranian Foreign Minister Javad Zarif stated on Twitter. "The missiles are only for defensive purposes and we have not invaded any country, neither we will do so in the future."

Other Iranian officials have also said the ballistic missile tests have nothing to do with the nuclear agreement.

A bipartisan delegation of lawmakers in Congress has expressed opposition to an Obama administration plan to grant Iran sanctions relief outside the purview of the nuclear deal.

This new relief is reported to include access to the U.S. dollar and American financial markets. Lawmakers have expressed anger over the proposal, citing past comments from administration officials who claimed this would never take place under the deal.

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From: **Omri Ceren** <omric@theisraelproject.org>

Date: Sun, Apr 3, 2016 at 10:39 PM

Subject: ICYMI + OVERVIEW -- BV/Lake: "The Iran Nuclear Deal Keeps Changing" --
Congressional responses to WH bait-and-switches on Iran deal

To:

Consider this a curtain-raiser on how the Iran conversation is likely to develop over the next two weeks as recess winds down.

Last week journalists confirmed the Obama administration intends to make two new sweeping concessions to Iran. On Tuesday Reuters reported that the administration will drop previous language describing Iranian ballistic missile launches as violations of the ban in United Nations Security Council resolution (UNSCR) 2231, which locked in the nuclear deal [a]. On Thursday the AP reported the administration will provide non-nuclear relief to Tehran by letting Iranians dollarize their transactions, and on Friday the WSJ followed up saying the relief may be announced within days [b][c]. These two new concessions had been preceded by another two, which had also been unknown or denied. Last fall reporters confirmed that the Iranians was allowed to exclude IAEA inspectors from their Parchin military base, where they had conducted tests relevant to the detonation of nuclear warheads, and instead inspect the base themselves [d]. In March IAEA Director General Amano revealed that the Agency's mandate for reporting on the Iranian nuclear program had been constrained by the nuclear deal in unprecedented ways, after he was pressed by journalists to explain gaps in the Agency's post-deal report on Iran [e].

When the administration sold the deal to Congress last summer it had explicitly promised the exact opposite on all four of these issues: 1. ballistic missiles, 2. non-nuclear sanctions relief and dollarization, 3. IAEA inspections of military sites, and 4. the IAEA's mandate in Iran.

There are two explanations for the bait-and-switches. Some say the White House deliberately misled Congress about the extent of American collapses to Iran. Others suggest that administration officials were not deliberately misleading Congress at the time, but instead the Iranians have kept the deal open and gotten more concessions since the summer.

Bloomberg View's Eli Lake examined that angle late Friday afternoon: "Like most of Washington, I was under the impression that the nuclear negotiations with Iran ended in July... [the Iranians] keep haggling over the terms." His article picks out three of the bait-and-switches:

1. Ballistic missile launches no longer a "violation" - A letter sent by Amb. Power last week stopped short of the old administration position that Iranian ballistic missile launches are violations of the UN ban. U.S. officials had explicitly testified in front of Congress that the ban would remain in place as it had in previous UNSCRs [f][g]. BV revealed that Reps. Pompeo, Roskam, and Zeldin have sent a letter asking for answers on the shift:

[A] March 28 letter from the U.S. and the European Union to the U.N. Secretary General this week conspicuously declined to call Iran's recent ballistic missile tests a "violation" of that resolution. This caught the attention of Rep. Mike Pompeo and two of his fellow Republican House members, Pete Roskam and Lee Zeldin. In a letter to Kerry sent Thursday, they write, "The seeming American refusal to name these Iranian tests as violations is in direct conflict with the administration's earlier commitments."

2. Iran will get access to U.S. financial markets and the dollar - It looks like the scheme will involve a bunch of one-hop and two-hop transactions, so the dollar and the rial never touch but the Iranians get to work down the chain and dollarize their transactions [h]. Treasury officials promised Congress Iran would not be given access to the U.S. financial system or be able to dollarize transactions [i][j]. Democratic and Republican lawmakers from both chambers have sent letters in the last few days blasting the new relief [k]. BV specifically cited a Thursday letter from Rep. Hoyer:

[T]he Obama administration is considering a rule change to allow some Iranian businesses to use off shore financial institutions to access U.S. dollars in currency trades... In a statement Thursday urging the Treasury department not to go through with the rule change, Democratic House Minority Whip Steny Hoyer said: I want to make clear my concerns that the Administration had indicated that there would be no further concessions beyond those specifically negotiated and briefed to Congress. I do not support granting Iran any new relief without a corresponding concession.

3. Iran has denied inspectors access to military sites - This is an old controversy but still gets discussed because it was a brazen reversal on the one thing the administration explicitly promised: unfettered inspections by the IAEA of Iran's nuclear program. U.S. diplomats had given up early on demanding the Iranians take steps that would physically preclude Tehran from

going nuclear - destroying centrifuges, shuttering facilities, etc. - and instead the administration and its supporters went all-in on "when needed, where needed" IAEA inspections [l]. But the Iranians set a precedent of self-inspections at Parchin and the administration accepted it [m]. BV suggests the concession set the tone for subsequent bait-and-switches:

This pattern began over the summer when Obama himself assured Congress and the public that the International Atomic Energy Agency (IAEA) would have the ability to inspect any suspicious site that it wanted. The Iranians countered that their military facilities were off limits. It turns out they were right. When the IAEA devised a plan to inspect Iran's Parchin facility, the Iranians refused international inspectors access and allowed only a ceremonial visit from the agency's director. The Iranians were allowed to collect their own site samples.

BV didn't get into bait-and-switch 4. The IAEA's mandate has been restricted - Top inspection experts declared flat out that there could be no public assurance that Iran was meeting the deal under the new rules [n][o]. Even White House validators expressed unease when they were asked to defend the concession, and eventually the administration set a letter to the IAEA declaring that Washington disagrees with Vienna's interpretation of its own mandate [p]. There's no evidence that the U.S. interpretation will change how the new inspection regime is implemented. The precedent with ballistic missiles in the UNSC - where the U.S. folded to the Iranian interpretation - in fact cuts the other way.

Omri.

[redacted- telephone number]

[a] <http://uk.reuters.com/article/uk-iran-missiles-exclusive-idUKKCN0WV2HD>

[b]

http://hosted.ap.org/dynamic/stories/U/US_UNITED_STATES_IRAN?SITE=AP&SECTION=HOME&TEMPLATE=DEFAULT

[c] <http://www.wsj.com/articles/white-house-committed-to-easing-u-s-dollar-ban-on-iran-1459534531>

[d] <http://bigstory.ap.org/article/d8bfeff00c8341caab084841f44d9cde/what-secret-agreement-between-iran-and-un-says>

[e] http://iaea-archiv.streaming.at/download/20160307_720p.mp4

[f] <http://www.foreign.senate.gov/hearings/072315>

[g] <http://www.foreign.senate.gov/hearings/the-status-of-jcpoa-implementation-and-related-issues-121715>

[h] <http://www.defenddemocracy.org/media-hit/eric-b-lorber-treasury-prepares-to-take-dollarized-transactions-with-iran-offshore>

[i] <http://www.banking.senate.gov/public/index.cfm/2015/9/nomination-hearing>

[j] <http://www.foreign.senate.gov/imo/media/doc/07-23-15%20Lew%20Testimony.pdf>

[k] <http://www.aipac.org/news-hub?id=%7BD2718745-DE47-4551-B89B-457170146D16%7D#>

[l] <https://beyer.house.gov/news/documentsingle.aspx?DocumentID=231>

[m] <http://www.chicagotribune.com/news/nationworld/ct-iran-nuclear-inspections-20150921-story.html>

[n] http://www.isis-online.org/uploads/isis-reports/documents/First_JCPOA_Post-Implementation_Day_Report_26Feb2016_Final.pdf

[o] <http://www.defenddemocracy.org/media-hit/olli-heinonen-the-iaecas-latest-report-falls-short1/#sthash.DIy4vND0.dpuf>

[p] <http://vienna.usmission.gov/160309iran.html>

<http://www.bloombergview.com/articles/2016-04-01/the-iran-nuclear-deal-keeps-changing>

The Iran Nuclear Deal Keeps Changing

April 1, 2016 11:19 AM EST

By Eli Lake

Like most of Washington, I was under the impression that the nuclear negotiations with Iran ended in July. There was the press conference in Vienna, the U.N. resolution that lifted the sanctions on Iran and the fight in Congress that followed. That turns out to have been wrong.

I should have been more suspicious when no one actually had to sign anything at the end of the negotiations or when the "deal" was not submitted to the Senate as a treaty for ratification. And while it's true that the Iranians have disposed of nuclear material, modified sites and allowed more monitoring, they also keep haggling over the terms.

Now, according to an Associated Press report, the Obama administration is considering a rule change to allow some Iranian businesses to use off shore financial institutions to access U.S. dollars in currency trades. When the White House sold it to Congress, senior Treasury officials promised the nuclear agreement would not allow such dollar transactions, since Iran's financial system has been repeatedly designated as a concern for money laundering. It was not part of the "deal" that was agreed in July, which only lifted nuclear related sanctions on Iran, but kept in place other sanctions to punish the country's support for terrorism, human rights abuses and its ballistic missile program.

In a statement Thursday urging the Treasury department not to go through with the rule change, Democratic House Minority Whip Steny Hoyer said:

I want to make clear my concerns that the Administration had indicated that there would be no further concessions beyond those specifically negotiated and briefed to Congress. I do not support granting Iran any new relief without a corresponding concession.

This is not how the Iranians see it. Over the last month, Iran's supreme leader, Ayatollah Ali Khamenei has complained that the U.S. was not upholding its end of the bargain. He implied that Iran may have to back out of its own commitments if the U.S. does not do more to signal to foreign banks and businesses that it's safe to invest in his country.

And that's just the latest example of a new concession won by Iran. Over the summer, Secretary of State John Kerry told Congress that the U.N. resolution that ended international sanctions on Iran's nuclear program would nonetheless retain language that prohibited Iran from testing ballistic missiles. And yet a March 28 letter from the U.S. and the European Union to the U.N. Secretary General this week conspicuously declined to call Iran's recent ballistic missile tests a "violation" of that resolution.

This caught the attention of Rep. Mike Pompeo and two of his fellow Republican House members, Pete Roskam and Lee Zeldin. In a letter to Kerry sent Thursday, they write, "The seeming American refusal to name these Iranian tests as violations is in direct conflict with the administration's earlier commitments."

The White House sees it differently. This week Ben Rhodes, a deputy national security adviser for strategic communications told reporters that Iran's missile tests were not part of July's nuclear agreement, which is strange because most experts consider missiles that can deliver a nuclear weapon to be part of a country's nuclear program.

Again, the Iranians have been firm on this point. There is barely a day that goes by when the country's leaders don't affirm that they have a sovereign right to test as many missiles as they choose. And in case the message wasn't clear, Iranian television made sure to broadcast images of those missiles emblazoned with Hebrew words that said "Israel must be wiped off the earth."

This pattern began over the summer when Obama himself assured Congress and the public that the International Atomic Energy Agency (IAEA) would have the ability to inspect any suspicious site that it wanted. The Iranians countered that their military facilities were off limits.

It turns out they were right. When the IAEA devised a plan to inspect Iran's Parchin facility, the Iranians refused international inspectors access and allowed only a ceremonial visit from the agency's director. The Iranians were allowed to collect their own site samples.

Experts disagree on whether any of these post-deal concessions are significant. The administration argues that Iran has complied with its primary commitments -- the removal of low enriched uranium, the modification of key nuclear sites like Arak and allowing far greater transparency of its program.

But this misses the point. Despite Obama's 2012 campaign promise, the president accepted an agreement in July that allowed Iran to keep in place the industrial-sized nuclear program it had built in defiance of the United Nations. This gives Iran a loaded gun with which to blackmail the rest of the world. If more concessions are not granted, then Iran can always restart its program.

In theory, Obama and future presidents could then re-impose sanctions. But realistically it will be much harder to persuade America's allies and adversaries to take drastic steps, particularly as so many other countries are now looking to reinvest in Iran's economy. After all, it took years to carefully build the coalition that imposed the sanctions that forced Iran to negotiate.

Iran's leaders seem to understand this. So does the Obama administration. And the terms of the agreement we thought was completed in July keep changing to the benefit of Iran.

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From: **Omri Ceren** <omric@theisraelproject.org>

Date: Fri, Apr 1, 2016 at 9:41 AM

Subject: ICYMI -- Ways + Means Oversight Chair: Congress "will use all tools at its disposal" to go after companies that deal with IRGC -- "Impossible to do business in Iran without dealing with IRGC"

To:

Stories about the administration's various and undisclosed non-nuclear concessions to Iran - ballistic missiles, banking relief, etc. - will keep unfolding today. Various offices on the Hill are pushing back with statements, letters, legislation, etc.

But alongside those specific stories, there's long been a broader push in Congress to bolster what remains of the non-nuclear sanctions regime, which targets Iranian actors on ballistic missiles, human rights violations, terrorism, supporting Assad, etc. The administration has said two things about the push: 1st, of course the U.S. should push back against these activities and, 2nd, the nuclear deal may require the U.S. to avoid pushing back against these activities.

There's a reason this confusion keeps happening: the nuclear deal was sold by the administration based on a range of conceits that are false.

The administration needed to incentivize Iran to accept the deal by offering sweeping sanctions relief across all sectors of the Iranian economy. But the negotiations were supposed to be only about nuclear activity and nuclear sanctions. So the White House simply declared that a range of U.S. non-nuclear sanctions were actually nuclear, and then lifted them [a]. But that didn't make it true: the administration was simply pretending that the sanctions regime wasn't structured the way the sanctions regime was actually structured. That generated regulatory uncertainty. Because the administration position involved a lot of hand-waving, it's never been quite clear to companies what they're actually allowed to do. The regulatory uncertainty has kept corporations out of Iran [b].

One specific place where there's regulatory uncertainty has to do with the IRGC, Iran's military. Again the administration has been unclear: sometimes officials have agreed that of course the IRGC is off-limits but other times they've talked as if it's safe for corporations to do broad business in Iran. Those can't both be true: the IRGC dominates Iran's economy, so if the IRGC is off-limits than huge parts of Iran's economy are off-limits. Pretending otherwise doesn't change the underlying economic and legal reality.

Rep. Roskam published a reminder on this point in yesterday's WSJ, reminding companies that they can't ignore those underlying realities, regardless of administration rhetoric. First, the basic fact that the IRGC dominates Iran's economy:

More than a branch of the Iranian armed forces, the IRGC is a business empire. According to the U.S. Treasury Department, the IRGC is Iran's "most powerful economic actor"... It's impossible to do business in Iran without dealing with the IRGC. Consider Iran Air, the state-owned airline, which has long sought repairs and replacements for its aging fleet of Boeing and Airbus planes. The IRGC has used those same planes to transport fighters and weaponry to Syria.

And then the reminder that the actual, real IRGC dominance of the Iranian economy means companies are putting themselves and their employees in danger by doing business in Iran. Congress has tools - and will build more tools for itself - to deal with any company or individual caught enabling the IRGC:

Western companies must not force their employees or shareholders to become accomplices to such crimes. As chairman of the Ways and Means Oversight Subcommittee, I will do everything in my power to prevent Iran from obtaining additional means, financial or otherwise, to bolster its support for terrorism. Congress won't allow companies to receive foreign tax credits for levies paid to the Islamic Republic. Firms that enable Iranian terror may be hard-pressed to renew contracts with the Defense Department or other government agencies. My colleagues and I will use all the tools at our disposal to name and shame the individuals and businesses that pursue short-term profit at the expense of innocent lives. These companies will need to choose between doing business with the U.S. and doing business with Iran.

Note some of the specific measures: denying tax credits, denying defense contracts, and denying access to the U.S. market.

Omri.

[redacted- telephone number]

[a] <http://bigstory.ap.org/urn:publicid:ap.org:62f2c97dcb544f129196047f34a081c0>

[b] <http://bigstory.ap.org/article/8d27d4339cc74c83a23eeb82eee2a7b4/us-diplomat-unlikely-mission-market-iran-wary-firms>

Don't Be So Quick to Do Business With Iran

The U.S. Congress will use all the tools at its disposal to name and shame those who pursue profit at the expense of innocent lives.

Peter J. Roskam

March 31, 2016 3:40 p.m. ET

It's a good time to be a repressive Iranian theocrat. Relieved of most sanctions by President Obama's nuclear deal, the mullahs have been flexing their muscles lately by firing ballistic missiles in violation of United Nations Security Council resolutions, capturing and humiliating American sailors, and firing rockets near U.S. ships. Meanwhile, Iran's President Hassan Rouhani is currently on an international tour to convey a simple message to the West: The Islamic Republic is open for business.

Employees, shareholders and executives at firms considering entering the Iranian market should not be tempted. If you wouldn't do business with Islamic State, you shouldn't do business with the Islamic Republic.

Since the implementation of the Joint Comprehensive Plan of Action, Western companies have quietly started to explore business opportunities in a country some view as an emerging market with untapped potential. After years of sanctions and economic stagnation, Iran is welcoming foreign investment with open arms.

But Iran isn't simply an emerging market with untapped potential. It's also the world's leading state sponsor of terrorism. It's the supplier and manufacturer of improvised explosive devices deployed to kill and maim thousands of American and coalition troops in Iraq and Afghanistan. It's the patron and partner of Bashar Assad in the slaughter of innocents in Syria, with nearly half a million killed so far.

Iran is a dangerous geopolitical foe led by a cult of extremists hell-bent on Western civilization's annihilation. It should not be considered open for business.

As President Obama begrudgingly admitted, Iranians will almost certainly use some of their \$100 billion sanctions-relief windfall to sow the seeds of even more death and destruction. The fingerprints of the Islamic Revolutionary Guard Corps will likely be found among the rubble.

More than a branch of the Iranian armed forces, the IRGC is a business empire. According to the U.S. Treasury Department, the IRGC is Iran's "most powerful economic actor." It represents around one-sixth of the country's gross domestic product, controls hundreds of companies and dominates vast sectors of the economy. Outlays to the IRGC account for the majority of Iran's defense budget. Taxes, oil revenue, tariffs and trade profits all flow directly into its coffers.

It's impossible to do business in Iran without dealing with the IRGC. Consider Iran Air, the state-owned airline, which has long sought repairs and replacements for its aging fleet of Boeing and Airbus planes. The IRGC has used those same planes to transport fighters and weaponry to Syria. Mahan Air, ostensibly a privately owned carrier, is planning new routes to Paris and

London. But Mahan, too, has been implicated in international terrorism and earned a Treasury Department designation for "providing financial, material and technological support" by "secretly ferrying operatives, weapons and funds on its flights."

Western companies must not force their employees or shareholders to become accomplices to such crimes. As chairman of the Ways and Means Oversight Subcommittee, I will do everything in my power to prevent Iran from obtaining additional means, financial or otherwise, to bolster its support for terrorism. Congress won't allow companies to receive foreign tax credits for levies paid to the Islamic Republic. Firms that enable Iranian terror may be hard-pressed to renew contracts with the Defense Department or other government agencies.

My colleagues and I will use all the tools at our disposal to name and shame the individuals and businesses that pursue short-term profit at the expense of innocent lives. These companies will need to choose between doing business with the U.S. and doing business with Iran.

Much like Islamic State, the Islamic Republic of Iran possesses a theology and eschatology fundamentally incompatible with peace and world order. It is my sincere hope the mullahs will end their support for terrorism and rejoin the community of nations. Until such time, Congress will neither relinquish its historic oversight role with regards to trade policy nor abrogate its responsibility to protect Americans from the threat of Iran's brand of radical Islamic terror.

Mr. Roskam, a member of the U.S. House of Representatives from Illinois, is chairman of the Ways and Means Subcommittee on Oversight.

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From: **Omri Ceren** <omric@theisraelproject.org>

Date: Thu, Mar 31, 2016 at 11:56 PM

Subject: BREAKING -- WSJ: Bipartisan backlash in Congress over new Iran sanctions giveaway -- Includes statements from House Speaker + Minority Whip

To:

Just posted online and running on A1 of the WJS tomorrow morning, Friday. The full article is pasted below, but here's the section about the bipartisan backlash, as of tonight:

Republican Sens. Marco Rubio of Florida and Mark Kirk of Illinois wrote Mr. Lew on Wednesday seeking assurances that Iran wouldn't be granted dollar access. Their offices said they haven't received responses.

In a letter to President Barack Obama on Thursday, Rep. Brad Sherman (D., Calif.), said, "I believe this will set bad precedent, and it will not be the last time the Iranians and/or their business partners receive additional relief not contemplated" under the nuclear deal...

House Speaker Paul Ryan said that the administration should abandon the dollar-access idea.

And House Democratic Whip Steny Hoyer, who gave qualified support to ending the sanctions regime during congressional debates, said he was opposed to granting Tehran any new relief "without a corresponding concession. We lose leverage otherwise, and Iran receives something for free."

Ping me know if you're reporting this out and/or need the full statements on any of these, and I can pass along the links or PDFs.

Omri.

[redacted- telephone number]

U.S. moves to give Iran limited access to dollars

By Jay Solomon
Wall Street Journal
March 31, 2016

<http://www.wsj.com/articles/u-s-moves-to-give-iran-limited-access-to-dollars-1459468597>

WASHINGTON — The Obama administration is preparing to give Iran limited access to U.S. dollars as part of looser sanctions on Tehran, according to congressional staff members and a former American official briefed on the plans.

The proposed move comes amid rising Iranian criticism that the landmark nuclear agreement reached last year between global powers and Tehran hasn't provided the country with sufficient economic benefits.

Executives at European and Asian banks have said in recent interviews that they remain reluctant to conduct any financial transactions with Iran due to fears they might run afoul of the U.S. Treasury and its regulations that ban dollar dealings with Iranian firms. Most major international trade, particularly in oil and gas, is conducted in U.S. dollars.

The Treasury is considering how to issue licenses to offshore dollar clearing houses for specific Iranian financial institutions, an approach that wouldn't require the involvement of American banks, according to the congressional officials. The clearing houses, likely involving select foreign banks, would conduct the dollar transactions instead, shielding the U.S. financial system from any direct contact with Iran, these officials said.

"They are looking at a couple mechanisms to allow for this dollar trade, stopping short of normalizing banking transactions," said a congressional banking official briefed by the administration on its plans, which haven't been finalized.

Treasury action on Iran's access to the dollar wouldn't require congressional approval.

American law still prohibits U.S. and foreign banks from dealing in dollars with Iran, despite the July nuclear agreement. The Treasury Department designates Iran's entire financial system as a "primary money laundering concern" due to Tehran's nuclear and missile programs and support for international terrorist groups, such as Hezbollah in Lebanon and Hamas in the Palestinian territories.

The U.S. Treasury and State departments declined to comment Thursday on preparations to allow Iran limited access to dollars.

But Treasury Secretary Jacob Lew has stressed in recent weeks the need for the U.S. to comply with the "letter and spirit" of the nuclear agreement and help Iran gain economic relief. Congressional officials following the deliberations said they expected a Treasury action could come within weeks, though they acknowledged details of the proposal were evolving.

Since 2006, the U.S. government has imposed an escalating campaign to freeze Iran out of the global banking system in a bid to persuade Tehran to roll back its nuclear program. The sanctions crippled Iran's economy and cut by more than half its oil exports. Under the nuclear agreement Iran consented to limit its nuclear aspirations in exchange for the lifting of most international sanctions.

Treasury and State Department officials have traveled to the Middle East, Europe and Asia in recent weeks to meet with foreign governments and private businesses to discuss ways to help Iranian commerce, according to U.S. officials, who didn't address the proposed dollar arrangement.

On Wednesday, Mr. Lew gave an address on sanctions policy at the Carnegie Endowment for International Peace, a Washington think tank, and argued the U.S. risked losing international credibility if it didn't follow through and provide Iran with significant relief.

"The risk that sanctions overreach will ultimately drive business activity away from the U.S. financial system could become more acute if alternatives to the United States as a center for financial activity... assume a larger role," Mr. Lew said.

The Treasury chief refused during a March congressional hearing to answer a lawmaker's questions about whether Iran would be granted access to the dollar. The administration will "make sure Iran gets relief," he responded.

Members of Congress from both parties have rapped reports that the White House is preparing to provide Iran with access to the U.S. dollar.

Lawmakers argued in letters to the administration this week that such a step risked undermining U.S. sanctions campaigns around the world, which are predicated on using the heft of the U.S. financial system to punish America's adversaries. Iran, they stressed, continues to support terrorism and is developing ballistic-missile capabilities, despite moving to scale back its nuclear program.

Republican Sens. Marco Rubio of Florida and Mark Kirk of Illinois wrote Mr. Lew on Wednesday seeking assurances that Iran wouldn't be granted dollar access. Their offices said they haven't received responses.

In a letter to President Barack Obama on Thursday, Rep. Brad Sherman (D., Calif.), said, "I believe this will set bad precedent, and it will not be the last time the Iranians and/or their business partners receive additional relief not contemplated" under the nuclear deal.

Senior members of Congress on Thursday also released statements voicing concern about the proposed arrangement.

House Speaker Paul Ryan said that the administration should abandon the dollar-access idea.

And House Democratic Whip Steny Hoyer, who gave qualified support to ending the sanctions regime during congressional debates, said he was opposed to granting Tehran any new relief "without a corresponding concession. We lose leverage otherwise, and Iran receives something for free."

Iran has conducted a string of ballistic-missile tests in recent months that the Obama administration said were "inconsistent" with a United Nations Security Council resolution, though it stopped short of charging Tehran with a violation. U.S. officials also believe Iran is a major supplier of arms and funding for the Bashar al-Assad regime in Syria and the Houthi militia in Yemen.

Since the agreement went into force in January, Iran has scaled back its nuclear activities. The U.S., however, has maintained penalties on Iranian defense and missile firms and individuals allegedly involved in human-rights abuses.

Iranian officials have increasingly complained that the ongoing U.S. penalties are prohibiting Iran from conducting normal business with a flood of European, Asian and Middle East companies that have sought to enter the Iranian markets.

Iran's Supreme Leader Ayatollah Ali Khamenei sharply criticized the Obama administration during a Persian New Year's speech for allegedly misleading Tehran's nuclear negotiators during the talks.

"Our banking trade, our efforts to return wealth from their banks, various kinds of businesses that require financial services, all of these are still facing problems," Mr. Khamenei said. "When we investigate the issue, it becomes obvious that [the banks] are afraid of the United States."

Mr. Lew and other U.S. officials said in the months after the nuclear agreement that Iran would continue to be denied any access to the U.S. financial system. This included blocking Iranians from establishing accounts at American banks or conducting dollar trade through European or Asian banks.

"Iranian banks will not be able to clear U.S. dollars through New York, hold correspondent account relationships with U.S. financial institutions, or enter into financial arrangements with U.S. banks," Mr. Lew said last summer.

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From: **Omri Ceren** <omric@theisraelproject.org>

Date: Thu, Mar 31, 2016 at 3:02 PM

Subject: CHEAT SHEET + RESOURCES on new Iran sanctions giveaway -- Everything (mostly) in one place

To:

For the last several weeks the administration has been working on a plan to provide Iran with new non-nuclear sanctions relief, above and beyond what's required under the nuclear deal. The new concession involves giving Iran access to the U.S. financial system and the U.S. dollar. Reporters started sniffing around the story mid-month, then the AP managed to confirm some of the details, then the administration publicly no-commented while privately leaking details to its validators, then finally this morning the AP locked down most of the rest of the plan [a].

And so coverage and analysis of the concession has been scattered across several weeks. Just to make sure you have everything (mostly) in one place, this how the story is playing as of this afternoon across politics, press, and policy.

Politics -- "Bait and switch" -- The administration sold the nuclear deal to Congress by promising that non-nuclear sanctions would be kept up in general and more specifically that Iran would never be given access to the U.S. financial system. Now the administration is reversing itself because the Iranians made noises about needing more concessions.

Lawmakers from both parties are livid about the bait-and-switch. Sens. Rubio and Kirk wrote a letter to Sec. Lew yesterday: "senior official in the Treasury Department have repeatedly assured Congress that the Administration will not allow Iran direct or indirect access of the U.S. financial system" [b]. Rep. Sherman has a separate letter, written after the AP story came out, bluntly stating "such relief runs counter to testimony to Congress by U.S. officials and is clearly not required by... [any] authority or

commitment by the United States." AFP's coverage of the concession this morning has an entire section titled "A battle with Congress" [c].

Press -- "Endless concessions" -- Skeptics of the president's diplomacy worried throughout the negotiations that any final deal would allow Tehran to indefinitely blackmail Washington into making more concessions: Iranian leaders would make noises about how they were growing frustrated with the deal, then Iranian diplomats would go to their American counterparts and ask for more concessions to 'placate the hardliners' or 'bolster the moderates' or 'show the public the benefits of the deal', then the Obama administration would cave in order to preserve the deal. Those scenarios were dismissed by the administration and its validators as fear-mongering conspiracism.

Fast forward to a few weeks ago: Iran's Khamenei began declaring that Iran was not getting enough out of the deal because of inadequate banking relief [d][e]. A few days later Iran deal supporters started declaring that Washington should make those concessions to boost Iran deal supporters [f][g][h]. Then earlier this week Sec. Lew floated that the U.S. has to make more concessions: "Since Iran has kept its end of the deal, it is our responsibility to uphold ours, in both letter and spirit" [i]. But of course - by definition - there's nothing in the nuclear deal obligating the U.S. to provide additional non-nuclear relief. It's just a new concession that the Iranians are demanding lest they walk away from the deal. The pattern is in line with what skeptics predicted about indefinite Iranian blackmail, which is how it's getting written up in many of the editorials and op-eds [j][k].

Policy -- Shredding the US sanctions regime and the global regime against illicit finance -- I just sent around an email with a summary and the text of a brief published yesterday by the Foundation for Defense of Democracies, which highlighted the domestic and international consequences of the concession [l]. Domestically it shreds what's left of the U.S. sanctions regime by dismantling the dollar prohibition and insulating Iran against the rest of them. Internationally it throws FATF - the world's money laundering watchdog - under the bus and meanwhile cannibalizes the integrity of the U.S. dollar, by using the dollar to paper over Iran's illicit financial activities. The arguments get technical in places but they're in the last email, so let me know if you didn't get it.

There's also a separate argument developing about how the concession threatens the effectiveness of American sanctions in the broadest terms: when American diplomats demand that other countries heed sanctions, the basis for U.S. demands is that Treasury imposes sanctions for good, objective, policy-oriented reasons. If it becomes clear that the U.S. is turning sanctions on and off for political rather than policy reasons, other entities will stop following Washington's lead [m].

Omri.

[redacted- telephone number]

[a]

http://hosted.ap.org/dynamic/stories/U/US_UNITED_STATES_IRAN?SITE=AP&SECTION=HOME&TEMPLATE=DEFAULT

[b] http://www.rubio.senate.gov/public/index.cfm?a=files.serve&File_id=DEF203B1-E717-452E-B09B-C9E7E7F51B84

[c] <http://news.yahoo.com/us-official-hints-letting-iran-trade-dollars-073902424.html>

[d] <http://uk.reuters.com/article/uk-iran-politics-newyear-banks-idUKKCN0WM0LC>

[e] https://twitter.com/khamenei_ir/status/707981817434009600

[f] <http://www.al-monitor.com/pulse/originals/2016/03/iran-sanctions-jcpoa-banking-khamenei-nowruz-speech.html>

[g] <http://www.reuters.com/article/us-iran-trade-finance-idUSKCN0WO1Y3>

[h] <http://thediplomat.com/2016/03/the-real-threat-to-the-iran-deal-tehrans-banking-system/>

[i] <http://bigstory.ap.org/article/328551369cd74bf09935fdb444819ce2>

[j] <http://www.washingtonexaminer.com/if-you-thought-obama-was-done-making-concessions-to-iran-think-again/article/2586846>

[k] <http://nypost.com/2016/03/27/obamas-next-gift-to-iran-means-breaking-another-promise-to-america/>

[l] <http://www.defenddemocracy.org/media-hit/dubowitz-mark-green-lighting-the-greenback/>

[m] <http://www.defenddemocracy.org/media-hit/dont-politicize-sanctions/>

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From: **Omri Ceren** <omric@theisraelproject.org>

Date: Thu, Mar 31, 2016 at 1:58 PM

Subject: POLICY summary on Iran dollar giveaway -- FDD report -- (1) shreds US sanctions regime (2) kneecaps money laundering watchdogs (3) cannibalizes dollar

To:

Earlier this morning the AP locked down an until-recently-secret administration plan to gift Iran with significant non-sanctions relief, far in excess of anything required by the nuclear deal [a]. The administration specifically intends to give Iran the ability to conduct transactions in dollars.

The AP article I sent around earlier got into of the politics of the concession: administration officials sold the nuclear deal to Congress explicitly by promising that this concession would never be granted, and more broadly that the opposite would happen: that non-nuclear pressure on Iran would be increased, not unwound. Lawmakers from both parties are shooting off letters about the brazen bait-and-switch, which the administration pulled just a couple months after the implementation of the deal.

The policy consequences a little more technical and require some unpacking. Mark Dubowitz and Annie Fixler - respectively the executive director and a policy analyst at the Foundation for Defense of Democracies - published a brief yesterday outlining some of what's likely to happen. The full article is pasted below but I've divided the highlights into domestic and international consequences:

Domestic -- it shreds what's left of the U.S. sanctions regime. On its own it's already enormous sanctions relief beyond what the Iranians are entitled to under the nuclear deal. But it's also a sort of concession that cascades across the rest of the sanctions regime, because much of what the U.S. targets - terrorism, ballistic missiles, support for Assad, etc - has to do with buying and selling stuff. The next president will be severely constrained:

[T]he next president's ability to target Iran's malign activities with non-nuclear sanctions will be much more difficult if billions of dollarized transactions are green lighted. The next administration won't easily be able to reverse this once it is in motion, made even more difficult by inevitable European and Asian pushback... U.S. sanctions will be severely undermined without any reciprocity... And Washington will have lost critical leverage to target Iran's terror

finance, missile activities, destabilizing regional aggression, systemic human rights abuses, and the financial and military backing of the Assad regime.

International -- it shreds the global regime against illicit finance. Start with the basic fact that Iran's banking system is toxic: the entire country is designated under the Patriot Act as a jurisdiction of prime money laundering concerns and FATF - the world's global money laundering watchdog - says Iran's activities pose a "serious threat... to the integrity of the international financial system." Fixler and Dubowitz have a separate brief today explaining that none of that has changed [b]. But allowing the Iranians to trade in dollars requires pretending - and encouraging others to pretend - that Iran's banking system is much healthier than it is. Then a couple things happen:

1st, the move kneecaps international money laundering watchdogs. The Financial Action Task Force (FATF) has been struggling for years to mainstream "counter-measures" against toxic transactions. Allowing the Iranians to dollarize would throw FATF under the bus. (The administration plan is already being compared to how U.S. diplomats kneecapped the IAEA, the world's nuclear watchdog, by sealing a deal with Iran without forcing Tehran to come clean to the IAEA, after Tehran spent years jerking the Agency around):

Iran's record of illicit finance has been the basis of several years of Financial Action Task Force (FATF) warnings. FATF, the global anti-money laundering and anti-terror finance standards body, regularly warns members that they should "apply effective counter-measures to protect their financial sectors" from illicit finance risks emanating from Iran. As recently as February 2016, FATF warned that Iran's "failure to address the risk of terrorist financing" poses a "serious threat ... to the integrity of the international financial system." If the U.S. green lights the greenback, it will undermine FATF's global standards. Iran will use an American green lighting in order to water down FATF's illicit finance warnings.

2nd, the move cannibalizes the dollar's reputation as a touchstone of financial integrity on Iran's behalf. Letting Iran dollarize effectively stakes the integrity of the dollar on the relative health of the Iranian banking system. But of course the Iranian banking system is actually toxic, which will slowly erode the dollar's reputation as a marker of financial integrity - while Iran leverages what's left to literally launder its way into the global financial system:

U.S. policy can be summed up this way: We did not want bad Iranian banks touching our financial sector, and we did not want our dollar directly or indirectly touching theirs even through dollarized transactions... Step-by-step, Iran will legitimize itself in the global financial and business community without fundamentally changing its financial practices. Just as it went from nuclear pariah to nuclear partner under the JCPOA without admitting to its nuclear weaponization work, Tehran will use this same strategy of coupling a denial of wrongdoing with demands for more and more concessions.

Omri.

[redacted- telephone number]

[a]

http://hosted.ap.org/dynamic/stories/U/US_UNITED_STATES_IRAN?SITE=AP&SECTION=HOME&TEMPLATE=DEFAULT

[b] <http://www.defenddemocracy.org/media-hit/dont-politicize-sanctions/>

Green Lighting the Greenback
Mark Dubowitz, Annie Fixler
30th March 2016 - FDD Policy Brief

In the past two weeks, Congress has pressed Treasury Secretary Jack Lew to clarify whether the Obama administration intends to offer Iran access to the U.S. financial system or the ability to transact in dollars. Secretary Lew has refused to answer that question directly, but he previously committed to the Senate Foreign Relations Committee in July that the terms of the Joint Comprehensive Plan of Action (JCPOA) would not grant Iran access to the U.S. financial system.

Today, in his speech at the Carnegie Endowment for International Peace, Secretary Lew said: "Since Iran has kept its end of the deal, it is our responsibility to uphold ours, in both letter and spirit."

Does this mean the administration's commitments to Congress have changed? Will the administration open up our financial system to Iran? Alternatively, will it maintain a prohibition on access to the U.S. financial system but permit offshore clearing for dollarized transactions through foreign large-value payment systems that can process dollar transactions without touching New York?

Either way, this reversal would have serious implications.

Building on the work of its predecessors, the Obama administration's sanctions policy was to deny Iran access to the U.S. financial system and to deny Iranian banks access to the U.S. dollar. For the past decade, the rationale has been clear: Iran's financial sector is a threat to the integrity of the global financial system and, in particular, to our system and currency. This was the basis of Treasury's decision in 2008 to ban U.S. financial institutions from processing "U-turns" – temporary dollar transactions between non-U.S. banks and Iranian banks (codified in section 1245(c) of the FY2012 National Defense Authorization Act). It also underpinned Treasury's section 311 USA Patriot Act 2011 finding that Iran, along with its entire financial sector, is a jurisdiction of primary money laundering concern – a finding also codified in section 1245 of the FY2012 NDAA.

U.S. policy can be summed up this way: We did not want bad Iranian banks touching our financial sector, and we did not want our dollar directly or indirectly touching theirs even through dollarized transactions. But the next president's ability to target Iran's malign activities

with non-nuclear sanctions will be much more difficult if billions of dollarized transactions are green lighted. The next administration won't easily be able to reverse this once it is in motion, made even more difficult by inevitable European and Asian pushback.

Iran's record of illicit finance has been the basis of several years of Financial Action Task Force (FATF) warnings. FATF, the global anti-money laundering and anti-terror finance standards body, regularly warns members that they should "apply effective counter-measures to protect their financial sectors" from illicit finance risks emanating from Iran. As recently as February 2016, FATF warned that Iran's "failure to address the risk of terrorist financing" poses a "serious threat ... to the integrity of the international financial system." If the U.S. green lights the greenback, it will undermine FATF's global standards.

Iran will use an American green lighting in order to water down FATF's illicit finance warnings. Step-by-step, Iran will legitimize itself in the global financial and business community without fundamentally changing its financial practices. Just as it went from nuclear pariah to nuclear partner under the JCPOA without admitting to its nuclear weaponization work, Tehran will use this same strategy of coupling a denial of wrongdoing with demands for more and more concessions.

If the Obama administration grants Iran access to the world's most important currency, U.S. sanctions will be severely undermined without any reciprocity. Tehran will receive yet another significant and unilateral concession. And Washington will have lost critical leverage to target Iran's terror finance, missile activities, destabilizing regional aggression, systemic human rights abuses, and the financial and military backing of the Assad regime.

Mark Dubowitz is executive director of the Foundation for Defense of Democracies where he focuses on Iran and directs FDD's Center on Sanctions and Illicit Finance. Find him on Twitter: @mdubowitz

Annie Fixler is a policy analyst at the Center on Sanctions and Illicit Finance. Find her on Twitter: @afixler

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From: **Omri Ceren** <omric@theisraelproject.org>

Date: Thu, Mar 31, 2016 at 11:11 AM

Subject: AP CONFIRMS: Obama admin to gift Iran new sanctions relief -- "Would reverse ban admin vowed to maintain" -- Expert: "Above and beyond what is required by nuclear deal"

To:

There are two Iran stories driving activity on the Hill:

1st, the Obama administration's stance that the Iran nuclear deal weakened the U.N.'s ballistic missile restrictions so much that it's no longer a "violation" when the Iranian military launches 800km and 2000km missiles. Reuters locked down that story yesterday [a].

2nd, the administration's until-recently-secret plan to grant Iran sweeping new sanctions relief - far beyond what's granted to Tehran by the nuclear deal - by letting the Iranians get access to the U.S. financial system and giving them the ability to dollarize their transactions. The Associated Press locked down this story a few hours ago, and the full article is pasted below.

Highlights:

-- The new relief is a gift that isn't required by the nuclear deal. It's just the Obama administration giving Iran a new concession, even after months of Iran launching missiles, abducting American civilians and sailors, escalating their threats to eradicate Israel, bolstering Assad, etc. The AP quotes Mark Dubowitz - executive director at the Foundation for Defense of Democracies - exactly on this point:

Dubowitz... said the administration's currency argument was "a bait and switch which ignores a long-standing administration commitment not to greenlight Iran's access to the greenback... This is above and beyond what is required by the nuclear deal," he argued.

-- Giving Iran access to the U.S. financial system very specifically violates the administration's pledge to Congress and journalists - made while selling the nuclear deal last year - never to give Iran that exact concession:

Several restrictions would apply, but such a license would reverse a ban that has been in place for several years and one the administration had vowed to maintain while defending last year's nuclear deal to skeptical U.S. lawmakers and the public.

-- More generally, giving Iran non-nuclear sanctions relief is the opposite of what the administration promised it would do, if only lawmakers would vote for the deal. The administration promised to "double down" on non-nuclear pressure, not unwind it:

Members of Congress are crying foul. The 2012 National Defense Authorization Act instructs the president to "block and prohibit" all Iranian assets if they "come within the United States, or are or come within the possession or control of a United States person." In a letter to Lew on Wednesday, Republican Sens. Marco Rubio and Mark Kirk said any Iranian access to dollars "would benefit Iran's financiers of international terrorism, human rights abuses and ballistic missile threats."

The administration tried to preempt this story a few days ago: they floated an argument about "sanctions overreach," in which they claimed that global corporations will abandon the U.S. market for the Iranian market if Washington doesn't give Iran more sanctions relief [b]. That pretext is not getting much traction, at least in part because it's a terrible argument.

Iran deal validators are already shifting to a new claim. Their argument this morning is that Washington has to gift Iran more relief to bolster the Rouhani government [c][d]. That pretext may also fail to convince lawmakers, who were told by the administration that the deal was a very limited gambit aimed solely at resolving the nuclear issue, which any Iranian government would have to abide by under the threat of sanctions snapback.

Omri.

[redacted- telephone number]

[a] <http://uk.reuters.com/article/uk-iran-missiles-exclusive-idUKKCN0WV2HD>

[b] https://www.washingtonpost.com/opinions/a-warning-against-the-overuse-of-sanctions/2016/03/29/9598557c-f5f5-11e5-8b23-538270a1ca31_story.html

[c] <https://twitter.com/TylerCullis/status/715525133562220544>

[d] <https://twitter.com/TylerCullis/status/715530358066921473>

http://hosted.ap.org/dynamic/stories/U/US_UNITED_STATES_IRAN?SITE=AP&SECTION=HOME&TEMPLATE=DEFAULT

Mar 31, 3:36 AM EDT

Officials: US mulls new rules on dollars to help Iran

By BRADLEY KLAPPER and MATTHEW LEE

Associated Press

AP Photo

AP Photo/Kin Cheung

WASHINGTON (AP) -- The Obama administration may soon tell foreign governments and banks they can start using the dollar in some instances to facilitate business with Iran, officials told The Associated Press, describing an arcane tweak to U.S. financial rules that could prove significant for Tehran's sanctions-battered economy.

While no decision is final, U.S. officials familiar with internal discussions said the Treasury Department is considering issuing a general license that would permit offshore financial institutions to access dollars for foreign currency trades in support of legitimate business with Iran, a practice that is currently illegal.

Several restrictions would apply, but such a license would reverse a ban that has been in place for several years and one the administration had vowed to maintain while defending last year's nuclear deal to skeptical U.S. lawmakers and the public.

The United States and other world powers reached agreement with Iran last summer to give the Islamic Republic billions of dollars in sanctions relief in exchange for its promise to curtail programs that would allow it to develop nuclear weapons

Because of its status as the world's dominant currency, the dollar often is used in money conversions. For example: If the Iranians want to sell oil to India and be paid in euros instead of

rupees, so they could more easily purchase European goods, the process commonly starts with the rupees being converted into dollars.

American sanctions block Iran from exchanging the money on its own. And Asian and European banks have steered clear of such transactions, fearful of U.S. regulators who have levied billions of dollars in fines in recent years and threatened transgressors with a cutoff from the far more lucrative American market. Using dollars to make even a rupees-to-euros conversion, following that example, would still involve the money entering the U.S. financial system, if only momentarily.

Dropping the prohibition would go a long way to meet Iran's complaints that the West hasn't sufficiently rewarded it for taking thousands of uranium-spinning centrifuges offline, exporting its stockpile of the bomb-making material and disabling a facility that would have been able to produce weapons-grade plutonium. But it surely would prompt intense opposition from critics of last July's nuclear accord.

If approved, the new guidance would allow dollars to be used in currency exchanges as long as no Iranian banks are involved, according to the officials, who weren't authorized to speak publicly on the matter and demanded anonymity. No Iranian rials can enter into the transaction, and the payment wouldn't be able to start or end with American dollars. The ban would still apply if the final payment is intended for an Iranian individual or business on a U.S. sanctions blacklist.

The administration has hinted the U.S. could introduce new sanctions concessions, but has confirmed nothing.

In a speech Wednesday, Treasury Secretary Jack Lew lauded Iran for accepting the nuclear deal to achieve its goal of ending Western sanctions. "Since Iran has kept its end of the deal, it is our responsibility to uphold ours, in both letter and spirit," he told the Carnegie Endowment for International Peace.

Lew warned that "sanctions overreach" risked driving business away from the United States, hurting the U.S. and global economy and empowering economic rivals.

"Our central role must not be taken for granted," he said. "If foreign jurisdictions and companies feel that we will deploy sanctions without sufficient justification or for inappropriate reasons - secondary sanctions, in particular - we should not be surprised if they look for ways to avoid doing business in the United States or in U.S. dollars."

Members of Congress are crying foul. The 2012 National Defense Authorization Act instructs the president to "block and prohibit" all Iranian assets if they "come within the United States, or are or come within the possession or control of a United States person."

In a letter to Lew on Wednesday, Republican Sens. Marco Rubio and Mark Kirk said any Iranian access to dollars "would benefit Iran's financiers of international terrorism, human rights abuses and ballistic missile threats." They cited testimony last year by Treasury Department's sanctions

chief, Adam Szubin, who told lawmakers Iran wouldn't be allowed "even to execute a dollarized transaction where a split second's worth of business is done in a New York clearing bank."

U.S. officials said the change wouldn't break that pledge because Iran still wouldn't have access to the American financial system. If an Indian bank exchanges the money with a Hong Kong clearinghouse and the money is eventually converted to non-U.S. currency, no Iranian institution ends up touching any dollars. And no Iranian rials would be entering the United States.

Both concerns are rooted in the Obama administration's designation of Iran in 2011 as a jurisdiction of "primary money laundering concern." Critics of Obama's outreach to Iran say softening the rules would provide Iran a foothold toward re-entering the global financial system, helping it raise more cash for U.N.-banned ballistic missile development or support of U.S.-designated terrorist groups.

Mark Dubowitz, an Iran sanctions expert at the Foundation for the Defense of Democracies and critic of the nuclear deal, said the administration's currency argument was "a bait and switch which ignores a long-standing administration commitment not to greenlight Iran's access to the greenback."

"This is above and beyond what is required by the nuclear deal," he argued.

Associated Press writer Deb Riechmann contributed to this report.

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From: **Omri Ceren** <omric@theisraelproject.org>

Date: Wed, Mar 30, 2016 at 2:36 PM

Subject: ICYMI -- Reuters: US drops claim that Iran ballistic missile launch is violation -- "most Iran could expect would be a public rebuke by the Security Council"

To:

Good Wednesday afternoon --

For the last two weeks the conversation has been about the Obama administration's until-recently-secret plan to gift the Iranians with more sanctions relief, beyond what was specified in the nuclear deal, because the Iranians made noises about abandoning the nuclear deal otherwise. The story is not going away the White House just launched what looks like a communications campaign to sell collapsing to the new Iranian demand (see the Washington Post and NYT from late yesterday [a][b]).

But today's conversation has been about a totally different non-nuclear concession to Iran, though it's also one where the administration seems to have misled Congress: the gutting of the ballistic missile ban.

Between 2010 and 2016 Iran was absolutely banned from developing ballistic missiles as a matter of international law, per UNSC resolution 1929: "Iran shall not undertake any activity related to ballistic missiles capable of delivering nuclear weapons"[c]. Lead negotiator Sherman told Congress in January 2014 - right when talks were beginning - that any final deal would roll back Iranian ballistic missile work [d]. But the final deal implemented in January 2016, and locked into international law as UNSC resolution 2231, did the exact opposite: 1st, it completely abolished the prohibition after 8 years and 2nd, it weakened the prohibition in the meantime: "Iran is called upon not to undertake any activity related to ballistic missiles designed to be capable of delivering nuclear weapons" [e].

Administration officials admitted they made the first concession, where they agreed to expire the ban after 8 years, but denied they made the second concession, where they agreed to weaken the prohibition in the meantime. Secretary Kerry and Ambassador Mull both told SFRC that ballistic missile launches would be a violation of UNSCR 2231 [f][g]. The Iranians said the opposite: they declared that the weakened language - "calls upon not to" instead of "shall not", "designed to be capable" instead of "capable" - meant there was no more ban to violate [h].

In early March the Iranians launched multiple 800km and 2000km missiles from silos across the country [i]. Ambassador Power took the matter to the UNSC but the Russians took the Iranian interpretation: Russian Ambassador Churkin declared "a call is different from a ban so legally you cannot violate a call... the legal distinction is there" [j].

So American diplomats went back to the drawing board to craft a response. Last night they submitted a joint US/EU report about the launches, which Reuters viewed and then described. The report complains that Iran's behavior is "inconsistent with" UNSCR 2231 - but drops any suggestion that there's been a legal violation. They're not even trying to make that argument any more:

The four powers' carefully worded letter stopped short of calling the Iranian launches a "violation" of the resolution, which "calls upon" Iran to refrain for up to eight years from activity, including launches, related to ballistic missiles designed with the capability of delivering nuclear weapons. Diplomats say key powers agree that request is not legally binding and cannot be enforced under Chapter 7 of the U.N. Charter, which deals with sanctions and authorization of military force. But Western nations, which view the language as a ban, say there is a political obligation on Iran to comply.

The full article is pasted below. The punchline:

Several diplomats said the most Iran could expect would be a public rebuke by the Security Council.

Iran is not going to help accountable for its ballistic missile launches by the United Nations, despite what American lawmakers and journalists were told before the deal was implemented. If anything is going to be done, it'll have to be done by Congress.

Omri.

[redacted- telephone number]

[a] https://www.washingtonpost.com/opinions/a-warning-against-the-overuse-of-sanctions/2016/03/29/9598557c-f5f5-11e5-8b23-538270a1ca31_story.html

[b] <http://www.nytimes.com/2016/03/30/us/politics/lew-defends-sanctions-but-cautions-on-overuse.html>

[c] [http://www.un.org/en/ga/search/view_doc.asp?symbol=S/RES/1929\(2010\)](http://www.un.org/en/ga/search/view_doc.asp?symbol=S/RES/1929(2010))

[d] <http://www.shearman.com/~media/Files/Services/Iran-Sanctions/US-Resources/Joint-Plan-of-Action/4-Feb-2014--Transcript-of-Senate-Foreign-Relations-Committee-Hearing-on-the-Iran-Nuclear-Negotiations-Panel-1.pdf>

[e] [http://www.un.org/en/ga/search/view_doc.asp?symbol=S/RES/2231\(2015\)](http://www.un.org/en/ga/search/view_doc.asp?symbol=S/RES/2231(2015))

[f] <http://www.foreign.senate.gov/hearings/072315>

[g] <http://www.c-span.org/video/?402200-1/hearing-iran-nuclear-agreement-implementation>

[h] <http://freebeacon.com/national-security/iran-vows-to-buy-weapons-anytime-anywhere/> [<http://www.redstate.com/2015/07/22/un-security-council-lifts-ballistic-missile-embargo-iran/>]

[i]

http://hosted.ap.org/dynamic/stories/M/ML_IRAN?SITE=AP&SECTION=HOME&TEMPLATE=DEFAULT&CTIME=2016-03-09-05-54-58

[j] <http://www.reuters.com/article/us-iran-missiles-un-idUSKCN0WG1NG>

<http://uk.reuters.com/article/uk-iran-missiles-exclusive-idUKKCN0WV2HD>

Exclusive: Iran missile tests were 'in defiance of' U.N. resolution - U.S., allies
UNITED NATIONS By Louis Charbonneau

Iran's recent ballistic tests involved missiles capable of delivering nuclear weapons and were "inconsistent with" and "in defiance of" council resolution 2231, adopted last July, said the joint U.S., British, French, German letter to Spain's U.N. Ambassador Roman Oyarzun Marchesi and U.N. chief Ban Ki-moon.

The letter said the missiles used in the recent launches were "inherently capable of delivering nuclear weapons." It also asked that the Security Council discuss "appropriate responses" to

Tehran's failure to comply with its obligations and urged Ban to report back on Iranian missile work inconsistent with 2231.

Spain has been assigned the task of coordinating council discussions on resolution 2231.

Council diplomats have said the case for new U.N. sanctions was weak, hinging on interpretation of ambiguous language in a resolution adopted as part of a July nuclear deal to drastically restrict Iran's nuclear work.

Western officials say that although the launches went against 2231, they were not a violation of the core nuclear agreement between Iran, Britain, China, France, Germany, Russia and the United States.

Russia, a permanent veto-wielding council member, has made clear it does not support new U.N. sanctions on Iran. Both Russia and China had lobbied against continuing restrictions on Iran's missile programme during last year's negotiations on the nuclear deal.

The four powers' carefully worded letter stopped short of calling the Iranian launches a "violation" of the resolution, which "calls upon" Iran to refrain for up to eight years from activity, including launches, related to ballistic missiles designed with the capability of delivering nuclear weapons.

Diplomats say key powers agree that request is not legally binding and cannot be enforced under Chapter 7 of the U.N. Charter, which deals with sanctions and authorization of military force. But Western nations, which view the language as a ban, say there is a political obligation on Iran to comply.

International sanctions on Tehran were lifted in January under the nuclear deal.

The commander of Iran's Revolutionary Guards' missile battery said the missiles tested were designed to be able to hit U.S. ally Israel. The United States condemned the remarks and Russia said countries should not threaten each other.

The letter said the four Western powers "note with concern that Iranian military leaders have reportedly claimed these missiles are designed to be a direct threat to Israel."

Several diplomats said the most Iran could expect would be a public rebuke by the Security Council. Under the nuclear deal, the reimposition of U.N. sanctions would only be triggered by violations of the agreed restrictions on Iran's atomic work.

But a council rebuke could provide a legal springboard for European countries to consider new sanctions against Iran, Western diplomats said.

Last week the U.S. Treasury Department blacklisted two Iranian companies for supporting Iran's ballistic missile programme, and also sanctioned two British businessmen it said were helping an airline used by Iran's Revolutionary Guards.

France has also suggested there could be unilateral European Union sanctions against Iran over the launches.

(Additional reporting by Michelle Nichols; Editing by Andrew Hay)

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From: **Omri Ceren** <omric@theisraelproject.org>

Date: Tue, Mar 29, 2016 at 4:54 PM

Subject: BREAKING + TRANSCRIPT -- AP vs State Dept on new sanctions giveaway to Iran -- "Doesn't sound like it's going to ease any of the concerns on the Hill"

To:

Last week the AP revealed the Obama administration is secretly planning to provide Iran with non-nuclear sanctions relief, and more specifically to give the Iranians access to the U.S. financial system and the dollar [a].

Last summer Secretary Lew had testified to Congress last summer that the concession was beyond the scope of last summer's nuclear deal and U.S. sanctions chief Adam Szubin had emphasized that the dollarization prohibition was "not part of the relief offered under the JCPOA" and had "origins long before Iran had a nuclear program [b][c]. But a few weeks ago the Iranians started prominently demanding new concessions and implying they might abandon the deal if the Obama administration didn't grant them [d]. The call was echoed within days by Iran deal supporters [e][f][g]. Then the AP revealed that the administration was preparing to meet the new demand, which generated a strong pushback from the Hill.

AP diplomatic correspondent Matthew Lee asked State Department spokesman Kirby at today's press briefing about whether lawmakers are right to be worried that the administration is about to violate its explicit, ironclad commitment to Congress. Kirby punted to Treasury. Lee asked again. Kirby punted again. So Lee flat out asked if the State Department was withdrawing the commitment - which it made to Congress - about never giving Iran access to the U.S. financial system.

Kirby's answer was that the administration remains committed to meeting its obligations... but to Iran. Congress would be consulted, he added. The full transcript and a link to the video are below, but here's the relevant part, which begins at 2:06 on the video:

LEE: But from the State Department perspective, does State believe that this is a hard and fast assurance and that this assurance stands that Iran, under the terms of the sanctions relief in the nuclear deal, cannot and will not get access to the U.S. financial system? Is that an assurance that you, speaking for the State Department can make?

KIRBY: Again, nothing has changed about our view of our obligations under the JCPOA, and we are going to meet all those commitments and obligations. And we're going to continue to

consult with Congress on the way ahead, but I, again, for this specific concern, I would refer you to the Treasury Department.

And the punchline:

LEE: Yeah, I have to say that doesn't sound like it's going to ease any of the concerns on the Hill. But thank you for the answer.

As a matter of policy the concession will: 1st, shred the non-nuclear U.S. sanctions regime on ballistic missiles, terrorism, human rights, etc and constitute a "total implosion of US financial policy on Iran," according to Jonathan Schanzer, VP for research at the Foundation for Defense of Democracies [h]. 2nd, undermine the integrity of the U.S. dollar by using it to send a diplomatic signal that Iranian banks are clean [i]. 3rd, poison the international financial system with toxic Iranian assets and undermine global money laundering watchdogs who are targeting Iran, according to Sen. Kirk [j]. 4th, lock in a pattern in which the Iranians can successfully blackmail Washington into making additional non-nuclear concessions by threatening to walk away from the deal [k].

The conversation is already focusing on that fourth implication, about blackmail. Iran deal skeptics had long worried that Tehran would use the final deal as leverage to indefinitely demand new concessions. That already seemed to be happening: Tehran recently coerced the White House into illegally gutting Congressional anti-terrorism legislation by declaring the legislation would be a nuclear deal violation [m]. The new dollar concession - which remember had been ruled out categorically stated beyond the scope of the deal by Treasury officials - is being read as a confirmation of the pattern [l]. During last summer's debate the administration and its validators had dismissed the blackmail scenario as conspiracy theory fear-mongering.

As a matter of politics, the President personally sent letters to lawmakers promising he would work with Congress to double down on non-nuclear sanctions, if only they would decline to vote against the Iran deal. The White House seems to be preparing to do exactly the opposite: not boosting non-nuclear sanctions but instead unwinding them.

Omri.

[redacted- telephone number]

[a] <http://bigstory.ap.org/article/b2c1eb1820154a518deb12b85882536e/gop-worries-obama-leaving-door-open-new-iran-relief>

[b] <https://www.treasury.gov/press-center/press-releases/Pages/jl0129.aspx>

[c] <http://www.washingtoninstitute.org/uploads/Documents/other/SzubinTranscript20150916-v2.pdf>

[d] https://twitter.com/khamenei_ir/status/707981817434009600

[e] <http://www.al-monitor.com/pulse/originals/2016/03/iran-sanctions-jcpoa-banking-khamenei-nowruz-speech.html>

[f] <http://www.reuters.com/article/us-iran-trade-finance-idUSKCN0WO1Y3>

[g] <http://thediplomat.com/2016/03/the-real-threat-to-the-iran-deal-tehrans-banking-system/>

[h] <https://twitter.com/JSchanzer/status/714420863991422977>

[i] <http://www.wsj.com/articles/dollarizing-the-ayatollahs-1459115248>

[j] <http://freebeacon.com/national-security/congress-seeks-fight-obama-effort-give-iran-access-u-s-markets/>

[k] <http://nypost.com/2016/03/27/obamas-next-gift-to-iran-means-breaking-another-promise-to-america/>

[l] <http://www.washingtonexaminer.com/article/2586846/>

[m] <http://www.wsj.com/articles/u-s-reassures-iran-on-visa-restrictions-1450654648--->

<http://www.c-span.org/video/?c4586947/iran-sanctions-relief>

MATT LEE, AP: Iran. There is concern on Capitol Hill and there is a lot of concern on Capitol Hill about a lot of things, some of it's well placed and some of it is not, frankly. But in terms of the Iran and the Iran nuclear deal, a lot of the concern on the Hill has been well placed or at least founded in some kind of fact.

The concern that I am talking about now is that somehow despite assurances that the administration gave to lawmakers over the course of the negotiations on the nuclear deal that Iran would not get any kind of access to the United States financial system that in fact the administration is preparing to open up a back door for the Iranians to use to get into and use the financial system. Are these concerns from people on the Hill, are they based in any kind of reality?

KIRBY: So we've been aware obviously of concerns by members of the Hill since the deal -- even before the deal was negotiated. And we are continuing to consult and discuss those issues and those concerns with members of Congress. The Secretary will remain committed to that. With this particular issue, I would refer you to the Treasury Department.

LEE: So it has been the State Department, along with Treasury and other parts of the White House and other parts of the administration that have made this argument or told lawmakers, assured lawmakers that they would not under this deal get access to the financial system. You're not in a position to say that that is still the case? You're just going to kick it over to the Treasury and let them, and let them either say this is unfounded or no, in fact, this is true.

KIRBY: What I would tell you, what I would tell you is we are aware of concerns. We are discussing these concerns with members of Congress. I think we are going to leave it at that level for right now. And it is largely an issue for the Treasury Department to speak to.

LEE: But from the State Department perspective, does State believe that this is a hard and fast assurance and that this assurance stands that Iran, under the terms of the sanctions relief in the nuclear deal, cannot and will not get access to the U.S. financial system? Is that an assurance that you, speaking for the State Department can make?

KIRBY: Again, nothing has changed about our view of our obligations under the JCPOA, and we are going to meet all those commitments and obligations. And we're going to continue to consult with Congress on the way ahead, but I, again, for this specific concern, I would refer you to the Treasury Department.

LEE: Does the State Department believe that keeping Iran out of, or preventing Iran from getting access to the U.S. financial system is an obligation that the administration has under the nuclear deal, despite the sanctions relief. Is that still the case?

KIRBY: Yeah I think I would just refer you to what I've said before. I think we are mindful of our obligations under the JCPOA. We are also mindful of our obligations to keep Congress informed as we work through that implementation. And for specific issues about the monetary system, I'd refer you to Treasury.

LEE: Yeah, I have to say that doesn't sound like it's going to ease any of the concerns on the Hill. But thank you for the answer.

KIRBY: You are welcome.

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From: **Omri Ceren** <omric@theisraelproject.org>

Date: Mon, Mar 28, 2016 at 3:28 PM

Subject: New sanctions giveaway to Iran 3/3 -- PRESS reaction -- "If you thought Obama was done making concessions to Iran think again"

To:

The last email for today on how last week's AP scoop - about the Obama administration preparing to grant new sanctions relief to Iran - is playing [a]. The last two emails were about the policy consequences and political reactions. This one is about how the story is getting covered in the press. I was hoping to add whatever happened at today's State Department briefing, but it was cut short for Secretary Kerry's meeting with the Turks, so this email is just through the weekend).

The Washington Examiner posted an editorial at the very end of last week that's a good distillation of the first wave of press coverage. The whole thing is pasted below but I specifically wanted to flag how the new concession is getting framed, because it gets at the public optics beyond the politics and policy: the Iranians are using the deal to blackmail the Obama administration.

Critics over the summer sketched out exactly this scenario. The argument was that the Iranians would leverage the deal on at least three levels to blackmail Washington: 1st whenever the Tehran did something Washington didn't like, they'd use the deal to compel the Obama administration to look the other way, 2nd whenever Washington did something Tehran didn't like, the Iranians would coerce the administrations into reversing that policy, and 3rd the Iranians would come back again and again with new demands, threatening to walk away from the deal if they didn't get them.

All of that has already happened. 1st the Obama administration has sought to play Iran's lawyer in order to excuse Iranian misbehavior: White House spokespeople rushed to excuse Iran for abducting American sailors and Secretary Kerry refused to admit in Congressional testimony that Iran purchasing Russian warplanes would violate what's left of the arms embargo [b][c]. 2nd the Obama administration has reversed policies that the Iranians objected to: recently the White House gutted Congressional anti-terror legislation after the Iranians declared the legislation a JCPOA violation [d].

And now 3rd - the Iranians have come back with a new demand for sanctions relief beyond the deal, and the administration is preparing to meet the demand:

One of the arguments critics of the Iran deal made during last year's debate was that beyond the staggering immediate concessions to Iran, the deal paves the way for ongoing and future concessions. The reason is that the reality of the agreement leaves the U.S. hamstrung by fear that Iran can use anything as a pretext to pull out of the deal. We're now starting to see this play out, as Obama administration officials are signaling that they may provide additional sanctions relief to address Iranian complaints, even though they promised Congress no such relief would ever be provided...

[T]he U.S. will continue to make concessions that will make it easier for Iran to sponsor terrorism and make them a stronger bad actor throughout the Middle East... the Obama administration's concessions to Iran did not end in Vienna last summer. They merely started there.

The new concession is bad policy: it directly endangers the global financial order by backing toxic Iranian assets with the U.S. dollar, and in the process it nukes the integrity of the greenback, which endangers the global financial order in a totally different way [e]. It's also bad politics: it reverses the core deliverable promised to Congress in exchange for voting on the deal, which was to double down on non-nuclear sanctions [f].

But there's also this additional element where it confirms exactly the scenario that critics sketched of never-ending concessions. The administration and its validators derided that concern as a conspiracy theory.

Omri.

[redacted- telephone number]

[a] <http://bigstory.ap.org/article/b2c1eb1820154a518deb12b85882536e/gop-worries-obama-leaving-door-open-new-iran-relief>

[b] <https://www.youtube.com/watch?v=Lq7c0b8PfBk>

[c] <http://freebeacon.com/national-security/kerry-wont-commit-veto-russian-fighter-jet-sale-iran/>

[d] <http://www.wsj.com/articles/u-s-reassures-iran-on-visa-restrictions-1450654648>

[e] <http://www.wsj.com/articles/dollarizing-the-ayatollahs-1459115248>

[f] <http://freebeacon.com/national-security/congress-seeks-fight-obama-effort-give-iran-access-u-s-markets/>

<http://www.washingtonexaminer.com/article/2586846/>

If you thought Obama was done making concessions to Iran -- think again
By PHILIP KLEIN (@PHILIPAKLEIN)
3/25/16 12:36 PM

One of the arguments critics of the Iran deal made during last year's debate was that beyond the staggering immediate concessions to Iran, the deal paves the way for ongoing and future concessions. The reason is that the reality of the agreement leaves the U.S. hamstrung by fear that Iran can use anything as a pretext to pull out of the deal. We're now starting to see this play out, as Obama administration officials are signaling that they may provide additional sanctions relief to address Iranian complaints, even though they promised Congress no such relief would ever be provided.

Specifically, the Associated Press reports that the U.S. government could be on the verge of a major capitulation: "The Obama administration is leaving the door open to new sanctions relief for Iran, including possibly long-forbidden access to the U.S. financial market."

Last summer, as the deal was being debated, administration officials told Congress that this would never happen as a way of reassuring skeptics who feared that the entire sanctions regime against Iran was being unraveled. Plenty of layers of sanctions still remained to pressure Iran, the administration argued.

Treasury Secretary Jack Lew insisted to Congress that under the deal Iran would "be denied access to the world's largest financial and commercial market."

Additionally, the head of Treasury's sanctions division said, "Iran will not be able to open bank accounts with U.S. banks, nor will Iran be able to access the U.S. banking sector."

When asked if this was still the case, Lew said the U.S. may take future action to "make sure Iran gets relief." The Treasury Department told the AP, "We will continue to analyze the sanctions lifting and its effects."

To recap, in addition to \$150 billion in sanctions relief, through the nuclear agreement, the administration caved into Iran on uranium enrichment, ballistic missiles, inspections, the duration of the deal's restrictions and the maintenance of a facility under a bunker.

When the U.S. received nothing from Iran in terms of ending its sponsorship of terrorism or its human rights violations, the excuse from administration officials was always that there was a concerted effort to limit the negotiations to the Iranian nuclear program.

But the latest concession evidently under consideration by the administration would blow a hole in the entire sanctions regime. So it seems that in reality, it was only Iran's concessions to the U.S. that were limited to the nuclear program — and even those were paltry. In reality, the U.S. will continue to make concessions that will make it easier for Iran to sponsor terrorism and make them a stronger bad actor throughout the Middle East.

As it is, since the deal was signed, the administration has been weak in responding to Iranian ballistic missile tests and it has accepted a prominent role for the radical regime in the Syrian peace process, even though Iran shares a lot of the blame for the situation in Syria.

In other words, the Obama administration's concessions to Iran did not end in Vienna last summer. They merely started there.

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From: **Omri Ceren** <omric@theisraelproject.org>

Date: Mon, Mar 28, 2016 at 10:43 AM

Subject: New sanctions giveaway to Iran 2/3 -- POLITICS roundup -- move "ignores American laws" + admin "looking for ways to make further concessions to Iran"

To:

A few weeks ago the Iranians began demanding another round of sanctions relief, and hinting that they'd abandon the nuclear deal if they didn't get it [a][b][c][d]. Last week the AP revealed that the Obama administration is preparing to collapse to that new demand [e]. The last email was about the potential policy consequences of that collapse: a "total implosion of US financial policy on Iran" (let me know if you didn't get it).

Politically, lawmakers are gearing up to block the administration's planned concession. Top Treasury officials promised Congress over the summer the concession would never ever happen, and now it seems as if the administration is willing to give Iran relief beyond the nuclear deal, just to preserve the nuclear deal [f][g]. The Washington Free Beacon this morning has a roundup of the first wave of reactions, which are coming mostly from Republicans.

The next round of responses will come from Democrats, for whom the issue is potentially toxic. Top Democrats who voted for the nuclear deal over the summer did so specifically because the President assured them - personally, via letter - that the administration would work with Congress to push back against Iran on ballistic missiles, human rights, terrorism, etc [h][i]. Now the administration is preparing to destroy the basis for sanctions against ballistic missiles, human rights, terrorism, etc. Even if those sanctions technically stay on the books, the Iranians will be insulated from their effects, which is exactly why Tehran is demanding these new concession now.

In the meantime, here are the reactions from the Hill as of this morning, per the WFB article (pasted below):

Sen. Kirk -- violates U.S. law and undermines global efforts against money laundering -- "Any administration effort to get foreign financial institutions or foreign-based clearing houses to enable Iran's terror-sponsoring regime to conduct transactions in U.S. dollars ignores American laws and the Financial Action Task Force... Such an effort would benefit Iran's terror financiers while fundamentally undermining the USA PATRIOT ACT 311 finding that Iran's entire financial sector is a jurisdiction of primary money laundering concern... [It would also undermine] the Financial Action Task Force's ongoing calls for international countermeasures to protect financial sectors from Iran's terrorist financing."

Rep. DeSantis -- dismantles remaining U.S. sanctions -- "Further sanctions relief would mark the death knell for U.S. sanctions and would represent a boon to the Iranian regime and its Revolutionary Guard Corp... The lengths to which the Obama administration is willing to go to empower Iran is breathtaking."

Rep. Roskam -- optics of more concessions -- "[The] administration has lost all credibility on Iran... President Obama and Secretary Kerry have played the pied piper so many times now... Western

companies have to make the determination themselves whether or not they want to make their employees and shareholders complicit in funding terrorism."

Rep. Pompeo -- enables Iranian terrorism -- "As if a windfall of over \$100 billion in sanctions relief was too small, and the massive cash influx into Iran from new business deals too paltry, President Obama appears to be looking for ways to make further concessions to Iran... American and international businesses can't ignore the Islamic Revolutionary Guard Corps' vast control of the Iranian economy and the threat Iranian banks pose to the international financial system."

Omri.

[redacted- telephone number]

[a] https://twitter.com/khamenei_ir/status/707981817434009600

[b] <http://www.al-monitor.com/pulse/originals/2016/03/iran-sanctions-jcpoa-banking-khamenei-nowruz-speech.html>

[c] <http://www.reuters.com/article/us-iran-trade-finance-idUSKCN0WO1Y3>

[d] <http://thediplomat.com/2016/03/the-real-threat-to-the-iran-deal-tehrans-banking-system/>

[e] <http://bigstory.ap.org/article/b2c1eb1820154a518deb12b85882536e/gop-worries-obama-leaving-door-open-new-iran-relief>

[f] <https://www.treasury.gov/press-center/press-releases/Pages/jl0129.aspx>

[g] <http://www.washingtoninstitute.org/uploads/Documents/other/SzubinTranscript20150916-v2.pdf>

[h] <http://www.theatlantic.com/national/archive/2015/08/obamas-letter-and-democrats-wavering-on-the-deal-with-iran/401972/>

[i] <http://www.nytimes.com/2015/08/21/world/middleeast/in-letter-obama-tells-congress-us-will-still-press-iran.html>

<http://freebeacon.com/national-security/congress-seeks-fight-obama-effort-give-iran-access-u-s-markets/>

Congress Seeks Fight Over Obama Effort to Give Iran Access to US Markets
Lawmakers say Obama admin may violate U.S. law for Iran
Adam Kredo
March 28, 2016 5:00 am

Leading foreign policy voices in Congress say they are preparing to fight against an Obama administration effort to provide Iran unprecedented access to U.S. financial resources as part of an expanded package meant to address new demands from the Islamic Republic's for greater economic concessions, according to several conversations between the Washington Free Beacon and top lawmakers.

The Obama administration is currently exploring new options to grant Iran more sanctions relief than promised under the comprehensive nuclear agreement reached last year, just days after Iran's Supreme Leader gave a speech accusing the United States of interfering with Iranian banking.

Top foreign policy voices in Congress told the Free Beacon in recent days that they are exploring a range of responses if the Obama administration goes through with reported plans to grant Iran further concessions beyond the purview of the nuclear deal, which dismantled key nuclear-related U.S. sanctions against Iran. At least part of this action could violate current U.S. laws, they said.

The planned concessions could include access to the U.S. dollar and financial markets, which the Obama administration promised would never take place under the deal, according to recent disclosures first reported by the Associated Press.

The Iranian government has recently heightened complaints that it is not being granted enough relief from international economic sanctions as a result of the recently implemented nuclear deal.

The Obama administration's latest move to placate the Iranians comes on the heels of a Free Beacon report last week disclosing that U.S. officials engaged in secret talks with Iran for years before agreeing in January to pay it nearly \$2 billion in taxpayer funds.

The reports have generated harsh responses from lawmakers, who say that the administration's plans would endanger American economic influence and put the entire international financial system at risk from Iran's illicit finance and money laundering activities.

"Any administration effort to get foreign financial institutions or foreign-based clearing houses to enable Iran's terror-sponsoring regime to conduct transactions in U.S. dollars ignores American laws and the Financial Action Task Force," Sen. Mark Kirk (R., Ill.) told the Free Beacon.

"Such an effort would benefit Iran's terror financiers while fundamentally undermining the USA PATRIOT ACT 311 finding that Iran's entire financial sector is a jurisdiction of primary money laundering concern," Kirk said.

It would also undermine "the Financial Action Task Force's ongoing calls for international countermeasures to protect financial sectors from Iran's terrorist financing," explained Kirk, who is backing a new effort in Congress to increase sanctions on Iran as a result of its recent ballistic missile tests, which violate United Nations resolutions.

Rep. Mike Pompeo (R., Kan.), a member of the House Permanent Select Committee on Intelligence, warned that the Obama administration's latest move could set the stage for the Iranian Revolutionary Guards Corps, or IRGC, to gain a foothold in the U.S. economy.

"As if a windfall of over \$100 billion in sanctions relief was too small, and the massive cash influx into Iran from new business deals too paltry, President Obama appears to be looking for ways to make further concessions to Iran," said Pompeo, who also has backed new legislation to sanction Iran. "This would be comical if it wasn't so dangerous."

"American and international businesses can't ignore the Islamic Revolutionary Guard Corps' vast control of the Iranian economy and the threat Iranian banks pose to the international financial system," Pompeo continued in a statement to the Free Beacon.

"In contrast with the absurd policies of the Obama administration, I work with my colleagues in Congress to protect America's national security interests—just as we have in response to Iran's recent ballistic missile tests."

Pompeo is independently investigating the Obama administration's recent \$1.7 billion payment to Iran, which he and others viewed as a "ransom payment" for the Islamic Republic's recent release of several captured Americans.

Other longtime Iran critics in Congress also expressed concern over administration efforts to provide Iran with even more economic freedom.

"Further sanctions relief would mark the death knell for U.S. sanctions and would represent a boon to the Iranian regime and its Revolutionary Guard Corp," Rep. Ron DeSantis, a member of the House Foreign Affairs Committee, told the Free Beacon. "The lengths to which the Obama administration is willing to go to empower Iran is breathtaking."

Rep. Peter Roskam (R., Ill.) explained that the "administration has lost all credibility on Iran" as a result of its efforts to accommodate Iranian demands.

"President Obama and Secretary Kerry have played the pied piper so many times now," Roskam told the Free Beacon. "Western companies have to make the determination themselves whether or not they want to make their employees and shareholders complicit in funding terrorism."

When asked to comment on concerns in Congress, a State Department official told the Free Beacon that it is aware of lawmaker requests for more information on "additional sanctions relief."

The official added that as long as Iran continues to adhere to the nuclear agreement, the United States "will continue" to do the same.

Obama administration officials first guaranteed last year that Iran would not be permitted to conduct foreign transactions in dollars. This promise, however, is being reevaluated as the administration seeks to keep Iran from walking away from the nuclear deal.

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From: **Omri Ceren** <omric@theisraelproject.org>

Date: Mon, Mar 28, 2016 at 10:18 AM

Subject: New sanctions giveaway to Iran 1/3 -- POLICY overview -- "Total implosion of US financial policy on Iran"

To:

Good Monday morning --

Last week the AP revealed the Obama administration is planning to provide Iran with another wave of sanctions relief, because the Iranians are demanding it [a]. The Iranians started prominently demanding new concessions a few weeks ago, and their calls were then taken up by Iran deal supporters [b][c][d][e]. The planned concessions go way beyond the nuclear-related sanctions lifted by the summer deal, and include giving Iran access to U.S. financial markets and the dollar, something administration officials swore last summer would never ever happen [f][g].

The administration's collapse will drive the conversation this week. There have already been a range of responses from policy analysts, from Congress, and from the press. I'll send around highlights this morning.

First up: the policy implications. Mark Dubowitz and Jonathan Schanzer - executive director and vice president for research at the Foundation for Defense of Democracies - have a new piece in the WSJ

unpacking the debate over this new concession. The full piece is pasted below. Schanzer linked to it on Twitter this morning and summarized the argument: allowing Iran access to the U.S. dollar would be "a total implosion of US financial policy on Iran" [h].

The broad points from the piece:

The administration ruled out letting Iran dollarize until the Iranians made their new demand - *Treasury Secretary Jacob Lew was adamant during a congressional grilling last July. "Iranian banks will not be able to clear U.S. dollars through New York," he told the Senate Foreign Relations Committee, or "hold correspondent account relationships with U.S. financial institutions, or enter into financing arrangements with U.S. banks."... What explains this possible reversal? Most likely, Iran demanded it. Secretary of State John Kerry and Foggy Bottom, always fearful that Tehran will walk away from the nuclear deal, may be ready to comply.*

The administration ruled out letting Iran dollarize for a good reason: it will nuke the U.S. greenback and poison the global financial system - *Congress is getting ready for a fight. It's not hard to understand why. The Financial Action Task Force, a global antiterrorism finance body, maintains a severe warning about Iranian financial practices. Last month it warned that Iran's "failure to address the risk of terrorist financing" poses a "serious threat... to the integrity of the international financial system." The Treasury Department also recognizes the danger, in 2011 labeling the Islamic Republic a "jurisdiction of primary money laundering concern." That finding, which remains in place, cites Iran's "support for terrorism," and "illicit and deceptive financial activities."*

And now the technical stuff.

The Obama administration will likely claim that letting Iran trade in dollars helps monitor the deal and gives the U.S. leverage to enforce it. The bottom half of the Dubowitz and Schanzer piece dismantles those arguments. Most broadly, Treasury long ago assessed that the cost of giving Iran access to the U.S. financial system outweighed the intelligence benefits. Regarding monitoring, the Iranians won't directly use their dollars for nefarious purposes - exactly because they know we'd catch them - but will instead use the newfound credibility that dollar access gives their banks for those purposes. Regarding leverage, the U.S. won't gain any new leverage because Iran will keep their dollars where the US can't get them. In fact the administration argument on leverage is backwards: Obama officials told Congress over the summer that access to the dollar was being withheld specifically to provide the U.S. with leverage over non-nuclear activities - ballistic missiles, terrorism, human rights, etc - so "why throw away that leverage in exchange for no new concessions?"

The technical policy issues are devastating but they may get overshadowed by the even more devastating political optics: the administration told Congress that it had made a final set of concessions to Iran and promised that access to the dollar would never be granted, then the Iranians came back and demanded access to the dollar, and now the administration is collapsing. See the next email for how that's playing out on the Hill.

Omri.

[redacted- telephone number]

[a] <http://bigstory.ap.org/article/b2c1eb1820154a518deb12b85882536e/gop-worries-obama-leaving-door-open-new-iran-relief>

[b] https://twitter.com/khamenei_ir/status/707981817434009600

[c] <http://www.al-monitor.com/pulse/originals/2016/03/iran-sanctions-jcpoa-banking-khamenei-nowruz-speech.html>

[d] <http://www.reuters.com/article/us-iran-trade-finance-idUSKCN0WO1Y3>

[e] <http://thediplomat.com/2016/03/the-real-threat-to-the-iran-deal-tehrans-banking-system/>

[f] <https://www.treasury.gov/press-center/press-releases/Pages/jl0129.aspx>

[g] <http://www.washingtoninstitute.org/uploads/Documents/other/SzubinTranscript20150916-v2.pdf>

[h] <https://twitter.com/JSchanzer/status/714420863991422977>

<http://www.wsj.com/articles/dollarizing-the-ayatollahs-1459115248>

Dollarizing the Ayatollahs

The White House appears poised to give Iran access to the U.S. financial system. Watch out.

By MARK DUBOWITZ and JONATHAN SCHANZER

March 27, 2016 5:47 p.m. ET

The bruising battle between the president and Congress surrounding the Iran nuclear deal is over. The Joint Comprehensive Plan of Action, despite its many troubling flaws, is already being implemented. Yet now another nasty battle is brewing.

Even as Washington prepared to release an estimated \$100 billion in restricted Iranian oil assets and paved the way for Tehran to regain access to the Swift network (Society for Worldwide Interbank Financial Telecommunication)—allowing it to transfer funds across the global electronic banking system—the Obama administration vowed that the Islamic Republic would never get the ultimate prize: access to the U.S. financial system or dollar transactions.

Treasury Secretary Jacob Lew was adamant during a congressional grilling last July. "Iranian banks will not be able to clear U.S. dollars through New York," he told the Senate Foreign Relations Committee, or "hold correspondent account relationships with U.S. financial institutions, or enter into financing arrangements with U.S. banks."

Yet as Rep. Ed Royce (R., Calif.) noted in a March 22 letter to the White House, Mr. Lew, during a Financial Services Committee hearing earlier that day, "appeared to leave the door open" to Iran getting access to the U.S. financial system. Mr. Royce reminded Mr. Lew of what he said last year, then said he had "received reports from the administration that it is now considering providing Iran with access to the U.S. financial systems." He repeatedly pressed Mr. Lew: "Specifically, are you considering permitting Iranian banks to clear transactions in dollars with U.S. banks or foreign financial institutions including offshore clearing houses?"

Mr. Lew avoided a direct answer, instead stating that the administration continues to explore ways "to make sure Iran gets relief" from sanctions. With this non-answer, Congress is getting ready for a fight.

It's not hard to understand why. The Financial Action Task Force, a global antiterrorism finance body, maintains a severe warning about Iranian financial practices. Last month it warned that Iran's "failure to address the risk of terrorist financing" poses a "serious threat . . . to the integrity of the international financial system." The Treasury Department also recognizes the danger, in 2011 labeling the Islamic Republic a "jurisdiction of primary money laundering concern." That finding, which remains in place, cites Iran's "support for terrorism," and "illicit and deceptive financial activities."

What explains this possible reversal? Most likely, Iran demanded it. Secretary of State John Kerry and Foggy Bottom, always fearful that Tehran will walk away from the nuclear deal, may be ready to comply.

Don't expect the White House to admit this; the administration is more likely to offer a feeble claim that its ability to oversee Iranian dollar transactions could yield better intelligence.

In 2008, however, the Treasury Department banned U.S. financial institutions from processing "U-turns"—temporary dollar transactions between non-U.S. banks and Iranian banks. Treasury determined that the risks simply outweighed the intelligence benefits. Four years later Treasury pushed to ban several Iranian banks, including the central bank, from the Swift messaging system. The threat to the integrity of the global financial system from Iranian banks, it again determined, was too grave, despite the intelligence that could be gathered.

The administration might claim that Treasury could capture dollar-denominated assets when Iran violates the nuclear agreement or uses the greenback to finance terrorism or ballistic missiles. This wouldn't be realistic. Iran knows the U.S. can freeze transactions that are even temporarily converted to dollars, making it unlikely that they would hold registered dollar accounts in sufficient quantities in banks where U.S. authorities have reach. If anything, they will keep their dollar holdings in offshore accounts or in pallets of cash. If the regime contemplates a nuclear violation or gets wind of new sanctions, it would dump whatever traceable dollar assets it holds.

We may also hear via the administration that we need to provide economic incentives for Tehran to comply with the nuclear deal. Yet during last summer's debate, administration officials claimed that denying Iran access to the dollar and the U.S. financial system would provide Washington with leverage after the deal was done. Why throw away that leverage in exchange for no new concessions?

The Europeans are permitting Iranian banks to rejoin Swift. That's their decision. But until Congress can get the intelligence community to verify that Iranian banks have stopped financing terrorist groups such as Hezbollah and Hamas—not to mention money laundering and other financial crimes—you can bet that Congress will oppose Iran's access to the U.S. financial system.

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From: **Omri Ceren** <omric@theisraelproject.org>

Date: Thu, Mar 24, 2016 at 4:21 PM

Subject: RESOURCES + FOLLOWUP -- Admin sanctions chief declared nuke deal would keep Iran from accessing US dollars – "Not in the cards. Not part of the relief"

To:

In case you're reporting out the AP scoop about the Obama administration granting Iran sanctions relief beyond the nuclear deal, I wanted to make sure you had this passage from a speech that Treasury Undersecretary Szubin gave last September. Szubin is the director of the Office of Foreign Assets Control, Treasury's sanctions enforcement shop. The speech is here: [a]

Note two things about what he says:

1st - He explicitly declares that the deal will not allow Iran to "dollarize a foreign payment" - "That is not in the cards. That is not part of the relief offered under the JCPOA." Administration officials were making similar claims all over the place. Treasury Secretary Lew told SFRC in July that "Iran will continue to be denied access to the world's largest financial and commercial market" because it won't be able to clear dollars [b].

2nd - He explains that the dollar prohibitions will stay in place specifically because they "had their origins long before Iran had a nuclear program" - There's simply no way the Obama administration can now credibly claim that giving Iran access to the U.S. dollar is somehow related to the nuclear deal.

Now the actual quote:

Despite some public confusion on this point, the U.S. embargo on Iran remains nearly entirely intact as it is today. U.S. investment in Iran will be prohibited across the board. Iran will not be able to open bank accounts with U.S. banks, nor will Iran be able to access the U.S. banking sector, even for that momentary transaction to, what we call, dollarize a foreign payment. It was once referred to as a U-turn license, and Iran was allowed to make such offshore-to-offshore payments that cross U.S. banking sector thresholds for just a second. That is not in the cards. That is not part of the relief offered under the JCPOA.

So, the U.S. sanctions on Iran, which, of course, had their origins long before Iran had a nuclear program, will remain in place. Moreover, our whole range of sanctions authorities targeting Iran's support for terrorism, destabilizing regional activities, missile proliferation, and human rights abuses remains in place.

There were good reasons for keeping the ban, beyond that it would shred what's left of the sanctions regime.

Giving Iran access to U.S. dollars risks nuking the greenback. Iran's banking system is toxic. The entire country is designated as a jurisdiction of primary money laundering concern under Section 311 of the USA Patriot Act. Just a few weeks ago the Financial Action Task Force (FATF) - the world's money laundering watchdog - again declared that Iran posed a "serious threat... to the integrity of the international financial system" [c].

Experts have long worried that plugging Iran back into the global banking system could undermine the integrity of the global financial order. Jonathan Schanzer and Mark Dubowitz from the Foundation for Defense of Democracies raised the issue repeatedly over the summer [d]. The administration sought to mitigate the criticism by emphasizing that at least the U.S. financial system would be insulated from toxic Iranian assets, even if foreign banks would be endangered.

The AP story indicates that's no longer true.

Omri.
[redacted- telephone number]

[a] <http://www.washingtoninstitute.org/uploads/Documents/other/SzubinTranscript20150916-v2.pdf>

[b] <https://www.treasury.gov/press-center/press-releases/Pages/jl0129.aspx>

[c] <http://www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/documents/public-statement-february-2016.html>

[d] <http://foreignpolicy.com/2015/07/17/it-just-got-easier-for-iran-to-fund-terrorism-swift-bank/>

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From: **Omri Ceren** <omric@theisraelproject.org>

Date: Thu, Mar 24, 2016 at 3:43 PM

Subject: FOLLOWUP + BACKGROUND + TIMELINE -- Obama admin created sanctions fiction to sell nuke deal, now forced to give Iran more concessions
To:

The AP just revealed that the Obama administration is looking to expand sanctions relief beyond the nuclear deal in general, and to allow the Iranians to trade in U.S. dollars specifically.

This mess goes back to 2015, when the administration was doing damage control on the unprecedented extent of sanctions relief it had conceded. White House and State Department officials eventually resorted to gaslighting lawmakers and journalists about how U.S. sanctions operated. Now reality has collided with the fiction they were spinning back then.

Between Lausanne and Vienna the Obama administration was telling two different stories about how sanctions relief would work. To the Iranians, they were promising to lift almost all sanctions on Iran's banking sector, which had been heavily sanctioned for involvement in terrorism, human rights abuses, ballistic missiles, illicit finance, etc. To everyone else - this even was on the official factsheet about the deal - they were promising "sanctions on Iran for terrorism, human rights abuses, and ballistic missiles will remain in place" [a].

The administration solved the problem by simply declaring that non-nuclear sanctions were in fact nuclear sanctions. The AP revealed the plan in June 2015: " they say measures designed to stop Iran from acquiring ballistic missiles are nuclear-related... they say sanctions that may appear non-nuclear are often undergirded by previous actions conceived as efforts to stop Iran's nuclear program" [b].

The claim was false. Iranian banks had in fact been designated for a range of issues, including and especially illicit finance: in 2011 Treasury identified the entire country of Iran as a jurisdiction of primary money laundering concern, and that finding was then cited at the top of the 2011 Kirk-Menendez amendment to the 2012 defense authorization bill.

But the administration claimed otherwise, and used the fiction to justify lifting sanctions on 23 out of the 24 then-sanctioned Iranian banks, while saying it was only granting nuclear relief.

And now reality is colliding with the fiction. The administration has been on a global diplomatic campaign to get foreign banks to do business with Iran, but banks are refusing [c]. They know the administration made up the whole "sanctions were mostly nuclear" fiction.

1st. Banks are very sure that Iranian banks remain toxic, regardless of what the administration says - Iran's banks continue to be toxic because they launder money, fund terrorism, etc. Foreign banks want nothing to do with them.

2nd. Banks aren't sure what they're allowed to do anyway - In order to defend its fiction, the administration had to become incoherent: they kept insisting they were leaving non-nuclear sanctions in place, even while they were obviously taking apart non-nuclear sanctions. But a future American president could decide at any time to enforce what may or may not be left over. The result is crippling regulatory uncertainty.

The Iranians have been begun publicly and privately threatening that if the Obama administration doesn't do more, they're walking away from the deal. So apparently - per the AP - the administration will give them more sanctions relief, including access to dollars. Administration officials had explicitly promised would never happen [d]. That was for a good reason: the move risks shredding what's left of the sanctions regime and for endangering the integrity of the U.S. dollar by connecting the U.S. financial system to toxic Iranian assets.

Omri.

[redacted- telephone number]

[a] <http://www.state.gov/r/pa/prs/ps/2015/04/240170.htm>

[b] <http://bigstory.ap.org/urn:publicid:ap.org:62f2c97dcb544f129196047f34a081c0>

[c] <http://bigstory.ap.org/article/8d27d4339cc74c83a23eeb82eee2a7b4/us-diplomat-unlikely-mission-market-iran-wary-firms>

[d] <http://www.washingtoninstitute.org/uploads/Documents/other/SzubinTranscript20150916-v2.pdf>

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From: **Omri Ceren** <omric@theisraelproject.org>

Date: Thu, Mar 24, 2016 at 2:39 PM

Subject: BREAKING -- AP: Obama admin to expand Iran sanctions relief -- "The end of US sanctions on Iran" -- -- Will let Iran trade in U.S. dollars

To:

For a whole bunch of reasons - see the next email I'm about to send for a bunch of background - the administration promised throughout the summer that the final nuclear deal would not allow the Iranians to have access to the U.S. dollar.

But the Iranians have been complaining that they're not getting enough sanctions relief, fast enough, to satisfy them.

The Associated Press just revealed that the administration will is looking to expand sanctions relief beyond the nuclear deal, and more specifically to allow the Iranians to do business in dollars. The AP article also flags how the concession is likely to:

-- It shreds the entire sanctions regime. There would be functionally nothing left:

At home and abroad, critics of President Barack Obama's outreach to Iran fear the administration is backtracking on its promises to only end "nuclear-related" sanctions on Iran, not those related to the Islamic Republic's terrorism and human rights records... Mark Dubowitz, an Iran sanctions expert at the Foundation for Defense of Democracies who regularly advises Congress, said offering Iranian banks and

businesses even limited access to the U.S. market would be devastating... "If they permit this, it is the end of U.S. sanctions on Iran," Dubowitz said.

-- It's another major concession that will bolster the Iranians beyond the terms of the nuclear deal:

The administration also promised last year to step up U.S. efforts to combat Iran's regional ambitions, but has since embraced an Iranian role in Syrian peace efforts and has limited its response to Iran's testing of several ballistic missiles in violation of a U.N. ban... McCarthy said Obama administration officials explicitly said U.S. financial system access wasn't included in the nuclear deal. "This all seems to stem from Iranian displeasure with the lack of foreign investment following the nuclear deal — which is a direct result of the nature of the regime and its actions abroad in the non-nuclear space," he told the AP. "The administration needs to stop bending over backwards to satisfy Iran."

-- It means the administration flat out lied about the extent and nature of sanctions relief:

Treasury Secretary Jack Lew told Congress after the July accord that Iran would still be "denied access to the world's largest financial and commercial market."... "Iran will not be able to open bank accounts with U.S. banks, nor will Iran be able to access the U.S. banking sector," Adam Szubin, the department's sanctions chief, told a House panel at the time. He said that would hold true even for simple transactions to "dollarize" a foreign payment.

The full article is pasted at the bottom.

There's an additional angle that's already being discussed – though it hasn't been reported out - that this move endangers the U.S. dollar and the integrity of the American financial system. That angle was discussed in the immediate aftermath of the nuclear deal's announcement [a]. The White House tried to mitigate the damage at the time by promising that the Iranians would be denied access to dollars, so that while global banks would still be endangered, at least the U.S. financial system would be insulated. Now that the administration is looking to collapse on this commitment, expect that worry to reemerge.

Omri.

[redacted- telephone number]

[a] <http://foreignpolicy.com/2015/07/17/it-just-got-easier-for-iran-to-fund-terrorism-swift-bank/>

<http://bigstory.ap.org/article/b2c1eb1820154a518deb12b85882536e/gop-worries-obama-leaving-door-open-new-iran-relief>

Republicans worry Obama is opening door to new Iran relief

By BRADLEY KLAPPER

Mar. 24, 2016 1:53 PM EDT

WASHINGTON (AP) — The Obama administration is leaving the door open to new sanctions relief for Iran, including possibly long-forbidden access to the U.S. financial market, prompting increased concern from Republican opponents of last year's nuclear deal.

Rep. Ed Royce, the House Foreign Affairs Committee chairman, expressed alarm in a letter this week to the president that the U.S. could grant Iranian businesses the ability to conduct transactions in dollars within the United States or through offshore banks. House Majority Leader Kevin McCarthy, R-Calif., said he is "deeply troubled" by the possibility.

The concession would go a long way to meet Iran's complaints that it hasn't been sufficiently rewarded by the West for taking thousands of uranium-spinning centrifuges offline, exporting its stockpile of the bomb-making material and disabling a facility that would have been able to produce weapons-grade plutonium.

But critics of the Iran deal say the action would break pledges the administration made while selling the seven-nation agreement last summer.

Asked if such a move was being considered, the Treasury Department told The Associated Press in an emailed statement: "We will continue to analyze the sanctions lifting and its effects."

The State Department wouldn't comment.

Treasury Secretary Jack Lew told Congress after the July accord that Iran would still be "denied access to the world's largest financial and commercial market."

"Iran will not be able to open bank accounts with U.S. banks, nor will Iran be able to access the U.S. banking sector," Adam Szubin, the department's sanctions chief, told a House panel at the time. He said that would hold true even for simple transactions to "dollarize" a foreign payment.

But asked specifically about that commitment earlier this week, Lew allowed for future U.S. action to "make sure Iran gets relief."

At home and abroad, critics of President Barack Obama's outreach to Iran fear the administration is backtracking on its promises to only end "nuclear-related" sanctions on Iran, not those related to the Islamic Republic's terrorism and human rights records.

The administration also promised last year to step up U.S. efforts to combat Iran's regional ambitions, but has since embraced an Iranian role in Syrian peace efforts and has limited its response to Iran's testing of several ballistic missiles in violation of a U.N. ban.

On Thursday, the Treasury Department issued new penalties against two Iranian companies involved in Iran's ballistic missile program and several people and firms from Britain and the United Arab Emirates for helping the U.S.-blacklisted Mahan Air evade sanctions to secure American plane parts and financing.

In his letter, Royce, a California Republican, focused on the potential for any new U.S. steps to "substantially ease additional international investment in Iran."

He noted that the U.S. still considers Iran a state sponsor of terrorism, money laundering center and systematic abuser of religious freedom, warning: "Any financial transaction with Iran risks supporting the regime's illicit activities."

And McCarthy said Obama administration officials explicitly said U.S. financial system access wasn't included in the nuclear deal.

"This all seems to stem from Iranian displeasure with the lack of foreign investment following the nuclear deal — which is a direct result of the nature of the regime and its actions abroad in the non-nuclear space," he told the AP. "The administration needs to stop bending over backwards to satisfy Iran."

Mark Dubowitz, an Iran sanctions expert at the Foundation for Defense of Democracies who regularly advises Congress, said offering Iranian banks and businesses even limited access to the U.S. market would be devastating.

The sanctions have effectively prevented European banks from significantly investing in Iran out of fear of running afoul of U.S. sanctions regulators. Several banks have been hit with fines in recent years, into the billions of dollars.

Congressional aides and experts monitoring the matter aren't sure how the administration might proceed. They say one possibility being considered would allow clearinghouses in Hong Kong to conduct dollar transactions with Iranian banks and businesses.

"If they permit this, it is the end of U.S. sanctions on Iran," Dubowitz said.

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From: **Omri Ceren** <omric@theisraelproject.org>

Date: Wed, Mar 23, 2016 at 10:15 AM

Subject: **BREAKING: State Dept says payments to Iran planned but details secret -- "Not in interest of the US to discuss in unclassified letter" [WFB scoop]**

To:

Good Wednesday --

This controversy goes back to the January incident in which the Obama administration paid Iran \$1.7 billion in taxpayer money at the same time as Iran released some of the American hostages they'd been holding [a]. The Iranians said it was a ransom payment [b][c]. The WSJ reported it out as a ransom payment [d]. House Republicans treated it as a ransom payment [e]. But the White House denied it was a ransom payment, and said the transfer was solely related to a legal dispute over arms sales going back to 1979 [f].

So Rep. Pompeo sent a request to the Obama administration flat out asking if the payment was linked to the hostage release. The administration stalled for months on a response. Then last week the Washington Free Beacon got the Pompeo request letter and revealed that the administration was sandbagging [g]. A few days later the State Department finally sent a response letter, which the Washington Free Beacon also obtained and partially published this morning (opening: "we apologize for the delay in responding").

The letter doesn't actually address whether the \$1.7 billion payment came together as part of a ransom deal. However it does disclose that there have been other legal payments to Iran since 2014 - adding up to about \$2 billion total - and says there will likely be more in the future related to other disputes. But the administration also says in the letter that it will not disclose what those payments might look like in an unclassified setting:

"It would not be in the interest of the United States to discuss further details of the settlement of these claims in an unclassified letter due to the ongoing litigation at the Tribunal," the State Department writes. "However, we would be prepared to provide a closed briefing on such issues if it would be useful to there."

The opacity seems to be a replay what happened last summer with secret concessions related to the nuclear deal. The Daily Beast revealed that the administration intentionally mixed classified and unclassified documents together when they detailed those concessions to Congress, a move that critics suggested had been done to prevent public scrutiny of the otherwise unclassified concessions [h].

This morning's WFB article is below.

Omri.
[redacted- telephone number]

[a] <http://freebeacon.com/national-security/obama-admin-paid-iran-1-7-billion-taxpayer-funds/>

[b] <https://twitter.com/AmirTaheri4/status/695269796267614208>

[c] <http://en.farsnews.com/newstext.aspx?nn=13941030001016>

[d] <http://www.wsj.com/articles/american-tax-dollars-for-the-mullahs-1453335546>

[e] <https://www.washingtonpost.com/news/powerpost/wp/2016/02/03/house-chairman-demands-answers-from-kerry-over-ransom-to-iran/>

[f] <https://twitter.com/Price44/status/689854293722066944>

[g] <http://freebeacon.com/national-security/obama-admin-stalling-investigation-us-ransom-iran/>

[h] <http://www.thedailybeast.com/articles/2015/07/30/the-iran-nuke-documents-obama-doesn-t-want-you-to-see.html>

<http://freebeacon.com/national-security/obama-admin-secret-talks-pay-iran-2-billion/>

Obama Admin Engaged in Secret Talks to Pay Iran Nearly \$2 Billion
Officials admit delays in informing Congress, say more payments to come
Adam Kredo
March 23, 2016 5:00 am

The Obama administration has spent three years engaged in secret talks with Iran that resulted in the payment of nearly \$2 billion in taxpayer funds to the Islamic Republic, with more payouts likely to come in the future, according to a recent letter issued by the State Department and obtained exclusively by the Washington Free Beacon.

The administration's disclosure came in response to an inquiry launched in January by Rep. Mike Pompeo (R., Kan.), who was seeking further information about the Obama administration's payment of \$1.7 billion in taxpayer funds to Iran, which many viewed as a "ransom payment" for Iran's release that month of several U.S. hostages.

The administration's official response to Pompeo was sent earlier this week, just days after a Free Beacon report detailing a months-long State Department effort to stall the lawmaker's inquiry.

"We apologize for the delay in responding," Julia Frifield, an assistant secretary for legislative affairs, states in the letter's opening.

Obama administration officials first began talks to settle a number of outstanding legal claims leveled against the United States by Iran in 2014. The administration predicts that more taxpayer-funded payments are likely to be granted to the Islamic Republic in the future, according to the letter.

Frifield in her letter goes on to defend the \$1.7 billion payment to Iran and discloses that the administration is open to providing Tehran with more money if it is willing to settle these decades-old legal disputes with the United States.

"We are confident that this was a good settlement for the American taxpayer," the State Department said.

Iran's legal row with the United States surrounds the breakdown of a massive arms deal that was nixed in the aftermath of Iran's 1979 Islamic revolution, which resulted in the capture of the U.S. embassy and American personnel stationed there.

Many of these claims remain unsettled and are still being litigated by the Iran-U.S. Claims Tribunal at the Hague.

The Obama administration has been working behind the scenes since at least 2014 to reach settlement agreements with Iran to avoid court decisions, according to the letter, which identifies at least two separate discussions held in June 2014 and January 2015.

The administration anticipates that more settlements will come, meaning that the United States will likely be forced to pay Iran via a taxpayer legal fund operated by the Treasury Department.

"The United States is continuing to vigorously litigate these claims at the Tribunal, but is also open to discussing further settlements of claims with Iran, as we have done throughout the life of the Tribunal, with the aim of resolving them in furtherance of U.S. interests," the letter states.

Iran's "fact-intensive claims involve over 1,000 separate contracts between Iran and the United States," according to the letter, which explains that January's \$1.7 billion payment settled just one of many outstanding disputes.

The Obama administration fails to directly address Pompeo's questions seeking to determine if the legal settlement was finalized as part of an incentive package meant to motivate Tehran to free imprisoned Americans.

"It would not be in the interest of the United States to discuss further details of the settlement of these claims in an unclassified letter due to the ongoing litigation at the Tribunal," the State Department writes. "However, we would be prepared to provide a closed briefing on such issues if it would be useful to there."

"When Iran releases American hostages, and then, on that same day, President Obama announces he is paying Iran \$1.7 billion, Congress of course has to ask the hard questions," said one source familiar with the investigation. "And when the Obama administration admits that over \$1 billion in taxpayer money is going to the Iranian regime, Congress is obligated to respond. The State Department has ducked and dodged—providing a history lesson on international tribunals, focused on actions decades ago, instead of addressing dangerous misdeeds that were potentially just committed. That is suspicious."

Under the specific terms of January's settlement, Iran was to be paid a \$400 million balance and an additional \$1.3 billion in interest from a taxpayer fund maintained by the Treasury Department, a State Department official confirmed to the Free Beacon at the time.

That settlement—along with additional settlements—was reached outside of the recently implemented nuclear deal and is separate from the \$150 billion in unfrozen cash assets the United States is obligated to give to Iran under that agreement, the official said.

The \$1.7 billion payment was announced just prior to the release of five U.S. prisoners who had been held in Iran, sparking accusations that the deal is tantamount to a ransom payment.