Thank you, Madam Chairman.

Chairman Ros-Lehtinen and Ranking Member Berman and distinguished

members of the committee, thank you for the opportunity

to appear before you today to discuss the Treasury Department’s

efforts to implement and enforce sanctions on Iran and

Syria.

The focus of my testimony today will be the progress we are

making in our financial strategy to increase pressure other than

the Iranian and Syrian regimes. But, first, I, too, would like to say

a few words about this week’s revelation that we disrupted an Iran

Quds Force plot to assassinate the Saudi Ambassador here in

Washington.

This is a dramatic reminder that the urgent and serious threat

we face from Iran is not limited to Iran’s nuclear ambitions. We

have been working for several years to address the full spectrum

of Iranian illicit conduct, including nuclear and missile proliferation,

human rights abuses, misuse of the international financial

system, and support for terrorist groups worldwide. This week is

no different.

On Tuesday, Treasury imposed financial sanctions against five

individuals, including the commander of the Quds Force and three

other senior Quds Force officers connected to the assassination

plot. In taking this action, Treasury exposed the Iranian Government’s

involvement in the plot through the Quds Force, Iran’s primary

arm for exporting terror.

And Wednesday we took another action targeting Quds Force involvement

in terrorist activities, this time by imposing sanctions on

Mahan Air, Iran’s second-largest airline, which was secretly

ferrying operatives, weapons, and funds on its flights for the Quds

Force.

Actions like these, along with a raft of additional sanctions we

have imposed on Iran over the past several months and years, have

put increasing financial pressure on Iran.

CISADA has markedly amplified this pressure and deepened

Iran’s isolation. As we have explained to banks and governments

in nearly 50 countries all around the world, CISADA offers a clear

choice. A foreign bank can have access to the largest and most important

financial sector in the world, the United States, or it can

do business with sanctioned Iranian banks. But it cannot do both.

For the overwhelming majority of foreign banks, the choice has

been a simple one. Those with potentially sanctionable relationships

quickly elected to stop that business. And where we learned

of potentially sanctionable activity under CISADA, we have actively

investigated.

Our efforts are paying off. Iran is now facing unprecedented levels

of financial and commercial isolation. The number and quality

of foreign banks willing to transact with designated Iranian financial

institutions has dropped precipitously over the last year. Iran’s

shrinking access to financial services and trade finance has made

it extremely difficult for Iran to pay for imports and receive payment

for exports. Iran’s central bank has been unable to halt this

steady erosion in the value of its currency, and Iran has been increasingly

unable to attract foreign investment, especially in its oil

fields, leading to a projected loss of $14 billion a year in oil revenues

through 2016.

Our efforts in Syria are also yielding results. Since the uprising

in Syria began in March, President Obama has issued three new

executive orders to establish sanction programs that have systematically

escalated the financial pressure on the Assad regime.

These U.S. sanctions, which targets human abusers, block the assets

of the Government of Syria, impose an import ban on Syrian

petroleum products, and prohibit new investment in Syria, are intended

to pressure Assad to relinquish power.

Our efforts have been echoed by our European partners, who

have established an embargo on Syrian oil and imposed financial

sanctions targeting officials responsible for Syrian repression.

And echoing an action that we have taken, just this morning the

EU announced sanctions on the Commercial Bank of Syria, by far

the largest bank in Syria and its key remaining link to the international

financial system.

As a result of these sanctions, the Assad regime is struggling to

find buyers for its oil, to access foreign currency, and to maintain

economic stability.

The IMF has revised its projections downward for the Syrian

economy this year, from 3 percent growth to a 2 percent contraction,

and predicts increasing pressure on Syria’s foreign currency

reserves and ability to finance imports.

We are making progress in both Iran and Syria, but there is still

much to be done to prevent both Iran and Syria from evading sanctions

already in place and to take new steps to increase the pressure

on these regimes.

In the case of Iran, we continue to focus on the Central Bank of

Iran, the CBI. Although U.S. financial institutions are already generally

prohibited from doing business with any bank in Iran, including

the CBI, further U.S. action against the CBI, if it attained

multilateral support, could further isolate the CBI with a potentially

powerful impact on Iran.

I can assure the committee, as Secretary Geithner said in his letter

to Congress of August 29th, all options to increase the financial

pressure on Iran are on the table, including the possibility of imposing

additional sanctions against the CBI.

We will also continue to work with governments in Europe, the

Gulf, and elsewhere to impose financial measures that will ratchet

up the pressure on Assad to step down. If the Iranian and Syrian

regimes continue to choose the path of defiance, we will continue

to develop new and innovative ways to impose additional costs on

them.

I look forward to working with the Congress and this committee

to advance our national security interests.

Thank you, Congressman, for the kind words, first

of all.

And in response to your question, yes, we are engaged in an effort

to develop the multilateral support that would be I think critically

important in having an action against the CBI really be effective.

And I think the important point to recognize here is that, as

you noted, we have comprehensive sanctions on Iran and have so

for almost two decades and that includes the CBI. So there is no

U.S. financial institution that has any dealings with the CBI, including

the Federal Reserve. So the CBI is essentially completely

cut off from the United States.

So the real question is, can we, by taking another action against

the CBI, by designating the CBI, as you suggested, either under

our nonproliferation authority or under our counterterrorism authority,

can we elicit multilateral respect for that action? And that

work is under way.

Congressman, let me first address the issue of the

104(e) rule, and then I will return to the central bank question.

We issued that rule earlier this week. It has gone into effect, and

we have already sent out to U.S. financial institutions a request for

information with respect to a number of foreign banks where we

have reason to believe that they may be involved in potentially

sanctionable activity under CISADA.

That being said, we have, as I noted in my testimony, been very

aggressively implementing CISADA really since the day it was enacted;

and what we have done, frankly, using other sources of information

is understood where there may be banks that are continuing

to do business with designated Iranian banks, and we have

gone out as part of our, you know, worldwide effort—we have gone

out specifically to those jurisdictions and those institutions where

we thought there might be sanctionable activity. And, as I noted,

we have had an extraordinarily positive response. And the result

of this—and I think this also may be something that would be better

discussed in a different setting—but the result has been a tremendous

reduction in the number of banks doing business with

designated Thank you, Congressman.

There are things that we are working on in addition to the CBI

which we talked about. One area where we have been very active

and I think where we will continue to focus is on the IRGC, which

Iran has used increasingly to take over parts of the economy to the

detriment of

They are, but there are—but what we can do and

what we have done in the last several months is to add IRGC-affiliated entities for sanctions. So the sanction that we imposed on

Tidewater, which Ranking Member Berman mentioned, was done

because the IRGC in the last 2 years or so took over Tidewater

from a private owner.

And we are working to do that. And

Well, we have done the ones that we are aware of.

The Iranians continue to offer up to us new targets as they turn

over more and more of their economy to the IRGC. As they do that,

that provides targets for us to go after.

I think the IRGC

I think we all share the sense of urgency.

Well, I can’t speculate on what our response would

have been had this plot not been disrupted. And I am thankful that

it was, as Under Secretary Sherman

I don’t know that it is more of the same.

From the Treasury Department’s perspective, that is

what we have in our quiver.

If I could—I completely agree with everything that

Secretary Sherman said, but if I could just add a couple of points

on that.

I think it is important to separate Iranian rhetoric from the reality,

and we are able to measure reality in two important respects.

One is—and I detailed this somewhat in my testimony—we can see

the economic impact of the sanctions that we have been applying.

We can see it in their oil field developments. We can see it in their

much, much more constricted and isolated financial networks that

have made it increasingly difficult for Iran to engage with the outside

world.

This is a country I think actually, unlike North

Korea, that cares very much about its ability to integrate into the

broader world. Iranians I think feel even more intensely the isolation

that the sanctions have brought to bear than the North Koreans.

So I do think that the sanctions in fact are having an effect,

notwithstanding the rhetoric.

The other point that I would make is we hear often from the Iranians

about projects or new banks that they have established and

new relationships that they have concluded; and, quite frequently,

it is just bluster. There is no reality to it. Which is not to say that

we should ignore the egregious and vile rhetoric that often comes

from the Iranian leadership. But I do think it is important to separate

it out from

I am sorry?

No—well, I want to be very clear. I think the basic

direction of the Iranian regime is something that we have to take

at face value and take very seriously. I am talking about more specific

claims and assertions of sanctions not having an effect and

that sort of thing.

I quite agree. With the executive order that was

issued in the middle of the August we now have comprehensive

sanctions on Syria. It is entirely cut off from the United States.

The difficulty, as I am sure you know, Congressman, is that

there was not much interaction between the United States and

Syria to begin with, and so the effect of the sanctions that we

apply, you know, there is a limit to that. But what we have been

doing, working with our colleagues at State in particular, is working

with the EU to ensure that the EU applies very powerful sanctions

that complement what we have done. And we have had very

good success on that.

I think I have nothing to add to Secretary Sherman’s

I think very apt comments.

I would add only this. That as we continue to work

with Russia and China I think we also need to work with other

countries that may look at this as an opportunity to get into the

Syrian market. I think India, for instance, is another country we

need to pay attention to.

For our part, although we have comprehensive sanctions on the

Government of Syria now, we still also have the opportunity

through the pre-existing executive orders, the one in particular

that addresses human rights violations, to identify individuals and

entities in Syria or outside of Syria, including in Iran, that are involved

in these human rights abuses.

I do.

I, again, completely agree with Secretary Sherman

that what remains to be done is to increase Iran’s economic, commercial

and human, as it were, interaction with the outside world.

It is very much the policy of this administration to

continue to increase, and to ratchet up the pressure on Iran in an

effort to try and achieve the objective that Secretary Sherman laid

out. So we are going to, and we have been, and we will continue

to apply additional pressure on Iran, both unilaterally and

We are working, and have been working very hard

to internationalize to the greatest extent possible the sanctions on

Iran. The United States, as you know, Congressman, has had for

many years, a complete embargo on Iran. The rest of the world is

not there yet. We are working with our colleagues, whether it is

in Europe or in Asia, around the world to try and internationalize

and extend the isolation of Iran and the pressure on Iran. And

frankly in response to the most recent episode that was revealed

this week, using that to illustrate to our partners around the world

why it is that they should take complementary action, to isolate

Iran to a great extent.