JOINT EXPLANATORY STATEMENT OF THE COMMITTEE OF CONFERENCE

The managers on the part of the House and the Senate at the conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 2194), to amend the Iran Sanctions Act of 1996 to enhance United States diplomatic efforts with respect to Iran by expanding economic sanctions against Iran, submit the following joint statement to the House and the Senate in explanation of the effect of the action agreed upon by the managers and recommended in the accompanying conference report:

The Senate amendment struck all of the House bill after the enacting clause and inserted a substitute text.

The House recedes from its disagreement to the amendment of the Senate with an amendment that is a substitute for the House bill and the Senate amendment. The differences between the House bill, the Senate amendment, and the substitute agreed to in conference are noted below, except for clerical corrections, conforming changes made necessary by agreements reached by the conferees, and minor drafting and clerical changes.

H.R. 2194, the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010
R E P O R T

SUMMARY AND PURPOSE

H.R. 2194, the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010, would strengthen the underlying Iran Sanctions Act (ISA) by imposing an array of tough new economic penalties aimed at persuading Iran to change its conduct. The Act reinforces and goes far beyond recently-enacted UN Sanctions. Targets of the Act range from business entities involved in refined petroleum sales to Iran or support for Iran's domestic refining efforts to international banking institutions involved with Iran's Islamic Revolutionary Guards Corps (IRGC) or with Iran's illicit nuclear program or its support for terrorism.

The Conference text would augment the sanctions regime envisioned in the earlier versions of the Act passed by the House and the Senate by supplementing the energy sanctions in those versions with an additional, powerful set of banking prohibitions. The Act would impose severe restrictions on foreign financial institutions doing business with key Iranian banks or the IRGC. In effect, the Act presents foreign banks doing business with blacklisted Iranian entities a stark choice— cease your activities or be denied critical access to America's financial system. The Act also would hold U.S. banks accountable for actions by their foreign subsidiaries (U.S. companies have long been banned from all the activities for which foreign entities will be sanctionable under this Act).

In addition to new financial sector and refined petroleum-focused sanctions, the Act would also provide a legal framework by which U.S. states, local governments, and certain other investors can divest their portfolios of foreign companies involved in Iran's energy sector and establishes a mechanism to address concerns about diversion of sensitive technologies to Iran through other countries. Sanctions under this Act are subject to several waivers with varying thresholds. The sanctions could terminate either in 2016 or, as provided for in the Sunset clause of the Conference text, could terminate once the President certifies to Congress that Iran (1) has ceased its support for acts of international terrorism and no longer satisfies the requirements for designation as a state-sponsor of terrorism under U.S. law; and (2) has ceased its efforts to develop or acquire nuclear, biological, and chemical weapons and ballistic missiles and ballistic-missile launch technology.

The effectiveness of this Act will depend on its forceful implementation. The Conferees urge the President to vigorously impose the sanctions provided for in this Act.

Conferees urge friends and allies of the United States to follow the U.S. lead in cutting off key economic relationships with Iran until Iran terminates its illicit nuclear program. Few objective observers now dispute that Iran's nuclear program represents a threat to global stability. All concur that Iran is pursuing its nuclear program in defiance of the demands of the international community. Conferees believe it is time for responsible actors to cease any economic involvement with Iran that contributes to its ability to finance its nuclear weapons capability.

BACKGROUND AND NEED FOR THE LEGISLATION

Iran poses a significant threat to the United States and its allies in the Middle East and elsewhere. A nuclear Iran would intimidate its neighbors; be further emboldened in pursuing terrorism abroad and oppression at home; represent an imminent threat to Israel and other friends and allies of the United States; and likely spark a destabilizing Middle East arms race that would deal a major blow to U.S. and international non-proliferation efforts and threaten vital U.S. national security interests.

Iran’s persistent deception regarding its nuclear program, its general unresponsiveness to diplomacy, and its rejection of international community demands regarding its nuclear program have deepened Congressional concerns about that program. Since 2006 the UN Security Council has been calling on Iran to suspend its uranium enrichment program and increase its cooperation with the International Atomic Energy Agency (IAEA) – to no avail.

Notwithstanding the additional costs imposed on Iran as a result of previous U.S. and UN Security Council sanctions, Iran's development of its nuclear program continues. The International Atomic Energy Agency (IAEA) now estimates that Iran has produced and stockpiled sufficient low-enriched uranium, if further enriched, for two nuclear explosive devices. For these reasons, Conferees assess that additional and tougher sanctions are needed in order to persuade Iran to cease its nuclear program. Conferees believe that the imminence and seriousness of the threat posed to U.S. interests by Iran's nuclear weapons program warrants the enactment of H.R. 2194.

Conferees take note of and applaud recent adoption by the U.N. Security Council of Resolution 1929 regarding Iran’s nuclear program. Conferees believe the resolution is a powerful statement of opposition by the international community to Iran’s ongoing illicit nuclear activities and a critical step in strengthening the multilateral sanctions regime intended to persuade Iran to suspend those activities. Conferees believe this legislation will complement UNSCR 1929 and will deepen efforts to thwart Iran's efforts to obtain a nuclear weapons capability.

BACKGROUND: U.S. SANCTIONS

Iran's economy, and Iran's ability to fund its nuclear program, is heavily dependent on the revenue derived from energy exports. Accordingly, an important part of U.S. efforts to prevent Iran from acquiring nuclear weapons has focused on deterring investment in Iran's energy sector.

U.S. individuals and companies have been prohibited from investing in Iran's petroleum sector since Executive Order 12957 was issued on March 15, 1995, by President William J. Clinton as a follow-on to his Administration's assessment that "the actions and policies of the Government of Iran constitute an unusual and extraordinary threat to the national security, foreign policy, and economy of the United States." The White House spokesman at that time, Michael McCurry, made clear that the objectionable activities were Iran's pursuit of weapons of mass destruction, its support of international terrorism, and its efforts to undermine the Middle East peace process.

A subsequent executive order, E.O. 12959, issued on May 8, 1995, banned all new investment in Iran by U.S. individuals and companies. The same executive order banned virtually all trade with Iran. In conjunction with the latter executive order, then-Secretary of State Warren Christopher warned the international community that the path Iran was following was a mirror image of the steps taken by other nations that had sought nuclear weapons capabilities. A trade embargo was thus implemented in furtherance of the President's powers exercised pursuant to the International Emergency Powers Act (IEEPA, 50 U.S.C. 1701 et seq.), which authorizes the President to block transactions and freeze assets to deal with the "unusual and extraordinary threat," in this case posed by Iran.

With the U.S. having voluntarily removed itself from the Iran market, Congress in 1996 passed the Iran and Libya Sanctions Act, P.L. 104-172 (`ILSA,' now usually referred to as the Iran Sanctions Act, or `ISA,' following termination of applicability of sanctions to Libya in 2006), to encourage foreign persons to withdraw from the Iranian market. ILSA authorized the President to impose sanctions on any foreign entity that invested $20 million or more in Iran's energy sector. ILSA was passed in 1996 for a five-year period and has been renewed twice, in 2001 and 2006, for additional five-year periods. (H.R. 2194 would extend ISA another five years, through 2016.)

Although ILSA was enacted more than a decade ago, no Administration has sanctioned a foreign entity for investing $20 million or more in Iran's energy sector, despite a number of such investments. Indeed, on only one occasion, in 1998, did the Administration make a determination regarding a sanctions-triggering investment, but the Administration waived sanctions against the offending persons. Conferees believe that the lack of enforcement of relevant enacted sanctions may have served to encourage rather than deter Iran's efforts to pursue nuclear weapons.

Despite successive Executive Branch failures to implement ISA, the legislation has made a positive contribution to United States national security. Arguably, the supply of capital to the

Iranian petroleum sector has been constrained by the mere threat of sanctions. Further, by highlighting the threat from Iran, ISA has emerged as a deterrent to additional investment, and it has encouraged increased international community involvement with the Iranian nuclear issue.

To further strengthen sanctions targeting foreign investment in Iran's energy sector, Congress passed the `Iran Freedom Support Act' (IFSA), a bill subsequently signed into law (P.L. 109-293) by President George W. Bush in September 2006. Among other provisions, the IFSA strengthened sanctions under ISA, including raising certain waiver thresholds to `vital to the national security interests of the United States,' enlarging the scope of those who might be subject to sanctions, and enhancing tools for using financial means to address Iran's activities of concern.

In addition, in June 2007, the Senate passed the International Emergency Powers Enhancement Act, with the House following suit and the President's signing it into law (P.L. 110-96) four months later. The Act greatly increased penalties for violators of U.S. sanctions. As a result, U.S. persons who illegally trade with Iran now face civil fines up to $250,000 or twice the amount of the transaction. In addition, the Act increased criminal penalties to $1 million with a maximum jail sentence of 20 years. Unlike ISA, these measures have been exercised extensively by the Department of the Treasury's Office of Foreign Assets Control and the Department of Justice to enforce the U.S. trade embargo on Iran.

Multilateral Sanctions Efforts

Conferees strongly support multilateral efforts aimed at curbing Iran's nuclear program. The United Nations Security Council (UNSC) has passed a number of resolutions condemning Iran's nuclear activities and urging compliance with its international obligations. For example, on December 23, 2006, UNSC Resolution 1737 was unanimously approved, banning supply of nuclear technology and equipment to Iran and freezing the assets of organizations and individuals involved in Iran's nuclear program, until Iran suspends enrichment of uranium and halts Plutonium reprocessing-related activities. UNSC Resolution 1747 was unanimously approved on March 24, 2007, imposing a ban on Iranian arms sales, expanding the freeze on assets, and setting a deadline for Iranian compliance two months later.

Absent compliance, further sanctions were adopted in UNSC Resolution 1803 on March 3, 2008, including a ban on sales of dual-use items; authorization of inspections of cargo suspected of containing WMD-related goods; an expanded Iranian travel-ban list; and a call to ban transactions with Iran's Bank Melli and Bank Saderat. On August 7, 2008, the European Union (EU) implemented the sanctions specified in Resolution 1803, including an assertion of authority to inspect suspect shipments, and called on its members to refrain from providing new credit guarantees on exports to Iran. On September 27, 2008, the Security Council adopted Resolution 1835, calling on Iran to comply with previous resolutions. On June 9, 2010, Resolution 1929 was adopted, strengthening existing sanctions in a variety of ways, including further targeting Iran's Revolutionary Guard Corps; authorizing an inspection regime for ships suspected to be carrying contraband to Iran; prohibiting countries from allowing Iran to invest in uranium mining and related nuclear technologies, or nuclear-capable ballistic missile technology; banning sales of most heavy arms to Iran; requiring countries to insist that their companies refrain from doing business with Iran if there is reason to believe that such business could further Iran's WMD programs; and adopting other similar measures. Iran has contemptuously dismissed all of these UNSC resolutions, with President Ahmadinejad labeling them "illegal."

CONTENTS OF H.R. 2194

H.R. 2194 contains four Titles: Title I (Sanctions), Title II (Divestment from Certain Companies That Invest in Iran); Title III (Prevention of Diversion of Certain Goods, Services, and Technologies to Iran); and Title IV (General Provisions).

Title I: Sanctions

Title I of H.R. 2194 strengthens the U.S. sanctions regime by requiring severe limitations on U.S. correspondent banking for foreign financial institutions doing business with relevant Iranian banks. The Act further strengthens existing legislation by broadening the categories of transactions that trigger sanctions, increasing the number of sanctions the President can impose on foreign companies whose activities trigger sanctions, and requiring the President to investigate reports of sanctionable activities to determine whether sanctionable activity has indeed occurred.

In broadening the categories of transactions that trigger sanctions, the bill focuses on sales to Iran of refined petroleum and assistance to Iran for its own domestic refining capacity. Under H.R. 2194, companies engaged in either of these activities would be subject to the same sanctions as companies that invest $20 million or more in Iran's energy sector (the original category of sanctionable activity established under ISA). Despite being one of the world's leading oil producers, Iran reportedly imports between 25 and 40 percent of its refined oil needs, due to its limited domestic refining capacity. Accordingly, Conferees believe that imposition of refined-petroleum-related sanctions could have a powerful impact on Iran's economy and, as a result, on its decision-making regarding its nuclear program.

The bill likewise imposes sanctions on companies that sell Iran goods, services, or know-how that assist it in developing its energy sector. As is the case with refined-petroleum-related sanctions, companies that engage in such transactions would be subject to the same sanctions as companies that invest $20 million or more in Iran's energy sector. Furthermore, energy investment now covers the sale of petroleum-related goods, services, and technology to Iran, which was a category of activity that was not previously covered by the U.S. sanctions regime.

The bill also expands in other ways the universe of activities to be considered sanctionable.

H.R. 2194 establishes three new sanctions, in addition to the menu of six sanctions that already exists under ISA. The three new sanctions are, respectively, a prohibition on access to foreign exchange in the U.S., a prohibition on access to the U.S. banking system, and a prohibition on property transactions in the United States. H.R. 2194 requires the President to impose at least three of the nine sanctions on a company involved in sanctionable activity, in addition to other mandatory sanctions.

The bill also toughens the sanctions regime by requiring the President (a) to investigate any report of sanctionable activity for which there is credible evidence; and (b) to make a determination in writing to Congress whether such activity has indeed occurred. The President would then be expected either to impose or waive sanctions. Under current law, the President is authorized to investigate and make a determination but is not required to do so. In fact, the President has made only one determination under current law, despite at least two dozen credible reports of sanctionable activity. That determination, in 1998, was made for the purpose of waiving sanctions.

H.R. 2194 is designed to impose considerable additional pressure on Iran by mandating a new financial sanction that, if implemented appropriately, will substantially reduce Iran's access to major segments of the global financial system. The Act requires the Secretary of the Treasury to prohibit or impose strict conditions on U.S. banks' correspondent relationships with foreign financial institutions that (1) engage in financial transactions that facilitate Iranian efforts to develop WMD or promote terrorist activities, including through money-laundering or through enabling an Iranian financial institution – including the Central Bank of Iran, for example -- to facilitate such efforts; (2) facilitate or otherwise contribute to a transaction or provides financial services for a financial institution that the Office of Foreign Assets Control at the Department of the Treasury has designated to be supporting the proliferation of weapons of mass destruction or financing of international terrorism; or (3) involve the Islamic Revolutionary Guard Corps (IRGC) or its affiliates or agents. In addition, H.R. 2194 prohibits any US financial institution or its foreign subsidiaries from engaging in any financial transaction with IRGC entities.

Indeed, the IRGC, its affiliates, and agents have reportedly extended their reach heavily into various parts of the Iranian economy, dominating critical financial services, construction, energy, shipping, telecommunications, and certain manufacturing sectors throughout the country. Thus, in addition to playing pivotal roles in Tehran's proliferation of weapons of mass destruction, financing of international terrorism, and gross human rights abuses, the IRGC is now a key source of wealth for the Iranian regime. Conferees join the administration and international community in seeking to combat the IRGC's growing power, and to curb the IRGC's access to capital, which is used to further Tehran's various ambitions.

Other major measures in Title I include:

--visa, property, and financial sanctions on Iranians the President determines to be complicit in serious human rights abuses against other Iranians on or after June 12, 2009, the date of Iran's most recent Presidential election;

--a ban on U.S. government procurement contracts for any company that exports to Iran technology used to restrict the free flow of information or to disrupt, monitor, or otherwise restrict freedom of speech;

--an authorization for the President to prescribe regulations for the purpose of implementing Iran-related sanctions in UN Security Council resolutions; and

--an authorization for FY2011 appropriations of slightly more than $100 million each to the Secretary of the Treasury for the Office of Terrorism and Financial Intelligence; to the Secretary of the Treasury for the Financial Crimes Enforcement Network; and to the Secretary of Commerce for the Bureau of Industry and Security, for the purposes of reinforcing the U.S. trade embargo, combating diversion of sensitive technology to Iran, and preventing the international financial system from being used to support terrorism or develop WMD. .

Title II: Divestment from Certain Companies That Invest in Iran

State and local divestment efforts – In recent years, there has been increasing interest by U.S. state and local governments, educational institutions, and private institutions to divest from companies and financial institutions that directly or indirectly provide support for the Government of Iran. Financial advisors, policy-makers, and fund managers may find prudential or reputational reasons to divest from companies that accept the business risk of operating in countries subject to international economic sanctions or that have business relationships with countries, governments, or entities with which any United States company would be prohibited from dealing because of economic sanctions imposed by the United States.

In addition to the wide range of diplomatic and economic sanctions that have been imposed by the U.N. Security Council, the U.S. and other national governments, many U.S. states and localities have begun to enact measures restricting their agencies' economic transactions with firms that do business with, or in, Iran. More than twenty states and the District of Columbia have already enacted some form of divestment legislation or otherwise adopted divestment measures, and legislation is pending in additional state legislatures. Other states and localities have taken administrative action to facilitate divestment. Also joining this movement are colleges and universities, large cities, non-profit organizations, and pension and mutual funds.

Conferees concluded that Congress and the President have the constitutional power to authorize states to enact divestment measures and that Federal consent removes any doubt as to the constitutionality of those measures. Thus, the Act explicitly states the sense of Congress that the United States should support the decisions of state and local governments to divest from firms conducting business operations in Iran's energy sector and clearly authorizes divestment decisions made consistent with the standards the legislation articulates. It also provides a `safe harbor' for changes of investment policies by private asset managers, and it expresses the sense of Congress that certain divestments, or avoidance of investment, do not constitute a breach of fiduciary duties under the Employee Retirement Income Security Act (ERISA). With regard to pre-emption, the legislation supports state and local efforts to divest from companies conducting business operations in Iran by clearly stating that these efforts are not pre-empted by any Federal law or regulation.

Title III: Prevention of Diversion of Certain Goods, Services, and Technologies to Iran

In recent years, studies by the Government Accountability Office, the Commerce Department, and others have asserted that Iran continues to circumvent sanctions and receive sensitive equipment, including some of U.S. origin. This equipment, which facilitates Iran’s nuclear activities, may be trans-shipped illegally to Iran via other countries.

Title III is meant to disrupt international black-market proliferation networks that have reportedly thrived for years, even after the discovery and subsequent arrest of notorious weapons technology peddler A. Q. Khan. This provision requires the Director of National Intelligence to report to the President and Congress as to which governments he believes are allowing the re-export, trans-shipment, transfer, re-transfer, or diversion to Iranians of key goods, services, or technologies that could be used for weapons of mass destruction proliferation or acts of terrorism. Following receipt of that report, the President may designate a country a Destination of Diversion Concern. Such a designation would provide for the U.S. to work with the host government of that country to help it strengthen its export control system. If the President determines that the government of that country is unresponsive or otherwise fails to strengthen its export control system so that substantial re-export, trans-shipment, transfer, re-transfer, or diversion of certain goods, services, or technologies continues, the President shall impose severe restrictions on U.S. exports to that country.

Title IV: General Provisions

The Act will terminate once the President certifies to Congress that Iran both (1) has ceased its support for acts of international terrorism and no longer satisfies the requirements for designation as a state-sponsor of terrorism under U.S. law; and (2) has ceased its efforts to develop or acquire nuclear, biological, and chemical weapons, as well as ballistic missiles and ballistic-missile launch technology. The Act also provides various waivers related to economic sanctions and exchange of technology. Finally, the Act authorizes such sums as may be necessary for the Departments of State, Treasury, and Commerce to implement the Act.

SECTION-BY-SECTION ANALYSIS AND DISCUSSION

Section 2. Findings

This section articulates the findings that frame the basis for the additional sanctions and the purpose of the bill. The findings in section 2 draw from both S. 2799 and H.R. 2194.

Subsection (1) finds that the illicit nuclear activities of the Government of Iran, combined with its development of unconventional weapons and ballistic missiles and its support for international terrorism, represent a threat to the security of the United States, its strong ally Israel, and other allies of the United States around the world.

Subsection (2) asserts that the United States and other responsible countries have a vital interest in working together to prevent the Iranian regime from acquiring a nuclear weapons capability.

Subsection (3) finds that the International Atomic Energy Agency has repeatedly called attention to Iran's illicit nuclear activities and, as a result, the United Nations Security Council has adopted a range of sanctions designed to encourage the Government of Iran to suspend those activities and comply with its obligations under the Treaty on Non-Proliferation of Nuclear Weapons, done at Washington, London, and Moscow July 1, 1968, and entered into force March 5, 1970 (commonly known as the ‘‘Nuclear Non-Proliferation Treaty’’).

Subsection (4) finds that the serious and urgent nature of the threat from Iran demands that the United States work together with its allies to do everything possible—diplomatically, politically, and economically—to prevent Iran from acquiring a nuclear weapons capability.

Subsection (5) finds the United States and its major European allies, including the United Kingdom, France, and Germany, have advocated that sanctions be strengthened should international diplomatic efforts fail to achieve verifiable suspension of Iran's uranium enrichment program and an end to its nuclear weapons program and other illicit nuclear activities.

Subsection (6) finds that the Government of Iran continues to engage in serious, systematic, and ongoing violations of human rights, including suppression of freedom of expression and religious freedom, illegitimately prolonged detention, torture, and executions. Such violations have increased in the aftermath of the fraudulent presidential election in Iran on June 12, 2009.

Subsection (7) finds that the Iranian regime has been unresponsive to President Obama's unprecedented and serious efforts at engagement, revealing that the Government of Iran does not appear to be interested in a diplomatic resolution, as made clear by its recent actions detailed in this section.

Subsection (8) finds that there is an increasing interest by State governments, local governments, educational institutions, and private institutions, business firms, and other investors to disassociate themselves from companies that conduct business activities in the energy sector of Iran, since such business activities may directly or indirectly support the efforts of the Government of Iran to achieve a nuclear weapons capability.

Subsection (9) finds that black market proliferation networks continue to flourish in the Middle East, allowing countries like Iran to gain access to sensitive dual-use technologies.

Subsection (10) finds that economic sanctions imposed pursuant to the provisions of this Act, the Iran Sanctions Act of 1996, as amended by this Act, and the International Emergency Economic Powers Act (50 U.S.C. 1701 et seq.), and other authorities available to the United States to impose economic sanctions to prevent Iran from developing nuclear weapons, are necessary to protect the essential security interest of the United States.

Section 3- Sense of Congress Regarding Illicit Nuclear Activities and Violations of Human Rights in Iran. Section 3 of the Senate bill expresses the Sense of Congress regarding Iran's continuing illicit nuclear activities and ongoing violations of human rights in Iran. The House bill contains no such provision. The House recedes.

Paragraph (1) states that international diplomatic efforts to address Iran's illicit nuclear efforts and support for international terrorism are more likely to be effective if strong additional sanctions are imposed on the Government of Iran.

Paragraph (2) states that concerns of the United States regarding Iran are strictly the result of the Government of Iran's behavior.

Paragraph (3) states that the revelation in September 2009 that Iran is developing a secret uranium enrichment site on a base of Iran's Revolutionary Guard Corps near Qom, which appears to have no civilian application, highlights the urgency for Iran to disclose fully the nature of its nuclear program, including any other secret locations; to provide the International Atomic Energy Agency unfettered access to its facilities pursuant to Iran's legal obligations under the Nuclear Non-Proliferation Treaty and Iran's Safeguards Agreement with the International Atomic Energy Agency.

Paragraph (4) states that due to the Iranian Revolutionary Guard Corps' involvement in Iran's nuclear program, international terrorism activities, and domestic human rights abuses, the President should impose the full range of applicable sanctions against them. Those liable for sanctions would include any individual or entity that is an agent, alias, front, instrumentality, representative, official, or affiliate of Iran's Revolutionary Guard Corps, and any individual or entity that has conducted any commercial or financial transaction with such an individual or entity.

Paragraph (5) states that additional measures should be adopted by the United States to prevent the diversion and transshipment of sensitive dual-use technologies to Iran.

Paragraph (6) outlines Congress' view of appropriate Executive Branch responses to the human rights situation in Iran. It states that the President should continue to press the Government of Iran to respect the internationally-recognized human rights and religious freedoms of its citizens, and identify the officials of the Government of Iran that are responsible for continuing and severe violations of human rights and religious freedom in Iran. The paragraph also urges the President to take appropriate measures to respond to such violations by prohibiting officials the President identifies as being responsible for such violations from entry into the United States and freezing the assets of those officials.

Paragraph (7) states that additional funding should be provided to the Secretary of State to document, collect, and disseminate information about human rights abuses in Iran, including serious abuses that have taken place since the presidential election in Iran conducted on June 12, 2009.

Paragraph (8) states that it is in the national interest of the United States for responsible nongovernmental organizations based in the United States to establish and carry out operations in Iran to promote civil society and foster humanitarian goodwill among the people of Iran and the United States should ensure that such nongovernmental organizations are not unnecessarily hindered from working in Iran.

Paragraph (9) states that the United States should not issue a license pursuant to an agreement for cooperation (a “123 agreement” for civil nuclear cooperation) for the export of nuclear material, facilities, components, or other goods, services, or technology that are or would be subject to such an agreement to a country that is providing similar nuclear material, facilities, components, or other goods, services, or technology to another country that is not in full compliance with its obligations under the Nuclear Non-Proliferation Treaty**.**

Paragraph (10) states that the people of the United States have feelings of friendship for the people of Iran; regret that developments in recent decades have created impediments to that friendship; and hold the people of Iran, their culture, and their ancient and rich history in the highest esteem.

TITLE I—SANCTIONS.

Section 101. Definitions. S. 2799 included definitions for sanctions. H.R. 2194 contained no such provisions. Reflecting the approach in S. 2799, this section defines terms used in this title, including: agricultural commodity, executive agency, family member, knowingly, appropriate Congressional Committees, information and informational materials, investment, Iranian diplomats and representatives of other government and military or quasi-governmental institutions of Iran, United States person, U.S. state, medical device, and medicine.

Section 102. Expansion of Sanctions under the Iran Sanctions Act of 1996.

Summary. The amendments to the ISA in this section address the major role of Iran's oil and gas industry in generating revenue for the regime's proliferation and international terrorism activities; they require the President to impose at least three out of a menu of nine sanctions on `persons' that knowingly engage in activities related to Iran’s refined petroleum industry, in addition to other mandatory sanctions. These activities include making an `investment' of more than $20 million annually in Iran's energy sector; selling, leasing or providing to Iran goods, services, or other support to facilitate Iran’s domestic oil production of refined petroleum; or providing Iran with refined petroleum products with an aggregate fair market value of $5 million. The sanctions (Section 6 of the ISA) include the following underlying six sanctions: (1) denial of any guarantee, insurance, or extension of credit from the U.S. Export-Import Bank; (2) denial of licenses for the U.S. export of military or militarily-useful technology to the entity; (3) denial of U.S. bank loans exceeding $10 million in one year to the entity; (4) if the entity is a financial institution, a prohibition on its service as a primary dealer in U.S. government bonds; and/or a prohibition on its serving as a repository for U.S. government funds (each counts as one sanction); (5) prohibition on U.S. government procurement from the entity; and (6) restriction on imports from the entity, in accordance with the International Emergency Economic Powers Act (IEEPA, 50 U.S.C. 1701). The Act would provide for three new sanctions: (1) prohibitions on any transactions in foreign exchange that are subject to the jurisdiction of the United States and in which a sanctioned person has any interest; (2) prohibitions on any transfers of credit or payments between, by, through, or to any financial institution, to the extent such transfers or payments are subject to the jurisdiction of the United States and involve any interest of the sanctioned person; and (3) restrictions on property transactions with respect to which a sanctioned person has any interest. The President may waive the sanctions if he determines that it is necessary to the national interest of the U.S. to do so.

Development of Petroleum Resources of Iran. Subsection (a) amends section 5(a) of the Iran Sanctions Act of 1996 (ISA) by requiring the President to impose three or more sanctions under ISA if a person has knowingly made an investment of $20 million or more (or any combination of investments of at least $5 million each, which in the aggregate equals or exceeds $20 million in any 12-month period) that directly and significantly contributed to Iran's ability to develop its petroleum resources.

In the context of investment, the House-passed legislation amends section 5(a) by shifting the *mens rea* standard for investment in petroleum resources from `actual knowledge' to `knowingly.' The Senate amendment contained no such provision. The Senate recedes to the House language. The new standard will expand the range of conduct potentially subject to sanctions, thereby making it easier to implement sanctions under ISA.

Production and Exportation of Refined Petroleum Products. Subsection (a) further amends section 5(a) of ISA to require that the President impose three or more mandatory sanctions described in section 6(a) of the Act if a person: (1) knowingly sells, leases, or provides to Iran any goods, services, technology, information, or support, that could directly and significantly facilitate the maintenance or expansion of Iran's domestic production of refined petroleum products, including any direct and significant assistance with respect to construction, modernization, or repair of petroleum refineries; or (2) if a person knowingly provides Iran with refined petroleum products or provides goods, services, technology, information, or support that could directly and significantly contribute to Iran's ability to refine petroleum or import refined petroleum resources, including providing ships, vehicles, or other means of transportation to deliver refined petroleum products to Iran or providing insurance or financing services for such activities.

Subsection (a) of the Act further clarifies the categories of persons against which sanctions are to be imposed to include the parent and foreign subsidiary of a person determined by the President to be engaged in sanctionable activities. The Act further amends the *mens rea* standard for a parent by: (1) requiring sanctions to be imposed on a parent that either had actual knowledge or "should have known" that its affiliate or subsidiary engaged in the sanctionable activities described in section 5(a); and (2) requiring sanctions to be imposed on an affiliate or a subsidiary of a person determined to be carrying out sanctionable activities if the affiliate or subsidiary knowingly engaged in sanctionable activities.

The Act provides a "safe harbor" for a person that provides underwriting services or insurance or reinsurance, if that person exercises due diligence to ensure it does not provide insurance or reinsurance for the sale, lease, or provision of goods, services, technology, information, or support that could directly and significantly contribute to the enhancement of Iran's ability to import refined petroleum products. Such due diligence would include procedures and controls to prevent such underwriting or the entry into contracts for such purposes, and the designation of an official with responsibility for enforcing the policy. The Act further establishes that the fair market value of the goods, services, technology, information, or support provided by such activities must exceed $1 million to be subject to the requirement of Section 102(a). The combination of such sales, leases, or provision of support in any 12-month period, or to be provided under contracts entered into in any 12-month period, must exceed $5 million.

Subsection (a) also prohibits the issuance of export licenses pursuant to an agreement for peaceful civil nuclear cooperation for any country whose nationals have engaged in activities with Iran relating to the acquisition or development of nuclear weapons or related technology, or of missiles or other advanced conventional weapons that have been designed or modified to deliver a nuclear weapon.

This prohibition can be set aside for a government if the President determines and notifies the appropriate Congressional committees that such government does not know or have reason to know about the activity, or has taken, or is taking, all reasonable steps necessary to prevent a recurrence of the activity and penalize the person(s) involved. Further, notwithstanding the prohibition on issuance of export licenses, the President may, on a case-by-case basis, approve the issuance of a license for the export, or approve the transfer or retransfer, of any nuclear material, facilities, components, or other goods, services, or technology that are or would be subject to an agreement for cooperation, to a person in a country otherwise restricted by this paragraph (except to a person that is subject to sanctions under paragraph (1)) if the President determines that such approval is vital to U.S. national security interests and pre-notifies Congress not less than 15 days before approving the license, transfer, or retransfer. This sanction would apply only in a case in which a person is subject to sanctions for an activity engaged on or after the date of enactment of the Act.

The Conferees believe that as a general principle, the United States cannot and should not reward any country with U.S. civil nuclear trade if that country's nationals are able to advance Iran's nuclear weapons programs and/or their means of delivery.

Subsection 102(b) of the Act adds three new, sweeping sanctions to the now nine possible sanctions from which the President must choose three. If invoked, the sanctions would prohibit, respectively, foreign exchange, banking, and property transactions with persons involved in activities related to refined petroleum products, as specified in section 5(a) of the ISA, as amended. The Act clarifies that the prohibition on banking activities extends solely to those transfers or payments that are subject to the jurisdiction of the United States and involve any interest of the sanctioned person. The banking sanction in the Act will complement restrictions on financial institutions available in the underlying ISA, including a prohibition on US financial institutions from making loans or providing credits to any sanctioned person totaling more than $10 million in any 12 month period.

Finally, subsection 102(b) amends ISA by adding a new section which requires each prospective contractor submitting a bid to the Federal Government to certify that the contractor or a person owned or controlled by the contractor does not conduct any activity for which sanctions may be imposed under section (5). Conferees believe that exercising control as a "parent company" over subsidiaries or affiliates should be considered in functional terms, as the ability to exercise certain powers over important matters affecting an entity. "Control" may also be defined according to ownership of a majority or a dominant minority of the total outstanding voting interest in an entity, board representation, proxy voting, a special share, or contractual arrangements, to direct important matters affecting an entity. The prospective contractor, when making the certification pursuant to this subsection, must certify that it is not engaged in any activity sanctionable under section 5 of ISA. The Act mandates the head of an executive agency that determines that a person has submitted a false certification under paragraph (1) after the date on which the Federal Acquisition Regulation is revised to implement the requirements of this subsection, to terminate a contract or agreement or debar or suspend such person from eligibility for Federal contracts or such agreements for a period not to exceed 3 years. The Act requires the Administrator of General Services to include on the List of Parties Excluded from Federal Procurement and Nonprocurement Programs each person that is debarred, suspended, proposed for debarment, or declared ineligible by the head of an executive agency on the basis of a determination of a false certification. The Act authorizes the President to waive the certification requirement on a case-by-case basis if the President determines and certifies that it is in the national interest to do so. Conferees believe that one of the instances where the President may exercise the waiver is where a company has demonstrated that it is taking steps to extricate itself from all sanctionable activities with Iran.

Subsection 102(c) amends the standard for the President to waive sanctions under ISA to ‘necessary to the national interest of the United States'. The Senate recedes to the House in elevating the waiver standard. Subsection (c) further amends the reporting requirements of section 9(c)(2) of ISA relating to a waiver by requiring the President to include (1) an estimate of the significance of a sanctioned action to Iran's ability to develop its petroleum resources, produce refined petroleum products, or import refined petroleum products; or (2) acquire or develop chemical, biological, or nuclear weapons or related technologies or destabilize numbers and types of advanced conventional weapons.

Subsection 102(d) incorporates a reporting requirement in H.R. 2194 on the dollar value amount of trade, including in the energy sector, between Iran and each country maintaining membership in the Group of Twenty Finance Ministers and Central Bank Governors.

Consistent with subsection (h) of section 3 of the House bill, Subsection 102(e) amends ISA to extend the operative date of that legislation from 2011 to 2016. The Senate bill has no such provision. The Senate recedes. ISA was initially passed for a five-year period. It was extended for five years in 2001 and again in 2006. Given the urgency of the Iranian nuclear problem and the conviction of Conferees that this problem will persist beyond 2011 and that Iran almost certainly will not meet the criteria for terminating ISA in 2011, Conferees have decided to extend the law for another five years.

Finally, subsection (f) amends ISA to expand the definition of a `person' subject to sanctions to include a financial institution, insurer, underwriter, guarantor, any other business organization, including any foreign subsidiary, parent, or affiliate of such a business organization, any other nongovernmental entity, organization, or group, and any governmental entity operating as a business enterprise. The term “person” does not include a government or governmental entity that is not operating as a business enterprise.

Subsection (f) also defines the term “knowingly” to include a person who has actual knowledge of sanctionable activities or should have known, of the conduct, the circumstance, or the result. The Conferees intend to prevent persons from evading sanctions by relying on the prior standard of “actual knowledge” This prior standard might otherwise be used to enable certain persons to deliberately avoid knowledge of sanctionable activities.

Subsection (f) amends the definition of “investment” in the underlying ISA to include entry into, performance, or financing of a contract to sell or purchase goods, services, or technology. The Conferees believe that expanding the definition of investment to include the activities above, will deter persons from doing business in the Iranian energy sector. Based on the expanded definition of “investment” and “petroleum resources,” the Conferees intend that, for example, sales of technology for natural gas would now be considered a sanctionable offense falling into the category of “investment,” provided such a sale reached the $20 million threshold.

Subsection (f) expands the term `petroleum resources' to include petroleum, refined petroleum products, oil or liquefied natural gas, natural gas resources, oil or liquefied natural gas tankers, and products used to construct or maintain pipelines used to transport oil or liquefied natural gas.

The House version of H.R. 2194 defines the term `refined petroleum products' to include gasoline, kerosene, diesel fuel, residual fuel oil, and distillates and other goods classified in headings 2709 and 2710 of the Harmonized Tariff Schedule of the United States. The Senate bill defines “refined petroleum products” as “diesel, gasoline, jet fuel (including naphtha-type and kerosene-type jet fuel), and aviation gasoline.

The House recedes.

Section 102(g) Waiver for Certain Persons in Certain Countries, Mandatory Investigations and Reporting; Conforming Amendments.

Waiver for Certain Persons in Certain Countries. The conference agreement amends subsection (c) of Section 4 of the Iran Sanctions Act to provide an additional exception to the underlying requirement that the President impose sanctions for certain activities. Under this additional exception, the President would be authorized to waive sanctions for a period not longer than 12 months (as opposed to the 6 months now authorized) on a case by case basis for persons under the jurisdiction of governments that are closely cooperating with the United States in multilateral efforts to prevent Iran from acquiring or developing chemical, biological, or nuclear weapons or related technologies, including ballistic missiles or delivery systems; or acquiring or developing destabilizing numbers and types of conventional weapons. The President must further certify that the waiver is vital to the national security interests of the United States and submit a report to the appropriate congressional committees. It is the understanding of the Conferees that this waiver would not be available as a preemptive waiver; rather, in order to exercise the waiver, the President must initiate an investigation and make a determination pursuant to section 4(f).

To utilize this exception, the President would have to provide advance notice to Congress and provide a certification of the person with respect to which the President will waive the application of sanctions; the actions taken by the government cooperating in multilateral efforts;

and that the waiver is vital to the national security interests of the United States. "Cooperating actions" must include a substantial number of the following types of actions:
--restricting Iran's access to the global financial system;
--limiting Iran's import of refined petroleum products and refinery equipment;
- strictly enforcing UN sanctions
--prohibiting commercial activities with the Iran Revolutionary Guard Corps;
--cooperating with U.S. anti-terrorism initiatives against the IRGC and other Iranian elements;
--taking concrete, verifiable steps to impede Iran's WMD programs and its support for international terrorism;
--restricting trade with Iran, including provision of export credits.

The President may renew the waiver in six month-increments if the President determines that the waiver threshold is met.

Investigations H.R. 2194 requires that the President shall immediately investigate a person upon receipt of credible information that such person is engaged in sanctionable activity as described in section 5. The House-passed bill further requires the President, not later than 180 days after an investigation is initiated, to make a determination whether a person has engaged in sanctionable activity described in section 5. The Senate-passed bill contained no such language. The Senate recedes. The Conferees believe that a statutory mandate is required to ensure sanctionable entities are pursued and prosecuted. By not enforcing current sanctions law, the United States has sent mixed messages to the corporate world when it comes to doing business in Iran by rewarding companies whose commercial interests conflict with American security goals.

Special Rule. However, in order to provide an incentive for companies that are withdrawing from Iran, the Act provides that the President need not initiate an investigation, and may terminate an investigation, if the President certifies that the person whose activities were the basis for the investigation is no longer engaging in such activities; and the President has received reliable, verifiable assurances that the person will not knowingly engage in such activities in the future.

The Conferees provided this Special Rule to allow firms to avoid sanction for activities described in the revised Section 5 of the Iran Sanctions Act by taking steps to curtail and eventually eliminate such activities. Ideally, in order to benefit, a firm would provide the President the required assurances that it will not undertake Section 5 activity in the future, and any other assurances required by the president, in writing. Such assurances should be credible and transparently verifiable by the United States government. Firms should also be strongly encouraged to provide the President a detailed catalog of their existing activity in Iran, and a plan for winding down any activity covered by Section 5 as soon as possible. The goal of this measure is to facilitate their withdrawal from such activities.

To the extent a person benefitting from the special rule continues activities described in section 5, such continuing activities should be pursuant solely to a contract or other legally binding commitment. Conferees expect that any firm seeking to take advantage of this special rule will commit to refuse any expansion or extension of business or investment pursuant to a clause in a contract that allows the firm to elect to do so. Binding commitments should be narrowly construed and any firm seeking to benefit from this rule should be encouraged to provide assurances that it will do only the minimum required by an agreement involving Iran. The Conferees intend to evaluate carefully any certifications under this Special Rule.

Section 102(h). Effective Date. In order to clarify the timing of application of the Act, subsection 102(h) further provides that the provisions of section 102 shall take effect on the date of enactment of the Act. Investments sanctionable under the underlying ISA shall continue to be unlawful. However, pursuant to subsection (g) of this section, the President shall, in the context of investment, commence an investigation of a person which engaged in conduct prior to the passage of this Act that would be sanctionable under ISA and that continues after the date of enactment. This differs from the underlying ISA by requiring the President to commence an investigation of sanctionable activities. Likewise, a person that conducts activities related to the development of Iranian chemical, biological, or nuclear weapons or related technologies shall be subject immediately upon enactment of the Act to the new provisions under the Act.
With respect to refined petroleum-related activities described in paragraph (2) or (3) of section 5(a) of ISA (as amended by subsection 102(a) of the Act), the new requirement to commence an investigation shall apply one year after the date of enactment.

Not later than 30 days before the date that is one year after the date of enactment, the President shall issue a report describing the President's efforts to dissuade foreign persons from engaging in sanctionable activity described in paragraphs (2) and (3) (facilitation of Iran's production and import of refined petroleum), along with a list of each investment under section 4(e) of ISA, that is initiated or ongoing during the previous one-year period. If the President certifies that there was a substantial reduction in the sanctionable activities described in paragraphs (2) and (3) of ISA, the requirement to commence an investigation shall be delayed by six months. Conferees understand "substantial reduction" to mean a roughly 20-30% reduction in such activities, a similar reduction in the volume of refined petroleum imported by Iran, and/or a similar reduction in the amount of refined petroleum Iran produces domestically. The President may continue to defer the requirement to commence an investigation every six months by issuing a report containing the above-mentioned items, along with a certification regarding reduction of activities, for the previous six-month period. If the President fails to make the certification, the requirement to commence an investigation shall apply on the date the certification was due, and he would then be required to make a determination in 45 days.

Section 103. Economic Sanctions Relating to Iran.

The Senate bill contained a provision building on actions taken under the Iran Freedom Support Act (IFSA) (P.L. 109-293) codifying critical restrictions on imports from and exports to Iran, currently authorized by the President in accordance with IEEPA. The House-passed bill contained no such provision. The House recedes. This provision strengthens the current trade embargo by eliminating certain import exceptions for luxury and other goods from Iran made under the Clinton administration. Consistent with IEEPA, exceptions to the import ban are made for informational materials that may be used, for example, in the conduct of news reporting, or in mapping for air travel over land. Similarly, exceptions to the export ban include food, medicine, humanitarian assistance, informational materials, goods used to ensure safety of flight for U.S.-made aircraft, aid necessary to support IAEA efforts in Iran, and democracy promotion initiatives. The exception related to internet communications extends to personal communications, as provided for in section 560.540 of the Code of Federal Regulations; it does not apply to the Iranian Government or any affiliated entities. Notwithstanding the exceptions, the standard requirements pursuant to IEEPA to seek a license for such activities remain in effect.

Consistent with his existing regulatory authority, the President is authorized to issue regulations, orders, and licenses to implement these provisions. In addition, this section requires asset freezes for persons, including officials of Iranian agencies specified in ISA and certain of their affiliates that have engaged in activities such as terrorism or weapons proliferation under IEEPA sanction. To limit sanctioned persons' ability to evade U.S. scrutiny and penalty, this section further stipulates that the assets freeze should extend to those assets which sanctioned persons transfer to family members or associates. The Conferees recognize that agencies involved in implementing these measures will require time to prepare appropriate evidentiary materials before executing corresponding sanctions, which this section requires to be imposed as soon as possible.

Section 104- Mandatory Sanctions with Respect to Financial Institutions that Engage in Certain Transactions. Section 104 establishes a sanction in addition to those enumerated in section 6(a) of ISA, as amended. The additional sanction would require the Secretary of the Treasury to prohibit from or impose strict sanctions on US financial institutions that establish, maintain, administer, or manage a correspondent or payable-through account by a foreign financial institution if that institution engages in certain financial transactions. Targets of this provision include foreign banks that: (A) Facilitate the Iranian government's efforts to acquire weapons of mass destruction (WMD) or to support international terrorism; (B) Engage in dealings with Iranian companies sanctioned by the U.N. Security Council; (C) Help launder money, to aid Iran's WMD programs, to support Iran's sponsorship of terrorism, or to support companies/persons under sanction by the U.N. Security Council; (D) Facilitate efforts by the Central Bank of Iran to aid Iran's WMD programs, to support Iran's sponsorship of terrorism, or to support companies sanctioned by the U.N. Security Council; or (E) Conduct significant business with Iran's Revolutionary Guard Corps, its front companies, or its affiliates, and other key Iranian financial institutions currently blacklisted by the U.S. Department of the Treasury. These measures are roughly patterned after Section 311 of the USA Patriot Act (31 U.S.C. 5318A), which Conferees recognize as some of our government's most effective targeted financial sanctions. However, while the USA Patriot Act measures are generally regarded as *defensive* of the U.S. financial system from special money laundering concerns, these new sanctions are to be deployed in an *offensive* fashion. Under the Comprehensive Iran Sanctions, Accountability, and Divestment Act, the Department of the Treasury is mandated to pursue relentlessly foreign banks engaged in business with blacklisted Iranian entities. Conferees expect any conditions imposed on U.S. correspondent accounts under this Act to be stringent and temporary. Most important, if foreign institutions do not cease their business with blacklisted Iranian entities, after an appropriate warning, the Treasury Department is to direct U.S. banks to sever immediately their correspondent or payable through account services with these foreign institutions.

Under the Act, U.S. banks maintaining *correspondent* or *payable through* accounts for foreign financial institutions will be required to take appropriate steps to ensure that they remain in full compliance with this law, which may include due diligence policies, procedures and controls. Subsection (f) provides for a mechanism for domestic financial institutions to conduct audits of their correspondent or payable-through accounts report to the Treasury Department on compliance, and certify that the foreign financial institutions using such accounts are not engaged in sanctionable activities. Subsection (g) authorizes the Secretary of the Treasury to waive the application of sanctions with respect to a foreign financial institution opening a correspondent or payable-through account and with respect to a domestic institution engaging in transactions with the IRGC if the Secretary determines that such a waiver is necessary to the national interest of the United States. Those U.S. financial institutions that fail to comply with the directives of the Department of the Treasury-- imposing strict conditions, prohibiting correspondent or payable through accounts, following appropriate auditing, reporting, due diligence, or certification measures—are to be subject to the same penalties as U.S. banks that fail to comply with Title III of the USA PATRIOT Act.

Once the legislation is enacted, the Conferees expect representatives of the Administration to take all necessary actions to fully implement this section, including by directly engaging the numerous foreign financial institutions banking with Iranian financiers and supporters of WMD proliferation and international terrorism. Severing U.S. correspondent relations with these foreign financial institutions is merely a means to an end. The goal is the termination of international commerce with Iranian businesses that threaten global peace and security.

In general, subparagraph (c)(2)(A) is a conduct-based prohibition. Thus, if the Secretary of the Treasury determines that a foreign financial institution has engaged in transactions that facilitate Iran's efforts to develop WMD or support terrorism, among other activities, the Secretary need not designate such entities before restricting that entity's opening or maintaining a correspondent account or a payable-through account in the United States. However, a financial institution doing business with an entity on the designated list pursuant to IEEPA would also be barred. Subparagraph (c)(2)(E) further requires that the Secretary prohibit or impose strict conditions on a foreign financial institution that (1) facilitates a transaction involving the IRGC, regardless of what the transaction was for; or (2) facilitates a transaction with any entity on the designated list maintained by the Department of Treasury pursuant to its authority under IEEPA, regardless of the type or reason for the transaction.

Section 104 would further require the Secretary to prohibit foreign subsidiaries of U.S. financial institutions from engaging in any transaction involving Iran's Islamic Revolutionary Guard Corps (IRGC), its agents or affiliates. U.S. companies already face severe civil and criminal penalties for doing business in Iran under IEEPA, as amended by the International Emergency Economic Powers Enhancement Act of 2007 (P.L. 110-96). This provision imposes similar judicial procedures and penalties on U.S. banks if their foreign subsidiaries are doing any business with the IRGC, its front companies, or affiliates. Thus, companies and financial institutions may be subjected to civil penalties of as much as either $250,000 or an amount twice the value of the actual transaction. Criminal penalties may be as high as $1 million per transaction and/or entail prison sentences of up to 20 years.

Subsection (j) defines key terms, including "correspondent" and "payable-through" account.

Section 105 – Imposition of Sanctions on Certain Persons Who are Complicit in Human Rights Abuses Committed Against Citizens of Iran or Their Family Members After the June 12, 2009, Elections in Iran.

Section 105 requires the President to impose sanctions on persons who are citizens of Iran that the President determines, based on credible evidence, are complicit in, or responsible for ordering, controlling, or otherwise directing the commission of serious human rights abuses against citizens of Iran or their family members on or after the Presidential elections of June 12, 2009, regardless of whether such abuses occurred in Iran. The President is to do so no later than 90 days after the date of enactment of this legislation. The President will also provide appropriate Congressional committees with a list of those persons the President determines meet the criteria for sanctions, and the President will also be required to submit to the appropriate Congressional committees updates to the list of Iranian citizens eligible for sanction not later than 270 days after the date of enactment and every 180 days thereafter, and as new information becomes available. Furthermore, the unclassified portion of this list will be made available to the public on the websites of the Department of the Treasury and the Department of State. In addition, the President's list must consider credible data already obtained by other countries and non-governmental organizations, including in Iran, that monitor the human rights abuses of the Government of Iran.

The President shall impose two sanctions on the Iranian human rights violators listed in his report to the appropriate Congressional committees. The first is a visa ban making those human rights violators ineligible to enter the United States. The second is financial sanctions authorized under the International Emergency Economic Powers Act (50 U.S.C. 1701 et seq.). These sanctions include the blocking of property; restrictions or prohibitions on financial transactions; and the exportation and importation of property. This section provides for regulatory exceptions, including those to permit the United States to comply with the Agreement between the United Nations and the United States of America regarding the Headquarters of the United Nations, signed June 26, 1947, and entered into force November 21, 1947, and other applicable international agreements.

The President may waive the sanctions required by Section 105 if the President determines that such a waiver is in the national interest of the United States and submits to the appropriate Congressional committees a report describing the reasons for the waiver determination.

The provisions of Section 105 shall cease to have force and effect on the date on which the President determines and certifies to the appropriate Congressional committees that the Government of Iran has unconditionally released all political prisoners, including the citizens of Iran detained in the aftermath of the June 12, 2009, presidential election in Iran; ceased its practices of violence, unlawful detention, torture, and abuse of citizens of Iran while engaging in peaceful political activity; conducted a transparent investigation into the killings, arrest, and abuse of peaceful political activists in Iran and prosecuted those responsible; and made progress toward establishing an independent Judiciary and respecting internationally-recognized human rights.

Section 106. Prohibition of procurement contracts with persons that export sensitive technology to Iran. This section would prohibit the head of any U.S. executive agency from entering into procurement contracts with an entity that the President determines has exported to Iran sensitive communications technology to be used for monitoring, jamming, or other disruption of communications by the people of Iran. This section further requires the Comptroller General to submit a report assessing the impact of sanctions on executive agencies' procurement of goods of services with persons that export sensitive technology to Iran.

Section 107. Harmonization of Criminal Penalties for Violations of Sanctions. This section harmonizes penalties for violating export controls and U.S. sanctions across various statutes with the strongest such penalty standards in the U.S. Code, consistent with the International Emergency Economic Powers Enhancement Act of 2007 (P.L. 110-96). The section specifically increases criminal penalties for violators of the provisions of the Arms Export Control Act, Trading with the Enemy Act, and the United Nations Participation Act to up to $1 million and 20 years in prison.

Section 108. Authority to Implement United Nations Security Council Resolutions Imposing Sanctions with Respect to Iran. This section authorizes the President to prescribe regulations as may be necessary to implement a resolution imposing sanctions with respect to Iran agreed to by the United National Security Council on or after the date of enactment of this Act.

Section 109. Increased capacity for efforts to combat unlawful or terrorist financing. This section authorizes funding of $102.6 million in fiscal year 2011 for the Office of Terrorism and Financial Intelligence of the Department of the Treasury, and such sums as may be necessary for each of the fiscal years 2012 and 2013. This section also authorizes $100.4 million for the Financial Crimes Enforcement Network and $113 million for the Department of Commerce. This section also acknowledges the Treasury Department's recent designation of various Iranian individuals and banking, military, energy, and shipping entities as proliferators of weapons of mass destruction pursuant to Executive Order 13382 (50 U.S.C. 1701 note), along with designation of entities in the insurance, petroleum, and petrochemicals industries that the Secretary has determined to be owned or controlled by the Government of Iran.

Section 110. Reports on Investments in the Energy Sector of Iran. The Act requires the President, within 90 days of enactment of the bill and every 180 days thereafter, to report to the appropriate congressional committees on an estimate of the volume of energy-related resources (other than refined petroleum) including ethanol, that Iran imported since January 1, 2006, along with a list of all known energy-related joint ventures, investments, and partnerships located outside Iran that involve Iranian entities in partnership with entities from other countries. It is the intention of the Conferees that the report be undertaken by the Secretary of Energy and parallel the format of previous reports, including one provided as recently as 2006, and should include updated information as provided by the Energy Information Administration (EIA). The report shall also include information on the effect of Iranian know-how in the energy sector as a result of joint energy-related ventures with other countries.

Section 111. Reports on certain activities of foreign export credit agencies and of the Export

Import Bank of the United States.
This section requires the President– 90 days after the date of enactment – to submit a report on any activity of an export credit agency of a foreign country that would be engaged in activities comparable to those which would otherwise be sanctionable under subsection (a) or (b) of section 5 of ISA, as amended by this Act. Not later than 30 days (or, in extraordinary circumstances, not later than 15 days) prior to the Export-Import Bank of the United States approving cofinancing with an export credit agency of a foreign country identified in the above-mentioned report, the President shall inform Congress of such action and of the beneficiaries of the financing. The Conferees intend to raise awareness about which countries and persons are engaged in activities comparable to those which would trigger U.S. sanctions and which may benefit from financing provided by the Export-Import Bank.

Section 112. Sense of Congress on Iran's Revolutionary Guard Corps (IRGC) and its Affiliates.
Expresses the sense of Congress that (1) the U.S. should persistently target with sanctions Iran's Revolutionary Guard Corps, its supporters and affiliates, and any foreign governments determined to be providing material support for the IRGC; (2) identify any foreign individual or entity that is an agent, alias, front, instrumentality, official, or affiliate of Iran's Revolutionary Guard Corps or providing material support to the IRGC; and (3) immediately impose sanctions on the individuals, entities, and governments described in paragraph (2).

Section 113. Sense of Congress Regarding Iran and Hezbollah. Expresses the Sense of Congress that the U.S. should continue to: (1) work to counter support for Hezbollah from Iran and other foreign governments; (2) target with sanctions Hezbollah, its affiliates and supporters; (3) urge other nations to do the same; and (4) take steps to renew international efforts to disarm Hezbollah.

Section 114. Sense of Congress Regarding the Imposition of Multilateral Sanctions with Respect to Iran. Expresses the Sense of Congress that, in general, multilateral sanctions are more effective than unilateral sanctions against countries like Iran, and that the President should continue to work with our allies to impose multilateral sanctions if diplomatic efforts to end Iran's illicit nuclear activities fail.

Section 115. Report on Providing Compensation for Victims of International Terrorism. This section requires the President to submit a report within 180 days of enactment on equitable methods for providing compensation on a comprehensive basis to victims of acts of international terrorism who are citizens or residents of the United States or nationals of the United States. The Conferees intend to address concerns presented by numerous plaintiffs groups that have yet to gain compensation for terrorist attacks.

Title II- Divestment

Section 201- Definitions. This section defines terms used in this title including: energy sector, financial institution, Iran, person, state, and state or local government.

Section 202- Authority of state and local governments to divest from certain companies that invest in Iran. This section authorizes States and localities to divest from companies involved in investments of $20 million or more in Iran's energy sector and sets standards for them to do so. While not mandating divestment, this section authorizes State and local governments, if they so choose, to divest public assets from entities doing business in Iran. Authorization to divest afforded under this Act does not extend to business conducted under a license from the Office of Foreign Assets Control, or that is expressly exempted under Federal law from the requirement to be conducted under such a license. For example, such licenses or exemptions might include humanitarian trade in agricultural and medical products. In its formulation of this section, the Conferees recognized that divestment actions are being taken by investors for prudential and economic reasons, as expressed in subsection (a), including to address investor concerns about reputational and financial risks associated with investment in Iran and to sever indirect business ties to a government that is subject to international sanctions.

The Conferees require that a state or local government provide notice to the Department of Justice when it enacts an Iran-related divestment law. Persons are to be informed in writing by the State or local government before divestment. Persons then have at least 90 days to comment on that decision.

Subsection (i) – *Authorization for Prior Enacted Measures*. Subsection (i) constitutes a "grandfather clause" – it authorizes a state or local government to enforce a divestment measure without regard to the procedural requirements and scope of this section up to two years after the date of the enactment of the Act. After two years, if the state or locality has complied with the procedural requirements required by the Act regarding notice, the state or locality may enforce a measure that provides for divestment, notwithstanding any other provision of law. In order to secure the protections of the Act, state and local entities which have not enacted or adopted divestment measures prior to the date of enactment must abide by both the scope and procedural requirements it outlines.

Section 203- Safe harbor for changes in investment policies by asset managers. This section adds to measures authored by the Senate and enacted last year authorizing divestment from certain Sudan-related assets (Public Law 110-174), allowing private asset managers, if they so choose, to divest from the securities of companies investing $20 million or more in Iran's energy sector, and provides a `safe harbor' for divestment decisions made in accordance with the Act. A major concern inhibiting divestment has been the possibility of a breach of fiduciary responsibility by asset managers who decide to divest. The Conferees thus find that fund managers may have financial or reputational reasons to divest from companies that accept the business risk of operating in countries subject to international economic sanctions. Fund managers will still be required to observe all other normal fiduciary responsibilities. The Securities and Exchange Commission is required to promulgate rules as necessary that require fund managers to disclose their divestment decisions made pursuant to Section 203 of this legislation in regular periodic reports filed with the Commission.

Section 204- Sense of Congress regarding certain ERISA Plan investments. This section expresses the sense of Congress affirming pension managers' rights to divest from companies investing $20 million or more in Iran's energy sector if the fiduciary makes the divestment decision based upon credible public information, and determines that the action would not provide a lower rate of return than alternate investments with a commensurate degree of risk, or provides for a higher degree of risk than alternate investments with commensurate rates of return. Section 205- Makes certain technical corrections to Sudan Accountability and Divestment Act of 2007, to clarify the divestment standards contained in this Act.

Section 205-Technical Corrections To Sudan Accountability and Divestment Act of 2007: This section is designed to clarify that Congress did not intend, in the Sudan Divestment legislation, to imply the creation of a new private right of action under the Investment Company Act of 1940.

Title III- Prevention of Diversion of Certain Origin Goods, Services, and Technologies to Iran

Title III of the Senate version of the bill provides new authority and imposes new responsibilities to stop the diversion from the U.S. to Iran of critical goods through other countries. The House recedes to the Senate. This provision relates to (1) U.S.-origin goods, services and technologies that are controlled for export from the United States, and (2) items denied for export to Iran by a United Nations Security Council resolution. The purpose is to shut off Iran's clandestine acquisition of items and technologies that would contribute to its weapons development programs, its other defense capabilities and its support for international terrorism. While U.S.-origin items do not make a significant contribution to Iran's military or terrorism capabilities, by utilizing U.S. global jurisdiction over our export-controlled items, effective leverage can be utilized to identify and shut down Iran's black-market technology acquisition and proliferation around the world.

Section 301- Definitions. This section defines terms used in this title including: allow, Commerce List, end user, entity owned or controlled by the Government of Iran, Export Administration Regulations, government, Iran, state sponsor of terrorism, as well as diversion.

Section 302 requires the Director of National Intelligence to identify, on an ongoing basis, those countries that allow diversion to Iran, either directly or through indirect routes, of U.S.-origin goods services and technologies and items prohibited for Iran under a UN Security Council resolution. The Director shall report such countries to the President, relevant departments and the Congress.

Section 303 requires the President to designate Destinations of Diversion Concern and authorizes U.S.-provided training, technical assistance and law enforcement support to strengthen other governments' capability to stop diversions to Iran. For governments that take effective action against diversion to Iran, the President removes the designation. Specific standards are required to be met by a country in halting diversions to Iran.

Further under Section 303, for governments identified under Section 302 that are deemed resistant to U.S. engagement, or where U.S. assistance fails to secure cooperation, the President must require a license, under the Export Administration Regulations, for the export from the U.S. of any good, service or technology that, if diverted to Iran, would contribute to Iran's weapons programs, defense capabilities or support of terrorism. There would be a presumption of denial for all applications for such licenses. The requirement for a license could be delayed during efforts by the U.S. to assist a country to take effective action to stop diversions to Iran.

Section 304 requires a report to Congress by the President on other countries that may be allowing diversion of certain U.S.-origin items to other countries, aside from Iran, that may be seeking nuclear and other weapons of mass destruction, other defense technologies, or other capabilities for terrorist support.

Section 305 clarifies and reinforces the statutory law enforcement authority for agents of the enforcement division of the Commerce Department's Bureau of Industry and Security, so that they can fully carry out the expanded duties required by enactment of this legislation.

TITLE IV. General Provisions.
Sunset. The House-passed bill contained a "sunset" provision specifying the conditions for termination of petroleum-specific sanctions. The Senate contained no such provision. Adopting the House approach, section 105(a) provides that – except for several provisions -- the provisions of the Act shall terminate if the President determines and certifies to the appropriate congressional committees that Iran: (1) has ceased providing support for acts of international terrorism and is no longer a state sponsor of terrorism; and (2) has ceased the pursuit, acquisition, and development of nuclear, biological, and chemical weapons and ballistic missiles and ballistic missile launch technology.

Waiver. Subsection (b) provides that the President may waive the application of sanctions under section 103(b), the requirement to impose or maintain sanctions with respect to a person under section 105(a), the requirement to include a person on the list required by section 105(b), the application of the prohibition under section 106(a), or the imposition of the licensing requirement under section 303(c with respect to a country designated as a Destination of Diversion Concern under section 303(a) if the President determines that such a waiver is in the national interest of the United States. If the President does elect to use the waiver of 303(c) rather than delay imposition of export restrictions, he must provide an assessment to Congress of the steps being taken by the country to institute or strengthen an export control system; to interdict the diversion of goods, services, or technologies described in section 302(b) through the country to Iranian end-users or Iranian intermediaries; and to comply with and enforce appropriate U.N. Security Council Resolutions. The Conferees intend that the waiver authority in this section shall be case by case and shall not be used as a general waiver.

Authorization of Appropriations. Subsection (c) provides that there are authorized to be appropriated to the Secretary of State and the Secretary of the Treasury such sums as may be necessary to carry out Titles I and III of this Act. Further, the Act authorizes to be appropriated to the Secretary of Commerce such sums as may be necessary to carry out Title III.

COMPLIANCE WITH CLAUSE 9 OF RULE XXI (EARMARKS)
Pursuant to clause 9 of rule XXI of the Rules of the House of Representatives, neither this conference report nor the accompanying joint statement of managers contains any congressional earmarks, limited tax benefits, or limited tariff benefits as defined in clause 9 of rule XXI.