

MEMMO

Nov. 10, 2011

Time to Sanction Iran's Central Bank

The United States must sanction the Central Bank of Iran (CBI) and rally international support for similar measures amid unprecedented revelations from the International Atomic Energy Agency about Iran's nuclear weapons pursuit. The CBI is the key financial facilitator of the Iranian regime's quest for nuclear weapons and its terrorist activities. Tough action against the bank by American and like-minded nations will drastically increase the pressure on Tehran to end its illicit activities.

The CBI provides support to Iran's proliferation and terrorist activities and is extremely susceptible to sanctions.

- The CBI has become the key financier for Iranian imports of material critical to its illicit nuclear and missile programs.
- For the past five years, the CBI has helped facilitate the activities of sanctioned Iranian banks and Islamic Revolutionary Guards Corps (IRGC) companies by removing the names of the sanctioned entities before processing the transactions.
- The CBI funneled \$50 million to the terrorist group Hizballah from 2001 to 2006, according to the most recent data available from the Treasury Department.
- Iran is extremely vulnerable to action against the CBI since the bank conducts the bulk of Iran's international business transactions and has taken over the international business of previously sanctioned banks.
- While U.S. banks are already prohibited from conducting business with the CBI, sanctions would force international banks to choose between continuing to do business with the CBI or with the United States.
- Sanctions on the CBI will cause a significant disruption in Iran's foreign trade since the bank handles payments for virtually all Iranian oil exports. Sanctions will also disrupt the remaining European exports to Iran of machinery and parts for the Iranian industrial sector.
- Already facing a devaluing currency, sanctions on the CBI will exacerbate inflationary pressure as more than 90 per cent of hard currency in Iran is channeled into the market by the CBI.



The Central Bank of Iran is the key remaining lifeline for Iran to the international financial system.

Congress has repeatedly pressed both President George W. Bush and President Barack Obama to take action against Iran's Central Bank.

- In March 2008, 28 Democratic senators led by Sen. Charles Schumer (D-NY) and Majority Leader Harry Reid (D-NV) wrote President Bush expressing their “deep concern with the activity of the Central Bank of Iran” and urging him to “designate the bank as a supporter of terrorism and weapons proliferation.”
- In September 2008, the House of Representatives in a voice vote passed legislation that urged the president “in the strongest terms, to consider immediately using the authority of the President to impose sanctions on the Central Bank of Iran...”
- In July 2009, the Senate in a vote of 87-7 passed the National Defense Authorization Act for Fiscal Year 2010, calling on the president to sanction the CBI and finding that the bank has “engaged in deceptive financial practices and facilitated such practices among banks involved in proliferation activities or support for terrorist groups.”
- The Comprehensive Iran Sanctions, Accountability, and Divestment Act, overwhelmingly adopted by both the House and Senate in June 2010, urged the president, in the strongest terms, to consider immediately using the authority of the president to impose sanctions on the CBI.
- In August 2011, 92 senators wrote a letter to President Obama urging him to sanction the CBI. Treasury Secretary Timothy Geithner, in response to the letter, wrote, “all options to increase the financial pressure on Iran are on the table, including the possibility of imposing additional sanctions against the CBI.”

After five years of deliberation, the United States must finally take dramatic action against the Central Bank of Iran.

- Time is running out to prevent Iran from obtaining sufficient quantities of higher enriched uranium to facilitate a quick breakout to produce a nuclear weapon. Together with like-minded nations, the United States must act quickly and with the full force of our remaining economic tools to prevent such a nightmare scenario.
- The president should immediately designate the CBI as a weapons proliferator or terror supporter under Executive Order 13224 or 13338. This designation would prohibit foreign banks with operations in the United States from conducting business with the CBI.
- Alternatively, the Treasury Department could designate the CBI as an institution of money laundering concern under section 311 of the USA PATRIOT Act. The Treasury Department could then impose any number of penalties under this provision.
- If the executive branch fails to act, Congress has the authority to directly sanction the bank and restrict the ability of foreign entities, which continue to conduct business with it, from operating in the United States.